

JCR Affirmed AA-/Stable, Preliminary AA- and J-1+ on Odakyu Electric Railway

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

Rationale

- (1) Odakyu Electric Railway Co., Ltd. is a large private railway company mainly operating in the areas extending west from Shinjuku to Kanagawa Prefecture. Its railway operations also serve as a means of transportation for tourists heading for Hakone. The Company is working on development projects along its railway lines, as well as the multiple double tracks construction project to improve accessibility to the areas along its railway lines.
- (2) Although the effect of the earthquake on the transportation of tourist passengers heading for Hakone remains a concern, the passenger volume has recovered to a greater extent than projected at the beginning of the current fiscal year. Earnings in the merchandising and hotel businesses, on the other hand, are worsening on the back of persistently tough earnings environment, increasing economic uncertainty, and a decline in the number of foreign tourists due to the strong yen and nuclear accidents. Therefore, JCR considers it important for the Company to continue its efforts to secure profit mainly through cost reduction.
- (3) JCR has up to now viewed that the Company will be able to further reduce the interest-bearing debt from the fiscal year ending March 31, 2012 on when a series of large-scale construction projects will peak out. However, it now seems to remain high for a while. The recovery of investment in department store renovation is taking longer than expected and uncertainty about the improvement of earnings in its hotel business is increasing as a result of the promotion of the multiple double tracks construction project in the Shimokitazawa area and the Company's active engagement in development projects along its railway lines and acquisition of real estate leasing properties, with changing consumption structure and deteriorated external environment making matters worse. Furthermore, the deterioration of external environment is somewhat affecting the occupancy rates of its real estate leasing facilities. Given these circumstances, JCR considers that the trend in its future cash flow requires much closer attention than before, and therefore will keep an eye on its future efforts to improve earnings in the department store and hotel businesses and the occupancy rates of the real estate leasing facilities.

Rating

Issuer: Odakyu Electric Railway Co., Ltd. (security code: 9007)

<Affirmation>

Senior debts: AA- Outlook: Stable

Issues	Amount (bn)	Issue Date	Due Date	Coupon	Rating
bonds no.22	Y20	Nov. 22, 1996	Nov. 25, 2016	3.65%	AA-
bonds no.25	Y20	Aug. 25, 1998	Aug. 24, 2018	3.00%	AA-
bonds no.32	Y15	Oct. 22, 2002	Oct. 22, 2012	1.53%	AA-
bonds no.40	Y10	Aug. 8, 2006	Aug. 8, 2013	1.95%	AA-
bonds no.41	Y20	Aug. 8, 2006	Aug. 8, 2016	2.24%	AA-
bonds no.46	Y30	Dec. 17, 2008	Dec. 17, 2013	1.377%	AA-
bonds no.47	Y15	Jan. 30, 2009	Jan. 25, 2012	1.00%	AA-
bonds no.48	Y15	July 31, 2009	July 25, 2012	0.63%	AA-
bonds no.49	Y10	Aug. 12, 2009	Aug. 12, 2014	0.932%	AA-
bonds no.50	Y10	Aug. 12, 2009	Aug. 12, 2019	1.718%	AA-
bonds no.51	Y15	Jan. 29, 2010	Jan. 25, 2013	0.43%	AA-
bonds no.52	Y15	July 30, 2010	July 25, 2013	0.31%	AA-
bonds no.53	Y15	Aug. 12, 2010	Aug. 12, 2015	0.496%	AA-
bonds no.54	Y10	Dec. 17, 2010	Dec. 15, 2017	0.956%	AA-
bonds no.55	Y10	Dec. 17, 2010	Dec. 17, 2020	1.367%	AA-
bonds no.56	Y15	Jan. 31, 2011	Jan. 24, 2014	0.39%	AA-
bonds no.57	Y15	July 29, 2011	July 25, 2014	0.38%	AA-

Shelf Registration: preliminary AA-
Maximum: Y120 billion
Valid: two years effective from May 15, 2011
CP: J-1+
Maximum: Y40 billion

Outline of the method for the determination of the credit rating is posted as "Rating Methodology (Corporate)" on JCR's home page (<http://www.jcr.co.jp>). The rating methodology is subject to additions and changes. In such cases, however, these additions and changes are shown in chronological order. Please check the release date of this press release against that of the rating methodology (i.e., the date when such methodology became effective) and then refer to the rating methodology above.

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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