

**Financial Results**  
**For the Six Months Ended September 30, 2006 - Consolidated**

November 9, 2006

**Iino Kaiun Kaisha, Ltd. /**

Security code: 9119  
Listings: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Stock Exchanges  
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Date of the meeting of the Board of Directors: November 9, 2006  
Basis of presentation: Japanese GAAP

**1. Consolidated Financial Results for the Six Months Ended September 30, 2006**  
**(April 1, 2006 to September 30, 2006)**

**(1) Operating Results**

(Amounts rounded to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
Six months ended September 30, 2006	37,929	8.5	6,005	6.4	5,278	1.8
Six months ended September 30, 2005	34,947	13.5	5,646	42.8	5,184	46.1
Year ended March 31, 2006	73,382		12,430		11,038	

	Net income		Net income per share	Net income per share - fully diluted
	million yen	%	yen	yen
Six months ended September 30, 2006	3,221	-24.8	29.40	-
Six months ended September 30, 2005	4,283	96.4	39.09	-
Year ended March 31, 2006	8,417		76.13	-

- Notes:
- Investment gains or losses on the equity method:
    - Six months ended September 30, 2006: 42 million yen
    - Six months ended September 30, 2005: 59 million yen
    - Year ended March 31, 2006: 113 million yen
  - Average number of shares issued and outstanding during the period (consolidated basis):
    - Six months ended September 30, 2006: 109,577,960 shares
    - Six months ended September 30, 2005: 109,586,700 shares
    - Year ended March 31, 2006: 109,583,909 shares
  - Changes in accounting method: None
  - Percentage figures for net sales, operating income, ordinary income and net income represent changes from the previous corresponding period.

## (2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
Six months ended September 30, 2006	165,902	50,991	30.7	465.14
Six months ended September 30, 2005	149,158	43,480	29.2	396.77
Year ended March 31, 2006	156,659	48,372	30.9	440.75

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

Six months ended September 30, 2006:	109,576,871 shares
Six months ended September 30, 2005:	109,586,324 shares
Year ended March 31, 2006:	109,578,919 shares

## (3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Six months ended September 30, 2006	5,255	-12,199	8,128	9,900
Six months ended September 30, 2005	4,076	-3,311	-3,871	7,803
Year ended March 31, 2006	12,553	-7,350	-7,481	8,669

## (4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 42

Number of unconsolidated subsidiaries accounted for by the equity method: None

Number of affiliated companies accounted for by the equity method: 1

## (5) Changes in the scope of consolidation or application of the equity method

Number of consolidated subsidiaries: Newly included 4; Newly excluded None

Number of affiliates accounted for by the equity method:

Newly included None; Newly excluded None

## 2. Forecast of Consolidated Earnings for the Year Ending March 31, 2007

(April 1, 2006 to March 31, 2007)

	Net sales	Operating income	Ordinary income	Net income
	million yen	million yen	million yen	million yen
Full year	76,700	11,700	10,000	6,000

Reference: Projected net income per share for the full year: 54.76 yen

The above projections are based on information available to the company as of the date of this document. Actual results may differ from the above forecasts depending on various conditions.

## **I. The Iino Kaiun Group**

The Iino Kaiun Group (referred to hereafter the Group) consists of the reporting company (Iino Kaiun Kaisha Ltd., the Company), 42 consolidated subsidiaries, 1 affiliate accounted for by the equity method and 19 non-consolidated subsidiaries and affiliates (as of September 30, 2006). The Group's main three businesses include shipping, real estate and retail distribution. The Group is engaged in the following businesses:

### Shipping Business

The Group is engaged in operation, leasing, chartering and administration of vessels; ship brokerage; purchase and sale of ship equipment; and shipping agent operations.

[Principal affiliates]

Operation and leasing:	Koyo Kisen Kaisha, Ltd., Lodestar Navigation S.A.
Administration:	Iino Marine Service Co., Ltd.
Brokerage, and sale and purchase of ship equipment:	Iino Enterprise Co., Ltd.

### Real Estate Business

The Group is engaged in leasing and management of buildings, warehousing and real estate related business.

[Principal affiliates]

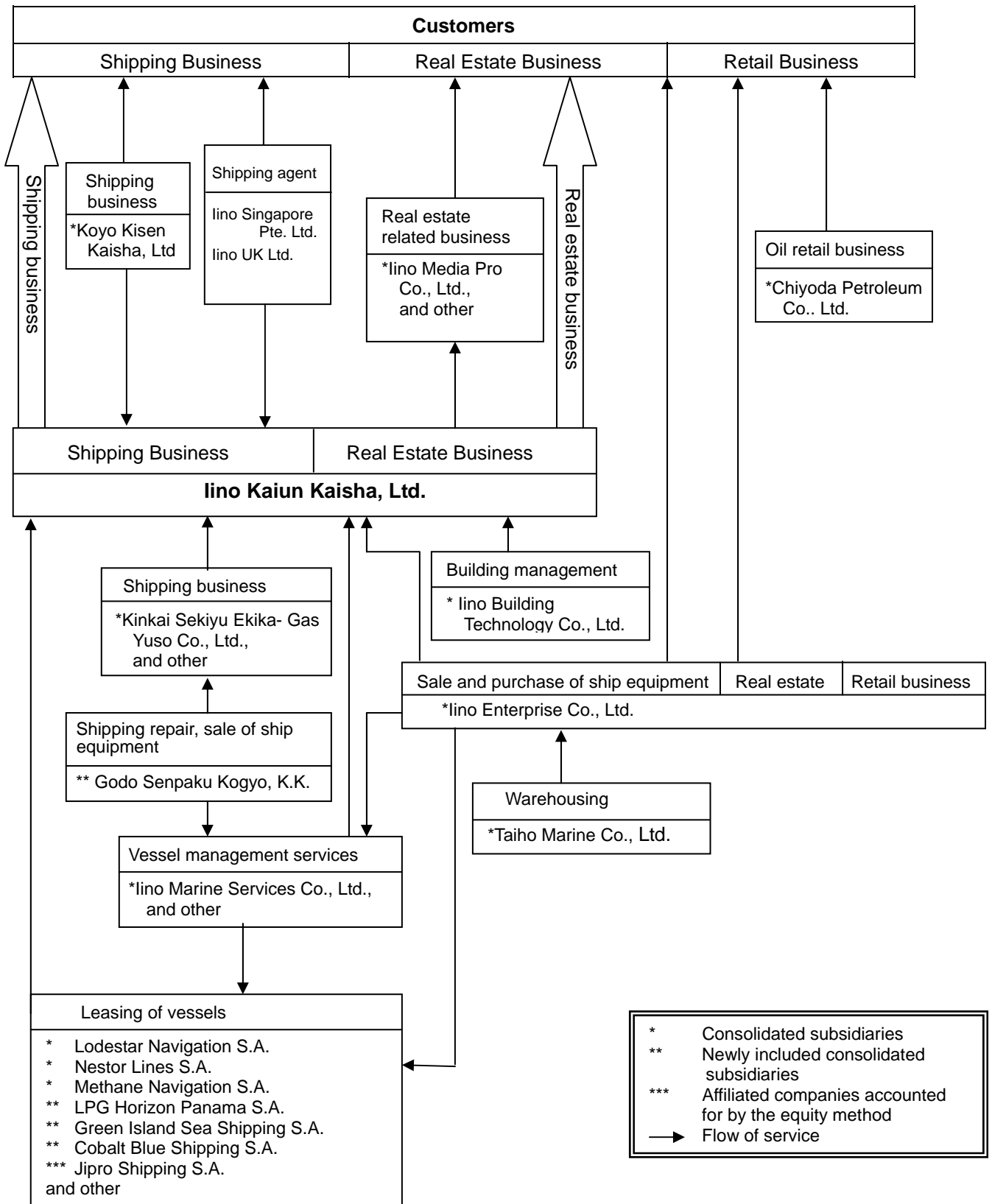
Management:	Iino Building Technology Co., Ltd.
Warehousing:	Taiho Marine Co., Ltd.
Real estate related business:	Iino Media Pro Co., Ltd.

