

Canadian Solar Infrastructure Fund, Inc.

Independent Auditor's Report

3rd Period

Grant Thornto Taiyo LLC

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Canadian Solar Infrastructure Fund, Inc.**

We have audited the accompanying financial statements of Canadian Solar Infrastructure Fund, Inc., which comprise the balance sheet as at December 31, 2018, the statement of income, the statements of changes in net assets, the statement of cash distributions, the statement of cash flows for fiscal year then ended, notes to financial statements, and supplementary schedules all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the



entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canadian Solar Infrastructure Fund, Inc. as at December 31, 2018, and its financial performance and its cash flows for fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to "Significant subsequent events" that describes that Canadian Solar Infrastructure Fund, Inc. acquired assets and obtained additional borrowings.

Grant Thornton Taiyo LLC

June 24, 2019

Tokyo, Japan

Summary of Financial Results for Fiscal Period Ended December 31, 2018

(3rd Fiscal Period: from July 1, 2018 to December 31, 2018)

Balance Sheet

Statement of Income and Retained Earnings

Statement of Changes in Net Assets

Statement of Cash Flows

Notes to Financial Statements

1 【Financial Statement】

(1) Balance Sheet

(Unit : thousand yen)

	2 nd Period (June 30, 2018)	3 rd Period (December 31, 2018)
Assets		
Current Assets		
Cash and bank deposit	2,031,379	3,222,807
Operating accounts receivable	318,430	208,913
Prepaid expenses	44,262	107,714
Consumption taxes receivable	2,109,820	793,148
Other current assets	-	685
Total current assets	4,503,892	4,333,268
Fixed Assets		
Property and equipment		
Structures	517,918	797,621
Accumulated depreciation	(13,928)	(28,399)
Structures, net	503,989	769,221
Machinery and equipment	26,507,191	37,427,871
Accumulated depreciation	(716,996)	(1,405,797)
Machinery and equipment ,net	25,790,195	36,022,074
Tools, furniture and fixtures	462,505	505,287
Accumulated depreciation	(12,285)	(22,181)
Tools, furniture and fixtures, net	450,219	483,106
Land	3,876,554	4,309,021
Construction in progress	1,944	6,244
Total property and equipment	30,622,903	41,589,667
Intangible assets		
Leasehold rights	489,601	494,487
Software	3,120	2,763
Total intangible assets	492,721	497,250
Investments and other assets		
Long-term prepaid expenses	200,702	324,500
Deferred tax assets	27	12
Long term time deposits	-	7,800
Guarantee deposits	21,021	21,021
Total investment and other assets	221,750	353,333
Total fixed assets	31,337,376	42,440,252
Total assets	35,841,269	46,773,521
Liabilities		
Current liabilities		
Operating Accounts payable	18,216	25,290
Current portion of long-term loans payable	2,883,702	1,239,176
Accounts payable - other	42,470	56,317
Accrued expenses	77,898	73,449
Income taxes payable	1,465	857
Deposits received	1,331	5,246
Total current liabilities	3,025,086	1,400,337
Non-current liabilities		
Long-term loan payable	15,219,585	23,057,919
Total non-current liabilities	15,219,585	23,057,919
Total liabilities	18,244,671	24,458,257
Net assets		
Unitholders' equity		
Unitholders' capital	17,315,550	22,050,175
Deduction from unitholders' capital	-	(147,209)
Unitholders' capital, net	17,315,550	21,902,965
Surplus		
Unappropriated retained earnings (Accumulated deficit)	281,047	412,298
Total surplus	281,047	412,298
Total unitholders' equity	17,596,597	22,315,263
Total net assets	*1 17,596,597	*1 22,315,263
Total liabilities and net assets	35,841,269	46,773,521

(2) 【Statement of Income】

(Unit: thousand yen)

	2 nd period (from October 1, 2017 to June 30, 2018)	3 rd period (from July 1, 2018 to December 31, 2018)
Operating revenues		
Rental revenues of renewable energy power generation facilities, etc.	*1 2,023,037	*1 1,785,374
Total operating revenues	2,023,037	1,785,374
Operating expenses		
Rental expenses of renewable energy power generation facilities, etc.	*1 1,066,206	*1 1,035,958
Asset management fee	30,595	43,934
Administrative service fees	7,350	17,066
Director's compensation	3,600	2,400
Taxes and duties	3,596	1,346
Other operating expenses	66,672	39,928
Total operating expenses	1,178,021	1,140,634
Operating income	845,015	644,739
Non-operating incomes		
Interest income	12	17
Insurance income	-	18,815
Interest on refund	-	1,942
Total non-operating income	12	20,775
Non-operating expenses		
Interest expenses	94,496	97,912
Borrowing-related expenses	207,160	103,408
Organization expenses	13,130	-
Investment unit issuance expenses	198,350	51,132
Total non-operating expenses	513,137	252,452
Ordinary income	331,890	413,062
Income before income taxes	331,890	413,062
Income taxes - current	1,467	860
Income tax - deferred	(27)	14
Total income taxes	1,440	874
Net income	330,449	412,187
Retained earnings (deficit) brought forward	(49,402)	110
Unappropriated retained earnings (Accumulated deficit)	281,047	412,298

(3) 【Statements of Changes in Unitholders' Equity】

2nd Fiscal Period (From October 1, 2017 to June 30, 2018)

(Unit: thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Capital surplus or loss	Total surplus		
Balance as of October 1, 2017	150,000	(49,402)	(49,402)	100,597	100,597
Changes of items during the period					
Issuance of new investment unit	17,165,550	-	-	17,165,550	17,165,550
Net Income	-	330,449	330,449	330,449	330,449
Total changes of items during the period	17,165,550	330,449	330,449	17,495,999	17,495,999
Balance as of June 30, 2018	*1 17,315,550	281,047	281,047	17,596,597	17,596,597

3rd Fiscal Period (From July 1, 2018 to December 31, 2018)

