

Supplementary Materials

Iino Lines' IEG14 Medium-Term Business Plan
(FY2011–FY2013)
Growth and Evolution
Iino's Evolutionary Growth Plan to 2014

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IINO LINES

IEG14 3-year Plan's Goals and Initiatives

Title: IEG14 (Iino's Evolutionary Growth Plan to 2014)

Theme: Growth and Evolution

Term: 3 years; April 2011 – March 2014

Key Indicator: Operating profit

IEG14's 3 Pillars

1. Structural Reforms in the Chemical Tanker Division
2. Reinforce Stable Earnings Base including the Real Estate Business
3. Develop the Small- and Medium-Size Vessel Business to Capture Emerging Market Demand

IEG14's 5 Cornerstones

1. Bolster Resilience to Market Fluctuations
2. Bolster Financial Base
3. Make Qualitative Improvements
4. Enhance Safety
5. Reduce Environmental Footprint

Millions of yen

| | 2011 plan | 2012 plan | 2013 plan |
|-------------------------|--------------|--------------|--------------|
| Revenues | 76,000 | 83,000 | 86,000 |
| Operating profit | 2,000 | 5,400 | 6,200 |
| Recurring profit | 200 | 3,200 | 4,000 |
| Net income | 200 | 2,000 | 3,800 |
| Exchange rate ¥/US\$ | ¥85.00/\$ | ¥85.00/\$ | ¥85.00/\$ |
| Bunker oil US\$/mt | \$600/mt | \$600/mt | \$600/mt |

Aiming for operating profit of ¥10 billion in the mid 2010s, we will strengthen operations as follows:

- Expand chemical tanker operations to around 50 vessels, expand dry bulk fleet to around 25 vessels.
- Organizational strengthening to bolster the Real Estate Business's and dedicated vessel operation's earnings potential

Situation Analysis

Global: Continuing growth in developing countries. Polarization of developed countries and emerging economies. Turmoil in North Africa and the Middle East

Marine shipping: Freight rate volatility due to shortening of contracts in the marine shipping business. Inflow of speculative funds due to the commoditization of ocean freight and monetary easing

Japan: Declining birthrate and aging population. Delay in economic recovery due to the Great East Japan Earthquake

Iino Lines: Decline in earnings from core businesses positioned as growth drivers

* The Great East Japan Earthquake caused no direct damage to the Group's ships or real estate.

Issues Ongoing from the Previous Medium-Term Business Plan

- Response to deterioration in the profitability of the Chemical Tanker Division and Real Estate Business
- Development of a third growth driver
- Maintenance of ROE of 10% Not achieved since fiscal 2009

In the New Medium-Term Business Plan . . .

The Iino Group will respond to changes in the business environment and address these issues together with new issues.

A. IEG14's 3 Pillars (Priority Areas)

A-1. Restructure the Chemical Tanker Division

A-2. Reinforce Stable Earnings Base including the Real Estate Business

A-3. Develop the Small- and Medium-Size Vessel Business to Capture Emerging Market Demand





A-1. Restructure the Chemical Tanker Division

We will reform the Iino Group's core Chemical Tanker Division to adapt to changes in the flow of goods and changes in the cost structure.

Framework for Restructuring

- Increase profitability of Middle East routes

In the aim of boosting capacity utilization, review types of tankers deployed (size, stainless steel to coated tank ratio) and boost cargo capacity.

- Develop new core routes

Redeploy tankers to routes on which cargoes mainly require stainless steel tanks and develop core routes other than Middle East routes.

- Bolster cargo booking capabilities through joint ventures

Collaborate with Allied Chemical Carriers, LLC on North American, South American, and European routes and increase cargo booking capabilities

- Enhance organizational strengths

The Chemical Tanker Team of Marine Transport Business Group-I (Tokyo) was placed under direct control of Marine Transport Business Group-V (Singapore).



A-1. Restructure the Chemical Tanker Division

- Reduce the number of unprofitable vessels

The freight rate structure has changed with an increase in the flow of goods and vessel sizes. We plan to replace small and medium-size tankers for which profitability has deteriorated with optimal tanker sizes.

