



NEWS RELEASE

Mar 10, 2010

R&I Removes Kawasaki Kisen from Rating Monitor, Outlook Negative

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Kawasaki Kisen Kaisha, Ltd. (Sec. Code: 9107)
Issuer Rating

R&I RATING: **A- (Affirmed; Removed from the Rating Monitor)**
RATING OUTLOOK: Negative

Commercial Paper

R&I RATING: **a-1 (Affirmed; Removed from the Rating Monitor)**

RATIONALE:

Kawasaki Kisen Kaisha, Ltd. is a major shipping company in Japan. Centering on containerships, the company has established a strong track record in the operation of various vessels, including dry bulk carriers, energy transportation carriers and tankers, and car carriers. Its fleet is the third largest in Japan after Mitsui O.S.K. Lines, Ltd. and Nippon Yusen K.K. and ranks among the top in the world as well.

Following the global economic downturn since the fall of 2008, the business environment for the shipping industry has significantly deteriorated. In particular, the containership segment posted substantial losses as the demand-supply gap widened due to contraction in the trade volume. Since the containership services account for a large portion of Kawasaki Kisen's business portfolio compared to the major Japanese shipping firms, a decline in its earnings capacity was serious. R&I therefore downgraded the Issuer Rating for Kawasaki Kisen by one notch and placed it on the Rating Monitor with a view to downgrading on October 27, 2009. R&I has since kept an eye on the company's revenues and expenditures, as well as on the financial profile.

For the year ending March 2010, Kawasaki Kisen forecasts a net loss of 70 billion yen. While dry bulk carriers have been profitable, structural reform costs have been recorded for the containership operations, where profitability has declined sharply. Decreases in profits from car carriers, as well as from energy transportation carriers and tankers, had another major impact. With substantial losses being posted, the equity capital will also decline. That said, the company issued shares of over 30 billion yen through a public offering in March. As a result, the capital ratio as of the end of March 2010 will be nearly 30%, standing at slightly above 29%. This level is close to those of its competitors.

As price rises have proceeded as a result of demand-supply adjustment in the entire industry, losses in the containership services have begun to shrink since 3Q FY2009. Some service routes even recorded profits in 4Q. There is an increasing possibility that the containership segment overall may move into the black in the foreseeable future. The dry bulk market is faring relatively well, and profits of the car carrier segment are also improving thanks to a recovery in automobile exports after automakers completed inventory adjustments. Partly because Kawasaki Kisen is curtailing capital investment by, for example, freezing orders for new containership construction,

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

©Rating and Investment Information, Inc.



NEWS RELEASE

R&I believes that deterioration in the liabilities and capital structure will be halted. Based on the factors mentioned above, R&I has affirmed both of the Issuer Rating and the CP rating.

Until the first half of 2008, R&I expected the debt to cash flow ratio and the liabilities and capital structure of shipping firms to steadily improve as their profits and cash flows would likely increase due to the structural improvement of demand for the transportation of iron ore and other resources backed by economic expansion in emerging countries such as China, while debt reduction would proceed after the firms increased debts for their aggressive investment over the past few years. Changes in the economic environment stemming from the global financial crisis now require R&I to modify such a scenario, however.

The shipping industry is inherently exposed to high market volatility and is vulnerable to fluctuations in foreign exchange rates and fuel prices. While shipping firms may be able to stabilize earnings by securing freight volume through the conclusion of medium to long-term contracts, the industry risk is relatively high. Thus, in order to maintain its creditworthiness under the harsh business environment, Kawasaki Kisen requires a robust financial base more than in the past. Furthermore, the prospects for the global economy are still uncertain, and the business environment may start to deteriorate again. Consequently, R&I has removed the ratings from the Rating Monitor, but assigned a Negative Rating Outlook. If a profit recovery stalls and improvement in the financial balance becomes unlikely, the possibility of rating downgrades will rise. R&I will return the Rating Outlook to Stable if profits and the financial profile improve steadily. It appears to take some time, however, before R&I can confirm the progress.

The primary rating methodology applied to this rating is provided at "Basic Methodologies for R&I's Credit Rating". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

<http://www.r-i.co.jp/eng/rating/rating/methodology.html>

R&I RATINGS:

ISSUER: Kawasaki Kisen Kaisha, Ltd. (Sec. Code: 9107)
ISSUER RATING: A- (Affirmed; Removed from the Rating Monitor)
RATING OUTLOOK: Negative

ISSUE: Preliminary Rating for the Shelf Registration (Bonds)
Issue Amount: Yen 50,000 million (Shelf Amount)
Issue Period: Two years from Mar 09, 2009

R&I RATING: A- (Affirmed; Removed from the Rating Monitor)

LONG-TERM ISSUE RATING:	Issue Date	Redemption	Issue Amount (mn)
Unsec. Str. Bonds No.11	Jun 19, 2009	Jun 19, 2014	Yen 30,000

R&I RATING: A- (Affirmed; Removed from the Rating Monitor)

PROGRAMME: Commercial Paper
Issue Limit: Yen 60,000 million

R&I RATING: a-1 (Affirmed; Removed from the Rating Monitor)

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

©Rating and Investment Information, Inc.



NEWS RELEASE

In principle, an Issuer Rating is R&I's opinion on an issuer's overall capacity to repay its financial obligations as agreed and is assigned to all issuers. The rating of individual obligations includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Investors Service Division TEL.03-3276-3511 FAX.03-3276-3413 <http://www.r-i.co.jp>

Credit ratings are statements of R&I's opinions regarding an issuer's general capacity to fulfill its financial obligations and the certainty of the fulfillment of its individual obligations as promised (creditworthiness) and are not statements of fact. Further, R&I does not state its opinions about any risks other than credit risk, give advice regarding investment decisions or financial matters, or endorse the merits of any investment. R&I does not undertake any independent verification of the accuracy or other aspects of the related information when issuing a credit rating and makes no related representations or warranties. R&I is not liable in any way for any damage arising in relation to credit ratings (including amendment or withdrawal thereof). As a general rule, R&I issues a credit rating for a fee paid by the issuer. For details, please refer to <http://www.r-i.co.jp/eng/about.html>.

©Rating and Investment Information, Inc.