### Retail Distribution Business

The Group is engaged in retail distribution of oil.

[Principal affiliate] Chiyoda Petroleum Co., Ltd.

The following is a diagram of the Iino Kaiun Group's business structure.



## II. Management Policy

### 1. Basic Management Policy

The Iino Kaiun Group (referred to hereafter the Group) upholds a management philosophy ensuring that safety is the foundation of the Group's operations. Guided by this philosophy, the Group strives to effectively manage its organization by providing a stable supply of high quality services and products, while gaining optimal profit by making incessant cost reduction efforts. The Group will ensure that its operations are in full compliance with the laws and regulations and take into account social and environmental considerations.

### 2. Dividend Policy

The Group's performance, particularly its mainstay shipping business, is largely susceptible to market fluctuations and foreign exchange rates. Therefore, its goal is to provide a steady dividend, which is determined by taking management environment forecasts into full consideration, while strengthening financial health and accumulating retained earnings. It also intends to use retained earnings to invest in strategic projects in the shipping business and in promising properties in the real estate business, and to fund facility maintenance and repairs and new business development.

In terms of dividend payments for the period, the Group intends to continue with its interim and year-end dividend payouts.

### 3. Policy Regarding Lowering of Minimum Trading Unit

The Group acknowledges the importance of improving liquidity of its shares and facilitating further participation from a wider scope of investors. However, the Group is not considering lowering of minimum trading unit at the moment, given sufficient liquidity of its shares in the market.

### 4. Matters Related to the Parent Company

N/A

### 5. Medium- and Long-Term Management Strategies

#### [Core Business]

The Group's core business remains in the following two areas:

- Shipping Business: maritime transportation of such cargo as all types of liquid resources including liquefied gas, steam coal and other energy resources, wood chips, fertilizer and other basic materials.
- Real Estate Business: leasing of mid- to large-size office space in Tokyo area.

#### [Contribution to Society]

The Group plans to make its utmost efforts in ensuring safety, helping to protect the environment, and cooperating with and contributing to society, including full compliance with the laws and regulations. In addition to the shipping and real estate business divisions, both have already obtained ISO 9001 (quality management system) and ISO14001 (environmental management system), the Group intends to seek ISO certification for other business units.

#### [Risk Management; Enhanced Profitability, Financial Position and Affiliated Companies]

Significant changes are taking place in the management environment. The Group plans to be in a better position in risk management, coping quickly with changing needs in society, as well as with fluctuations in shipping markets, real estate prices, exchange rates and interest

rates. It also continues to strengthen financial health by placing emphasis on maintaining sound cash flows, enhancing profitability, and improving asset efficiency through such measures as reducing interest-bearing debt.

## 6. Management Issues to be Addressed and Goals and Objectives

### [Challenges for the Shipping Business Division]

The shipping markets remained at historically high levels following the past fiscal year, reflecting growing international distribution stemming from economic globalization. While this supported growth in the Group's earnings for the period, the Group intends to continue strengthening its existing relationships with domestic and overseas customers and to further internationalize its operations in order to ensure future profitability. In addition, as there is a shortage in the supply of capable seamen given the increase in marine freightage, the Group intends to continue education programs to ensure an adequate supply of qualified seaman. Moreover, the Group is working to further enhance ship management operations, which are the foundation of lino's shipping business.

### [Challenges for the Real Estate Business Division]

The office building market in central Tokyo, which is the base of the Group's real estate operations, is beginning to recover. In addition to providing existing tenants with comfortable and convenient office space, the Group is also working to improve profitability. Active investment in office sites and existing buildings through various funds such as REITs, has pushed up prices over the past several years. The Group, however, is considering the purchase of a state-of-the-art rental building, provided that a suitable site can be found, while undertaking business planning to optimize asset efficiency.

### [Increasing Customer Satisfaction and Reducing Costs]

The Group is pursuing further efficiencies in order to enhance customer satisfaction while reducing costs.

### [Strengthening Internal Controls]

The Group seeks to further strengthen its management system in order to make decisions faster and even more appropriately in the constantly changing business environment.

### [Personnel Training, and Improvements in Work Environment]

Personnel training and efficient management are indispensable in meeting the challenges and achieving the goals outlined above. The Group continues to facilitate employees' work by enriching employee training and educational programs and ensuring a pleasant work environment.

### [CSR Activities]

The Group will continue its efforts to enhance its IR activities, which enables timely and adequate disclosure of company information to its shareholders and other stakeholders. By doing so, the Group seeks to remain open to the society.

### [Three-Year Business Plan]

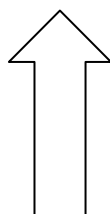
The Group initiated a medium-term business plan "IVC 07" in fiscal 2004 to deal with the aforementioned issues. The performance in the period under review was far better than the initial and revised numerical targets. The Group has been steadily achieving its qualitative targets as well, which will be completed in fiscal 2006 ending March 2007.

The Group is working on its new medium-term business plan starting from the next fiscal year. For reference, listed below is the forecast for the two fiscal years following fiscal 2006 ending March 2007.

