CanadianSolar

4th FP (ended June 2019)

# Presentation Materials

## Canadian Solar Infrastructure Fund, Inc.

Security code 9284

**Asset Manager**
**Canadian Solar Asset Management K.K.**

S-19 CS Misato-machi Power Plant

S-20 CS Marumori-machi Power Plant

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# 1. Financial Highlights

# Financial Highlights of 4th FP

**Profits surpassed forecasted levels because (1) actual power generation exceeded forecasted amounts, and (2) CSIF acquired two projects from the sponsor pipeline. Increased profit distributions and elevated DPU to ¥3,650**

| Statement of Income Data (million yen) | 3rd FP (ended Dec. 2018) | 4th FP (ended Jun. 2019) | | |
|---|---|---|---|---|
| | Actual | Feb. 2019 forecast | Actual | Increase / decrease |
| Operating revenues | **1,785** | **2,072** | **2,185** | **113** |
| Operating income | **644** | **703** | **817** | **114** |
| Income before income taxes | **413** | **573** | **711** | **138** |
| Net income | **412** | **572** | **710** | **138** |
| Distribution per unit (including distributions in excess of earnings) (yen) | **3,600** | **3,600** | **3,650** | **50** |
| Distributions per unit (excluding distributions in excess of earnings) (yen) | **1,783** | **2,478** | **3,073** | **595** |
| Distributions in excess of earnings per unit (yen) | **1,817** | **1,122** | **577** | **▲545** |

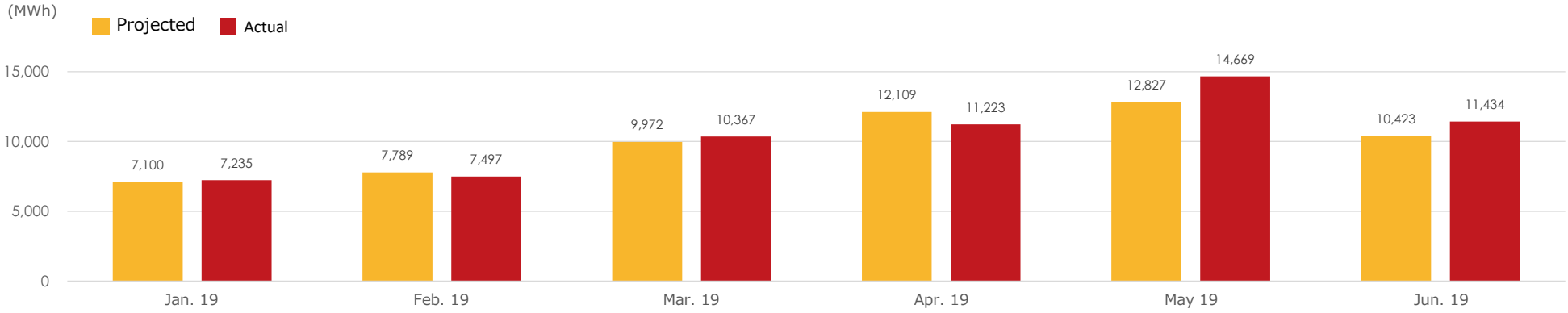
| Major difference factor | | |
|---|---|---|
| Operating revenue | Increase in basic and performance-based rent | +113 |
| Operating expenses | Decrease in O&M cost | −14 |
| | Increase in depreciation expense | +5 |
| Non-operating income | Insurance proceeds | +26 |
| Non-operating expenses | Increase in borrowing-related expenses | +5 |

4th FP
distribution per unit
**3,650 yen**

# Portfolio Performance

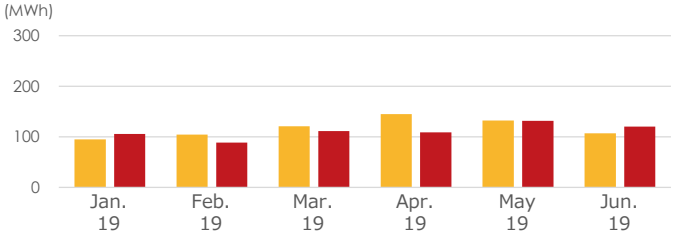
## 4th FP actual energy output ÷ 4th FP projected energy output = 103.66%

