

(Unaudited translation of earnings report (kessan tanshin), provided for reference only)

July 29, 2011

**Consolidated Financial Results (Summary)**  
**For the Three Months Ended June 30, 2011 - under Japanese GAAP**

**Iino Kaiun Kaisha, Ltd. (Iino Lines)**

Stock code:	9119
URL:	<a href="http://www.iino.co.jp/kaiun/english/">http://www.iino.co.jp/kaiun/english/</a>
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(Rounded to the nearest million yen)

**1. Consolidated Financial Results for the Three Months Ended June 30, 2011**

(April 1, 2011 to June 30, 2011)

**(1) Operating Results (Three Months)**

(The percentage figures represent changes from the previous corresponding period)

Q1(Apr-Jun)	Revenues		Operating Profit		Recurring Profit		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2011	19,308	(3.0)	453	(59.4)	(114)	-	490	65.5
FY2010	19,899	6.2	1,115	(25.0)	639	(34.2)	296	(50.3)

Note: comprehensive income Q1 / FY2011 262 million yen 125.9%  
 Q1 / FY2010 116 million yen

Q1(Apr-Jun)	Net income per share	Net income per share, fully diluted
	yen	yen
FY2011	4.59	-
FY2010	2.78	-

**(2) Financial Position**

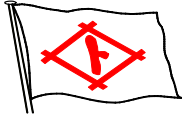
	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Q2(Apr-Sep) / FY2011	189,375	52,909	27.6
FY (Apr-Mar) 2010	184,842	52,871	28.3

Note: Treasury stock:

Q1 / FY2011: 52,271 million yen  
 FY2010: 52,625 million yen

**2. Dividends**

	Dividend per share				
	Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)	FY (Apr-Mar)
	yen	yen	yen	yen	yen
FY2010	-	4.00	-	2.00	6.00
FY2011	-	-	-	-	-
(Forecast)	-	0.00	-	-	-



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**3. Forecast of Consolidated Earnings for the Six Months Ending September 30(April 1 to September 30, 2011), and the Year Ending March 31, 2011(April 1, 2011 to March 31, 2012)**

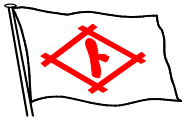
*(The percentage figures represent changes from the previous corresponding period)*

FY2011	Revenues		Operating Profit		Recurring Profit		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
Q2 (Apr-Sep)	37,000	(3.4)	0	–	(1,100)	–	(1,100)	–
FY(Apr-Mar)	76,000	2.1	1,700	(29.0)	(200)	–	(200)	–

FY2011	Net income per share
Q2(Apr-Sep)	(10.31) yen
FY (Apr-Mar)	( 1.88)

**Appropriate Use of Earnings Forecasts and Other Important Information**

This report contains various forward-looking statements and other forecasts regarding performance and other matters. Such statements are based information available at the time of preparation as well as certain reasonable assumptions. Actual results may differ materially from those expressed or implied by forward-looking statements due to a range of factors.



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## **Operating Results and Financial Position**

### **1. Results for the Three Months Ended June 30, 2011**

In the three months ended June 30, 2011, the global economy continued its overall mild recovery on the back of economic growth in emerging countries, particularly China. On the other hand, although Greece managed to avoid fiscal insolvency, the economic outlook in Europe remains murky on a number of fronts, including the rekindling of fiscal concerns in parts of the eurozone and continued high unemployment rates in industrialized countries.

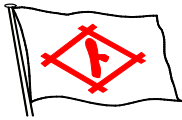
In the US, surging gasoline prices and falling stock prices have cast a cloud on personal spending. In addition, production activity has slowed, the housing market recovery has been delayed, and the unemployment rate remains high. These factors have prompted rising concern about a slowdown of the economic recovery.