(Unit: thousand yen)

	Unitholders' equity					Total unitholders' equity	Total net assets
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Capital surplus or loss	Total surplus		
Balance as of July 1, 2018	17,315,550	-	17,315,550	281,047	281,047	17,596,597	17,596,597
Changes of items during the period							
Issuance of new investment unit	4,734,625	-	4,734,625	-	-	4,734,625	4,734,625
Distribution in excess of earnings	-	(147,209)	(147,209)	-	-	(147,209)	(147,209)
Dividend of surplus	-	-	-	(280,936)	(280,936)	(280,936)	(280,936)
Net Income	-	-	-	412,187	412,187	412,187	412,187
Total changes of items during the period	4,734,625	(147,209)	4,587,415	131,250	131,250	4,718,666	4,718,666
Balance as of December 31, 2018	*1 22,050,175	(147,209)	21,902,965	412,298	412,298	22,315,263	22,315,263

(4) 【Statements of Cash Distribution】

	Fiscal Period under Review (From October 1, 2017 to June 30, 2018) Unit: Yen	Fiscal Period under Review (From July 1, 2018 to December 31, 2018) Unit: Yen
I Unappropriated retained earnings (accumulated deficit)	281,047,367	412,298,211
II Distributions in excess of retained earnings		
Deduction from unitholders' capital	147,209,520	420,072,230
III Cash distributions	428,146,500	832,284,000
(Cash distributions per unit)	(2,350)	(3,600)
Profit distributions	280,936,980	412,211,770
(Profit distributions per unit)	(1,542)	(1,783)
Distributions in excess of retained earnings	147,209,520	420,072,230
(Distributions in excess of retained earnings)	(808)	(1,817)
IV. Retained earnings (deficit) carried forward	110,387	86,441
Calculation method for cash distributions	<p>In accordance with Articles 47, Paragraph 1 of Canadian Solar Infrastructure Fund, Inc. ("CSIF")'s Articles of Incorporation, the amount of cash distributions shall be the amount of profit in excess of an amount equivalent to 90% of distributable profits, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, CSIF decided to make distributions of ¥280,936,980 which is the entire amount equivalent to the unappropriated retained earnings for the fiscal period under review of ¥281,047,367 excluding fractions of the distribution per unit that are less than ¥1.</p> <p>CSIF distributes cash in excess of retained earnings every fiscal period based on the cash distribution policy prescribed in Article 47, Paragraph 2 of CSIF's Articles of Incorporation. Based on this policy, CSIF decided to make cash distributions in excess of earnings (return of capital categorized as a distribution of the reduction in capital for Japanese tax purposes) in the amount of ¥147,209,520 which is equivalent to 19.8% of the amount of depreciation expenses recorded for the fiscal period under review of ¥743,653,467. Accordingly, the distribution per</p>	<p>In accordance with Articles 47, Paragraph 1 of Canadian Solar Infrastructure Fund, Inc. ("CSIF")'s Articles of Incorporation, the amount of cash distributions shall be the amount of profit in excess of an amount equivalent to 90% of distributable profits, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, CSIF decided to make distributions of ¥412,211,770 which is the entire amount equivalent to the unappropriated retained earnings for the fiscal period under review of ¥412,298,211 excluding fractions of the distribution per unit that are less than ¥1.</p> <p>CSIF distributes cash in excess of retained earnings every fiscal period based on the cash distribution policy prescribed in Article 47, Paragraph 2 of CSIF's Articles of Incorporation. Based on this policy, CSIF decided to make cash distributions in excess of earnings (return of capital categorized as a distribution of the reduction in capital for Japanese tax purposes) in the amount of ¥420,072,230 which is equivalent to 58.9% of the amount of depreciation expenses recorded for the fiscal period under review of</p>

	unit is ¥2,350.	¥713,524,700. Accordingly, the distribution per unit is ¥3,600.
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(Note) Distributions in excess of retained earnings per unit will generally be based on the cash distribution policy prescribed in CSIF's Articles of Incorporation and the Asset Manager's asset management guideline.

CSIF intends to make cash distributions of NCF within the FCF generated from the renewable energy power generation facilities. The amount available for distribution shall be calculated by multiplying NCF by the payout ratio.

Further, CSIF intends to make distributions in excess of retained earnings for each fiscal period in order to realize such policy.

CSIF's forecasts (including revised forecasts) for each fiscal period are based on the assumption of the Forecast Power Generation (P50) provided in the independent technical report which is used as a basis for calculating rents for renewable energy power generation facilities and if actual NCF calculated based on actual power generation during the applicable fiscal period exceeds forecast NCF, CSIF's policy is to set "forecast NCF multiplied by the payout ratio" as the upper limit of the amount of cash distributions for the applicable fiscal period.

On the other hand, if actual NCF is less than forecast NCF, CSIF's policy is to set "actual NCF multiplied by the payout ratio" as the amount of cash distributions for the applicable fiscal period.

Based on this policy, CSIF decided to make distributions for the previous fiscal period of ¥428,146,500 which is equivalent to 45.9% of forecast NCF amount for the fiscal period under review of ¥932,781,045. Of this, ¥147,209,520 which is the amount less of distributions of profit of ¥280,936,980 is distributions in excess of retained earnings.

Based on this policy, CSIF decided to make distributions for the current fiscal period of ¥832,284,000 which is equivalent to 79.1% of forecast NCF amount for the fiscal period under review of ¥1,052,089,734. Of this, ¥420,072,230 which is the amount less of distributions of profit of ¥412,211,770 is distributions in excess of retained earnings.