- Diversify sources of shipping tonnage

To bolster resilience to freight rates, we will adjust charter periods on chartered tonnage (short-term, medium-term, and long-term), use Group-owned vessels as needed, and engage in vessel swaps.



A-2. Reinforce Stable Earnings Base

Real Estate Business

- Sources of revenue and cash flow for the Iino Building have been mostly finalized. We will endeavor to increase building operation and management quality, including for existing buildings.
- We will sell or replace inefficient assets and consider redeveloping existing properties.

Overview of the Iino Building

Address: 2-1-1 Uchisaiwaicho, Chiyoda-ku, Tokyo

Opening: Autumn 2011

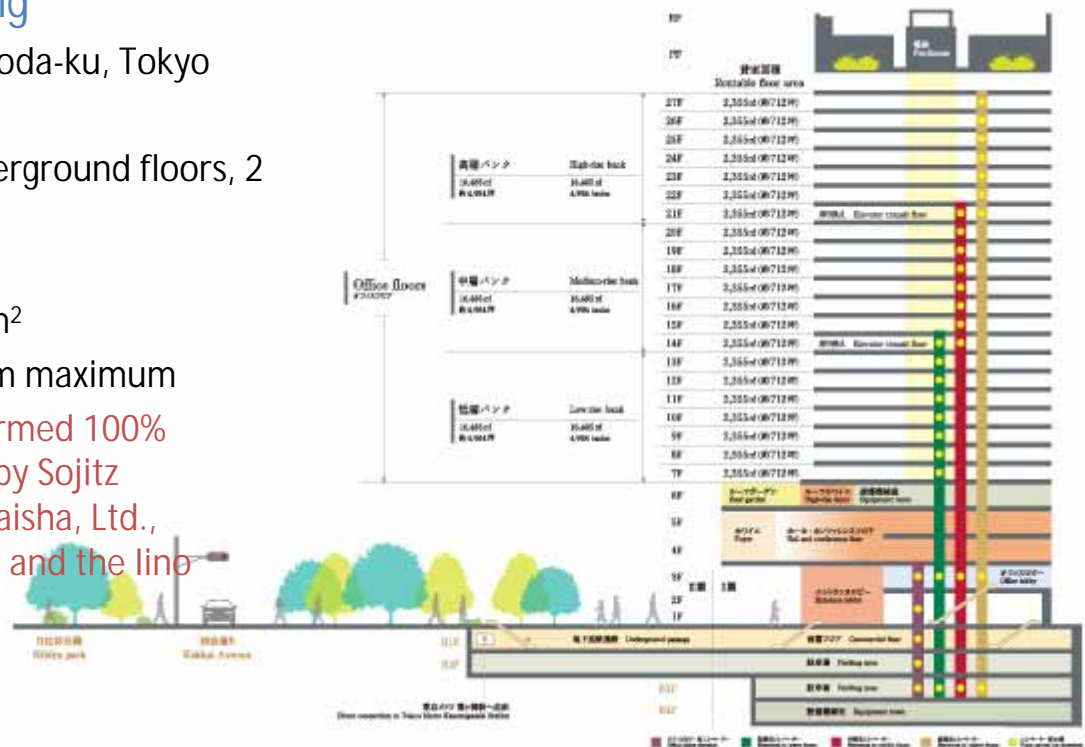
Size: 27 aboveground floors, 5 underground floors, 2 penthouse floors

Site area: 8,027 m²

Total floor area: Approx. 104,000 m²

Height: Approx. 142m to roof, 147m maximum

Tenants: We have tentatively confirmed 100% occupancy of the office floors by Sojitz Corporation, Kawasaki Kisen Kaisha, Ltd., Japanese financial institutions, and the Iino Group



A-2. Reinforce Stable Earnings Base

Expand dedicated vessel operations

In dedicated vessel operations, VLCC, LNG tankers, LPG tankers, and vessels dedicated to the transport of thermal coal, woodchips, methanol, and other products are continuously allocated to specific customers. We will institute a structure for providing high-quality services based on two criteria:

- Use of Group-owned vessels
- In House Group Ship management

We will further strengthen relationships with domestic cargo owners and with overseas cargo owners with whom we currently do business, and we will provide services tailored to customer needs and the overseas business activities of Japanese charterers.