China's economy continued to expand, primarily driven by domestic demand. Despite the government's moves to shift to a tighter monetary policy, fixed asset investment continues to show strong growth and consumer prices are increasing at a high rate, indicating that the government is having a difficult time using monetary policy to control economic activity.

In Japan, production and personal consumption have started to pick up following the plunge after the Great East Japan Earthquake which struck on March 11. However, the economic situation remains adverse, as in addition to the strong yen, there is concern about the economic impact of the nuclear power plant accident and restrictions on power supply.

Amid this environment, the Company worked to renew contracts at favorable terms, effectively deploy vessels and navigate efficiently, as well as reduce costs, all while keeping long-term contracts as the core business strategy. As a result, the Company posted consolidated revenues of ¥19,308 million (down 3.0% year on year), consolidated operating profit of ¥453 million (down 59.4% year on year), a consolidated recurring loss of ¥114 million (versus a consolidated recurring profit of ¥639 million in the same period of the prior fiscal year), and consolidated net income of ¥490 million (up 65.5% year on year).

Following is an overview of performance by segment.



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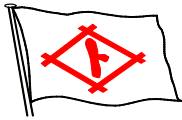
## **1) Oceangoing Shipping**

In the three months ended June 30, 2011, despite the growth in demand for oil, especially from emerging countries, oil tanker and petrochemical product tanker freight rates languished as overall tonnage supply-demand fundamentals weakened due to supply pressure from completed newbuilds.

While there was a short-term decline in transport volume due to the earthquake, chemical tanker freight rates were relatively stable on routes other than those to Asia. However, from June freight rates started to soften a bit on the whole as rising domestic inventories of chemical products in China caused by monetary tightening and fiscal problems in Europe combined to result in a decline in marine transport volume.

In the bulk carrier market, freight rates began the period at low levels, as declining freight rates in the Capesize vessel segment spread to all vessel types. This was due to the increase in vessel supply resulting from the fact that vessels normally used to transport materials to electric power companies were used for general shipping purposes following the earthquake, as well as the decline in iron ore transport to China. Prices increased at points during the period, but once again softened towards the end of the quarter.

In the Oceangoing Shipping segment, the Company secured stable revenues in the Oil Tanker Division and Petrochemical Product Tanker Division by keeping most of its vessels deployed on medium- to long-term contracts, although some tonnage was docked and thus resulted in a decline in the operating rate. In the Chemical Tanker Division, transport remained stable on the Company's main Middle East-to-Asia routes and Middle East-to-Europe routes, and it secured stable revenues. Also, through a joint venture vessels were positioned primarily in the Atlantic Ocean, resulting in stable deployment by securing transport volume from the US and South America. However, similar to the prior fiscal year, this was not enough to cover the decline in revenues caused by the yen's appreciation and higher costs due to the surge in fuel oil prices. Amid this environment, the Company worked to raise profitability in numerous ways. It renewed existing contracts on favorable terms, won new contracts of affreightment, and rearranged tonnage for two 19,000DWT vessels. The Large Gas Tanker Division worked to secure stable revenues by deploying LPG tankers and LNG tankers on existing contracts. The Bulk Carrier Division achieved stable revenues from vessels hired to transport woodchips to paper makers and thermal coal to electric utilities, and also worked to earn revenues by winning contracts of affreightment, as well as



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chartering and deploying vessels efficiently in light of market conditions.

As a result, the Oceangoing Shipping segment earned operating profit of ¥236 million (down 73.3% year on year) on revenues of ¥15,912 million (down 3.9% year on year).

## **2) Regional Shipping**

In domestic and short-haul transport, volume levels were low due to the decline in residential, commercial and industrial LPG demand in the Tohoku region following the earthquake. Petrochemical gas transport volume was also low overall, as production activity weakened as a result of stoppages of operations following the earthquake and periodic repairs to multiple ethylene production plants. International short-haul transport volume was impacted by the decline in demand from China caused by large inventories of petroleum products. Also, as domestic plant operations stayed at low levels, companies further put even more priority on domestic demand sources, so transport volume declined and oceangoing tonnage supply-demand conditions slackened.

