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Infrastructure Fund Issuer:
Enex Infrastructure Investment Corporation
Takayuki Yamamoto, Executive Officer
(Securities Code: 9286)

Asset Management Company:
Enex Asset Management Co., Ltd.
Takayuki Yamamoto, Representative Director,
President and CEO
Inquiries: Tatsumi Ohmura, Director and General
Manager of Finance & General
Accounting Department
TEL: +81-3-4233-8330

Notice Concerning Equipment Malfunction at Hokota Solar Power Plant

Enex Infrastructure Investment Corporation (hereinafter “EII”) announces that on May 2, 2019, an underground cable at Hokota Solar Power Plant owned by EII malfunctioned, resulting in suspended operation of the plant’s power conditioners (Note 1). Thanks to measures led by the operator, Enex Electric Power Co., Ltd., to identify the cause and carry out quick restoration work, full restoration was achieved by this morning (Please refer to “1. Circumstances of Malfunction and Restoration” below for details of the circumstances). We deeply apologize for causing you concern.

Even when the actual revenue from electricity sales falls below the assumed revenue from electricity sales based on forecast power generation (P50) (Note 2), the shortfall can be covered using the reserve account for rent income and through deficit coverage by the sponsor up to the amount equivalent to 20% of the assumed revenue from electricity sales based on forecast annual power generation (P50) for each asset under management (Note 3). As of now, it is expected that the base rent which EII receives from the power generation operator (SPC), the lessee of the power plant, will not decrease (the impact of the total shortfall on the assumed annual revenue from electricity sales for the Hokota Solar Power Plant resulting this failure is 1.6%, and is expected to be covered using reserve account for rent income and through deficit coverage by the sponsor).

Therefore, there is no impact on the management status forecast of EII for the fiscal period ending November 2019 announced in “Notice Concerning Management Status Forecasts for the Fiscal Period Ending November 2019 and Fiscal Period Ending November 2020” dated February 13, 2019.

- (Note 1) “Power conditioner” refers to a device that converts DC electricity into AC. The same shall apply hereinafter.
- (Note 2) Forecast power generation (P50) refers to the power generation output calculated by the producer of technical reports or other experts, as a figure of an exceedance probability P (percentile) 50 (a numerical value deemed achievable with a 50% probability). The assumed revenue from electricity sales based on forecast power generation (P50) refers to the assumed revenue from power generation calculated by multiplying the relevant output by the tariff. The same shall apply hereinafter.
- (Note 3) All power generation operators (SPC), the lessees of the assets to be acquired, reserve the amount equivalent to 10% of the assumed revenue from electricity sales based on forecast annual power generation (P50) for the first operating fiscal year in the reserve account for rent income using the initial investment by the sponsors based on the silent partnership agreement. Even when the actual revenue from electricity sales falls below the assumed revenue from electricity sales in the forecast power generation (P50) due to bad weather, etc., shortfall will be covered by the reserve account for rent income in order to prevent immediate obstacles to payment of the base rent to EII. Furthermore, the sponsor became a silent partnership investor for which the power generation operator (SPC) serves as the operator, and when a shortfall in payment of base rent results due to a decrease in the actual revenue from electricity sales due to prolonged bad weather, etc., even if the reserve account for rent income is used, the silent partnership investor will conduct deficit coverage for the power generation operator (SPC) in the amount of up to 10% of the assumed revenue from electricity sales based on forecast annual power generation (P50) for the fiscal year. By using deficit coverage to pay rent to EII, the risk of non-payment of rent is reduced.

1. Circumstances of Malfunction and Restoration

- May 2, 2019, 1:00 p.m. Confirmed that operation of power conditioners was suspended due to a malfunction (all 20 units stopped). Initiated status confirmation and restoration response.
- May 3, 2019, 4:00 p.m. 12 units out of 20 units restored, normal operation confirmed.
- May 9, 2019, 10:00 p.m. The remaining 8 units restored (full restoration).
- May 10, 2019, 7:00 p.m. Normal operation confirmed.

2. Overview of Hokota Solar Power Plant

Location	Solar module output (kW)	Procurement price (yen/kWh)	Investment ratio (%)
Hokota City, Ibaraki	21,541.00	36	60.4

*EII website: <https://enexinfra.com/en/>