### Total energy output

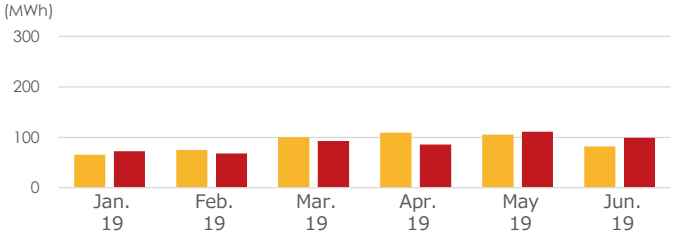



### Energy output by project

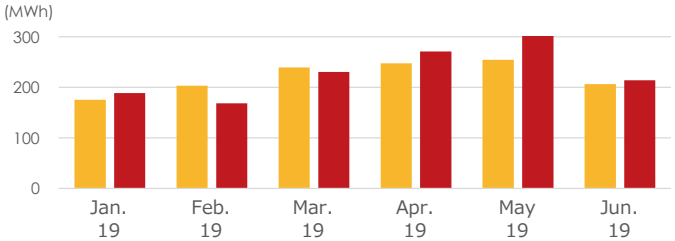
**S-01 CS Shibushi-shi Power Plant**



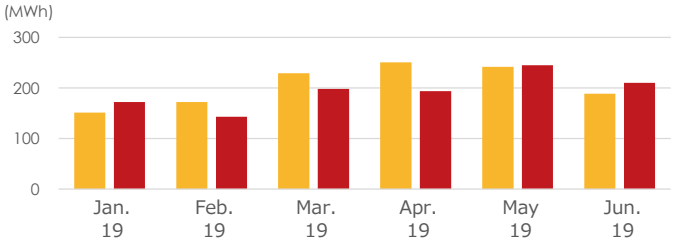

**S-02 CS Isa-shi Power Plant**




**S-03 CS Kasama-shi Power Plant**

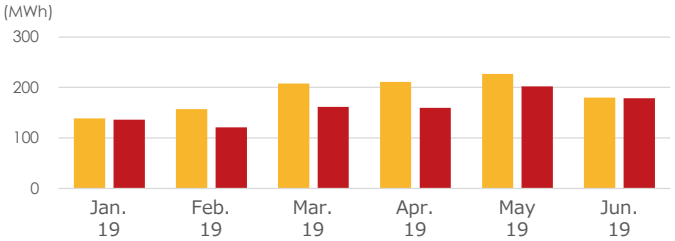



**S-04 CS Isa-shi Dai-ni Power Plant**

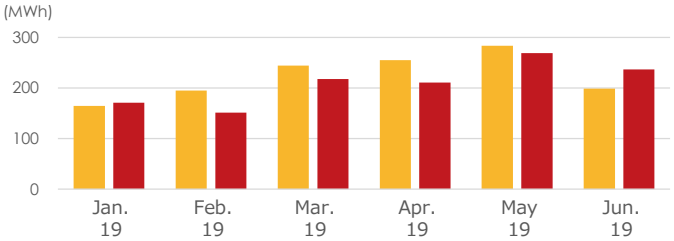


# Portfolio Performance

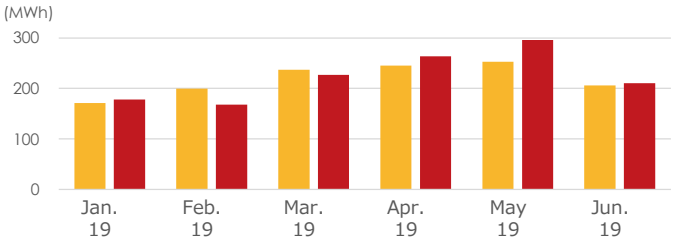
**S-05 CS Yusui-cho Power Plant**



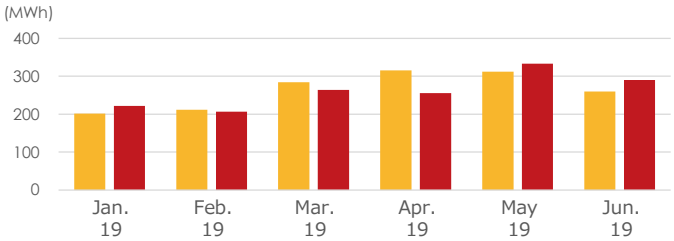

**S-06 CS Isa-shi Dai-san Power Plant**



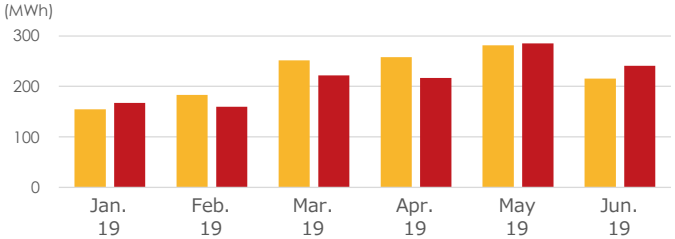

**S-07 CS Kasama-shi Dai-ni Power Plant**



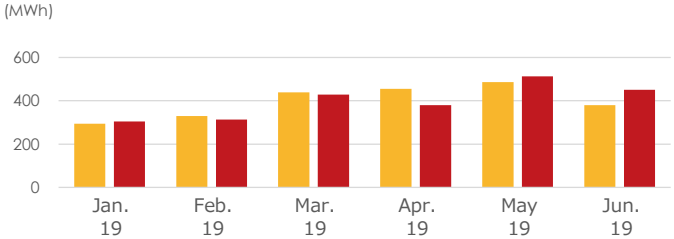

**S-08 CS Hiji-machi Power Plant**



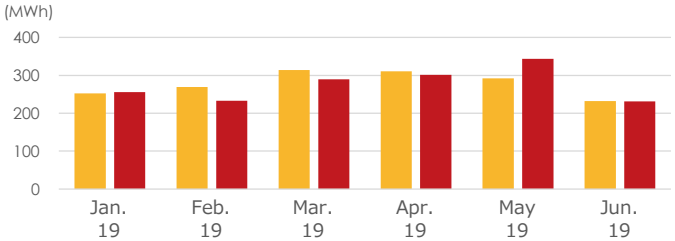

**S-09 CS Ashikita-machi Power Plant**



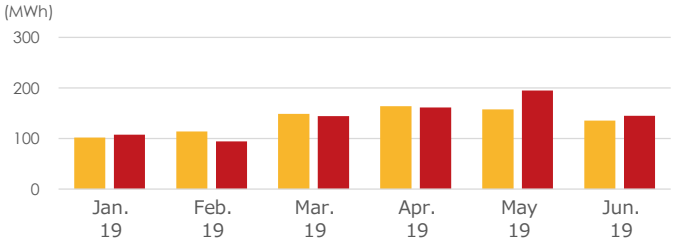

**S-10 CS Minami Shimabara-shi Power Plant (East & West)**




**S-11 CS Minano-machi Power Plant**

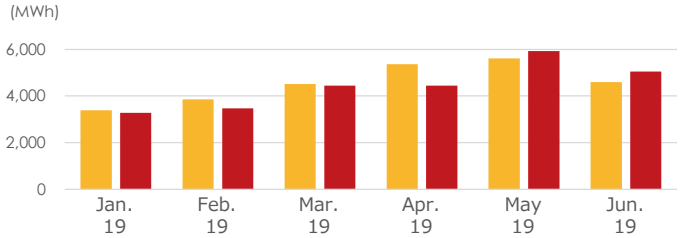



**S-12 CS Kannami-cho Power Plant**

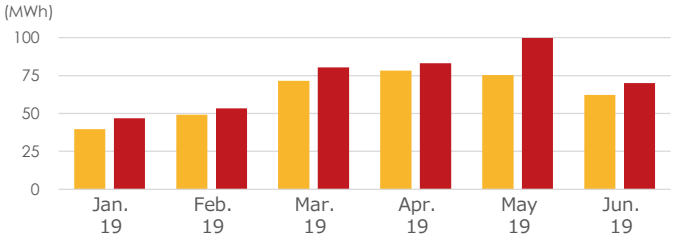


# Portfolio Performance

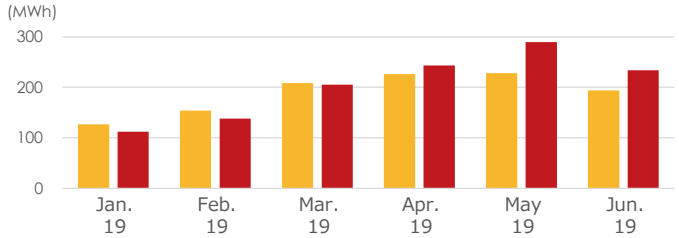
**S-13 CS Mashiki-machi Power Plant**



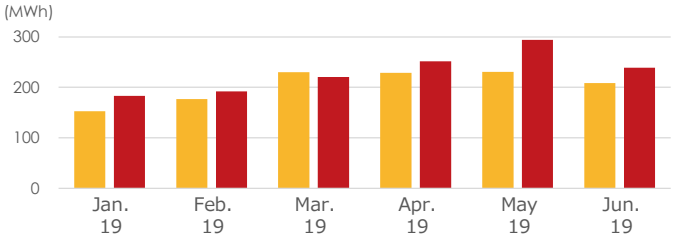

**S-14 CS Koriyama-shi Power Plant**



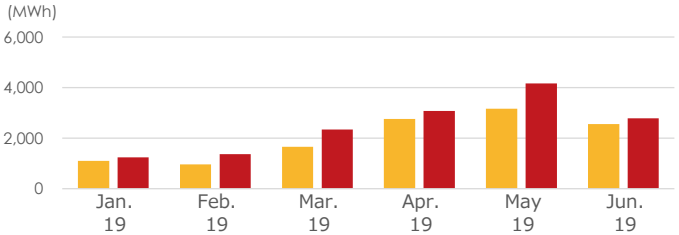

**S-15 CS Tsuyama-shi Power Plant**



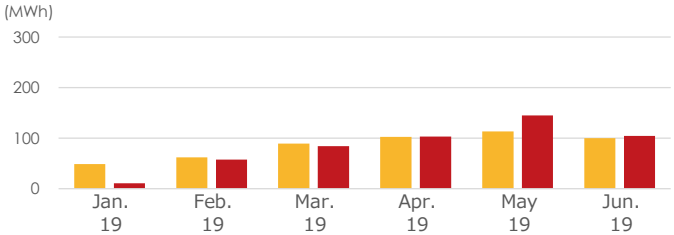

**S-16 CS Ena-shi Power Plant**



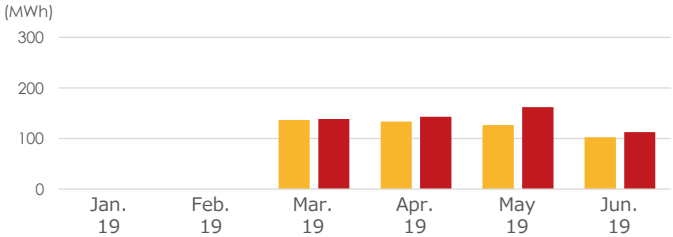

**S-17 CS Daisen-cho Power Plant (A)(B)**



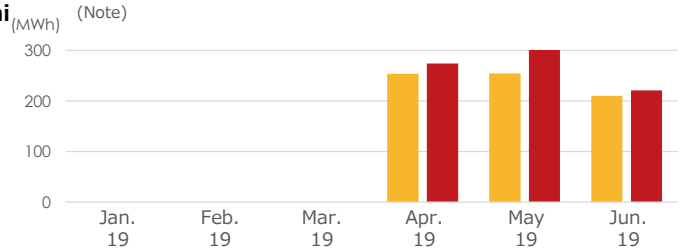

**S-18 CS Takayama-shi Power Plant**




**S-19 CS Misato-machi**




**S-20 CS Marumori-machi**




(Note) Since the project was acquired on March 29, the performance figures for March (March 29 to 31) was omitted from the above.

# 2. Major Topics for 4th FP

CanadianSolar

# AUM Snapshot

**Consistent growth of the largest listed infrastructure fund in Japan sponsored by the Canadian Solar Group developing business globally. AUM on mark-to-market basis has exceeded ¥50Bn.**

**<Portfolio as of the end of 3rd FP>**

| | |
|---|---|
| **# of projects** | 18 projects |
| **Total project valuation price as of the end of 3rd FP(note)** | ¥47.09Bn |
| **Panel output of AUM** | 105.6 MW |

**<Assets acquired during 4th FP>**

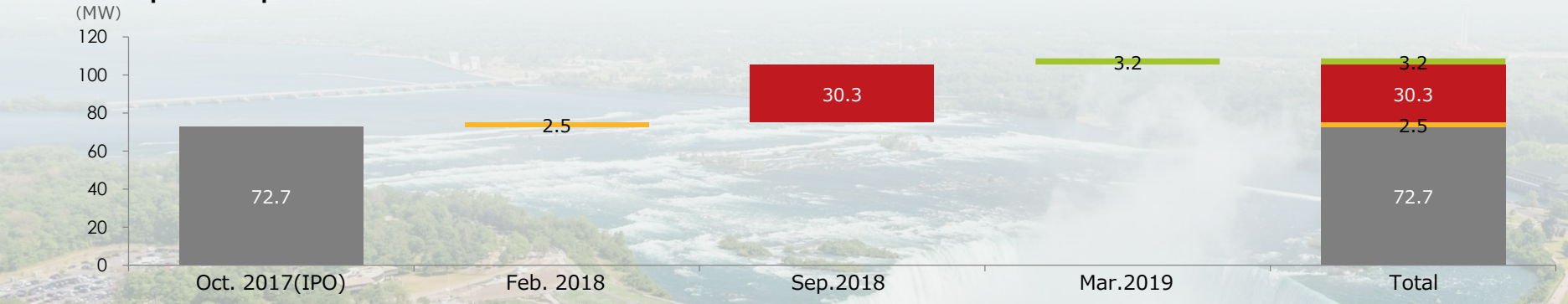
| | |
|---|---|
| **# of projects** | 2 projects |
| **Acquisition price(note)** | ¥1.32 Bn |
| **Panel output of acquisitions** | 3.2 MW |

**<Portfolio as of the end of 4th FP>**

| | |
|---|---|
| **# of projects** | 20 projects |
| **Total project valuation price as of the end of 4th FP(note)** | ¥50.02 Bn |
| **Panel output of AUM** | 108.9 MW |

(Note) For owned assets as of the end of the 3rd and 4th FP, "price" refers to the median project valuation report amount which is the estimated values provided to us by Pricewaterhouse Coopers Sustainability LLC and Ernst & Young Transaction Advisory Services Co., Ltd. in its project valuation reports as at December 31, 2018 and June 30, 2019. For assets purchased during the 4th FP, "price" refers to the acquisition price.

■ **Historical panel output**



# Portfolio

## ■ As at period-ended Jun'2019

**S-01** CS Shibushi-shi Power Plant 1.2MW

**S-02** CS Isa-shi Power Plant 0.9MW

**S-03** CS Kasama-shi Power Plant 2.1MW

**S-04** CS Isa-shi Dai-ni Power Plant 2.0MW

**S-05** CS Yusui-cho Power Plant 1.7MW

**S-06** CS Isa-shi Dai-san Power Plant 2.2MW

**S-07** CS Kasama-shi Dai-ni Power Plant 2.1MW

**S-08** CS Hiji-machi Power Plant 2.6MW

**S-09** CS Ashikita-machi Power Plant 2.3MW

**S-10** CS Minami Shimabara-shi Power Plant (East & West) 3.9MW

**S-11** CS Minano-machi Power Plant 2.4MW

**S-12** CS Kannami-cho Power Plant 1.3MW

**S-13** CS Mashiki-machi Power Plant 47.7MW

**S-14** CS Koriyama-shi Power Plant 0.6MW

**S-15** CS Tsuyama-shi Power Plant 2.0MW

**S-16** CS Ena-shi Power Plant 2.1MW

**S-17** CS Daisen-cho Power Plant (A)(B) 27.3MW

**S-18** CS Takayama-shi Power Plant 1.0MW

**S-19** CS Misato-machi 1.1MW

**S-20** CS Marumori-machi 2.2MW

# Newly Acquired Assets in 4th FP

## S-19 CS Misato-machi Power Plant

(Acquisition Date : March 1, 2019)

| | | |
|---|---|---|
| Project Name | | CS Misato-machi Power Plant |
| Acquisition Date | | March 1, 2019 |
| Acquisition Price | | ¥470,000,000 |
| Location | | Misato-machi, Kodama-gun, Saitama |
| Operator | | Canadian Solar Projects K.K. |
| O&M Servicer | | CSOM Japan |
| EPC Servicer | | Univergy K.K. |
| Summary of Specific Contracts | Power Generation Company | Univergy 01 G.K. |
| | Electric Power Purchasing Company | TEPCO Energy Partner, Inc. |
| | Purchase Price | ¥32/kWh |

| | | |
|---|---|---|
| Land | Area | 25,315.08㎡ |
| | Land Rights | Ownership |
| | COD | March 27, 2017 |
| Facility | FIT expiration | March 26, 2037 |
| | Panel Type | Polycrystalline silicon |
| | Panel output | 1,082.00kW |
| | Output capacity | 1,009.00kW |
| | Panel Manufacturer | Canadian Solar Group |
| | Inverter manufacturer | Power Electronics Espana SL |
| | Frame Structure | Screw pile foundation |
| | First year projected capacity factor | 14.04% |