	As of March 31, 2005	As of March 31, 2006	Revised IVC07 March 31, 2007	[Reference] Forecast for March 31, 2008	Forecast for March 31, 2009
Net sales	63,763	73,382	76,700	82,300	85,000
Operating income	9,545	12,430	11,700	13,200	15,100
Ordinary income	8,274	11,038	10,000	11,700	12,500
Net income	4,855	8,417	6,000	7,000	7,400
ROE	13.9%	19.2%	11.3%	11.9%	11.4%
Numbers used for results and forecast:					
Exchange rate	¥107.46/US\$	¥113.09/US\$	¥110.00/US\$	¥110.00/US\$	¥110.00/US\$
Fuel oil price	US\$202.20/MT	US\$289.68/MT	US\$350.00/MT	US\$350.00/MT	US\$310.00/MT

Notes:

- Average exchange rate as of March 31, 2005 and 2006 used in the above table: Average interoffice exchange rate
- Fuel oil price as of March 31, 2005 and 2006 used in the above table: Bond oil weighted average price



Forecast announced on August 3, 2006	Year ending March 31, 2007
Net sales	74,400
Operating income	11,300
Ordinary income	9,100
Net income	5,500
ROE	10.4%
Exchange rate	¥110.00/US\$
Fuel oil price	US\$350.00/MT

(in million yen)

	As of March 31, 2005	As of March 31, 2006	Revised IVC07 March 31, 2007	Assumptions
Net sales	57,000	59,700	61,500	<Exchange rate> ¥105/US\$ <Fuel oil price> "FY2005: US\$171/MT" "From FY2006 onwards: US\$151/MT"
Operating income	6,400	6,800	6,900	
Ordinary income	4,500	5,000	5,100	
Net income	2,700	3,000	3,100	
ROE	8.3%	8.6%	8.4%	

### III. Operating Results and Financial Position

#### 1. Operating Results

##### (1) Overview of the Six Months Ended September 30, 2006

During the six months under review, the global economy on the whole remained strong in spite of concerns that the steep rise in crude oil prices would hamper economic growth. The U.S. economy continued to expand buoyed by increases in consumer spending, etc., despite a decline in housing investments. The Euro zone economies and the U.K. economy continued on the recovery path led by increasing domestic demand. Asian economies maintained the expansionist trends with fixed asset investments continuing to be robust in China. At the same time, Japan's economy sustained its recovery on the back of domestic demand such as private sector capital investments and consumer spending. Under such economic conditions, the shipping business on the whole registered increased revenues and profits despite the impact of market volatility. The real estate business remained stable thanks to a recovering market. As a result, consolidated net sales for the six months under review amounted to ¥37,929 million, up 8.5% from the same period a year earlier, operating income increased 6.4% to ¥6,005 million, and ordinary income came to ¥5,278 million, up 1.8% year-on-year. During the period under review, the Company registered extraordinary loss of ¥4 million, compared with extraordinary gains of ¥1,360 million yen during the same period in the previous fiscal year. As a result, income before income taxes declined 19.4% to ¥5,274 million from the same period a year earlier and net income totaled ¥3,221 million yen, representing a decline of 24.8% year-on-year.

##### (2) Segment Overview

###### a) Shipping Business

After experiencing a temporary slump in June and July due to slower petrochemical product cargo movement in the Atlantic Ocean and China's conservative purchase of chemical products, the chemical tanker market regained momentum in August, remaining strong on the whole. In the bulk carrier market, the influx of newly built vessels and easing of loading port demurrage resulted in increased supply of vessels. Nevertheless, cargo movement has been robust led by spot vessels. As a result, the market expanded and remained strong during the first half of the fiscal year, compared with the decline in cargo movements common during summer months.

In the Group's shipping business, the oil tanker division was able to generate stable revenues as majority of the vessels were being operated under medium- to long-term contracts. Construction of a VLCC (very large crude carrier) was completed at the end of August and is currently operating under a long-term contract with a domestic shipper. As a result, sales of the division for the six months totaled ¥4,318 million, up 0.6% year-on-year. In the chemical tanker division, the Group continued to focus on volume-based shipping contracts with Middle Eastern clients for Middle East-Asia routes and revenues from the Middle East-Europe and -Atlantic routes increased. Construction of two 33,000-ton stainless chemical tankers was completed during the period under review, increasing the Group's shipping volume in the Middle East-Asia shipping route. As a result, shipping revenues for the division rose 23% year-on-year to ¥12,364 million.

In the large gas tanker division, the existing long-term contracts of LPG and LNG tankers continued to ensure stable revenues, and coupled with the operation of the LNG tanker for domestic routes, which was introduced during the second half of the previous fiscal year, the shipping revenues increased 17.5% year-on-year to ¥4,153 million.

In the small gas tanker division, the supply-demand situation remained relatively stable in the LPG and petrochemical gas markets for both the domestic and adjacent waters, while

the Group took measures to ensure efficient vessel allocation such as changes in the allocation areas. As a result, the shipping revenues reached ¥4,205 million, up 10.9% year-on-year.

The bulk carrier division worked towards ensuring steady earnings from volume-based shipping contracts for fuel coal and fertilizers and utilization of low-cost controlled tonnage, in addition to the stable revenues from specialized carriers to ship wood chips for the paper industry and fuel coal for power companies. However, the large-scale fluctuations in the bulk carrier market during the period resulted in a decline in shipping revenues to ¥6,495 million, down 7.5% year-on-year.

Adding sales of ¥1,146 million, up 14.6% year-on-year, at the other shipping division to the aforementioned revenues, total shipping revenues increased 10.1% year-on-year to ¥32,681 million and operating income rose 12.9% to ¥4,938 million.

#### b) Real Estate Business

The rate of decline in the benchmark average land prices slowed for both commercial and residential land nation-wide, while the three major urban areas of Tokyo, Osaka and Nagoya saw land prices increase. In the Tokyo metropolitan area, the demand for office space remained firm on the back of the recovering economy.

In the lease building business division, there is a growing shortage of supply for large-size buildings owing to active demand for potential office spaces. The buildings owned by the Group are running at almost full occupancy and it has been implementing rent revision for existing buildings. As a result, revenues for the division rose 0.6% year-on-year to ¥3,801 million. The Shiodome Shiba-Rikyu Building, for which construction began in August 2004, was completed in July 2006.

In the real estate-related business division, revenues declined 3.2% year-on-year to ¥541 million, even though its rental photo studios maintained high operating rates.

As a result, total revenues for the real estate business amounted to ¥4,342 million, up 0.1% year-on-year. Operating income totaled ¥1,087 million, representing a decline of 14.1% year-on-year, as the Group booked the initial completion costs for the Shiodome Shiba-Rikyu Building.

#### c) Retail Business

The petroleum retail business registered a decline in both revenues and profits, as the procurement price for gasoline continued to rise reflecting soaring crude oil prices and consumers held off from purchasing due to higher retail prices.

The revenues for the division totaled ¥986 million, down 0.6% year-on-year, and it booked operating loss of ¥20 million, compared with operating profit of ¥8 million during the same period in the previous year.