In February 2011, we acquired a long-term contract for a large LPG tanker for use by a Japanese charterer.



A-3. Develop Small- and Medium-Size Vessel Business to Capture Emerging Market Demand

Dry Bulk Carrier Operations

In the dry bulk carrier business, the Group operates a fleet consisting of (1) thermal coal carriers, (2) woodchip carriers, and (3) Small Handy vessels. We will expand our fleet of Panamax and smaller carriers, especially Small Handy vessels.

Development of the Small Handy carrier business (8 carriers)

(Approx. 30,000 dwt)

- Carriers return to the Far East from destinations for steels. We are developing Far East routes to capture demand from developing countries, primarily for the transport of steels.
- We will develop business on routes to South Africa, South America, and the Far East, where empty sailing from the Middle East is infrequent due to demand for the transport of fertilizer raw materials and grains.

Shift to a fleet structure of four Group-operated Panamax carriers

(Approx. 80,000 dwt)

- Although tonnage has temporarily decreased due to the sale of superannuated carriers, two new carriers are scheduled for completion in fiscal 2011.

Investment in China (Tangshan)

- We have invested in a port and harbor operations company in Tangshan. Future plans call for expansion into the transport of cargo arriving and departing Tangshan.

A-3. Develop Small- and Medium-Size Vessel Business to Capture Emerging Market Demand

Small and Medium-Size Gas Tanker Operations

One objective carried over from the previous medium-term business plan is to develop and strengthen small and medium-size gas tanker operations with a focus on deploying vessels in Asia.

Deploy additional tankers in Asia

Iino Gas Transport Co., Ltd. and the Singapore Office will continue to take the initiative in conducting market studies and feasibility studies and pursuing contracts.

Vessel type: 3,500 to 10,000 m³ high-pressure, semi-refrigerated ethylene tankers

Expected service areas: China, Thailand, Vietnam and other areas in Southeast Asia, India, Pakistan, and the Middle East

Business development at Iino Gas Transport Co., Ltd.

Although Iino Gas Transport has experienced a decline in cargo traffic in Japan, trade between Japan and nearby countries is expected to increase. We will adjust tonnage according to demand levels in both market segments and build a fleet of tankers suited to both domestic and oceangoing use.

We will consider replacing superannuated tankers.

B. IEG14's 5 Cornerstones (Basic Activities)

B-1. Bolster Resilience to Market Fluctuations

B-2. Bolster Financial Base

B-3. Make Qualitative Improvements

B-4. Enhance Safety

B-5. Reduce Environmental Footprint



B-1. Bolster Resilience to Freight Rate Fluctuations

We will comprehensively manage business risks across our operations, including external variables such as freight rates, exchange rates, and business costs, by implementing Group-wide enterprise risk management (ERM).

Development of Business Risk Management Infrastructure

We will select fleet and real estate portfolio configurations adapted to contract, cargo, and customer characteristics and risk magnitude, and proceed with investment decisions and project management after establishing hurdle rates.

We will work toward comprehensive enterprise risk management (ERM) by integrating internal and external risk control operations in combination with ISO standards (quality and environmental) and internal control strengthening through J-SOX compliance.

We continuously monitor our cost management status through our existing information management systems, including vessel cost management systems for regional and deepsea vessels and real estate information systems. We will use those systems to optimize costs.

B-2. Bolster Financial Base

We will aim for a net D/E ratio in the 1.5–1.8 range during the mid 2010s following a peak of slightly under 2.5 after completion of the Iino Building in 2012.

Improve financial balance

We will continue to control the net D/E ratio through asset replacement to reduce interest-bearing debt.

Diversify funding, reduce interest-bearing debt

We will securitize a portion of assets and reduce new investment and interest-bearing debt.

Increase the proportion of chartered vessels

We will increase our use of chartered vessels as a proportion of total vessels deployed excluding dedicated vessels deployed for specific routes or customers.

