

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name:

Odakyu Electric Railway Co., Ltd.

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:

Series 82 Unsecured Corporate Bonds

Independent External Review provider's name:

Japan Credit Rating Agency, Ltd.

Completion date of this form:

January 7, 2019

Publication date of review publication:

January 7, 2019

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Odakyu Electric Railway Co., Ltd. (Odakyu) is a major private railway company founded in May 1923 as Odawara Express Railway Co., Ltd. The company merged with Tokyu Corporation during World War II, but in June 1948 it was separated and became independent as current Odakyu Electric Railway Co., Ltd. Odakyu operates a wide range of business activities, including transportation and merchandising mainly in the West-Tokyo and Kanagawa areas. Its core railway operations include Odakyu Odawara Line (Shinjuku to Odawara), Odakyu Enoshima Line (Sagami-Ono to Katase-Enoshima) and Odakyu Tama Line (Shin-Yurigaoka to Karakida) with a total of 120.5 km. The number of passengers per day stands at about 2.07 million. In order to improve convenience, Odakyu has also through-services between Tokyo Metro Chiyoda Line, JR East Joban Line (Local), Hakone Tozan Railway and JR Gotemba Line.

As of August 2018, 99 companies belong to Odakyu Group, which is a corporate group centered on Odakyu Electric Railway Co., Ltd. . Odakyu Group defines three areas of activity and priority as the direction of its CSR activities. In terms of environmental issues, the Group has set "promotion of environmentally responsible initiatives" within three priority areas. Specific initiatives such as "Odakyu Group Environmental Strategy", "Reduce environmental footprint", "initiatives to live together with nature", "Odakyu Environmental Room" are being implemented to proactively promote an effort to reduce environmental footprint. Also, Odakyu Group is engaged in the activities to protect nature with residents along the lines in the area s such as Hakone, Enoshima and Tanzawa-Oyama.

"Odakyu Group Environmental Strategy", which was designed in October 2008, has been implemented since fiscal year 2010 with the aim of addressing changes in the regulation for environmental footprint and customer's environmental awareness. In addition, Odakyu is working to promote environmental activities by operating an environmental management system on a company-wide basis. Also, Ono Rolling Stock Depot located near Sagami-Ono Station, acquired ISO14001 certification, the international standard for environmental management systems, in fiscal year 2000.

Bonds subject to evaluation are unsecured bonds issued by Odakyu. The proceeds of this bond issue will be allocated to the switch to new or renewed train that achieves reduction effect on power consumption in comparison to old fashioned conventional train, the multiple double track project and the renovation of the station.

As noted above, Odakyu Group has designed "Odakyu Group Environmental Strategy", which sets out the direction of the Group from an environmental point of view, in order to implement "promotion of environmentally responsible initiatives", one of the three priority areas of CSR activities. Odakyu defines actions that contribute to "promotion of environmentally responsible initiatives" as eligible criteria for green bonds. Odakyu also assesses that the use of proceeds for green bonds meets the eligibility criteria.

In selecting the green bond project, Odakyu has made a strong commitment by the management team to issue the green bond. For example, a decision was made by the President & CEO. In addition, with regard to the environmental and social risks that the fund can be used for this project, Odakyu has implemented environmental assessment procedures based on the ordinance and implemented measures to deal with risks through compliance with various laws and regulations. In addition, an internal audit of the funds procured is conducted twice a year, and the management system related to cash management is secured, for example, by the approval of the person in charge of Finance and Accounting.

JCR has confirmed the management and operation system and transparency, including the process of Odakyu's selection of the green bond project. JCR has evaluated the management system and transparency of the bonds issued by Odakyu as robust and highly transparent.

As a result, JCR assigns "g1" for "Greenness Evaluation (Use of Proceeds)" and "m1" for "Management, Operation and Transparency Evaluation". Consequently, JCR assigns "Green1" as an overall preliminary evaluation result to the bonds. The bonds are considered to meet the standards for items required by the Green Bond Principles and the Green Bond Guidelines issued by the Ministry of Environment of Japan.

<https://www.jcr.co.jp/en/greenfinance/>

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

a. On the environmental improvement effects of the project

- i. 100% of the proceeds will be allocated to both the refinancing and new investment into clean transportation business that have high environmental improvement effects.
- ii. The use of proceeds falls under the category of "clean transport" among the green projects defined in the Green Bond Principles or the Ministry of the Environment's Green Bond Guidelines.

b. Negative impact on Environment

Odakyu considers environmental and social risks when conducting a project, and takes measures to mitigate risks if there is a risk that a negative impact on the environment will occur. JCR has confirmed that there are few possibilities of negative impact on the environment from selected projects where the use of proceeds will be allocated.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Odakyu have clear environmental goal, project selection criteria and process to determine the proceeds, which will be in the this Evaluation report composed by JCR.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

The proceeds of the bond will be allocated to three refinance and new projects within about two years. Until the funding is appropriated, the funds procured are managed with cash or cash equivalents. unallocated funds are incurred due to project cancellations or other reasons, the funds will be managed with cash or cash equivalents until they are allocated to projects that meet the eligible criteria.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify)</i> : |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section *(if applicable)*:

a. Reporting on proceeds allocation

As confirmed in the previous section, the funds procured will be allocated to three refinance and new projects within about two years. The use of proceeds will be shown through the Amended Shelf Registration Statement and news releases at the time of bond issuance, as well as posters and leaflets on the stations and in the trains.

b. Impact reporting for environmental benefits

Odakyu plans to disclose environmental improvement indicators on its website on an annual basis.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (<i>please specify</i>): <ul style="list-style-type: none">• Noise and vibration reduction
(the implementation rate of soundproof wheels, fully enclosed motors, low noise type compressors and skid preventing devices)• Improvement in average delay time and the number of delayed trains• Improvement of the average congestion rate• Shorten the necessary time• Progress of platform extension• Progress in Installation of platform screen doors• Station greening activities |

Means of Disclosure

- | | |
|--|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify):
Showing on Odakyu's website |
| <input checked="" type="checkbox"/> Reporting reviewed | |

Yes, both use of proceeds and impact reporting are subject to external review.

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Odakyu's Environmental Consideration (Japanese page)
https://www.odakyu.jp/company/socialactivities/environment_consideration/

JCR's website about green bond evaluation methodology
<https://www.jcr.co.jp/en/greenfinance/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Japan Credit Rating Agency, Ltd.

Date of publication:

January 7, 2019

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.