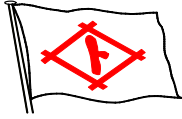
In both domestic and international short-haul transport, the operating environment was negatively affected by the earthquake. However, on the domestic transport side, in addition to stable transport with domestic transport ships, the operating rate of tonnage under our control remained firm, as some LPG stations in earthquake-stricken regions were unable to make shipments, resulting in longer transport distances. In international short-haul transport, the division continued to secure stable revenues by deploying most of its vessels on medium- to long-term contracts.

As a result, the Regional Shipping Segment earned operating profit of ¥64 million (down 18.0% year on year) on revenues of ¥2,189 million (up 5.2% year on year).

## **3) Real Estate**

In the three months ended June 30, 2011, office vacancy rates turned lower, improving by small increments for three consecutive months, despite the concern about the impact of the earthquake disaster. However, office rents remained soft, as the mild downward trend continued.

The Real Estate and Leasing Division maintained stable occupancy rates, as it worked to provide high-quality service to tenants. Reconstruction of the Iino Building (the Iino Group's head office) is progressing smoothly, with the building expected to open this autumn.



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The Real Estate Related Business Division, in addition to renting photo studio space, offers advertising, graphic design, photo retouching, and a wide variety of other services. During the three months ended June 30, 2011, the economic downturn following the earthquake caused a significant year-on-year decline in photo studio revenues.

As a result, the Real Estate Segment earned operating profit of ¥153 million (down 1.3% year on year) on revenues of ¥1,211 million (down 5.2% year on year).

## **2. Consolidated Financial Condition**

### **Assets, Liabilities, and Net Assets**

Total assets at the end of the fiscal first quarter (June 30, 2011) were ¥189,375 million, an increase of ¥4,533 million from March 31, 2011. The increase was mainly attributable to an increase in vessels following the construction of newbuilds.

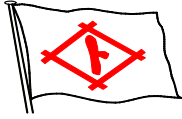
Liabilities totaled ¥136,466 million at June 30, 2011, an increase of ¥4,495 million from March 31, 2011. The increase was mainly attributable to an increase in long-term borrowings.

Net assets totaled ¥52,909 million at June 30, 2011, an increase of ¥38 million from March 31, 2011.

As a result, the consolidated shareholders' equity ratio was 27.6% at June 30, 2011, while net assets per share totaled ¥490.10.

## **3. Outlook for the Full Year ending March 31, 2012 (Fiscal 2011)**

In light of the fact that the yen's appreciation and the surge in fuel oil prices exceeded our forecasts at the beginning of the fiscal year, we have made the following revisions to consolidated operating results for both the six months ending September 30, 2011, and the fiscal year ending March 31, 2012.



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### **Forecast of Consolidated Earnings for the Six Months Ending September 30, 2011**

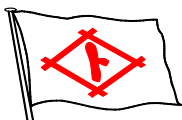
(April 1, 2011 to September 30, 2011)

	Previous Forecast (Issued April 28, 2011)	Revised Forecast (Issued 29 July, 2011)	Value Change/Percent Change
millions of yen			
Revenues	37,300	37,000	(300/0.8%)
Operating profit	0	0	0/0.0%
Recurring profit	(1,000)	(1,100)	(100/-)
Net income	(1,000)	(1,100)	(100/-)

### **Forecast of Consolidated Earnings for the Year Ending March 31, 2012**

(April 1, 2011 to March 31, 2012)

	Previous Forecast (Issued April 28, 2011)	Revised Forecast (Issued July 29, 2011)	Value Change/Percent Change
millions of yen			
Revenues	76,000	76,000	0/0.0%
Operating profit	2,000	1,700	(300/15.0%)
Recurring profit	200	(200)	(400/-)
Net income	200	(200)	(400/-)



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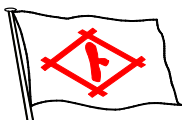
\* Assumptions regarding third quarter and beyond foreign exchange rates and the Port of Singapore bunker price are shown below.

