

**First Quarter Financial Results
For the Three Months Ended June 30, 2006 - Consolidated**

August 3, 2006

Company name: **Iino Kaiun Kaisha, Ltd.**
 Shares listed on: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges
 Security code: 9119
 URL: <http://www.iino.co.jp>
 Representative: Katsuyuki Sugimoto, President
 Contact: Yoshihiko Nakagami, Director, Executive Officer, Group Manager of Finance and Accounting Group
 Telephone: +81-3-3506-3029

1. Notes Related to the Preparation of This Report

- (1) Use of simplified accounting method: Used
 Used in recording income tax and other taxes
 Simplified accounting method is also used partially
 in other less significant items.
- (2) Change in accounting policies from the last accounting period: No
- (3) Change in the scope of consolidation and application of equity method: Yes
 Consolidated subsidiaries Newly included 2
 Newly excluded -
 Affiliated companies accounted for by equity method Newly included -
 Newly excluded -
- (4) Audit by CPA or auditing firm: No

**2. Consolidated Financial Results for the Three Months Ended June 30, 2006
(April 1, 2006 to June 30, 2006)**

(1) Operating Results

(Amounts rounded to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2006	18,671	8.3	3,080	16.0	2,769	8.4	1,654	-38.5
Three months ended June 30, 2005	17,236	14.6	2,656	44.0	2,554	52.1	2,688	162.5
Year ended March 31, 2006	73,382		12,430		11,038		8,417	

	Net income per share	Diluted net income per share
	yen	yen
Three months ended June 30, 2006	15.10	-
Three months ended June 30, 2005	24.53	-
Year ended March 31, 2006	76.13	-

Notes: (1) The percentage figures shown in net sales, operating income, ordinary income, and net

income represent year-on-year changes.

(2) Average number of shares issued and outstanding during the period (consolidated basis):

Three months ended June 30, 2006:	109,578,462 shares
Three months ended June 30, 2005:	109,585,197 shares
Year ended March 31, 2006:	109,583,909 shares

[Review of Operating Results]

During the first quarter ended June 30, 2006, the U.S. economy, despite concerns for soaring oil prices, continued to expand on the back of growing consumer spending, while the Euro zone economy maintained a steady recovery driven primarily by external demand. The Asian economy, too, continued to expand largely due to foreign demand. In China, fixed asset investment continued to rise sharply, contributing to achieve real economic growth of over 11% in the first quarter.

The Japanese economy showed a domestic demand-led recovery in the first quarter, as evidenced by improved corporate earnings as well as an increase in private sector capital investment and individual consumption, among others.

Under such economic conditions, in the shipping business, marine cargo volume remained high supported by China's fast economic growth. The bulk carrier market was stable throughout the first quarter in contrast to the seasonal pattern, where an adjustment phase is observed in summer. Despite a drop in cargo volume for clean tanker caused by seasonal factors, other shipping markets in general remained steady. Each of the Group's shipping division secured stable earnings from mid- and long-term contracts, and operating revenue steadily increased largely due to impact of strong market conditions and the weaker yen (Company's dollar/yen assumption of 110 at the time of the release of earnings estimates versus the average inter-office exchange rate of 114.71 for the first quarter).

In real estate business, recovery in the office building market in central Tokyo has become evident in the first quarter. Potential corporate demand for offices remained high, and the vacancy rate and the average rent both improved. In addition, the average rent in many large-scale buildings showed upward tendency due to improvement in supply and demand.

As a result of these, the Company's consolidated net sales for the first quarter increased 8.3% from the same period last year to ¥18,671 million, while operating income grew 16.0% year-on-year to ¥3,080 million, and ordinary income rose 8.4% from a year earlier to ¥2,769 million, showing steady growth in all of these categories. Net income in the quarter dropped 38.5% from the same period last year to ¥1,654 million, due to recognition of extraordinary gains related to liquidation of a subsidiary, among other factors, in the previous first quarter ended June 30, 2005.