(5) 【Statement of Cash Flow】

(unit: thousand yen)

	2 nd period (From October 1, 2017 to June 30, 2018)	3 rd period (From July 1, 2018 to December 31, 2018)
Cash flows from operating activities		
Income before income taxes	331,890	413,062
Depreciation cost	743,653	713,524
Investment unit issuance expenses	198,350	51,132
Organization expenses	13,130	-
Interest income	(12)	(17)
Interest expenses	94,496	97,912
Decrease (Increase) in operating accounts receivable	(318,430)	109,517
Decrease (Increase) in consumption taxes receivable	(2,109,820)	1,316,672
Decrease (Increase) in prepaid expenses	(43,544)	(92,669)
Decrease (Increase) in long-term prepaid expenses	(200,702)	(94,581)
Increase (Decrease) in operating accounts payable	18,216	7,073
Increase (Decrease) in accounts payable - other	41,989	13,846
Increase (Decrease) in accrued expenses	77,131	(6,021)
Other, net	1,395	3,228
Sub-total	(1,152,256)	2,532,681
Interest received	12	17
Interest paid	(93,728)	(96,340)
Income taxes paid	(98)	(1,468)
Net cash provided by (used in) operating activities	(1,246,071)	2,434,890
Cash flows from investing activities		
Payments into time deposits	-	(7,800)
Purchases of property and equipment	(31,365,358)	(11,679,932)
Purchases of intangible fixed assets	(493,165)	(4,885)
Payment for guarantee deposit	(11,021)	-
Payments for organization expenses	(13,130)	-
Net cash provided by (used in) investing activities	(31,882,674)	(11,692,617)
Cash flows from financing activities		
Proceeds from long-term loans payable	18,640,000	8,850,000
Repayment of long-term loans payable	(536,711)	(2,656,191)
Proceeds from issuance of investment units	17,165,550	4,734,625
Payments for investment unit issuance expenses	(198,350)	(51,132)
Dividends paid	-	(280,936)
Surplus earning distribution paid	-	(147,209)
Net cash provided by (used in) financing activities	35,070,488	10,449,154
Net increase (decrease) in cash and cash equivalents	1,941,741	1,191,427
Cash and cash equivalents at the beginning of the fiscal period	89,637	2,031,379
Cash and cash equivalents at the end of the fiscal period	*1 2,031,379	*1 3,222,807

(6) 【NOTES to Financial Statements】

【NOTES ON GOING CONCERN PREMISE】

Not applicable.

【SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES】

<p>1.Method of depreciation and amortization of non-current assets</p>	<p>(1) Property and equipment The straight-line method is adopted. In addition, the useful lives of major property and equipment are as shown below: Structures22 - 25 years Machinery and equipment.....22 - 25 years Tools, furniture and fixtures.....22 - 25 years</p> <p>(2) Intangible assets The straight-line method is adopted. In addition, the useful life is as shown below: Software.....5 years</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>
<p>2.Standards for revenue and expense recognition</p>	<p>Accounting for fixed assets tax With respect to fixed assets tax, city planning tax and depreciable assets tax, among other taxes, on the infrastructure assets held, of the tax amount assessed and determined, the amount corresponding to the calculation period is accounted as rental expenses. In addition, reimbursement such as fixed assets tax, which is paid to the seller and other persons on the acquisition of infrastructure assets and other assets (“the amount equivalent to the fixed assets taxes and other taxes”) is not recognized as rental expenses but included in the acquisition cost of the concerned infrastructure assets and other assets. In the fiscal period under review, the amount equivalent to the fixed assets tax and other taxes included in the acquisition cost of infrastructure assets and other assets is 27,047 thousand yen.</p>
<p>3.Scope of funds in statement of cash flows</p>	<p>Funds (cash and cash equivalents) in statement of cash flows consist of cash on hand, demand deposits and short-term investments with a maturity of three months or less at the date of acquisition that can readily be converted into cash and that are subject to insignificant risks of changes in value.</p>
<p>4.Method of hedge accounting</p>	<p>(1) Method of hedge accounting Special treatment is adopted for the interest rate swap that meets the requirements for special treatment.</p> <p>(2) Hedging instruments and hedged items: ·Hedging instruments.....Interest rate swap transaction ·Hedged items....Interest rate on loans</p> <p>(3) Policy for hedging CSIF conducts derivative transactions to hedge risks as set forth in the CSIF’s Articles of Incorporation according to the rules for risk management.</p> <p>(4) Method of evaluation of effectiveness of hedging The interest rate swap meets the requirements for special treatment, and thus the evaluation of effectiveness is omitted.</p>
<p>5.Other significant matters serving as the basis for preparation of financial statements</p>	<p>Accounting for Consumption tax Consumption tax and local consumption tax are excluded from the corresponding transaction amount.</p>

【NOTES REGARDING CHANGE OF PRESENTATION METHOD】

From October 1, 2017 to June 30, 2018	From July 1, 2018 to December 31, 2018
-	<p>“Change due to application of Partial Amendments to Accounting Standard for Tax Effect Accounting” Partial Amendments to Accounting Standard for</p>

	<p>Tax Effect Accounting (ASBJ Statement No. 28 of February 16, 2018) were applied from the beginning of the fiscal period under review. Accordingly, the presentation method was changed and deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities. As a result, the “deferred tax assets” of 27 thousand yen shown in “current assets” on the balance sheet of the previous fiscal period are presented in “deferred tax assets” under “investments and other assets” in this document.</p>
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[NOTES ON UNAPPLIED ACCOUNTING STANDARDS]

(Unapplied Accounting Standards)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 published on March 30, 2018 by the Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 published on March 30, 2018 by the Accounting Standards Board of Japan)

1.Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have jointly developed a converged accounting standard on revenue recognition and issued “Revenue from Contracts with Customers” (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 and Topic 606 is effective for annual reporting periods beginning on or after December 15, 2017. In this connection, the ASBJ developed a converged accounting standard on revenue recognition and issued the standard together with its implementation guidance.

The ASBJ followed two policies in developing accounting standard for revenue recognition. That is, to incorporate all basic IFRS 15 requirements to ensure comparability of financial statements, but also to consider additional alternative treatments based on practices applied by Japanese companies so that the standards would not significantly impair comparability.