## 2. Consolidated Financial Position

### (1) Assets, liabilities, and capital

Total assets at the end of the six months under review stood at ¥165,902 million, representing an increase of ¥9,243 million from the beginning of the period. This is primarily because of the acquisition of buildings for rent and the increase in tangible fixed assets resulting from the completion of a VLCC. Meanwhile, total liabilities at the end of the six months stood at ¥114,911 million, representing an increase of ¥6,548 million compared with the beginning of the period. The increase is attributed to the rise in long-term borrowings associated with capital investments in vessels and real estate, which more than offset a decrease in interest-bearing liabilities due to scheduled repayment. Net assets at the end of the period stood at ¥50,991 million, an increase of ¥2,619 million from the beginning of the period. The increase is due primarily to an increase in net income and a change in accounting procedures (i.e. recognition of deferral hedge gains (losses) in the

net assets section vs. in the assets and liabilities sections previously), which outweighed the impact of appropriation of profit.

## (2) Cash Flows

Net cash provided by operating activities in the period increased by ¥1,179 million to ¥5,255 million, as there were no events leading to any significant extraordinary profits or losses comparable to the same period in the previous year. In addition, against the backdrop of buoyant shipping market, it reflects a decrease of ¥1,270 million year-on-year in income before income taxes to ¥5,274 million, depreciation expenses of ¥3,477 million and income tax payment of ¥2,883 million, down ¥37 million year-on-year.

Net cash used in investing activities was ¥12,199 million, down ¥8,888 million year-on-year, reflecting capital expenditures of ¥11,939 million on acquisition of vessels and buildings for lease.

Net cash generated by financing activities was ¥8,128 million, an improvement of ¥11,999 million year-on-year, reflecting a net decrease in short-term borrowings of ¥1,797 million, a net increase in long-term borrowings of ¥15,413 million including borrowings for capital expenditures, a ¥4,491 million repayment of borrowings for capital expenditures and long-term working capital in long-term borrowings, and ¥986 million in dividend payments. As a result, cash and cash equivalents at the end of the period under review were ¥9,900 million, representing an increase of ¥2,097 million year-on-year and a rise of ¥1,231 million from the end of the previous fiscal year.

## (3) Recent Trends in Cash Flow Indicators:

	Year ended March 2004	Year ended March 2005	Year ended March 2006	Six months ended September 30, 2004	Six months ended September 30, 2005	Six months ended September 30, 2006
Shareholders' equity ratio (%)	21.1	26.7	30.9	21.7	29.2	30.7
Equity ratio based on market value (%)	33.8	39.7	80.0	37.7	57.5	72.3
Years to repay debt (Years)	11.7	7.3	6.7	9.7	10.6	8.8
Interest coverage ratio (X)	3.6	4.3	4.5	3.6	2.9	4.0

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholder's equity ratio based on market value: Market capitalization/Total assets

Years to repay debt: Interest-bearing debt/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest expense

\* Each of these indicators was calculated based on consolidated statements.

\* Market capitalization is calculated based on the closing stock price at the end of respective period (full year or the first six months), multiplied by the number of shares outstanding as of the end of respective period (after deducting the number of treasury stock).

\* The operating cash flow figure is derived from "Cash flows from operating activities" in the consolidated statements of cash flows for the period. Interest-bearing debt consists of all debt on which interest was paid, as is included in the consolidated balance sheet for the period. The amount of interest expense is taken from the "Interest paid" in the consolidated statements of cash flows for the period.

\* When calculating the number of years for debt redemption as of the end of the first six months of a fiscal year, cash flow from operating activities is doubled to annualize the result.

### 3. Outlook for the Full Year Ending March 2007

While the U.S. and Chinese economies continue to expand, there is growing concern of a gradual slowdown in the U.S. economy with the prolonged cooling down in housing investments. Despite its underlying strengths and the high rate of expansion, the Chinese economy is expected to see a steady slowdown in the growth rate, as exports may decline due to slowing economies in the developed countries and investments in fixed assets stagnate due to restrictive measures. While Japan's economy does face risk factors such as the trend in crude oil prices and a slowdown in the U.S. economy, it is expected to remain robust.

Under such economic conditions, the Group expects its shipping business to maintain the strong showing on the whole, despite negative factors such as the rise in crude oil prices and increase in interest rates. In the real estate business, the rent levels are showing a gradual upward trend on the back of shortage of supply in rental spaces at both large- and small-sized office buildings. Based on the above assumptions, the Group is forecasting consolidated net sales for the full year of ¥76,700 million, ordinary income of ¥10,000 million and net income of ¥6,000 million, revising up the previous forecasts (please refer to page 6).

On a parent-only basis, the Group expects net sales of ¥69,800 million, ordinary income of ¥10,000 million and net income of ¥6,000 million, revising up the previous forecasts, based on an exchange rate of ¥110 to US\$1, and a Port of Singapore bunker price of US\$350/MT.

The Group intends to pay a year-end dividend of ¥6 per share, the same as the interim dividend, making annual dividend of ¥12 per share.

### 4. Business Risks

The Group's main shipping and real estate business activities involve political, economic, social, natural disaster and accident risks in all regions in which it conducts its business, with regards to operating waters, ports of call, docking areas, markets, the regions and countries in which contracted parties are domiciled, as well as project and other investments. These risks could have a negative impact on the Group's business performance, stock price or financial condition. Specific risks are outlined below. Forward looking statements contained in the following are based on the Group's view as of the end of the first six months under review (consolidated).

#### (1) Risk of Major Accidents or Events Affecting Ships and Buildings

The basic management philosophy of the Group is that "ensuring safety is the basis for all corporate endeavors". Moreover, the Group believes its mission is to place safety first regarding the ships and buildings used in its business. Safety measures that are common to each business division are regularly reviewed monthly by a "Safety Committee," while a quality control management system based on international standards has been introduced for the shipping business in particular. In addition, a "Shipping Safety Countermeasures Committee" meets regularly to ensure that accident prevention and safety measures are being thoroughly implemented, which is also capable of responding to emergency situations. However, in the event of an occurrence of unforeseen major accident or event that results in an oil spill or other environmental pollution or the loss of life and/or assets, it is possible that such an event could have an impact on the Group's business performance, stock price or financial condition.

#### (2) Risk of Fluctuations in Shipping and Real Estate Markets

While the Group is making every effort to minimize the impact of temporary fluctuations in shipping and real estate markets and to ensure stable operating earnings with medium- and long-term contracts, it is possible that changes in spot shipments, increases or decreases in marine transportation volume, intensified competition, or shifts in the supply-demand balance for ships could result in significant fluctuations in shipping revenues and/or charter revenues. In addition, trends in the real estate market in general, and in vacancy ratios for the central Tokyo office market in particular could have a significant impact on rental revenues, and on

the price of properties held. As a result, significant changes in shipping revenues and/or rental revenues could have an impact on the Group's business performance, stock price or financial condition. While the measures to stabilize earnings as discussed in the preceding paragraph help reduce the impact of market price fluctuations, they may also result in opportunity loss of income for the Group which may have been realized had the market moved in opposite direction.