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Three months ended June 30, 2006	157,369	50,783	32.2	463.45
Three months ended June 30, 2005	146,250	41,051	28.1	374.61
Year ended March 31, 2006	156,659	48,372	30.9	440.75

Note: Number of shares issued and outstanding at the end of period (consolidated basis):

Three months ended June 30, 2006	109,578,092 shares
Three months ended June 30, 2005:	109,583,700 shares
Year ended March 31, 2006:	109,578,919 shares

(Cash Flows)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	million yen	million yen	million yen	million yen
Three months ended June 30, 2006	970	-1,210	2,583	11,023
Three months ended June 30, 2005	332	2,110	-2,803	10,522
Year ended March 31, 2006	12,553	-7,350	-7,481	8,669

[Review of Change in Financial Position]

Total assets at the end of the first quarter increased by ¥710 million from the beginning of the current fiscal year to ¥157,369 million. The increase was small, as a decrease in fixed assets stemming from the progress of depreciation partly offset asset growth through the completion of new vessels. Total liabilities at the end of the quarter decreased by ¥1,777 million from the beginning of the current fiscal year to ¥106,586 million largely due to payment of unpaid corporate taxes. Total shareholders' equity at the end of the first quarter rose ¥2,411 million to ¥50,783 million. Reasons behind this include an increase in net income, posting of net deferred gains on hedge contracts following a reclassification of shareholders' equity to net income, and profit distribution.

Net cash provided by operating activities for the first quarter totaled ¥970 million. This was due mainly to pre-tax income for the quarter in the amount of ¥2,765 million, depreciation expenses of ¥1,676 million and income taxes paid of ¥2,879 million. Net cash used in investing activities was ¥1,210 million, largely reflecting acquisition of fixed assets of ¥1,338 million. Net cash provided by financing activities stood at ¥2,583 million mainly due to proceeds from long-term debt associated with capital investment of ¥6,400 million, repayment of long-term debt of ¥2,378 million, and dividend payment in the amount of ¥986 million.

As a result of these, cash and cash equivalents at the end of the quarter stood at ¥11,023 million yen.

3. Forecast for the Year Ending March 31, 2007 (April 1, 2006 to March 31, 2007)

Consolidated

	Net sales	Operating income	Ordinary income	Net income
	million yen	million yen	million yen	million yen
Interim	36,900	5,800	4,800	2,900
Full year	74,400	11,300	9,100	5,500

Reference: Projected net income per share for the full year: ¥50.19

[Forecast for the Year Ending March 31, 2007] (April 1, 2006 to March 31, 2007)

Earnings growth was generally solid during the first quarter. Sales and earnings beat targets for the term, mainly because the Company was able to arrange its fleet – especially chemical tankers and bulk carriers – effectively, and also enjoyed the benefit of the weaker-than-expected yen throughout the quarter (versus its dollar/yen assumption of 110).

For the second quarter and beyond, the Company is raising its earnings estimates to incorporate first quarter results into the underlying assumptions for previous forecasts released on May 11, 2006. The revised projections assume an average Japanese yen-U.S. dollar exchange rate of ¥110 to U.S.\$1.00,

and an average marine fuel oil price of U.S.\$350/MT at the Port of Singapore.

Consolidated Financial Statements

1. Consolidated Balance Sheets

(In million yen)