2.Planned date of application

CSIF will apply the standard at the beginning of the fiscal period ending December 2021.

3.Effect of application of the standard

The effect that the application of Accounting Standard for Revenue Recognition will have on the financial statements is currently under evaluation.

[NOTES TO BALANCE SHEET]

*1 Minimum net assets stipulated in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

(Unit: thousand yen)

	As of June 30,2018	As of December 31,2018
	50,000	50,000

[NOTES TO STATEMENT OF INCOME]

*1 Breakdown of profits and losses from the rental business of renewable energy power generation facilities, etc.

	From October 1, 2017 to June 30, 2018	From July 1, 2018 to December 31, 2018
A. Operating revenue from the rental business of renewable energy power generation facilities, etc.		
Rental revenue of renewable energy power generation facilities, etc.		
(Basic rent)	1,370,356	1,322,669
(Variable rent linked to actual output)	652,674	462,578
(Incidental income)	6	127
Total operating revenue from the rental business of renewable energy power generation facilities, etc.	2,023,037	1,785,374
B. Operating expenses from the rental business of renewable energy power generation facilities, etc.		
Rental expenses of renewable energy power generation facilities, etc.		
(Management entrustment expenses)	133,827	127,128
(Repair and maintenance costs)	-	2,055
(Taxes and duties)	154,281	154,262
(Utilities expenses)	-	-
(Insurance expenses)	11,632	12,900
(Depreciation expenses)	743,210	713,168
(Land rent)	23,253	26,444
(Other rental expenses)	-	-
Total operating expenses from the rental business of renewable energy power generation facilities, etc.	1,066,206	1,035,958
C. Profits and losses from the rental business of renewable energy power generation facilities, etc. (A-B)	956,830	749,416

[NOTES TO STATEMENT OF CHANGES IN NET ASSETS]

*1 Total number of authorized investment units and the total number of investment units issued and outstanding

	From October 1, 2017 to June 30, 2018	From July 1, 2018 to December 31, 2018
Total number of authorized investment units	10,000,000 unit	10,000,000 unit
Total number of investment units issued and outstanding	182,190 unit	231,190 unit

[NOTES TO STATEMENT OF CASH FLOWS]

*1 Relationship between the ending balance of cash and cash equivalents and the amounts on the balance sheet

(Unit: thousand yen)

	From October 1, 2017 to June 30, 2018	From July 1, 2018 to December 31, 2018
Cash and deposits	2,031,379	3,222,807
Cash and cash equivalents	2,031,379	3,222,807

[NOTES ON LEASE TRANSACTIONS]

Operating lease (as the lessor)

Future minimum lease payments

(Unit: thousand yen)

	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018
Within one year	2,176,829	2,957,963
Longer than one year	36,039,821	48,222,398
Total	38,216,650	51,180,362

[NOTES ON FINANCIAL INSTRUMENTS]

1. Situation of financial instruments

(1) Policy for financial instruments

CSIF procures funds for acquiring new assets or repaying loans through loans from financial institutions or issuing investment units. The basic policy is to build stable and sound financial operations to maintain and increase earnings in the medium to long term and grow the size and value of assets.

(2) Details of the financial instruments and their risks and the risk management system

Long-term loans payables are one of the means to procure the funds for the acquisition of managed assets and are exposed to interest rate fluctuation risk and liquidity risk, among other risks. However, this risk is deducted through the appropriate balancing of the loan period and the interest rate type, and diversification of lenders, and the appropriate management of various types of indexes, especially the general application of the upper limit of the ratio of interest-bearing, which is 60%.

(3) Supplementary explanation on fair value of financial instruments

The fair values of financial instruments are values based on market prices, or if there are no market prices, values are reasonably calculated. Since certain assumptions are used for the calculation of fair values, they may change if different assumptions are used.

2. Matters relating to fair values of financial instruments

The table below shows the book value and fair values of financial instruments as of June 30, 2018, and the difference between them. Financial instruments whose fair values are extremely difficult to estimate are not included in the table.

(Unit: thousand yen)

	Book value	Fair value	Difference
(1) Cash and deposits	2,031,379	2,031,379	-
(2) Operating accounts receivable	318,430	318,430	-
Total assets	2,349,809	2,349,809	-
(3) Current portion of long-term loans payable	2,883,702	2,882,035	(1,667)
(4) Long-term loans payable	15,219,585	15,358,035	138,450
Total liabilities	18,103,288	18,240,071	136,783
(5) Derivative transaction	-	-	-

(Note 1) Methods used for estimating the fair values of financial instruments and matters related to derivative transactions

Assets

(1) Cash and deposits (2) Operating accounts receivable

These financial instruments are settled in the short term, and their fair values are deemed to approximate their book value. Therefore, the book values are used as the values.

Liabilities

(3) Current portion of long-term loans payable (4) Long-term loans payable

With respect to long-term loans payable at variable interest rates, the condition that the interest rates are renewed every certain period is applied to loans, and thus the market value is considered to be close to the book value. Accordingly, the book value is used. In addition, for the long-term loans payable at variable interest rates subject to the special treatment of interest rate swap (refer to the "Notes on derivative transactions" below), the fair value is measured by discounting the total sum of the principal and interest treated together with the said interest rate swap as one at the interest rate that is applied when the similar loan is obtained and that is reasonably estimated.

(5) Derivative transaction

Please refer to the "Notes on derivative transactions" below.

The table below shows the book value and fair values of financial instruments as of December 31, 2018, and the difference between them. Financial instruments whose fair values are extremely difficult to estimate are not included in the table.