## S-20 CS Marumori-machi Power Plant

(Acquisition Date : March 29, 2019)

| | | |
|---|---|---|
| Project Name | | CS Marumori-machi Power Plant |
| Acquisition Date | | March 29, 2019 |
| Acquisition Price | | ¥850,000,000 |
| Location | | Marumori-machi, Igu-gun, Miyagi |
| Operator | | Canadian Solar Projects K.K. |
| O&M Servicer | | CSOM Japan |
| EPC Servicer | | ETS Holdings Co.,Ltd |
| Summary of Specific Contracts | Power Generation Company | CLEAN ENERGIES SOLUTIONS K.K. |
| | Electric Power Purchasing Company | Tohoku Electric Power Co.,Inc. |
| | Purchase Price | ¥36/kWh |

| | | |
|---|---|---|
| Land | Area | 65,306.00㎡ |
| | Land Rights | Lease-hold, easement |
| | COD | July 13, 2018 |
| Facility | FIT expiration | July 12, 2038 |
| | Panel Type | Polycrystalline silicon |
| | Panel output | 2,194.5kW |
| | Output capacity | 1,990.00kW |
| | Panel Manufacturer | Canadian Solar Group |
| | Inverter manufacturer | Power Electronics Espana SL |
| | Frame Structure | Pile foundation |
| | First year projected capacity factor | 13.12% |

# Asset List

| No. | Project name | Location | Acquisition price (yen millions) | Price (yen millions) (note) | Investment ratio (%) | Panel output (kW) |
|---|---|---|---|---|---|---|
| S-01 | CS Shibushi-shi Power Plant | Shibushi-shi, Kagoshima | 540 | 607 | 1.21 | 1,224.00 |
| S-02 | CS Isa-shi Power Plant | Isa-shi, Kagoshima | 372 | 408 | 0.82 | 931.77 |
| S-03 | CS Kasama-shi Power Plant | Kasama-shi, Ibaraki | 907 | 1,082 | 2.16 | 2,127.84 |
| S-04 | CS Isa-shi Dai-ni Power Plant | Isa-shi, Kagoshima | 778 | 847 | 1.69 | 2,013.99 |
| S-05 | CS Yusui-cho Power Plant | Aira-gun, Kagoshima | 670 | 730 | 1.46 | 1,749.30 |
| S-06 | CS Isa-shi Dai-san Power Plant | Isa-shi, Kagoshima | 949 | 1,033 | 2.06 | 2,225.08 |
| S-07 | CS Kasama-shi Dai-ni Power Plant | Kasama-shi, Ibaraki | 850 | 923 | 1.85 | 2,103.75 |
| S-08 | CS Hiji-machi Power Plant | Hayami-gun, Oita | 1,029 | 1,111 | 2.22 | 2,574.99 |
| S-09 | CS Ashikita-machi Power Plant | Ashikita-gun, Kumamoto | 989 | 1,081 | 2.16 | 2,347.80 |
| S-10 | CS Minamishimabara-shi Power Plant (East & West) | Shimabara-shi, Nagasaki | 1,733 | 1,988 | 3.97 | 3,928.86 |
| S-11 | CS Minano-machi Power Plant | Chichibu-gun, Saitama | 1,018 | 1,173 | 2.34 | 2,448.60 |
| S-12 | CS Kannami-cho Power Plant | Tagata-gun, Shizuoka | 514 | 593 | 1.19 | 1,336.32 |
| S-13 | CS Mashiki-machi Power Plant | Kamimashiki-gun, Kumamoto | 20,084 | 23,465 | 46.91 | 47,692.62 |
| S-14 | CS Koriyama-shi Power Plant | Koriyama-shi, Fukushima | 246 | 272 | 0.54 | 636.00 |
| S-15 | CS Tsuyama-shi Power Plant | Tsuyama-shi, Okayama | 746 | 817 | 1.63 | 1,963.00 |
| S-16 | CS Ena-shi Power Plant | Ena-shi, Gifu | 757 | 868 | 1.74 | 2,124.20 |
| S-17 | CS Daisen-cho Power Plant (A) (B) | Saihaku-gun, Tottori | 10,447 | 11,310 | 22.61 | 27,302.40 |
| S-18 | CS Takayama-shi Power Plant | Takayama-shi, Gifu | 326 | 359 | 0.72 | 962.28 |
| S-19 | CS Misato-machi Power Plant | Kodama-gun, Saitama-ken | 470 | 488 | 0.98 | 1,082.00 |
| S-20 | CS Marumori-machi Power Plant | Igu-gun, Miyagi-ken | 850 | 866 | 1.73 | 2,194.50 |
| Total | | | 44,281 | 50,026 | 100.00 | 108,969.30 |

(Note) "Price" refers to the median project valuation report amount, which is the estimated values provided to us by PricewaterhouseCoopers Sustainability LLC and Ernst & Young Transaction Advisory Services Co., Ltd. in its project valuation reports as of June 30, 2019.

# Debt Profile

## ■ Financial soundness attributed to fixed interest rate conversion and LTV controls

| Type | Initial drawdown amount (yen millions) | Loan Outstanding (yen millions) | Interest rate | Interest rate type | Drawdown date | Maturity |
|---|---|---|---|---|---|---|
| Long-term | 15,700 | 14,399 | Base rate plus 0.45% (fixed at 0.845% upon executing interest rate swap) | Fixed | 31-Oct-2017 | 10 years from drawdown date *JCR Green Bond Evaluation* |
| Long-term | 900 | 820 | Base rate plus 0.45% | Variable | 1-Feb-2018 | 3 years from drawdown date |
| Long-term | 8,000 | 7,612 | Base rate plus 0.45% (fixed at 1.042% upon executing interest rate swap) | Fixed | 6-Sep-2018 | 10 years from drawdown date |
| Long-term | 700 | 680 | Base rate plus 0.45% | Variable | 29-Mar-2019 | 3 years from drawdown date |
| Total | 25,300 | 23,513 | | | | |

(as at Jun. 30, 2019)

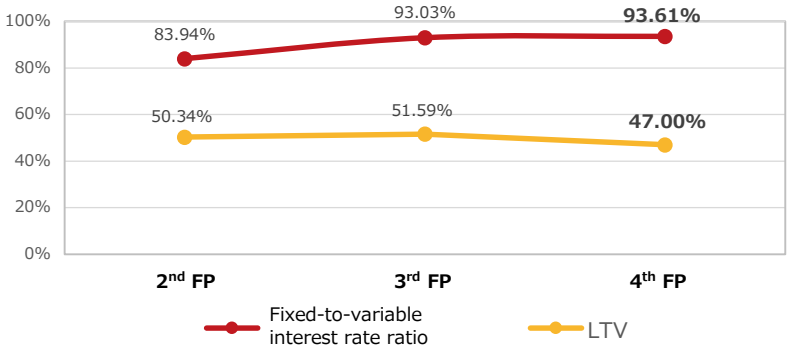
## ■ Ratio of fixed-to-variable rate loans and LTV

**Fixed-to-variable interest rate ratio**
(as at end of June 2019)

**93.61 %**

**LTV**
(as at end of June 2019)

**47.00 %**




(Note) "Fixed-to-variable interest rate ratio" refers to the ratio of fixed interest rate liabilities to total interest-bearing liabilities at that time.
Variable interest rate liabilities that were converted to fixed interest rate liabilities through interest rate swap agreements were deemed as fixed interest rate liabilities.

# Impact of Curtailment on 4th FP Performance

## Status of CSIF solar plant operations (9 out of 18 portfolio assets are located in Kyushu)

| Month | Project Name | | # of Days |
|---|---|---|---|
| Jan | S-02 | CS Isa-shi PP | 1 |
| | S-09 | CS Ashikita-machi PP | 1 |
| Feb | S-10E | CS Minamishimabarashi (East) PP | 1 |
| | S-10W | CS Minamishimabarashi (West) PP | 1 |
| Mar | S-01 | CS Shibushi-shi PP | 3 |
| | S-02 | CS Isa-shi PP | 3 |
| | S-04 | CS Isa-shi Dai-ni PP | 4 |
| | S-05 | CS Yusui-cho PP | 4 |
| | S-06 | CS Isa-shi Dai-san PP | 4 |
| | S-08 | CS Hiji-machi PP | 4 |
| | S-09 | CS Ashikita-machi PP | 3 |
| | S-10E | CS Minamishimabarashi (East) PP | 3 |
| | S-10W | CS Minamishimabarashi (West) PP | |
| | S-13 | CS Mashiki-machi PP | 4 |

| Month | Project Name | | # of Days |
|---|---|---|---|
| Apr | S-01 | CS Shibushi-shi PP | 6 |
| | S-02 | CS Isa-shi PP | 6 |
| | S-04 | CS Isa-shi Dai-ni PP | 6 |
| | S-05 | CS Yusui-cho PP | 6 |
| | S-06 | CS Isa-shi Dai-san PP | 6 |
| | S-08 | CS Hiji-machi PP | 6 |
| | S-09 | CS Ashikita-machi PP | 6 |
| | S-10E | CS Minamishimabarashi (East) PP | 6 |
| | S-10W | CS Minamishimabarashi (West) PP | |
| | S-13 | CS Mashiki-machi PP | 6 |

| Month | Project Name | | # of Days |
|---|---|---|---|
| Mar | S-01 | CS Shibushi-shi PP | 3 |
| | S-02 | CS Isa-shi PP | 3 |
| | S-04 | CS Isa-shi Dai-ni PP | 3 |
| | S-05 | CS Yusui-cho PP | 3 |
| | S-06 | CS Isa-shi Dai-san PP | 3 |
| | S-08 | CS Hiji-machi PP | 3 |
| | S-09 | CS Ashikita-machi PP | 3 |
| | S-10E | CS Minamishimabarashi (East) PP | 3 |
| | S-10W | CS Minamishimabarashi (West) PP | |
| | S-13 | CS Mashiki-machi PP | 3 |

| Month | January | February | March | April | May |
|---|---|---|---|---|---|
| # of days | 1 day | 1 day | 16 days | 20 days | 10 days |
| Frequency | 2 | 2 | 32 | 54 | 27 |

## Impacts to CSIF

**Total rent income decrease for 4th FP-ending Jun. 2019**

**¥32.545 MM**

**Ratio of impacted rent against total portfolio rent revenue for 4th FP-ending Jun. 2019**

**1.54 %**

**Despite the high frequency of curtailment from March to May, actual power generation exceeded forecasted amounts. Hence, impact to CSIF's performance was limited. No curtailments occurred after May 13 once inspections at the nuclear power plants commenced.**

# Status of Kyushu Electric Power's Nuclear Power Plants and Curtailment Impacts

**Against backdrop of ongoing inspections of Kyushu Electric Power's plants and delays encountered by Kyushu Electric Power in fully complying with new safety standards, impacts from curtailment is limited for the time-being.**