### (3) Exchange Rate Risk

The Group's shipping business is structured such that foreign currency-denominated revenues exceed foreign currency-denominated expenses, and thus exchange rate fluctuations can have an impact on earnings. A significant amount of the Group's investments are also denominated in foreign currencies. Given the situation the Group is endeavoring to limit the impact of currency fluctuations with forward exchange contracts, currency swaps, and other hedge transactions, as well as by increasing the portion of dollar denominated expenses. This notwithstanding, large fluctuations in exchange rates can have an impact on the Group's business performance, stock price or financial condition. While the aforementioned hedge transactions help reduce the impact of exchange rate fluctuations, they may also result in opportunity loss of income for the Group which may have been realized had exchange rates moved in opposite direction.

### (4) Interest Rate Risk

In addition to using internal funds for investments in ships and real estate and for operating capital used in business operations, the Group also obtains finance from external sources. In order to reduce the impact of interest rate fluctuations on its variable rate borrowings, the Group, based on its reading of the market, from time to time take measures to fix interest rates. However, future interest rate fluctuations could significantly affect funding costs, and therefore have an impact on the Group's business performance, stock price or financial condition. While conversion to fixed rates do reduce the risk of interest rate fluctuations, they may also involve opportunity loss of income for the Group had interest rates moved in opposite direction. In addition, cancellation of fixed rate borrowings before maturity may result in one time payment of cancellation fee.

### (5) Risk of New or Amended Public Regulations

The construction, registration and operation of the vessels used by the Ino Kaiun Group are affected by legal restrictions based on various international treaties, and bureau of shipping rules and regulations. The implementation of new or amended laws and regulations related to the Group's future business activities, including non-shipping business areas, could result in increased compliance costs. In addition, resultant withdrawal from the business or a failure to comply, which could restrict the Group's business activities, may have an impact on the Group's business performance, stock price or financial condition.

### (6) Regional Political, Economic, Social and Natural Condition Risks

The Group's business activities span Asia including Japan, the Middle East, the US and Europe and other regions, and entails political, economic, social, natural disaster and accident risk in each region. The specific nature of this risk is outlined below. While the Group makes every effort to prevent and avoid such risks through information gathering activities, the occurrence of any of these events could have an impact on the Group's business performance, stock price or financial condition.

- (a) Changes in political and economic conditions.
- (b) Introduction, cancellation, and amendment of public regulations, changes in business practices and customs, and changes in interpretation regarding business/investment license, taxation, accounting standards, foreign exchange

controls, safety, the environment, trade restrictions and prohibitions against private monopolies.

- (c) Developments in joint ventures and cooperative agreements with other companies.
- (d) Natural disasters such as earthquakes, lightening strikes, windstorms, rainstorms, floods, droughts, cold waves, abnormally high temperatures, abnormally high sea-levels, Tsunami and typhoons.
- (e) Events that cause social disruption, such as accidents, fires, war, riots, terrorism, pirating, the outbreak of infectious diseases and labor strikes.

#### (7) Risk of Fuel Oil Price Fluctuations

While prices of marine fuel oil used by the Group in its shipping business are dependent on the supply-demand balance for crude oil and conditions in oil producing nations and regions, the Group makes every effort to minimize the impact of price fluctuations by diversifying regional source and timing of supply, implementing slower navigation speeds to reduce fuel oil consumption, and by negotiating fuel price adjustment clauses with shippers. However, sharp fluctuations in fuel oil prices can have an impact on the Group's business performance, stock price or financial condition.

#### (8) Risk of Changes in Shipping and Real Estate Operating Conditions

The vessels and buildings used by the Group could be rendered inoperable by unforeseen events caused by natural disasters or accidents. As the buildings used in the Group's real estate business are rented under office rental contracts, failure to renew a contract or a forced cancellation of contract may also render the buildings inoperable. This could have an impact on the Group's business performance, stock price or financial condition.

#### (9) Risk of Delayed Progress in Planned Investment

The Group has investment plans for fleet capacity in its shipping business, and building constructions and other investments in its real estate business. Progress in these investment plans however could be delayed by conditions in the shipping and real estate markets, financial conditions, or shipbuilding company and construction company trends, and this could have an impact on the Group's business performance, stock price or financial condition.

#### (10) Risks Associated with Sale of Vessels or Mid-Term Contract Cancellations

Shipping market trends or the development and introduction of new ship technology could cause existing vessels to become obsolete, while changes in safety, environmental or other regulations could restrict vessel usage, resulting in the sale of vessels held by the Group, or mid-term cancellations in the charter contracts the Group uses to charter its vessels. Consequently, this could have an impact on the business performance, stock price or financial condition of the Group.

While the above are the major specific examples of risk, they are not all-inclusive of the risks incurred by the Group in the conduct of its business.

## IV Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In million yen)

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<u>Current assets</u>						
Cash and deposits	7,649		5,944		6,694	
Notes and accounts receivable	3,971		3,981		3,768	
Inventories	1,790		1,432		1,701	
Deferred and prepaid expenses	1,812		1,300		1,675	
Other	4,084		4,035		4,532	
Allowance for doubtful accounts	-78		-91		-74	
Total current assets	19,228	11.6	16,601	11.1	18,296	11.7
<u>Fixed assets</u>						
[Tangible fixed assets]						
Vessels	60,832		55,311		54,755	
Buildings and structures	17,156		8,404		10,991	
Land	39,228		38,086		39,222	
Construction in progress	4,054		6,007		8,028	
Other	491		295		322	
Total tangible fixed assets	121,761	73.4	108,103	72.5	113,318	72.3
[Intangible fixed assets]						
Telephone subscription rights	9		9		9	
Other	660		652		628	
Total intangible fixed assets	669	0.4	661	0.4	637	0.4
[Investments and other assets]						
Investment securities	20,135		17,536		20,561	
Long-term loans	260		238		549	
Other	3,975		6,148		3,422	
Allowance for doubtful accounts	-126		-129		-124	
Total investments and other assets	24,244	14.6	23,793	16.0	24,408	15.6
Total fixed assets	146,674	88.4	132,557	88.9	138,363	88.3
Total assets	165,902	100.0	149,158	100.0	156,659	100.0

(In million yen)