	As of June 30, 2006		As of March 31, 2006		Increase/ Decrease	As of June 30, 2005	
	Amount	%	Amount	%	Amount	Amount	%
Assets							
Current assets	20,465	13.0	18,296	11.7	2,169	18,916	12.9
Cash and bank deposits	6,666		6,694		-28	6,780	
Notes and accounts receivable	3,599		3,768		-169	3,855	
Inventories	1,853		1,701		152	1,449	
Other	8,424		6,207		2,217	6,907	
Allowance for doubtful accounts	-77		-74		-3	-75	
Fixed assets	136,904	87.0	138,363	88.3	-1,459	127,334	87.1
Tangible fixed assets	113,018	71.8	113,318	72.3	-300	105,236	72.0
Vessels	55,113		54,755		358	53,139	
Buildings and structures	10,826		10,991		-165	8,554	
Land	39,228		39,222		6	38,086	
Construction in progress	7,520		8,028		-508	5,148	
Other	331		322		9	309	
Intangible fixed assets	614	0.4	637	0.4	-23	652	0.4
Telephone subscription rights	614		637		-23	652	
Investments and other assets	23,272	14.8	24,408	15.6	-1,136	21,446	14.7
Investment securities	19,662		20,561		-899	15,017	
Other	3,735		3,971		-236	6,553	
Allowance for doubtful accounts	-125		-124		-1	-124	
Total asset	157,369	100.0	156,659	100.0	710	146,250	100.0
Liabilities							
Current liabilities	21,169	13.5	24,865	15.8	-3,696	20,439	14.0
Accounts payable	3,493		4,218		-725	3,200	
Short-term borrowings	12,958		13,532		-574	12,389	
Income taxes payable	1,055		2,862		-1,807	1,292	
Reserve for bonuses	109		378		-269	110	
Other	3,554		3,875		-321	3,448	
Fixed liabilities	85,417	54.3	83,498	53.3	1,919	84,857	58.0
Bonds	2,500		2,500		-	2,500	
Long-term borrowings	71,356		67,818		3,538	71,942	
Reserve for retirement benefits	1,532		1,519		13	1,746	
Reserve for retirement benefits for directors	117		506		-389	414	
Other	9,912		11,155		-1,243	8,255	
Total liabilities	106,586	67.8	108,363	69.1	-1,777	105,296	72.1
Minority interests							
Minority Interests	-	-	-76	-0.0	-	-97	-0.1
Shareholders' equity							
Common stock	-		13,092		-	13,092	
Additional paid-in capital	-		6,429		-	6,425	
Retained earnings	-		25,058		-	20,005	
Net unrealized gains/losses on other securities	-		4,244		-	1,970	
Treasury stock	-		-451		-	-441	
Total shareholders' equity	-	-	48,372	30.9	-	41,051	28.1
Total liabilities, minority interests and shareholders' equity	-	-	156,659	100.0	-	146,250	100.0

(In million yen)

	As of June 30, 2006		As of March 31, 2006		Increase/ Decrease Amount	As of June 30, 2005	
	Amount	%	Amount	%		Amount	%
Net assets							
Shareholders' capital	44,797	28.5	-		-	-	
Common stock	13,092		-		-	-	
Additional paid-in capital	6,429		-		-	-	
Retained earnings	25,728		-		-	-	
Treasury stock	-452		-		-	-	
Valuation and translation adjustments	5,914	3.7	-		-	-	
Net unrealized gains/losses on other securities	3,714		-		-	-	
Net deferred gains/losses on hedge contracts	2,200		-		-	-	
Minority interests	72	0.0	-		-	-	
Total net assets	50,783	32.2	-		-	-	
Total liabilities and net assets	157,369	100.0	-		-	-	

Note: Amounts rounded off to the nearest million yen.

2. Consolidated Statements of Operations

(In million yen)

	Three months ended June 30, 2006		Three months ended June 30, 2005		Increase/ Decrease		Year ended March 31, 2006	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	18,671	100.0	17,236	100.0	1,435	8.3	73,382	100.0
Cost of sales	14,200	76.1	13,263	76.9	937	7.1	55,728	75.9
Gross profit	4,471	23.9	3,973	23.1	498	12.5	17,654	24.1
Selling, general and administrative expenses	1,391	7.5	1,317	7.6	74	5.6	5,224	7.1
Operating income	3,080	16.4	2,656	15.5	424	16.0	12,430	17.0
Non-operating income								
Interest and dividend income	211		167		44		376	
Other	184		475		-291		1,051	
Total non-operating income	395	2.1	642	3.7	-247	-38.5	1,427	1.9
Non-operating expenses								
Interest expense	651		670		-19		2,672	
Other	55		74		-19		147	
Total non-operating expenses	706	3.8	744	4.3	-38	-5.1	2,819	3.8
Ordinary income	2,769	14.7	2,554	14.9	215	8.4	11,038	15.1
Extraordinary gains								
Gain on liquidation of affiliates	-		2,700		-2,700		2,700	
Other	2		158		-156		1,084	
Total extraordinary gains	2	0.0	2,858	16.6	-2,856	-99.9	3,784	5.2
Extraordinary losses								
Impairment losses	-		1,495		-1,495		1,495	
Other	6		1		5		58	
Total extraordinary losses	6	0.0	1,496	8.7	-1,490	-99.6	1,553	2.1
Income before income taxes	2,765	14.7	3,916	22.8	-1,151	-29.4	13,269	18.2
Income tax, inhabitants tax and enterprise tax	1,098	5.9	1,210	7.0	-112	-9.3	4,807	6.5
Minority interests in income of consolidated subsidiaries	13	0.1	18	0.1	-5	-27.8	45	0.1
Net income	1,654	8.7	2,688	15.7	-1,034	-38.5	8,417	11.6

Note: Amounts rounded off to the nearest million yen.