- Currently, 4 of Kyushu Electric Power's plants are back online. Compared to other power companies, Kyushu Electric Power's ratio of nuclear power to total energy mix is high.
- As of May 2019, Kyushu Electric Power's nuclear power plants are undergoing periodic inspections. Plants under inspection will be suspended for approximately 3 months.
- Due to delays in completing anti-terror upgrades to their plants, several plants are subject to going offline after March 2020. Given the operational status of Kyushu Electric Power's plants, the frequency of curtailment may decrease going forward.

| Plant | Output (10,000kW) | Status (after going back online since FY2011) | | # of days suspended |
|---|---|---|---|---|
| Genkai-1 | 56 | Apr 2015 | Not operational | |
| Genkai-2 | 56 | Apr 2019 | Not operational | |
| Genkai-3 | 118 | Mar 2018 | Online | |
| | | **13-May-2019** | **Offline, under periodic inspection** | 70 days |
| | | 22-Jul-2019 | Online (adjustment operation) | |
| Genkai-4 | 118 | Jun 2018 | Online | |
| | | **Aug 2019** | **Scheduled for periodic inspection** | |
| Sendai-1 | 89 | Sep 2015 | Online | |
| | | Oct 2016 | Suspended for inspection | 67 days |
| | | Jan 2018 | Suspended for inspection | 126 days |
| | | **27-Jul-2019** | **Offline, periodic inspection started** | |
| Sendai-2 | 89 | Nov 2015 | Online | |
| | | Dec 2016 | Suspended for inspection | 73 days |
| | | Apr 2018 | Suspended for inspection | 131 days |
| | | **Oct 2019** | **Scheduled for periodic inspection** | |

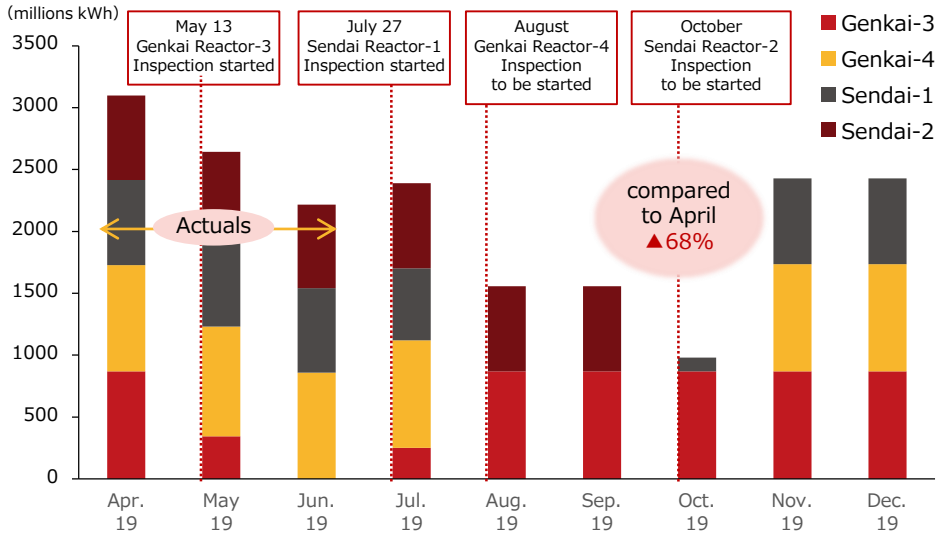
Source: Kyushu Electric Power Company website dated August 7, 2019.

## Comparable expenditure of anti-terror upgrades by power company

| | Jan. 2013 | Jun. 2019 | | Jan. 2013 | Jun. 2019 |
|---|---|---|---|---|---|
| KEPCO | ¥285 Bn | ¥1.25 Trn | Chubu | ¥150 Bn | ¥400 Bn |
| Kyushu | ¥200 Bn | over ¥900 Bn | Tohoku | ¥25 Bn | ¥340 Bn |
| TEPCO HD | ¥70 Bn | ¥680 Bn | Hokkaido | over ¥60 Bn | ¥200 Bn |
| Chugoku | ¥50 Bn | ¥500 Bn | Shikoku | Tens of billions of yen | ¥190 Bn |
| | | | Hokuriku | ¥25 Bn | over ¥150 Bn |

Source: Nuclear Regulation Authority website and Nikkei Newspaper article dated July 9, 2019.

## Nuclear power generation during inspection period(Note)




Note: Amount of power generation from each plant after July 2019 is based on a monthly average of actual output during April to June. Actual output for April was used to calculate Genkai-3's output since it's been online as of May. Another assumption is that the plants will be offline for 3 months during the inspections.

# Impact from FIT Revision

## Impacts on CSIF due to FIT revision

- On Aug. 5, 2019, the subcommittee of METI Advisory Committee for Natural Resources released an interim report announcing the abolishment of FIT for solar and wind generators (starting from newly certified projects) and introducing a bidding system to further cut power production costs.
- Regarding the transition from the FIT regime to a bidding system, our understanding is that the purchase price of power generated from operational plants that have already received certifications will not be revised. We believe that the impact from this transition on existing projects is limited.
- Regarding new projects going forward, stricter regulations will erect higher entry barriers for renewable power producers and will possibly create a disparity between newcomers versus existing operators. Our outlook is that the renewable energy business will lean in favor of operators that can procure cheaper resources and operate at lower costs.

**No impact on FIT of existing portfolio and pipeline assets**

- Even if the current interim draft becomes the final ruling, the FIT price of CSIF's existing portfolio assets are already fixed, hence posing no impact. Moreover, we expect no impact on the FIT price of our sponsor pipeline assets that are currently under development.

**Post-FIT regime external growth opportunities and sponsor bidding**

- CSIF's sponsor already has a track record in winning project bids. Going forward, we expect to be able to maintain a solid pipeline with the sponsor given that they're still able to maintain cost competitiveness under the new bidding system.
- Despite the annual decline of FIT prices, our acquisition strategy of solar plants continues to factor in the impacts to dividend yield. Going forward, our strategy and policies will remain unchanged even if electricity sale prices become fixed under the new bidding system.

# Contribution to ESG

## ■ Signatory to UN PRI (United Nations-backed Principles for Responsible Investment Initiative)

As at Aug. 13, 2019, our asset manager, Canadian Solar Asset Management K.K. ("CSAM"), has become a signatory to the UN PRI. CSAM intends to increase its activities for more progress with regards to ESG issues and commits responsible investment management through the practice of PRI in order to accomplish contributions to social responsibility.

## ■ Canadian Solar Group's Initiatives to address ESG issues in Japan

The following are several programs that each affiliate of the Canadian Solar Group (Canadian Solar Japan K.K., Canadian Solar Projects K.K., Canadian Solar O&M Japan K.K. and CSAM) has contributed to address ESG issues and promote CSR.

- Sponsorship of Sendai Winter Park Starlight Rink (Sendai-shi, Miyagi Pref. 2013)


- Sponsorship of Releasing Free-range Flounder Fish Event (Hiji-machi, Oita Pref. 2017)


- Sponsorship of Ome Marathon (Ome-shi, Tokyo 2018)

# 3. Management Policy

CanadianSolar

# 5th 6th & 7th FP Business Forecast

## Business Forecast

| Statement of Income (million yen) | 5th Fiscal Period (ending December 2019) | 6th Fiscal Period (ending June 2020) | 7th Fiscal Period (ending December 2020) |
|---|---|---|---|
| Operating revenue | **2,213** | **2,130** | **2,202** |
| Operating profit | **797** | **737** | **807** |
| Ordinary profit | **671** | **615** | **687** |
| Current net profit | **671** | **614** | **687** |
| DPU (incl. distributions in excess of earnings) | **3,650 yen** | **3,650 yen** | **3,650 yen** |
| DPU (excl. distributions in excess of earnings) | **2,903 yen** | **2,659 yen** | **2,973 yen** |
| Per unit distributions in excess of earnings | **747 yen** | **991 yen** | **677 yen** |

**Congruent with CSIF's policy to maintain stable levels of distributions, projected DPU for 5th FP (ending Dec. 2019) , 6th FP (ending Jun. 2020) and 7th FP (ending Dec. 2020) is ¥3,650**

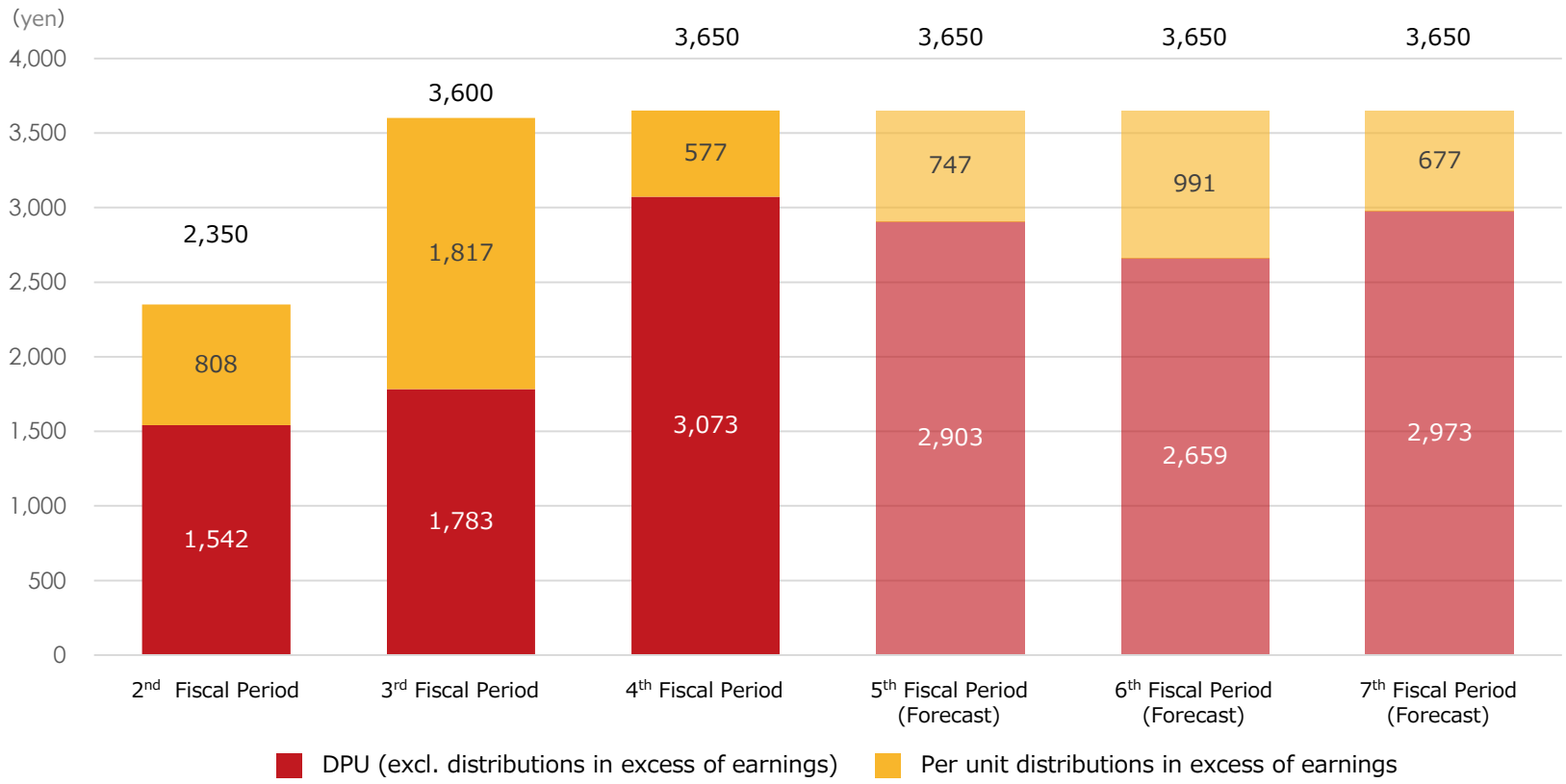
(Note-1) Figures are rounded down to the nearest million yen.
(Note-2) Above forecasts are based on earnings summary dated August 13, 2019 and is subject to change due to factors including without limitation, acquisition or sale of renewable energy projects, changes in infrastructure markets, fluctuation in interest rates and other changes in circumstances surrounding CSIF. Forecasts do not guarantee any dividend amounts.