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006		
	Amount	%	Amount	%	Amount	%	
<b>Liabilities</b>							
<u>Current liabilities</u>							
Accounts payable	*2	3,998		3,356		4,218	
Current portion of bonds		1,000		-		-	
Short-term borrowings	*2	11,281		9,406		13,532	
Accrued expenses		366		415		360	
Income taxes payable		2,168		2,330		2,862	
Advances received		2,270		1,916		2,044	
Reserve for bonuses		351		340		378	
Other		766		893		1,471	
Total current liabilities		22,200	13.4	18,656	12.5	24,865	15.8
<u>Fixed liabilities</u>							
Bonds		1,500		2,500		2,500	
Long-term borrowings	*2	78,942		74,249		67,818	
Reserve for employees' retirement		1,608		1,651		1,519	
Reserve for directors' retirement		122		435		506	
Reserve for special repairs		512		478		539	
Leasehold deposits received		5,265		4,211		5,097	
Other		4,762		3,591		5,519	
Total fixed liabilities		92,711	55.9	87,115	58.4	83,498	53.3
Total liabilities		114,911	69.3	105,771	70.9	108,363	69.1
<b>Minority Interests</b>							
Minority interests		-	-	-93	-0.1	-76	-0.0
<b>Shareholders' equity</b>							
Common Stock		-	-	13,092	8.8	13,092	8.4
Additional paid-in capital		-	-	6,429	4.3	6,429	4.1
Retained earnings		-	-	21,600	14.5	25,058	16.0
Net unrealized gains/losses on other securities		-	-	2,802	1.9	4,244	2.7
Treasury stock		-	-	-443	-0.3	-451	-0.3
Total shareholders' equity		-	-	43,480	29.2	48,372	30.9
Total liabilities, minority interests and shareholders' equity		-	-	149,158	100.0	156,659	100.0
<b>Net assets</b>							
<u>Shareholders' Capital</u>							
Common stock		13,092	7.9	-	-	-	-
Additional paid-in capital		6,429	3.9	-	-	-	-
Retained earnings		27,295	16.5	-	-	-	-
Treasury stock		-453	-0.3	-	-	-	-
Total shareholders' capital		46,363	28.0	-	-	-	-
<u>Valuation and Translation Adjustments</u>							
Net unrealized gains/losses on other securities		3,698	2.2	-	-	-	-
Deferred gain on deferred hedges		908	0.5	-	-	-	-
Total valuation and translation adjustments		4,606	2.7	-	-	-	-
Minority Interests		22	0.0	-	-	-	-
Total net assets		50,991	30.7	-	-	-	-
Total liabilities and net assets		165,902	100.0	-	-	-	-

## (2) Consolidated Statements of Operations

(In million yen)

	Six months ended September 30, 2006 (A)		Six months ended September 30, 2005 (B)		(A)-(B)	Year ended March 31, 2006				
	Amount	%	Amount	%		Amount	%			
	Net sales	37,929	100.0	34,947		100.0	2,982	73,382	100.0	
Cost of sales	29,034	76.5	26,638	76.2	2,396	55,728	75.9			
Gross profit	8,895	23.5	8,309	23.8	586	17,654	24.1			
Selling, general and administrative expenses *1	2,890	7.6	2,663	7.6	227	5,224	7.1			
Operating income	6,005	15.9	5,646	16.2	359	12,430	17.0			
Non-operating income										
Interest income	87		55		32	122				
Dividend income	184		183		1	254				
Partnership income	256		443		-187	693				
Foreign exchange gains	-		135		-135	40				
Equity income of non-consolidated subsidiaries and affiliates	42		59		-17	113				
Other	70	639	1.7	103	978	2.8	-339	205	1,427	1.9
Non-operating expenses										
Interest expenses	1,329		1,340		-11	2,672				
Foreign exchange losses	16		-		16	-				
Other	21	1,366	3.6	100	1,440	4.1	-74	147	2,819	3.8
Ordinary income		5,278	14.0		5,184	14.9	94		11,038	15.1
Extraordinary gains										
Gain on sale of fixed assets *2	1			13		-12	839			
Gain on liquidation of affiliates	-			2,695		-2,695	2,700			
Gain on reversal of reserve for special repairs	-			2		-2	2			
Gain on sale of investment securities	0			22		-22	90			
Other	1	2	0.0	154	2,886	8.3	-2,884	153	3,784	5.2
Extraordinary losses										
Loss on disposal of fixed assets*3	1			2		-1	18			
Impairment losses *5	-			1,495		-1,495	1,495			
Loss on sale of investment securities	3			-		3	-			
Other	2	6	0.0	29	1,526	4.4	-1,520	40	1,553	2.1
Income before income taxes		5,274	14.0		6,544	18.8	-1,270		13,269	18.2
Income tax, inhabitants tax and enterprise tax *4	2,185			2,344		-159	4,723			
Income tax adjustments *4	-115	2,070	5.5	-108	2,236	6.4	-166	84	4,807	6.5
Minority interests in income/loss(-)		-17	-0.0		25	0.1	-42		45	0.1
Net income		3,221	8.5		4,283	12.3	-1,062		8,417	11.6

### (3) Consolidated Statements of Retained Earnings

(In million yen)

	Six month ended September 30, 2005		Year ended March 31, 2006	
	Amount		Amount	
<b>Additional paid-in capital</b>				
Balance, beginning of period		6,425		6,425
Increase in additional paid-in-capital				
Gain on disposition of treasury stock	4	4	4	4
Balance, end of period		6,429		6,429
<b>Retained earnings</b>				
Balance, beginning of period		18,463		18,463
Increase in retained earnings				
Net income	4,283	4,283	8,417	8,417
Decrease in retained earnings				
Dividends	1,096		1,753	
Bonuses paid to directors	50		50	
Decrease in retained earnings due to decrease in number of consolidated subsidiaries	-	1,146	19	1,822
Balance, end of period		21,600		25,058

#### (4) Consolidated Statements of Changes in Shareholders' Capital

Six months ended September 30, 2006 (April 1, 2006 to September 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/losses on deferred hedge contracts	Total valuation & translation adjustments		
Balance as of March 31, 2006	13,092	6,429	25,058	-451	44,128	4,244	-	4,244	-76	48,296
Change during the period										
Cash dividends			-986		-986					-986
Directors' bonuses			-78		-78					-78
Net income			3,221		3,221					3,221
Purchase of treasury stock				-2	-2					-2
Increase in retained earnings due to consolidation of additional subsidiaries			80		80					80
Net change in items other than shareholders' capital during the period						-546	908	362	98	460
Total changes during the period	-	-	2,237	-2	2,235	-546	908	362	98	2,695
Balance as of September 30, 2006	13,092	6,429	27,295	-453	46,363	3,698	908	4,606	22	50,991

## (5) Consolidated Statements of Cash Flows

(In million yen)

	Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
	Amount	Amount	Amount
<b>I Cash flows from operating activities</b>			
Income before income taxes	5,274	6,544	13,269
Depreciation and amortization	3,477	3,003	6,251
Impairment losses	-	1,495	1,495
Equity income of non-consolidated subsidiaries and affiliates	-42	-59	-113
Increase/decrease in reserve for employees' retirement benefits	59	-91	-223
Increase/decrease in reserve for directors' retirement benefits	-396	23	93
Interest and dividend income	-271	-238	-376
Interest expenses	1,329	1,340	2,672
Gains on sale of tangible and intangible fixed assets	-1	-13	-839
Gain on liquidation of affiliates	-	-2,695	-2,700
Decrease/increase in accounts receivable, trade	-102	-465	-251
Increase/decrease in accounts payable, trade	-334	-214	648
Other	187	-462	-257
Sub total	9,180	8,168	19,669
Interest and dividend received	271	241	392
Interest paid	-1,313	-1,413	-2,766
Income taxes paid	-2,883	-2,920	-4,742
Net cash provided by operating activities	5,255	4,076	12,553
<b>II Cash flows from investing activities</b>			
Purchase of tangible and intangible fixed assets	-11,939	-5,259	-14,048
Sale of tangible and intangible fixed assets	3	30	2,844
Proceeds from liquidation of affiliates	-	2,705	2,705
Purchase of investment securities	-497	-1,163	-2,379
Sale of investment securities	33	-	115
Redemption of investment securities	-	-	400
Collection of investment in partnership	-	-	2,945
Other	201	376	68
Net cash used in investing activities	-12,199	-3,311	-7,350
<b>III Cash flows from financing activities</b>			
Net increase/decrease in short-term borrowings	-1,797	-1,890	-1,357
Proceeds from long-term borrowings	15,413	6,830	6,830
Repayment of long-term borrowings	-4,491	-7,715	-11,193
Proceeds of treasury stocks	0	10	10
Payments for treasury stocks	-2	-10	-18
Cash dividends paid	-986	-1,096	-1,753
Cash dividends paid to minority shareholders	-9	-	-
Net cash provided by/used in financing activities	8,128	-3,871	-7,481
<b>IV Effect of exchange rate change on cash and cash equivalents</b>	-15	78	116
<b>V Increase/decrease in cash and cash equivalents</b>	1,169	-3,028	-2,162
<b>VI Cash and cash equivalents at the beginning of the period</b>	8,669	10,831	10,831
<b>VII Increase in cash and cash equivalents due to change in scope of consolidation</b>	62	-	-
<b>VIII Cash and cash equivalents at the end of the period</b>	9,900	7,803	8,669

## Significant Information regarding the Preparation of Consolidated Financial Statements

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
I Scope of consolidation	<p>(1) Number of consolidated subsidiaries: 37 Names of major consolidated subsidiaries: Lodestar Navigation S.A. and lino Marine Service Co., Ltd.</p> <p>Seagreen Navigation S.A. was newly included in consolidation following its establishment. Wish Lines S.A. was excluded from consolidation due to its sale.</p> <p>(2) Some subsidiaries including lino Lines (U.S.A.) Inc. are not included in consolidation. All non-consolidated subsidiaries are insignificant in terms of the Company's equity in their assets, revenues, income, and retained earnings, as well as in terms of their impact on the interim consolidated financial statements.</p>	<p>(1) Number of consolidated subsidiaries: 42 Names of major consolidated subsidiaries: Lodestar Navigation S.A. and lino Marine Service Co., Ltd.</p> <p>4 companies (LPG Horizon Panama S.A., Green Island Sea Shipping S.A., Cobalt Blue Shipping S.A. and Godo Senpaku Kogyo K.K.) were newly included in consolidation following its establishment or their increased significance.</p> <p>(2) Some subsidiaries including lino UK Ltd. are not included in consolidation. All non-consolidated subsidiaries are insignificant in terms of the Company's equity in their assets, revenues, income, and retained earnings, as well as in terms of their impact on the interim consolidated financial statements.</p>	<p>(1) Number of consolidated subsidiaries: 38 Names of major consolidated subsidiaries: Lodestar Navigation S.A. and lino Marine Service Co., Ltd.</p> <p>2 companies (Seagreen Navigation S.A. and Red Sea Marine S.A.) were newly included in consolidation following their establishment of operations. Wish Lines S.A. was excluded from consolidation due to its sale.</p> <p>(2) Some subsidiaries including lino UK Ltd. are not included in consolidation. All non-consolidated subsidiaries are insignificant in terms of the Company's equity in their assets, revenues, income, and retained earnings, as well as in terms of their impact on the consolidated financial statements.</p>
II Application of the equity method	<p>(1) Affiliates accounted for by the equity method are following two companies: lino Koun Kaisha Jipro Shipping S.A.</p> <p>(2) Non-consolidated subsidiaries including lino Lines (U.S.A.) Inc. and non-consolidated affiliates including M.I. Holding S.A. which are not accounted for by the equity method are insignificant in terms of the Company's equity in their income and retained earnings, and their impact on the interim consolidated financial statements.</p>	<p>(1) Affiliates accounted for by the equity method are following one company: Jipro Shipping S.A.</p> <p>(2) Non-consolidated subsidiaries including lino UK Ltd. and non-consolidated affiliates including M.I. Holding S.A. which are not accounted for by the equity method are insignificant in terms of the Company's equity in their income and retained earnings, and their impact on the interim consolidated financial statements.</p>	<p>(1) Affiliates accounted for by the equity method are following one company: Jipro Shipping S.A.</p> <p>lino Koun Kaisha was excluded from application of the equity method due to the sale of its shares.</p> <p>(2) Non-consolidated subsidiaries including lino UK Ltd. and non-consolidated affiliates including M.I. Holding S.A. which are not accounted for by the equity method are insignificant in terms of the Company's equity in their income and retained earnings, and their impact on the consolidated financial statements</p>
III Accounting period of consolidated subsidiaries	<p>Among the consolidated subsidiaries, Taranaki Shipping S.A. and other four companies have their accounting period ending on June 30. Although financial statements as of the end of their accounting period</p>	<p>Same as on the left</p>	<p>Among the consolidated subsidiaries, Taranaki Shipping S.A. and other four companies have their accounting period ending on December 31. Although financial statements as of the end of their accounting</p>