**3. Consolidated Statement of Changes in Shareholders' Capital
(April 1, 2006 – June 30, 2006)**

(In million yen)

	Shareholders' Capital					Valuation and Translation Adjustments			Minority interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' capital	Net unrealized gains /losses on other securities	Gains/loses on deferred hedge contracts	Total valuation and translation adjustments		
Balance at beginning of period	13,092	6,429	25,058	-451	44,128	4,244	-	4,244	-	48,372
Change during period										
Cash dividends			-986		-986					-986
Directors' bonuses			-78		-78					-78
Net income			1,654		1,654					1,654
Purchase of treasury stock				-1	-1					-1
Increase in retained earnings due to consolidation of additional subsidiaries			80		80					80
Net change in items other than shareholders' capital during period						-530	2,200	1,670	72	1,742
Total change during period	-	-	670	-1	669	-530	2,200	1,670	72	2,411
Balance at end of period	13,092	6,429	25,728	-452	44,797	3,714	2,200	5,914	72	50,783

4. Consolidated Statements of Cash Flows

(In million yen)

	Three months ended	Three months ended	Increase/	Year ended
	June 30, 2006	June 30, 2005	Decrease	March 31, 2006
	Amount	Amount	Amount	Amount
I Cash flows from operating activities				
Income before income taxes	2,765	3,916	-1,151	13,269
Depreciation and amortization	1,676	1,448	228	6,251
Impairment losses	-	1,495	-1,495	1,495
Equity income of non-consolidated subsidiaries and affiliates	-25	-28	3	-113
Increase/decrease in reserve for employees' retirement benefits	-17	4	-21	-223
Increase/decrease in reserve for directors' retirement benefits	-95	2	-97	93
Interest and dividend income	-211	-167	-44	-376
Interest expenses	651	670	-19	2,672
Gains on sale of tangible and intangible fixed assets	-	-	-	-839
Gain on liquidation of affiliates	-	-2,700	2,700	-2,700
Decrease/increase in accounts receivable, trade	270	-338	608	-251
Increase in accounts payable, trade	-839	-370	-469	648
Other	122	-110	232	-257
Sub total	4,297	3,822	475	19,669
Interest and dividend received	211	169	42	392
Interest paid	-659	-744	85	-2,766
Income taxes paid	-2,879	-2,915	36	-4,742
Net cash provided by operating activities	970	332	638	12,553
II Cash flows from investing activities				
Purchase of tangible and intangible fixed assets	-1,338	-809	-529	-14,048
Sale of tangible and intangible fixed assets	3	-	3	2,844
Liquidation of affiliates	-	2,705	-2,705	2,705
Purchase of investment securities	-2	-2	0	-2,379
Collection of investment in partnership	112	-	112	2,945
Other	15	216	-201	583
Net cash used in/ provided by investing activities	-1,210	2,110	-3,320	-7,350
III Cash flows from financing activities				
Increase/decrease in short-term borrowings	-443	-1,240	797	-1,357
Proceeds from long-term borrowings	6,400	1,600	4,800	6,830
Repayment of long-term borrowings	-2,378	-2,065	-313	-11,193
Proceeds of treasury stocks	-	-	-	10
Payments for treasury stocks	-1	-2	1	-18
Cash dividends paid	-986	-1,096	110	-1,753
Other	-9	-	-9	-
Net cash provided by/used in financing activities	2,583	-2,803	5,386	-7,481
IV Effect of exchange rate change on cash and cash equivalents	-52	52	-104	116
V Increase/decrease in cash and cash	2,291	-309	2,600	-2,162

equivalents				
VI Cash and cash equivalents at the beginning of the period	8,669	10,831	-2,162	10,831
VII Increase in cash and cash equivalents due to change in scope of consolidation	63	-	63	-
VIII Cash and cash equivalents at the end of the period	11,023	10,522	501	8,669

Note: Reconciliation of the amounts of cash and cash equivalents at the end of the period stated in Consolidated Statements of Cash Flows to the amounts of accounts stated in Consolidated Balance Sheets.