# Changes in Dividend Amounts

**CSIF has increased its DPU by 50 yen from the previous period to 3,650 yen**

**Forecasts to maintain the DPU of 3,650 yen in and after the 5th fiscal period owing to the continuous profit contribution from the properties acquired in the 4th fiscal period**

**The fund aims to achieve a stable and sustainable distribution payout by utilizing distributions in excess of earnings**




(Note) Figures for the 5th~7th Fiscal Period are forecasts and are subject to change. They do not represent guaranteed distribution amounts.

# External Growth Strategy（Sponsor Pipeline）

## Achieve ¥100Bn in asset size over the medium term drawing on acquisitions from sponsor pipeline

### ■ Sponsor portfolio snapshot

**FIT purchase price range: Mostly ¥32~¥40/kWh**

Operational and under construction
**12**projects, **137.9**MW

＋

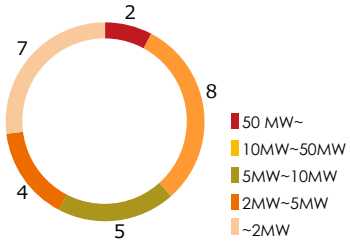
Under development
**14**projects, **201.6**MW

＝

Total sponsor portfolio
**26**projects, **339.5**MW

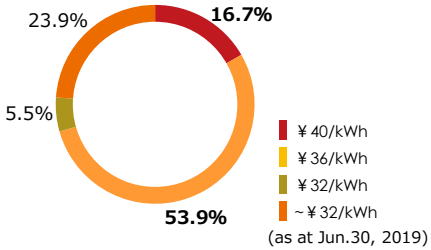
**ENR projects** (Note)
**3.90**MW

**By size (per asset)**



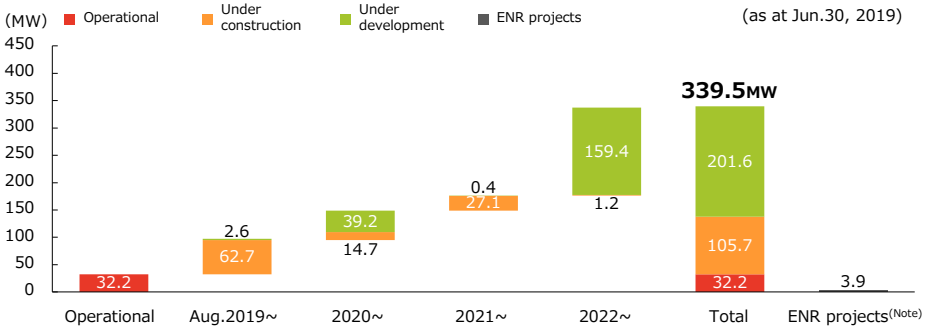

(as at Jun.30, 2019)

**By FIT price (panel output)**



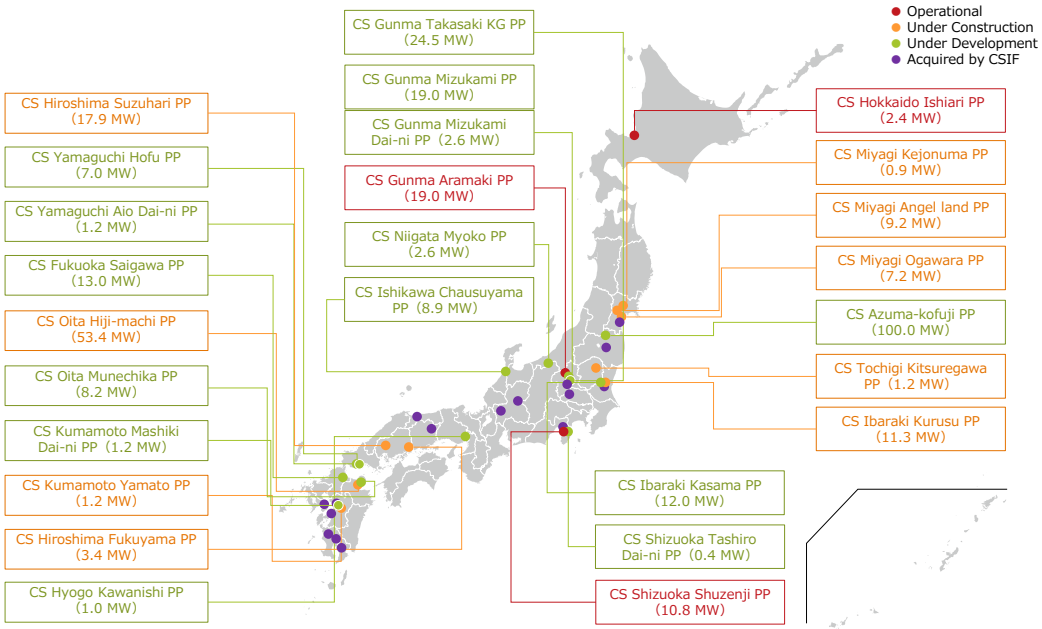

(as at Jun.30, 2019)

### ■ Operational start year and status of sponsor portfolio assets




(as at Jun.30, 2019)

### ■ Map of owned assets and sponsor assets




Source: Compiled by the Asset Manager based on disclosures by Canadian Solar Projects K.K.

Note: Total panel output of ENR projects are based on development plans as of June 30, 2019. Forecasted output and actual output may differ. Licenses and permits for ENR project development may not be completed and there is no assurance that these projects will reach completion nor be ready for commercial operation. With respect to these ENR projects, CSIF has been granted Exclusive Negotiation Rights from project developers. As at June 30, 2019, the sponsor does not retain ownership of these projects and there is a likelihood that the sponsor will not acquire the project among other reasons. As at June 30, 2019, CSIF does not intend to acquire these projects and there is no assurance that CSIF will acquire these projects.

# 4. CSIF's Unique Features

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# Overview of Sponsor

## Canadian Solar Group's history

- Founded in Ontario, Canada, 2001
- Listed on NASDAQ (CSIQ) in 2006
- Over 12,000 employees globally
- Presence in 20 countries/territories
- Delivered solar panels amounting to over 34 GW total capacity
- 4.6 GWp solar power plants build and connected globally (incl. Recurrent Energy)
- Ranked 3rd globally in terms of sales
- Entered the Japan market in 2009 and established proven track record for shipping PV modules

## Canadian Solar Group's Global Operations

1 Canada
2 U.S.
3 Mexico
4 Brazil
5 Germany
6 Spain
7 Turkey
8 South Africa
9 UAE
10 India
11 Singapore
12 Japan
13 Korea
14 Australia

1 Canada
2 Brazil
3 China
4 Thailand
5 Vietnam
6 Indonesia

1 Argentina
2 Taiwan

As of June 30, 2019
● Base of Sales
◆ Base of Manufacturing
■ Base of Development

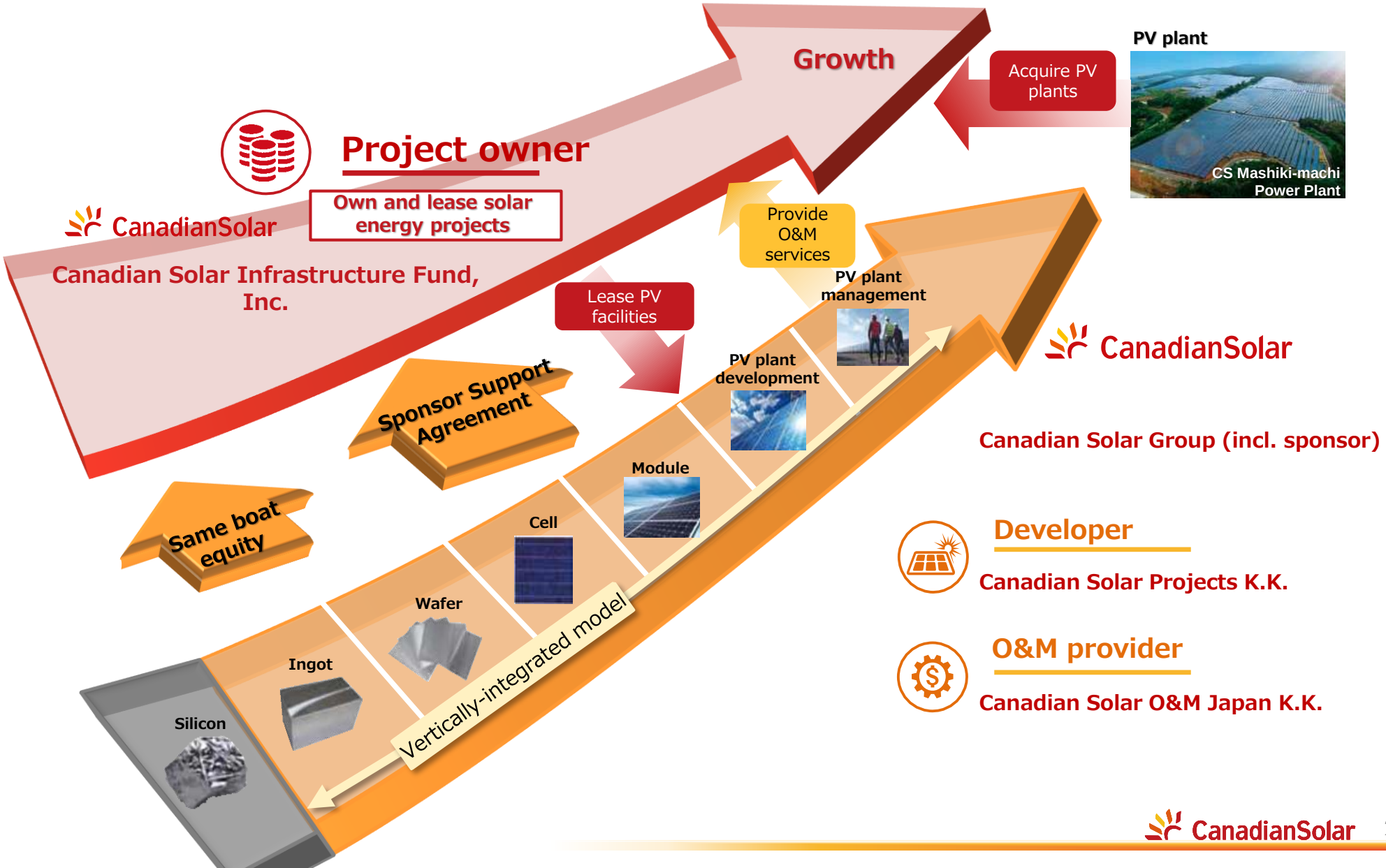
Canada (2009)

U.S. (2010)

Source: Compiled by the Asset Manager based on "Investor Presentation as of May 30, 2019" by Canadian Solar Inc.