	Previous Forecast (issued April 28, 2011)	Revised Forecast (issued July 29, 2011)
Foreign exchange rate	1US\$ = ¥85	1US\$ = ¥80
Bunker price	US\$600 / MT	US\$675 / MT

On July 29, 2011, the Company's Board of Directors revised the forecast for the interim dividend with a record date of September 30, 2011, as follows. Additionally, the year-end dividend forecast currently remains undecided. The Company will promptly announce any decision made based on comprehensive considerations of its operating results and financial condition.

#### **Forecast of Dividends per share**

	2Q	4Q	Total
Previous Forecast (issued April 28, 2011)	Undecided	Undecided	Undecided
Revised Forecast (issued July 29, 2011)	0.00	Undecided	Undecided



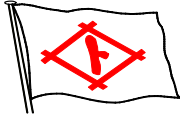
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## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In million yen)

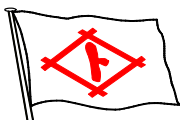
	As of June 30, 2011	As of March 31, 2011
<b>Assets</b>		
Current assets		
Cash and deposits	9,528	10,891
Notes and accounts receivable	5,385	5,344
Supplies	2,542	2,161
Merchandise	65	64
Real estate held for sale	228	228
Deferred and prepaid expenses	1,411	1,517
Deferred tax assets	89	88
Refund of corporation tax claimed as a result of tax loss carry-back, not taxable	112	91
Other current assets	6,688	4,563
Allowance for doubtful accounts	(2)	(2)
Total current assets	26,047	24,945
Fixed assets		
Tangible fixed assets		
Vessels, net	62,672	56,012
Buildings and structures, net	11,198	11,297
Land	40,019	40,019
Construction in progress	33,062	35,638
Other tangible fixed assets, net	173	176
Total tangible fixed assets	147,124	143,142
Intangible fixed assets		
Telephone subscription rights	9	9
Other intangible fixed assets	725	755
Total intangible fixed assets	734	764
Investments and other assets		
Investment securities	13,880	14,407
Long-term loans	151	148
Deferred income taxes	252	253
Other long-term assets	1,188	1,184
Allowance for doubtful accounts	-	-
Total investments and other assets	15,470	15,991
Total fixed assets	163,329	159,898
<b>Total assets</b>	<b>189,375</b>	<b>184,842</b>



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(In million yen)

	As of June 30, 2011	As of March 31, 2011
<b>Liabilities</b>		
Current liabilities		
Accounts payable	5,290	5,528
Current portion of bonds	300	300
Short-term borrowings	18,235	20,665
Accrued expenses	274	273
Deferred tax liabilities	92	717
Income taxes payable	87	85
Advances received	1,836	1,612
Reserve for bonuses	66	260
Other current liabilities	3,439	3,358
Total current liabilities	29,619	32,798
Fixed liabilities		
Bonds	400	500
Long-term borrowings	97,193	89,395
Reserve for employees' retirement benefits	1,232	1,180
Reserve for directors' retirement benefits	37	61
Reserve for special repairs	553	540
Leasehold deposits received	3,113	2,996
Deferred tax liabilities	1,410	1,524
Other fixed liabilities	2,909	2,977
Total liabilities	106,847	99,173
<b>Total liabilities</b>	<b>136,466</b>	<b>131,971</b>
<b>Net assets</b>		
Shareholders' capital		
Common stock	13,092	13,092
Additional paid-in capital	6,432	6,432
Retained earnings	33,639	33,362
Treasury stock	(2,305)	(2,305)
Total shareholders' capital	50,857	50,580
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on other securities	11	298
Deferred hedge gains (losses)	1,511	1,502
Foreign currency translation adjustments	(108)	(116)
Total valuation and translation adjustments	1,414	1,685
Minority Interests	639	606
<b>Total net assets</b>	<b>52,909</b>	<b>52,871</b>
<b>Total liabilities and net assets</b>	<b>189,375</b>	<b>184,842</b>