(Unit: thousand yen)

	Book value	Fair value	Difference
(1) Cash and deposits	3,222,807	3,222,807	-
(2) Operating accounts receivable	208,913	208,913	-
(3) Long term time deposit	7,800	7,800	-
Total assets	3,439,520	3,439,520	-
(4) Current portion of long-term loans payable	1,239,176	1,241,069	1,892
(5) Long-term loans payable	23,057,919	23,391,454	333,534
Total liabilities	24,297,096	24,632,523	335,427
(6) Derivative transaction	-	-	-

(Note 1) Methods used for estimating the fair values of financial instruments and matters related to derivative transactions

Assets

(1) Cash and deposits (2) Operating accounts receivable

These financial instruments are settled in the short term, and their fair values are deemed to approximate their book value. Therefore, the book values are used as the values.

(3) Long-term time deposits

These financial instruments are time deposits, and their fair values are deemed to be close to their book value as there is no significant variance between the deposit and the contracted interest rates that are assumed upon a new cash deposit. Therefore, the book values are used as the values.

Liabilities

(4) Current portion of long-term loans payable (5) Long-term loans payable

With respect to long-term loans payable at variable interest rates, the condition that the interest rates are renewed every certain period is applied to loans, and thus the market value is considered to be close to the book value. Accordingly, the book value is used. In addition, for the long-term loans payable at variable interest rates subject to the special treatment of interest rate swap (refer to the "Notes on derivative transactions" below), the fair value is measured by discounting the total sum of the principal and interest treated together with the said interest rate swap as one at the interest rate that is applied when the similar loan is obtained and that is reasonably estimated.

(6) Derivative transaction

Please refer to the "Notes on derivative transactions" below.

(Note 2) Scheduled redemption amounts of monetary receivables after the closing date (June 30, 2018)

(Unit: thousand yen)

	Within one year	Longer than one year, within two years	Longer than two years, within three years	Longer than three years, within four years	Longer than four years, within five years	Longer than five years
(1) Cash and deposits	2,031,379	-	-	-	-	-
(2) Operating accounts receivable	318,430	-	-	-	-	-
Total	2,349,809	-	-	-	-	-

Scheduled redemption amounts of monetary receivables after the closing date (December 31, 2018)

(Unit: thousand yen)

	Within one year	Longer than one year, within two years	Longer than two years, within three years	Longer than three years, within four years	Longer than four years, within five years	Longer than five years
(1) Cash and deposits	3,222,807	-	-	-	-	-
(2) Operating accounts receivable	208,913	-	-	-	-	-
(3) Long-term time deposits	-	7,800	-	-	-	-
Total	3,431,720	7,800	-	-	-	-

(Note 3) Scheduled redemption amount of loans payable after the closing date (June 30, 2018)

(Unit: thousand yen)

	Within one year	Longer than one year, within two years	Longer than two years, within three years	Longer than three years, within four years	Longer than four years, within five years	Longer than five years
(4) Current portion of long-term loans payable	2,883,702	-	-	-	-	-
(5) Long-term loans payable	-	845,487	1,600,846	838,811	855,747	11,078,692
Total	2,883,702	845,487	1,600,846	838,811	855,747	11,078,692

Scheduled redemption amount of loans payable after the closing date (December 31, 2018)

(Unit: thousand yen)

	Within one year	Longer than one year, within two years	Longer than two years, within three years	Longer than three years, within four years	Longer than four years, within five years	Longer than five years
(3) Current portion of long-term loans payable	1,239,176	-	-	-	-	-
(4) Long-term loans payable	-	2,122,610	1,995,867	1,275,305	1,292,889	16,371,247
Total	1,239,176	2,122,610	1,995,867	1,275,305	1,292,889	16,371,247

[NOTES ON SECURITIES]

Prior fiscal period (as of June 30, 2018)

Not applicable.

Current fiscal period (as of December 31, 2018)

Not applicable.

[NOTES ON DERIVATIVE TRANSACTIONS]

1. Those to which hedge accounting is not applied

Prior fiscal period (as of June 30, 2018) and current fiscal period (as of December 31, 2018)

Not applicable.

2. Those to which hedge accounting is applied

Prior fiscal period (as of June 30, 2018)

(Unit: thousand yen)

Method of hedge accounting	Type of derivative transactions and other matters	Major items hedged	Contract amount and other amounts		Fair value	Method of calculation of said market value
				Longer than one year		
Special treatment of interest rate swap	Interest rate swap transaction Fixed payment/variable receipt	Long-term loans payable	15,195,201	14,399,405	(Note)	-

(Note) Those that are subject to special treatment of interest rate swap are treated together with the current portion of long-term loans payable and the long-term loans payable to be hedged as one, and thus their fair value is presented together with the fair value of (Note 1) (3) Current portion of long-term loans payable and (4) Long-term loans payable in "Notes on financial instruments 2. Matters relating to fair values of financial instruments, among other matters" .

Current fiscal period (as of December 31, 2018)

(Unit: thousand yen)

Method of hedge accounting	Type of derivative transactions and other matters	Major items hedged	Contract amount and other amounts		Fair value	Method of calculation of said market value
				Longer than one year		
Special treatment of interest rate swap	Interest rate swap transaction Fixed payment/variable receipt	Long-term loans payable	22,603,027	21,411,430	(Note)	-

(Note) Those that are subject to special treatment of interest rate swap are treated together with the current portion of long-term loans payable and the long-term loans payable to be hedged as one, and thus their fair value is presented together with the fair value of (Note 1) (4) Current portion of long-term loans payable and (5) Long-term loans payable

in “Notes on financial instruments 2.Matters relating to fair values of financial instruments, among other matters”.

[NOTES ON RETIREMENT BENEFITS]

Prior fiscal period (as of June 30, 2018)

Not applicable.

Current fiscal period (as of December 31, 2018)

Not applicable.