(Note) There is no assurance that we can acquire the solar energy projects showed in the above pictures in the future as of this writing.

# Vertically-integrated Business Model



# Overall Structure

- **Identical structure as a typical J-REIT**
- **Our revenue is derived from rent income of solar energy projects**

### Canadian Solar Asset Management K.K.

- Engaged in asset management in Canadian Solar Infrastructure Fund, Inc.
- Established in June 2016

### Canadian Solar Projects K.K. (Sponsor)

(Sponsor / Operator)

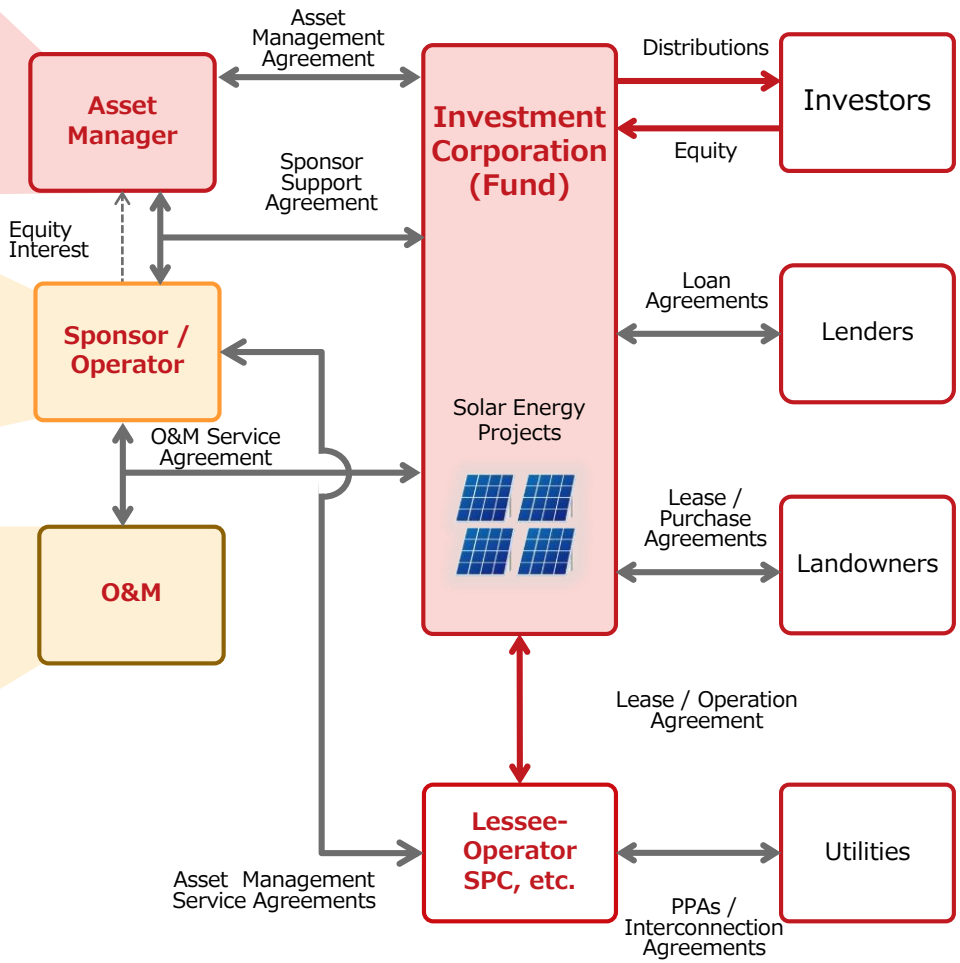
- Engaged in construction and operation of solar energy facilities
- Established in May 2014

### Canadian Solar O&M Japan K.K.

- Provides O&M services to solar energy facilities including our currently-owned projects
- Established in June 2016

### Canadian Solar Japan K.K.

- Sales of PV modules for use in residential and industrial solar power systems
- Established in June 2009



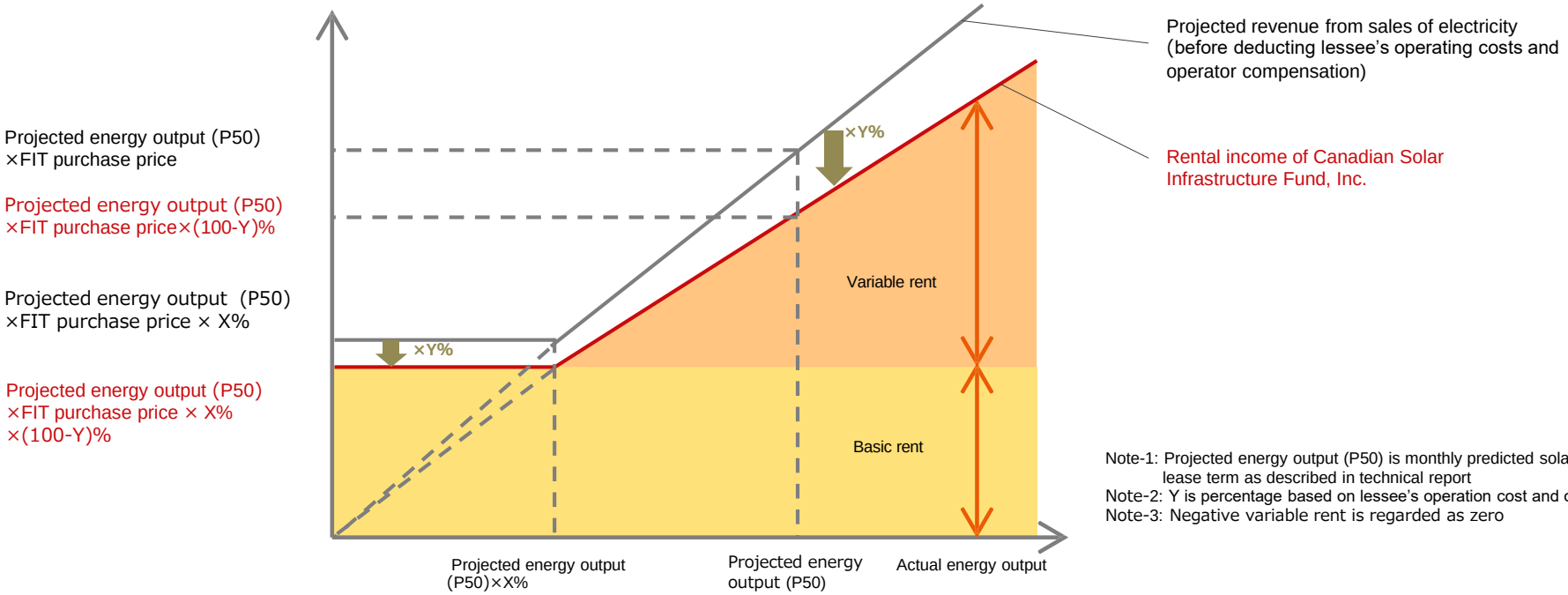
# Leasing Structure

## ■ Calculation method of basic rent and variable rent in anticipated projects to be acquired

| | |
|---|---|
| **Basic rent** | **Monthly projected energy output (P50) ×(100−Y)% × 70% × FIT purchase price** |
| **Variable rent** | **(Monthly actual energy output × (100−Y)% × FIT purchase price) − Basic rent** |

- Even if actual energy output is lower than projected energy output (P50), the operator will be able to receive basic rent from lessee
- If actual energy output exceeds 70% of projected energy output (P50), possible to obtain variable rent

## ■ Diagram of rent structure



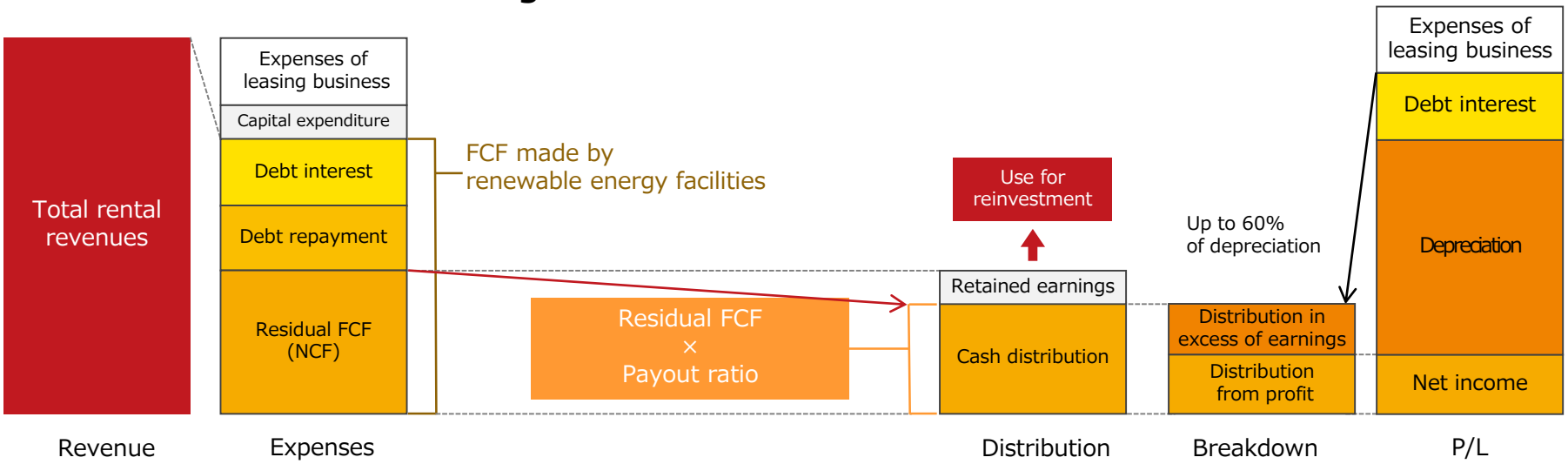

Note-1: Projected energy output (P50) is monthly predicted solar energy output in lease term as described in technical report
Note-2: Y is percentage based on lessee's operation cost and operator compensation
Note-3: Negative variable rent is regarded as zero

# Distribution Policy (Payout Ratio)

## ■ Distribution policy focusing on payout ratio

- Cash distributions to our unitholders for each fiscal period are calculated by multiplying the residual free cash flow ("NCF"), which refers to free cash flow ("FCF") minus debt interest payments, by a payout ratio, which is determined by us for each fiscal period.