Cash and bank deposits	6,666	6,780	-114	6,694
Time deposits with maturities exceeding three months	-25	-140	115	-25
Short-term investments with maturities due in or less than three months	4,382	3,882	500	2,000
Cash and cash equivalents at the end of the period	11,023	10,522	501	8,669

Note: Amounts rounded off to the nearest million yen.

5. Segment Information

《Business Segment Information》

Three months ended June 30, 2006 (April 1, 2006 to June 30, 2006)

(In million yen)

	Shipping	Real estate	Retail distribution	Total	Elimination or corporate	Consolidated
I. Net sales:						
(1) External sales	16,101	2,112	458	18,671	-	18,671
(2) Inter-segment sales	-	29	14	43	(43)	-
Total	16,101	2,141	472	18,714	(43)	18,671
Operating expenses	13,723	1,429	482	15,634	(43)	15,591
Operating income/loss	2,378	712	-10	3,080	-	3,080

Three months ended June 30, 2005 (April 1, 2005 to June 30, 2005)

(In million yen)

	Shipping	Real estate	Retail distribution	Total	Elimination or corporate	Consolidated
I. Net sales:						
(1) External sales	14,690	2,119	427	17,236	-	17,236
(2) Inter-segment sales	-	9	30	39	(39)	-
Total	14,690	2,128	457	17,275	(39)	17,236
Operating expenses	12,591	1,548	480	14,619	(39)	14,580
Operating income/loss	2,099	580	-23	2,656	-	2,656

Year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

(In million yen)

	Shipping	Real estate	Retail distribution	Total	Elimination or corporate	Consolidated
I. Net sales:						
(1) External sales	62,629	8,697	2,056	73,382	-	73,382
(2) Inter-segment sales	-	58	60	118	(118)	-
Total	62,629	8,755	2,116	73,500	(118)	73,382
Operating expenses	52,473	6,535	2,062	61,070	(118)	60,952
Operating income	10,156	2,220	54	12,430	-	12,430

Notes: (1) Classification of business segment

The Company's businesses are classified into shipping, real estate and retail distribution segments based on Japan Standard Industry Classification.

(2) Business in each segment

Segment	Lines of business
Shipping	Overseas cargo shipping, domestic cargo shipping, leasing and shipping agent
Real estate	Rental and administration of real estate, construction and running photographic studios
Retail distribution	Sale of oil such as gasoline

《Reference》

Quarterly Earnings Reports (Consolidated)

Year ended March 31, 2007

(In million yen except for per share data and stated otherwise)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	Apr 1, 2006 – June 30, 2006	July 1, 2006 – Sept 30, 2006	Oct 1, 2006 – Dec 31, 2006	Jan 1, 2007– Mar 31, 2007
Net sales	18,671			
Operating income	3,080			
Ordinary income	2,769			
Net income	1,654			
Net income per share (Yen)	15.10			
Total assets	157,369			
Net assets	50,783			
Shareholders' equity ratio (%)	32.2			
Net assets per share (Yen)	463.45			

Year ended March 31, 2006

(In million yen except for per share data and stated otherwise)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	Apr 1, 2005 – June 30, 2005	July 1, 2005 – Sept 30, 2005	Oct 1, 2005 – Dec 31, 2005	Jan 1, 2006– Mar 31, 2006
Net sales	17,236	17,711	18,868	19,567
Operating income	2,656	2,990	3,567	3,217
Ordinary income	2,554	2,630	3,186	2,668
Net income	2,688	1,595	1,933	2,201
Net income per share (Yen)	24.53	14.56	17.63	19.41
Total assets	146,250	149,158	152,887	156,659
Shareholders' equity	41,051	43,480	45,672	48,372
Shareholders' equity ratio (%)	28.1	29.2	29.9	30.9
Shareholders' equity per share (Yen)	374.61	396.77	416.79	440.75

- Notes:
1. The above quarterly figures (net sales, operating income, ordinary income and net income) are computed by taking year-to-date figures for the quarter concerned and subtracting from it corresponding year-to-date figure for the preceding quarter.
 2. "Net income per share, fully diluted" data is not applicable as there was no residual share outstanding.