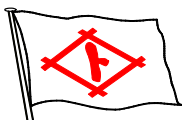
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## (2) Consolidated Statements of Operations

Three Months Ended June 30, 2011/2010

(In million yen)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010
Revenues	19,308	19,899
Costs and expenses	17,273	17,138
<b>Gross profit</b>	<b>2,034</b>	<b>2,761</b>
Selling, general and administrative expenses	1,581	1,646
<b>Operating profit(loss)</b>	<b>453</b>	<b>1,115</b>
Non-operating income		
Interest income	21	19
Dividend income	115	119
Foreign exchange income	28	-
Equity income of non-consolidated subsidiaries and affiliates	-	46
Others	14	86
Total	178	271
Non-operating expenses		
Interest expenses	642	670
Foreign exchange expenses	-	64
Equity expense of non-consolidated subsidiaries and affiliates	13	-
Others	89	13
Total	745	747
<b>Recurring profit(loss)</b>	<b>(114)</b>	<b>639</b>
Extraordinary profit		
Gain on sale of fixed assets	693	9
Total	693	9
Extraordinary losses		
Loss on sale of investment securities	6	-
Loss on write-down of investment securities	1	273
Loss on disposal of fixed assets	0	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	56
Total	7	328
<b>Income(loss) before income taxes</b>	<b>573</b>	<b>319</b>
Income tax, inhabitants tax and enterprise tax	67	26
<b>Income before Minority interests (loss)</b>	<b>505</b>	<b>293</b>
Minority interests in income (loss)	15	(3)
<b>Net income(loss)</b>	<b>490</b>	<b>296</b>



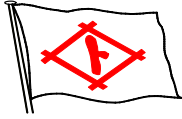
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### (3) Consolidated Statements of Comprehensive Income (loss)

Three Months Ended June 30, 2011/2010	(In million yen)	
	Six Months Ended September 30, 2011	Six Months Ended September 30, 2010
Income before Minority interests (loss)	505	293
Other Comprehensive Income		
Net unrealized gains (losses) on other securities	(287)	(400)
Deferred hedge gains (losses)	28	203
Foreign currency translation adjustments	8	8
Equity income of non-consolidated subsidiaries and affiliates	7	12
Total of other Comprehensive Income(loss)	(244)	(178)
<b>Comprehensive Income(loss)</b>	<b>262</b>	<b>116</b>

#### (A breakdown of Comprehensive Income(loss))

Comprehensive Income attributable to the parent company's shareholders	219	53
Comprehensive Income attributable to the subsidiary company's shareholders	43	63



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#### (4) Business Segment Information

Three Months Ended June 30, 2011 (April 1, 2011 to June 30, 2011)

(In million yen)

	Oceangoing Shipping	Regional Shipping	Real estate	Total	Adjustment	Consolidated
I. Revenues						
(1) External sales	16,037	2,060	1,211	19,308	-	19,308
(2) Inter-segment sales	(124)	129	0	5	(5)	-
Total	15,912	2,189	1,211	19,312	(5)	19,308
Segment profit (loss)	236	64	153	453	0	453

Three Months Ended September 30, 2010 (April 1, 2010 to June 30, 2010)

(In million yen)

	Oceangoing Shipping	Regional Shipping	Real estate	Total	Elimination or corporate	Consolidated
I. Revenues						
(1) External sales	16,670	1,952	1,277	19,899	-	19,899
(2) Inter-segment sales	(119)	129	0	9	(9)	-
Total	16,550	2,081	1,277	19,909	(9)	19,899
Operating profit (loss)	883	78	155	1,115	(1)	1,115