## ■ Distribution in excess of earnings



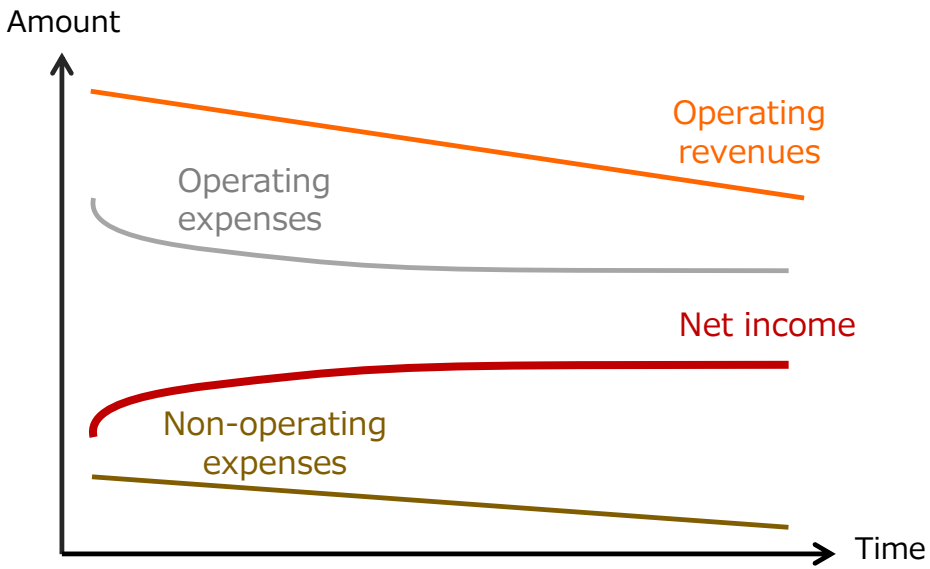

(Note-1) Residual FCF is calculated as free cash flow minus interest payments related to interest-bearing debt and repayments of interest-bearing debt for the relevant fiscal period plus total amount of net cash flow remaining after deduction of distributions from the preceding fiscal periods.
(Note-2) Our calculation method of payout ratio differs from that of other enterprises (i.e. cash distribution divided by current income).
(Note-3) Under the standards set forth by the Investment Trusts Association, Japan, closed-end infrastructure funds, such as us, may return capital up to 60% of the amount obtained by deducting the amount of their accumulated depreciation recorded as of the end of the preceding fiscal period from the amount of their accumulated depreciation calculated as of the end of the relevant fiscal period.
(Note-4) The chart above is presented solely to facilitate a general understanding of the mechanism for cash distributions, and does not represent the share of our rental revenues or cash distributions in excess of retained earnings. We may decide not to make any amount of cash distributions in excess of retained earnings for a particular fiscal period, based on a consideration of factors such as economic or renewable energy market conditions or our financial condition, among other factors, after taking into account our financial situation and alternative uses of cash, such as the execution of repair plans and capital expenditures, the repayment of borrowings and property acquisition opportunities. We may, in place of making cash distributions in excess of retained earnings, decide to acquire our own units.

# Characteristics of PV Plant Revenue

## ■ Forecastability of earning stability on a long-term basis

- FIT price and FIT period of our PV plants are binding in accordance with the Feed-in-Tariff system. Moreover, given that our assets-under-management are set up so that we can capture basic rent from the lessee, we assume that any decline in rent income won't exceed a certain limit.
- Given that expenses on depreciable assets are largely fixed, earnings forecasts can be realistically projected for the long-term.

### ■ Dynamics of PV plant revenue during FIT period




- ○ Assuming that we purchase PV projects and do not purchase additional assets nor sell them, fluctuations in operating revenue, operating expenses and non-operating expenses during the FIT period will follow the general tendencies listed below. Hence, our understanding is that CSIF's current income will gradually increase over the medium to long term during the FIT period.
- ○ Operating revenues generally decrease gradually over the medium to long term due to expected deterioration of PV modules.
- ○ Operating expenses generally decrease (mainly composed of taxes on depreciable assets that are calculated using the straight-line method) gradually over the medium to long term, under the presumption that expenses other than taxes on depreciable assets are largely fixed (including assumed regular maintenance costs).
- ○ Amortization payments of loan principal and interest rates that are partially fixed generally cause non-operating expenses to decrease gradually over the medium to long term given typical amortization schedules, as these payments are the primary component of non-operating expenses.

# Appendix

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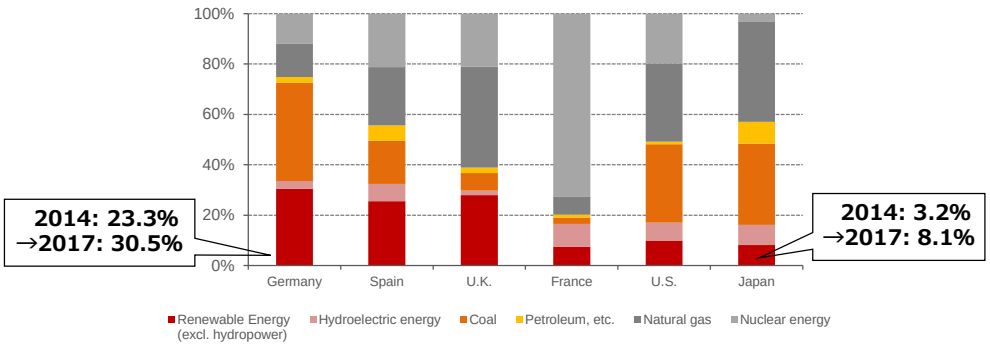
# Renewable Energy Market in Japan

## Renewable energy mix and comparable energy self-sufficiency by country

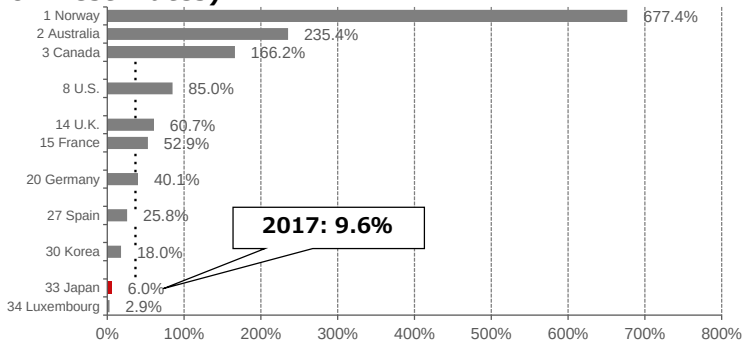
- At the Paris Climate Change Agreement, Japan pledged to reduce CO emissions by 26% (vs. 2013 levels) by 2030

### Comparable renewable energy mix (2017)




Source: Compiled by the Asset Manager based on METI's "Japan's ENERGY (2018 EDITION)" dated March 2019.

### Comparable primary energy self-sufficiency amongst OECD (2012 estimates)



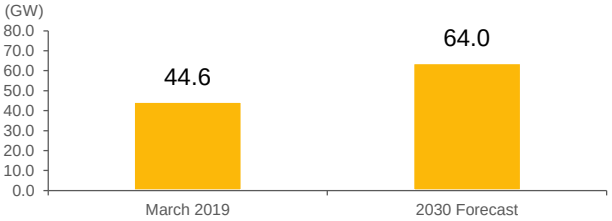

Source: Compiled by the Asset Manager based on Graph 111-1-1 of the FY2013 Annual Report on Energy (Energy White Paper 2014) and "総合エネルギー統計 Energy Balances in Japan (April 2019) by METI.

Note: Figures for countries excluding Japan were based on data from "Energy Balances of OECD Countries 2013" by the IEA. Figures for Japan were based on data from "総合エネルギー統計 Energy Balances in Japan (April 2019) by METI.

## Changes in the energy market

- METI projections of future energy mix and medium-long term changes to FIT purchase price

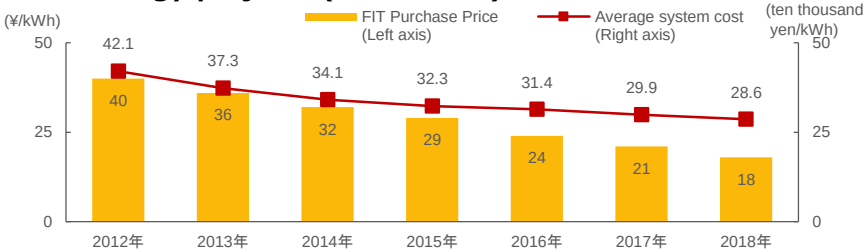
### Installed solar capacity… METI predicts solar energy will comprise 7% of total 2030 energy mix




Source: Compiled by the Asset Manager based on the following: data from METI website, "Long-term Outlook of Energy Supply and Demand (July 2015) by METI, "FY2015 Annual Report on Energy (Energy White Paper 2016)" by METI and data from the Federation of Electric Power Companies.

Note: Projection for FY2030 is based on the percentages and installed capacity disclosed in the reports prepared by METI and are not based upon our calculations. There is no guarantee that the projected percentages or capacity will be realized.

### Trends in FIT purchase price and average system costs of solar energy projects (2012-2018)




Source: Compiled by the Asset Manager based on "Report on Procurement Prices after FY2019 (January 9, 2019)" by METI.

(Note-1) FIT purchase price for each year based on a period from April to March of the following year and excludes national and local consumption taxes.

(Note-2) Average system costs are based on the calendar year.