[NOTES ON TAX EFFECT ACCOUNTING]

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Unit: thousand yen)

	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018
Accrued business tax not deductible from taxable income	27	12
Total deferred tax assets	27	12
Net amount of deferred tax assets	27	12

2. Breakdown of each major item that causes a significant difference between the effective statutory tax rate and the rate of the burden of corporate tax and other taxes after the application of tax effect accounting

	Fiscal period ended June 30, 2018	Fiscal period ended December 31, 2018
Effective statutory tax rate	31.74%	31.51%
(Adjustment)		
Dividends paid deductible for tax purpose	(26.87)%	(31.45)%
Loss carried forward and deducted for the period	(4.72)%	-
Others	0.28%	0.15%
Rate of burden of corporate tax and other taxes after the application of tax effect accounting	0.43%	0.21%

[NOTES ON SHARE OF PROFIT (LOSS) OF ENTITIES ACCOUNTED FOR USING EQUITY METHOD, ETC.]

Prior fiscal period (as of June 30, 2018)

Not applicable.

Current fiscal period (as of December 31, 2018)

Not applicable.

[NOTES ON RELATED PARTY TRANSACTIONS]

1. Major corporate unitholders

Prior fiscal period (from October 1, 2017 to June 30, 2018)

Not applicable.

Current fiscal period (from July 1, 2018 to December 31, 2018)

Not applicable.

2. Affiliates

Prior fiscal period (from October 1, 2017 to June 30, 2018)

Not applicable.

Current fiscal period (from July 1, 2018 to December 31, 2018)
Not applicable.

3.Fellow Subsidiaries

Prior fiscal period (from October 1, 2017 to June 30, 2018)
Not applicable.

Current fiscal period (from July 1, 2018 to December 31, 2018)
Not applicable.

4.Officers and major individual unitholders

Prior fiscal period (from October 1, 2017 to June 30, 2018)
Not applicable.

Current fiscal period (from July 1, 2018 to December 31, 2018)
Not applicable.

[NOTES ON ASSET RETIREMENT OBLIGATIONS]

Prior fiscal period (from October 1, 2017 to June 30, 2018)
Not applicable.

Current fiscal period (from July 1, 2018 to December 31, 2018)
Not applicable.

[NOTES ON INVESTMENT AND RENTAL PROPERTY]

CSIF has renewable energy power generation facilities, etc. The book value, change during the period and fair value at the end of the period are as shown below.

(Unit: thousand yen)

	Prior fiscal period From January 1, 2018 to June 30, 2018	Current fiscal period From July 1, 2018 to December 31, 2018
Book value (Note 2)		
Beginning balance	-	31,110,561
Change during the period (Note 3)	31,110,561	10,967,348
Ending balance	31,110,561	42,077,910
Fair value at the end of the period (Note 4)	35,963,000	47,099,500

(Note 1) The real estate that CSIF holds is real estate to be provided for the use of renewable energy power generation facilities, and thus with respect to the book value and the fair value, the amount of the renewable energy power generation facilities and real estate are stated together as one.

(Note 2) The book value is the amount at acquisition cost less the accumulated depreciation.

(Note 3) The change during the period ended June 30, 2018 primarily consisted of the increase due to acquisition of fifteen photovoltaic power generation facilities (31,853,772 thousand yen), and the decrease due to depreciation expenses (743,210 thousand yen). And the change during the period ended December 31, 2018 primarily consisted of the increase due to acquisition of three photovoltaic power generation facilities (11,651,820 thousand yen), and the decrease due to depreciation expenses (713,168 thousand yen).

(Note 4) The fair value is the total sum of the intermediate values according to Article 41, paragraph 1 of the CSIF's Articles of Incorporation on the basis of the appraised value in the range stated in the valuation report with the date of the value opinion on June 30, 2018 and December 31, 2018, which was obtained from PricewaterhouseCoopers Sustainability LLC.

In addition, profits and losses from the renewable energy power generation facilities, etc. for the fiscal period ended June 30, 2018 (the 2nd period) and the fiscal period ended December 31, 2018 (the 3rd period) are as stated in the "Notes to statement of income" above.

[NOTES ON SEGMENT INFORMATION]

1. Segment information

Since CSIF has a single segment of the rental business of infrastructure assets, the segment information is omitted.

2. Related Information

Prior fiscal period (from October 1, 2017 to June 30, 2018)

(1) Information on products and services

Information is omitted because operating revenue from a single product/service to outside customers exceeds 90% of the operating revenue on the statement of income.

(2) Information on regions

① Operating revenue

Information is omitted because operating revenue from outside customers in Japan exceeds 90% of the operating revenue on the statement of income.

② Property and equipment

Information is omitted because the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment on the balance sheet.

(3) Information on major customers

(unit: thousand yen)

Name of customer	Total net revenue	Name of related segment
Tida Power 01 G.K.	1,976,071	Renewable energy power generation facilities, etc. rental business
CLEAN GUADALQUIVIR K.K.	11,895	Renewable energy power generation facilities, etc. rental business
Univergy 12 G.K.	35,064	Renewable energy power generation facilities, etc. rental business

Current fiscal period (from July 1, 2018 to December 31, 2018)

(1) Information on products and services

Information is omitted because operating revenue from a single product/service to outside customers exceeds 90% of the operating revenue on the statement of income.

(2) Information on regions

① Operating revenue

Information is omitted because operating revenue from outside customers in Japan exceeds 90% of the operating revenue on the statement of income.

② Property and equipment

Information is omitted because the amount of property and equipment located in Japan exceeds 90% of the amount of property and equipment on the balance sheet.

(3) Information on major customers

(unit: thousand yen)

Name of customer	Total net revenue	Name of related segment
Tida Power 01 G.K.	1,529,305	Renewable energy power generation facilities, etc. rental business
Univergy 23 G.K.	10,868	Renewable energy power generation facilities, etc. rental business
CLEAN ENERGIES XXI G.K.	241,089	Renewable energy power generation facilities, etc. rental business
Univergy 10 G.K.	3,984	Renewable energy power generation facilities, etc. rental business

[NOTES ON PER UNIT INFORMATION]

	Prior fiscal period From October 1,2017 to June 30, 2018	Current fiscal period From July 1, 2018 December 31, 2018
Net assets per unit	96,583 yen	96,523 yen
Net income (Net loss) per unit	2,007 yen	1,932 yen

(Note 1) Net income (Net loss) per unit is calculated by dividing net income (net loss) by the average number of investment units during the period. In the previous fiscal period, a loss was posted and there were no dilutive investment units, and thus diluted loss per unit is not stated. With respect to diluted profit per unit for the period under review, there are no dilutive investment units, and thus the statement is omitted.