B-3. Make Qualitative Improvements

We will enhance technological, organizational, and marketing strengths and develop human resources.

Vessel Management Division: Iino Marine Service Co., Ltd.

- Enhance vessel management techniques for dedicated vessels and chemical tankers, a core competence.
- Seek greater collaboration among marine, engineering, and seamen departments through unit-based operation with a view to instituting a fleet management structure and further strengthen integrated management of safe vessel operations, vessel quality, and costs.

Real Estate Business units

- Seek to acquire and strengthen property and asset management capabilities and expertise, review the organization of the Real Estate Business units, including Iino Building Co., Ltd. and develop a new organizational structure.

Global management, personnel development

- Strengthen overseas sales and administrative personnel in businesses other than chemical tanker operations as well.

Utilize research findings

- Effectively utilize research teams' research findings, information from sales units, and other market information in management decision-making.

B-4. Enhance Safety



We engage in rigorous safety management in keeping with the principle that “safety is a journey without a final destination.”

Deep sea and Regional shipping

- In marine shipping, we pursue safety in four areas: environmental protection; safeguarding of customers’ cargo; protection of the lives of crew members; and protection of the Group’s assets.
- We realize a high-quality operating structure by manning Group-managed vessels with Group crews. Shore-based marine superintendents support vessel operation and respond to the various technical requirements of customers.

Real estate

- We protect the safety of tenants and building visitors by rigorously practicing preventive maintenance. At the Iino Building and Shiodome Shiba-Rikyu Building, both highrise office towers, our facilities are designed to support the business continuity plans of building tenants in the event of a major earthquake or other disaster.

B-5. Reduce Environmental Footprint

Real Estate Business

- The Iino Building, which will open in the autumn of 2011, will deliver excellent environmental performance in the form of a reduction of approximately 46% in energy consumption (compared to a standard office). The ultimate in office building facilities and specifications make possible energy conservation and the provision of a comfortable work environment. The Iino Building plans to acquire S Class certification, the highest class in the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) for buildings in Japan.

International Shipping Business

- The Group observes International Maritime Organization (IMO) uniform international standards and prepares and operates environmentally friendly vessels.

Domestic Shipping Business

- The Group has achieved the revised Energy Conservation Act's carbon reduction criteria, continues to strive for fuel efficiency through means including the use of new bottom paints and the installation of fuel-reforming equipment, and continues to work to reduce environmental impact through both "hard" and "soft" measures.

Tree-Planting Project in Vietnam

- We recognize the demands placed on a company responsible for resource transportation, participate in a tree-planting project in Vietnam, and are active as a participant in resource recycling activities.



History of Iino's Medium-term Business Plans



飯野海運株式会社
IINO KAIUN KAISHA, LTD.

IR21 (Fiscal 1998 to 2000)

Theme: "Defensive Management"

- Continuation of dividends
- Downsizing or withdrawal from unprofitable businesses
- Increasing asset soundness
- Rationalization of cost-cutting activities

NEW IR21 (Fiscal 2001 to 2003)

Theme: "Development Through Speed and Ingenuity in an Era of Transformation"

- Integrated Group management
- Medium-term to long-term sales and cost optimization
- Customer satisfaction enhancement
- Manpower reinforcement
- Establishment of a structure to prepare for LNG transport

IVC07 (Fiscal 2004 to 2006)

Theme: "Corporate Value Creation — Accelerating Change with Originality and Passion"

- Implementation of Group management
- Enhancement of sale capabilities
- Personnel development and utilization
- Strengthening of corporate governance
- Enhancement of the financial position

ISG12 (Fiscal 2007 to 2010)

Theme: "Pursuit of a Continuous-Growth Corporation" — Maintain ROE of 10%

- Enhancement of organizational strength and individual capabilities
- Reinforcement of profitability from strategically important business units
- Securing of a stable earnings base
- Establishment of a safety and quality management framework

IEG14 (FY2011 – FY2013)

Theme: **Growth and Evolution**

IEG14's 3 Pillars

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IEG14's 5 Cornerstones

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Long-term Change in Profit and Loss

Millions of yen

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