# Corporate History

## Timeline

| Date | Event |
|---|---|
| April 21, 2017 | Notification on incorporation of the Investment Corporation by the organizer (Canadian Solar Asset Management K.K.) in accordance with Article 69, Paragraph 1 of the Investment Trust Law |
| May 18, 2017 | Registration of incorporation of the Investment Corporation in accordance with Article 166 of the Investment Trust Law, Company Incorporation |
| May 25, 2017 | Application for registration of the Investment Corporation in accordance with Article 188 of the Investment Trust Law |
| June 9, 2017 | Prime Minister's approval of registration of the Investment Corporation in accordance with Article 187 of the Investment Trust Law (Kanto Regional Finance Bureau Director-General Registration No. 127) |
| July 11, 2017 | Amendment of Articles of Incorporation |
| October 30, 2017 | Listing on Tokyo Stock Exchange (Securities Code:9284) |
| September 6, 2018 | Follow-on Offering |

# Balance Sheet for 4th FP

## 4th Fiscal Period (ended June 2019)

### Assets

(in thousands of yen)

| | |
|---|---|
| Current assets | |
| Cash and bank deposit | 2,466,624 |
| Operating accounts receivable | 426,756 |
| Prepaid expenses | 71,805 |
| Consumption taxes receivable | – |
| Other current assets | 215 |
| Total current assets | 2,965,401 |
| Fixed assets | |
| Property and equipment | |
| Structures | 835,726 |
| Accumulated depreciation | △45,417 |
| Total structures (net) | 790,308 |
| Machinery and equipment | 38,610,034 |
| Accumulated depreciation | △2,191,437 |
| Total machinery and equipment (net) | 36,418,597 |
| Tools, equipment and supplies | 521,176 |
| Accumulated depreciation | △32,570 |
| Total tools, equipment and supplies (net) | 488,605 |
| Land | 4,466,771 |
| Construction in progress | – |
| Total property and equipment | 42,164,283 |
| Intangible assets | |
| Leasehold rights | 512,411 |
| Software | 2,746 |
| Total intangible assets | 515,158 |
| Investments and other assets | |
| Long-term prepaid expenses | 307,424 |
| Deferred tax asset | 12 |
| Long-term deposits | 7,800 |
| Guarantee deposits | 21,021 |
| Total investments and other assets | 336,258 |
| Total fixed assets | 43,015,700 |
| Total assets | 45,981,101 |

### Liabilities and Net Assets

(in thousands of yen)

| | |
|---|---|
| Current liabilities | |
| Accounts payable (other) | 26,344 |
| Long-term borrowings to be repaid within 1 year | 1,286,149 |
| Accounts payable | 83,003 |
| Accrued expenses | 112,673 |
| Income taxes payable | 868 |
| Consumption taxes payable | 49,904 |
| Deposits received | 1,750 |
| Total current liabilities | 1,560,694 |
| Fixed liabilities | |
| Long-term borrowings | 22,227,007 |
| Total fixed liabilities | 22,227,007 |
| Total liabilities | 23,787,702 |
| Unitholders' equity | |
| Unitholders' capital | 22,050,175 |
| Amount deducted from Unitholders' capital | △567,281 |
| Unitholders' capital (net) | 21,482,893 |
| Surplus | |
| Unappropriated retained earnings (accumulated deficit) | 710,506 |
| Total surplus | 710,506 |
| Total unitholders' equity | 22,193,399 |
| Total net assets | 22,193,399 |
| Total liabilities and net assets | 45,981,101 |

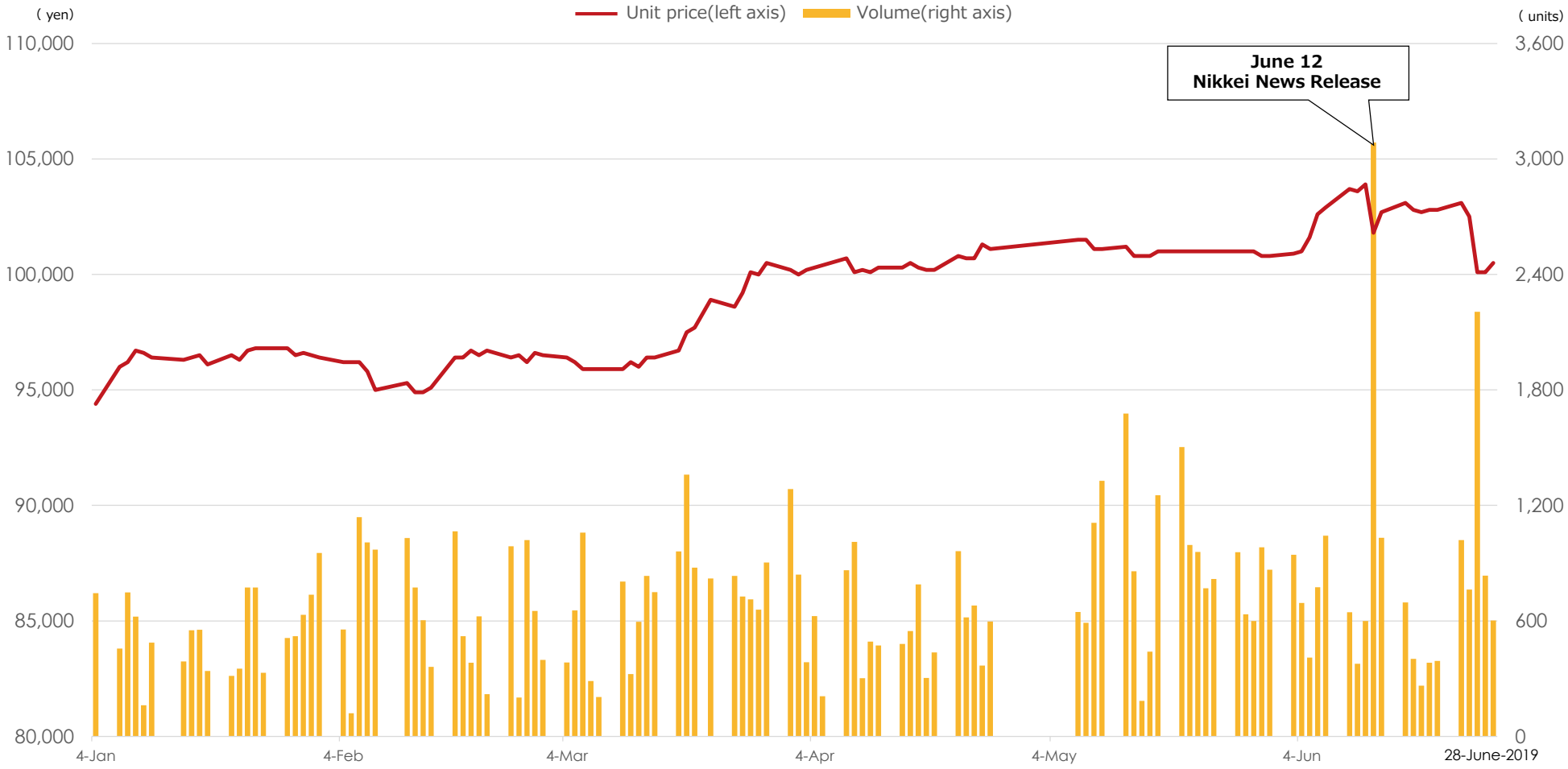
# Statement of Income for 4th FP

## 4th Fiscal Period (ended June 2019)

(in thousands of yen)

| | |
|---|---|
| Operating revenues | |
| Rental revenues | 2,185,392 |
| Total operating revenue | 2,185,392 |
| Operating expenses | |
| Rental expenses of renewable energy projects | 1,234,114 |
| Asset management fee | 55,979 |
| Administrative service fees | 18,945 |
| Director's compensation | 2,400 |
| Tax and dues | 399 |
| Other operating expenses | 56,352 |
| Total operating expenses | 1,368,191 |
| Operating profit | 817,201 |
| Non-operating income | |
| Interest income | 15 |
| Insurance proceeds | 27,146 |
| Tax refunds | 1,355 |
| Total non-operating income | 28,517 |
| Non-operating expenses | |
| Interest expenses | 106,345 |
| Borrowing-related expenses | 28,083 |
| Investment unit issuance expenses | – |
| Total non-operating expenses | 134,428 |
| Ordinary income | 711,290 |
| Income before income taxes | 711,290 |
| Income taxes | 870 |
| Income tax adjustments | 0 |
| Total income taxes | 870 |
| Net income | 710,419 |
| Profits brought forward | 86 |
| Unappropriated retained earnings (accumulated deficit) | 710,506 |

# Unit Price Performance



# Green Bond

## ■ Acquisition of JCR's Green Bond Evaluation

Borrowings executed on October 31, 2017 were assigned the highest-grade evaluation of "Green 1" in Japan Credit Rating Agency (JCR) 's Green Bond Evaluation on November 22, 2017. JCR reviewed Green Bond Evaluation on January 23, 2019 and continued the same "Green1" evaluation.

Acquisition price of 13 projects acquired in IPO JPY 30.4 Bn


Borrowings JPY 15.7 Bn

Unitholders' equity issued on IPO

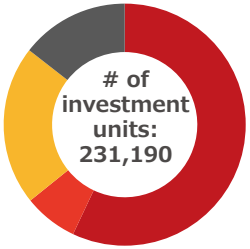
Bank

JCR assigned **<u>the highest-grade evaluation Green1</u>** in JCR's Green Bond Evaluation

# Status of Unitholders

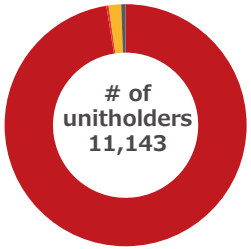
## Unitholding (as at period-ended June 2019)

### By unitholding amount




| | |
|---|---|
| Individuals / others | 131,813 units (57.02%) |
| Financial institutions (incl. financial instruments firms) | 16,654 units ( 7.20%) |
| Domestic corporates | 49,291 units (21.32%) |
| Foreign entities & individuals | 33,432 units (14.46%) |

### By unitholders




| | |
|---|---|
| Individuals / others | 10,859 (97.45%) |
| Financial institutions (incl. financial instruments firms) | 34 ( 0.31%) |
| Domestic corporates | 185 ( 1.66%) |
| Foreign entities & individuals | 65 ( 0.58%) |

| | Name | Number of investment units held (units) | Unitholding ratio to total issued units (%) |
|---|---|---|---|
| 1 | Canadian Solar Projects K.K. | 33,895 | 14.661% |
| 2 | State Street Bank And Trust Company | 12,774 | 5.525% |
| 3 | Goldman Sachs International | 5,414 | 2.342% |
| 4 | Individual investor | 4,399 | 1.903% |
| 5 | The Bank of Fukuoka, Ltd. | 3,430 | 1.484% |
| 6 | CITIBANK INTERNATIONAL PLC AS STANDARD LIFE WEALTH PHOENIX FUND | 3,292 | 1.424% |
| 7 | Individual investor | 1,662 | 0.719% |
| 8 | Individual investor | 1,556 | 0.673% |
| 9 | Individual investor | 1,500 | 0.649% |
| 9 | Yamato Shinkin Bank, Ltd | 1,500 | 0.649% |
| | Total | 69,422 | 30.028% |

(Note): Unitholding ratio is rounded down to the nearest hundredth.

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