(Note 2) The basis of calculation of net income (net loss) per unit is as follows.

	Prior fiscal period From October 1,2018 to June 30, 2018	Current fiscal period From July 1, 2018 December 31, 2018
Net income (Net loss) (Thousand yen)	330,449	412,187
Amount not attributable to common unit holders (Thousand yen)	-	-
Net income (Net loss) attributable to Common unit holders (Thousand yen)	330,449	412,287
Average number of investment units during the period (Units)	164,642	213,246

[NOTES ON FACTS ARISING AFTER THE SETTLEMENT OF ACCOUNTS]

1. Borrowings of the Funds

CSIF decided to borrow funds for the purpose of one of the appropriation of the funds obtained as set forth in “2. Acquisition of assets” below at the meeting of the board of directors held on March 26,2019 and plans to borrow the funds described below on March 29,2019.

CSIF completed the borrowing of funds, as described below, on March 29, 2019. The borrowed funds were applied to partial fund for acquisition of the newly acquired assets described in “2. Acquisition of assets” below and expenses related thereto (including consumption taxes).

Type (Note 1)	Lenders	Borrowing Amount (million yen)	Interest Rate (Note 2)	Drawdown Date	Repayment date	Repayment Method (Note 3)	Security (Note 4)
Long-term	Shinsei Bank, Limited	700 (Note 5)	Base rate plus 0.45% (Note 6)	March 29, 2019	Corresponding date in three years from the drawdown date	Partial installment (Note 5)	Unsecured, unguaranteed

(Note 1) Long-term refers to borrowings that have a period of over a year from the drawdown date to the repayment date.

(Note 2) Finance related costs paid to the lenders are not included.

(Note 3) CSIF can make an early repayment of all or part of our borrowings subject to certain conditions, such as prior written notice to the relevant lenders.

(Note 4) The loan agreements contain restrictive financial covenants to be applied on each settlement date of CSIF, such as the total amount of interest-bearing liabilities to the total asset value (LTV), debt-to equity ratio and debt service coverage ratios as indicators to determine the ability of CSIF to repay the loan. Breaches of such covenants for 2 successive fiscal periods or an occurrence of an acceleration event could result in being required to grant security interests in favor of the lenders.

(Note 5) CSIF intends to enter into balloon amortization loans, which has an initial principal repayment date of June 30, 2019, and subsequent principal repayment dates shall be the last day of June and December (if a principal repayment date is not a business day, then the payment shall be made on the immediately succeeding business day; provided, however, that if such payment day falls into the following month, then the payment shall be made on the immediately preceding business day) and the remaining principal shall be repaid as a balloon payment on the repayment date. Principal repaid as a percentage of the outstanding balance as at June 30, 2019 will be 2.746%.

(Note 6) The applicable base rate for each interest calculation period (being 6 months, excluding the first and last interest period) for the calculation of the interest payable on the interest payment date shall be the 6 month Japanese yen TIBOR (Tokyo Interbank Offered Rate) announced by the General Incorporated Association JBA (Japanese Bankers Association) TIBOR Administration on the 2nd business day prior to the Drawdown Date for the first interest calculation period and on the 2nd business day prior to the beginning of

each relevant interest calculation period thereafter. The applicable base rate shall be revised for each interest period. However, if a corresponding base rate is not available for an interest calculation period, the base rate shall be calculated using the method agreed in the relevant loan agreement.

2. Acquisition of assets

The Investment Corporation decided to acquire the following assets with the funds of cash on hand according to the basic policy for asset management set forth in the Articles of Incorporation at the meeting of the board of directors held on February 26, 2019 and plans to acquire the said assets on March 1, 2019.

CSIF completed the acquisition of assets, as described below, on March 1, 2019.

Asset number (Note 1)	Project name (Note 2)	Location (Note 3)	Acquisition Price (million yen) (Note 4)	Acquired from
S-19	CS Misato-machi Power Plant	Kodama-gun, Saitama	470	Univergy 01 G.K.

(Note 1) Asset number is the number that we have assigned to our projects, based on the classification of the renewable energy project. The S denotes a solar energy project. The same applies herein.

(Note 2) "CS" is the abbreviation for Canadian Solar. The same applies herein.

(Note 3) Based on the location of the land or one of the lands upon which the photovoltaic power generation is installed, as described in the property registry. In either case, the address is described up to the city or district.

(Note 4) Anticipated acquisition price is as described in the purchase agreements (excluding acquisition expenses such as the payment of outsourcing service fees related to acquisition, property-related taxes, urban planning taxes, consumption taxes and other fees).

The Investment Corporation decided to acquire the following assets with the funds of "1. Borrowings of the Funds" above according to the basic policy for asset management set forth in the Articles of Incorporation at the meeting of the board of directors held on March 26, 2019 and plans to acquire the said assets on March 29, 2019.

CSIF completed the acquisition of assets, as described below, on March 29, 2019.

Asset number (Note 1)	Project name (Note 2)	Location (Note 3)	Acquisition Price (million yen) (Note 4)	Acquired from
S-20	CS Marumori-machi Power Plant	Igu-gun, Miyagi	850	CLEAN ENERGIES SOLUTIONS K.K.

(Note 1) Asset number is the number that we have assigned to our projects, based on the classification of the renewable energy project. The S denotes a solar energy project. The same applies herein.

(Note 2) "CS" is the abbreviation for Canadian Solar. The same applies herein.

(Note 3) Based on the location of the land or one of the lands upon which the photovoltaic power generation is installed, as described in the property registry. In either case, the address is described up to the city or district.

(Note 4) Anticipated acquisition price is as described in the purchase agreements (excluding acquisition expenses such as the payment of outsourcing service fees related to acquisition, property-related taxes, urban planning taxes, consumption taxes and other fees).

(7) [Supplementary Schedules]

1. Schedule of Securities

Not applicable.

2. Status of Contract Amounts, etc. and Estimated Fair Value of Derivative Transactions and Forward Exchange Transactions

(Unit: thousand yen)

Category	Type	Contract amount, etc. (Note 1)		Fair value (Note 2)
			Longer than one year	
OTC (over-the-counter)	Interest rate swap transactions pay-fixed, receive-variable	22,603,027	21,411,430	-
Total		22,603,027	21,411,430	-

(Note 1) The contract amount, etc. of interest rate swap transactions is based upon Notional principal amount.

(Note 2) Fair value is omitted because the transaction meets the requirement for special treatment based on the

3. Schedule of Assets Related to Real Estate

Not applicable.

4. Schedule of Assets Related to Renewable Energy Power Generation Facilities

(Unit: million yen)

Asset Type	Balance as of July 1, 2018	Increase during the period	Decrease during the period	Balance as of December 31, 2018	Accumulated depreciation or accumulated amortization		Net balance as of December 31, 2018	Remarks	
						Depreciation during the period			
Property and equipment	Structures	517	279	-	797	28	14	769	(Note)
	Machinery and equipment	26,507	10,920	-	37,427	1,405	688	36,022	(Note)
	Tools, furniture and fixtures	462	42	-	505	22	9	483	(Note)
	Land	3,876	432	-	4,309	-	-	4,309	(Note)
	Construction in progress	1	5	-	6	-	-	6	
	Total	31,366	11,680	-	43,046	1,456	713	41,589	
Intangible assets	Leasehold rights	489	4	-	494	-	-	494	(Note)
	Software	3	-	-	3	0	0	2	
	Total	493	4	-	498	0	0	497	

(Note) The "Increase during the Period" is entirely due to the acquisition of Photovoltaic power generation facilities (September 6, 2018).

5. Schedule of Other Specified Assets

Not applicable.

6. Schedule of Investment Corporation Bonds

Not applicable.

7. Schedule of Loans Payable

Category	Lender	Balance as of July 1, 2018 (million yen)	Increase during the period (million yen)	Decrease during the period (million yen)	Balance as of December 31, 2018 (million yen)	Average interest rate (%) (Note 1)	Repayment date	Repayment method	Use	Remarks
Long-term loans payable	Shinsei Bank, Limited	2,322	-	60	2,261	0.84500 (Note 2)	October 31, 2027	Repayment in partial installments	(Note 4)	Unsecured Unguaranteed
	Mizuho Bank, Ltd.	1,451	-	38	1,413					
	Sumitomo Mitsui Banking Corporation	1,451	-	38	1,413					
	MUFG Bank, Ltd.	967	-	25	942					
	Resona Bank, Limited	1,742	-	45	1,696					
	ORIX Bank Corporation	967	-	25	942					
	The Hiroshima Bank, Ltd.	1,742	-	45	1,696					
	The Nanto Bank, Ltd.	1,742	-	45	1,696					
	The Oita Bank, LTD.	871	-	22	848					
	THE SHONAI BANK, LTD.	871	-	22	848					
	THE MIE BANK, LTD.	193	-	5	188					
	THE TOCHIGI BANK, LTD.	871	-	22	848					
	Shinsei Bank, Limited	1040	-	1,040	-					
Mizuho Bank, Ltd.	500	-	500	-						
Sumitomo Mitsui Banking Corporation	500	-	500	-						

Long-term loans payable	Sumitomo Mitsui Banking Corporation	868	-	24	844	0.57636	February 1, 2021	Repayment in partial installments	(Note 4)	Unsecured Unguaranteed
	Shinsei Bank, Limited	-	1,750	60	1,689	1.04200	September 30, 2028	Repayment in partial installments	(Note 4)	Unsecured Unguaranteed
	Sumitomo Mitsui Banking Corporation	-	1,750	60	1,689					
	MUFG Bank, Ltd.	-	2,000	48	1,951					
	The Nanto Bank, Ltd.	-	1,000	24	975					
	The Ashikaga Bank, LTD.	-	1,000	-	1,000					
	The Hiroshima Bank, Ltd.	-	500	-	500	0.06384	The earlier date of (i) June 30, 2020 or (ii) the first interest payment date on or after the consumption tax refund date (Note 3)	Lump-sum repayment at maturity	(Note 4)	Unsecured Unguaranteed
	Shinsei Bank, Limited	-	318	-	318					
	Sumitomo Mitsui Banking Corporation	-	318	-	318					
	MUFG Bank, Ltd.	-	212	-	212					
Total	18,103	8,850	2,656	24,297	-	-	-	-	-	

(Note 1) The average interest rate is the weighted-average figure during the period and is rounded to the sixth decimal place.

(Note 2) CSIF conducts interest rate swaps which fix interest rates to hedge interest rate risk, and the average interest rate is the weighted-average figure during the period taking the effect of interest rate swaps into consideration.

(Note 3) CSIF repaid the funds borrowed on December 28, 2018.

(Note 4) Funds are used mainly for acquisition of renewable energy power generation facilities

(Note 5) CSIF plans to use any refund of consumption tax paid in connection with the acquisition of acquired assets to repay the funds borrowed.

(Note 6) Scheduled redemption amounts of long-term loans payable within five years after the date of the balance sheet are as follows.

(Unit: thousand yen)

	Within one year	Longer than one year within two years	Longer than two years within three years	Longer than three years within four years	Longer than four years within five years	Longer than five years
Long-term loans payable	1,239,176	2,122,610	1,995,867	1,275,305	1,292,889	16,371,247