	were used for consolidation, necessary adjustments have been made on significant transactions that have taken place between the end of their accounting period and the end of the Company's consolidated accounting period.		period were used for consolidation, necessary adjustments have been made on significant transactions that have taken place between the end of their accounting period and the end of the Company's consolidated accounting period.
IV Accounting standards	<p>(1) Valuation standards/methods for principal assets</p> <p>(a) Securities Other securities For which market price is available: Carried at fair value as of the last day of the accounting period (unrealized holding gains and losses are reported as a net amount in a separate component of shareholders' equity. Cost of sales is determined by the moving average method).</p> <p>For which market price is not available: Equity: Carried at cost determined by the moving average method. Bond: Carried at cost determined by the moving average method or by amortized cost method.</p> <p>(b) Inventories Real estates held for sale are stated at cost determined by identified cost method. Other inventories are stated at cost by first-in first-out method.</p> <p>(c) Derivatives Market value method applied</p> <p>(2) Depreciation/amortization of principal depreciable/ amortizable assets</p> <p>Vessels are depreciated by straight-line method (with some exception where declining balance method is applied). Tangible fixed assets other than vessels by declining balance method. However, buildings (excluding ancillary facilities) acquired on or after April 1, 1998 are depreciated by straight-line method.</p>	<p>(1) Valuation standards/methods for principal assets</p> <p>(a) Securities Other securities For which market price is available: Carried at fair value as of the last day of the accounting period (unrealized holding gains and losses are reported as a net amount in a separate component of net assets. Cost of sales is determined by the moving average method).</p> <p>For which market price is not available: Same as on the left</p> <p>(b) Inventories Same as on the left</p> <p>(c) Derivatives Same as on the left</p> <p>(2) Depreciation/amortization of principal depreciable/ amortizable assets</p> <p>Vessels are depreciated by straight-line method (with some exception where declining balance method is applied). Tangible fixed assets other than vessels by declining balance method. However, buildings (excluding ancillary facilities) acquired on or after April 1, 1998 are depreciated by straight-line method.</p>	<p>(1) Valuation standards/methods for principal assets</p> <p>(a) Securities Other securities For which market price is available: Carried at fair value as of the last day of the accounting period (unrealized holding gains and losses are reported as a net amount in a separate component of shareholders' equity. Cost of sales is determined by the moving average method).</p> <p>For which market price is not available: Same as on the left</p> <p>(b) Inventories Same as on the left</p> <p>(c) Derivatives Same as on the left</p> <p>(2) Depreciation/amortization of principal depreciable/ amortizable assets</p> <p>Vessels are depreciated by straight-line method (with some exception where declining balance method is applied). Tangible fixed assets other than vessels by declining balance method. However, buildings (excluding ancillary facilities) acquired on or after April 1, 1998 are depreciated by straight-line method.</p>

	<p>(3) Accounting standards for principal allowance/reserves</p> <p>(a) Allowance for doubtful account The allowance for doubtful accounts is computed based on the actual ratio of bad debts in the past. For classified loans/receivables the company states an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.</p> <p>(b) Reserve for bonuses Reserve for bonuses is provided to cover bonus payment to employees by estimating the amount of bonuses allocated for the accounting period under review.</p> <p>(c) Reserve for employees' retirement benefits Reserve for employees' retirement benefits is provided at an amount that is deemed to have accrued as of the end of the accounting period under review, calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the end of the accounting period under review.</p> <p>(d) Reserve for directors' retirement benefits Reserve for directors' retirement benefits has been provided at an amount payable at the end of the accounting period under review based on the Company's internal regulations.</p>	<p>Intangible fixed assets by straight-line method. Software for internal use is amortized by the straight-line method based on the length of period it can be used internally (five years).</p> <p>(3) Accounting standards for principal allowance/reserves</p> <p>(a) Allowance for doubtful account Same as on the left</p> <p>(b) Reserve for bonuses Same as on the left</p> <p>(c) Reserve for employees' retirement benefits Same as on the left</p> <p>(d) Reserve for directors' retirement benefits Reserve for directors' retirement benefits has been provided at an amount payable at the end of the accounting period under review based on the Company's internal regulations. The Company decided to discontinue the retirement benefits scheme for directors and auditors, and the proposal for the discontinuance of payment of retirement benefits to directors was approved by the Annual General Meeting of Shareholders held on June 29,</p>	<p>(3) Accounting standards for principal allowance/reserves</p> <p>(a) Allowance for doubtful account Same as on the left</p> <p>(b) Reserve for bonuses Reserve for bonuses is provided to cover bonus payment to employees by estimating the amount of bonuses allocated for the accounting year under review.</p> <p>(c) Reserve for employees' retirement benefits Reserve for employees' retirement benefits is provided based on the retirement benefit obligation and the fair value of the pension plan assets at the end of the accounting year under review.</p> <p>(d) Reserve for directors' retirement benefits Reserve for directors' retirement benefits has been provided at an amount payable at the end of the accounting year under review based on the Company's internal regulations.</p>
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	<p>(e) Reserve for special repairs Reserve for special repairs is provided to cover the cost of regular vessel inspection works based on the estimated amount of required repair works in the future.</p>	<p>2006. Accordingly, the outstanding balance of the reserve for directors' retirement benefits has been transferred to the "Other" subcategory of "Fixed liabilities".</p> <p>(e) Reserve for special repairs Same as on the left</p>	<p>(e) Reserve for special repairs Same as on the left</p>
	<p>(4) Accounting treatment of principal lease transactions Finance leases for which ownership of the leased assets does not transfer to the lessees are not capitalized, and are accounted for in the same manner as operating leases.</p>	<p>(4) Accounting treatment of principal lease transactions Same as on the left</p>	<p>(4) Accounting treatment of principal lease transactions Same as on the left</p>
	<p>(5) Accounting method for principal hedges</p> <p>(a) Hedge accounting The Company adopts a Deferred Hedge Method. For the interest rate swap contracts that meet specified conditions of the accounting standard, the related interest differentials paid or received under the contracts are included in the interest income/expenses of the hedged financial assets and liabilities. For the currency swap contracts that meet the required conditions of the accounting standard, the Company translates hedged foreign currency assets and liabilities at the rate stipulated in respective contracts.</p> <p>(b) Hedging instruments and hedged transactions *Hedging instruments Interest rate swap Hedged transactions: Interest payments *Hedging instruments Foreign currency obligations Hedged transactions: Foreign exchange risk in pending foreign currency denominated transactions *Hedging instruments: Currency swap Hedged transactions: Foreign exchange risk in pending foreign currency denominated transactions</p>	<p>(5) Accounting method for principal hedges</p> <p>(a) Hedge accounting Same as on the left</p> <p>(b) Hedging instruments and hedged transactions *Hedging instruments Interest rate swap Hedged transactions: Interest payments *Hedging instruments Foreign currency obligations Hedged transactions: Foreign exchange risk in pending foreign currency denominated transactions *Hedging instruments: Currency swap Hedged transactions: Foreign exchange risk in pending foreign currency denominated transactions *Hedging instruments: Forward exchange contracts Hedged transactions: Foreign exchange risk in</p>	<p>(5) Accounting method for principal hedges</p> <p>(a) Hedge accounting Same as on the left</p> <p>(b) Hedging instruments and hedged transactions *Hedging instruments Interest rate swap Hedged transactions: Interest payments *Hedging instruments Foreign currency obligations Hedged transactions: Foreign exchange risk in pending foreign currency denominated transactions *Hedging instruments: Currency swap Hedged transactions: Foreign exchange risk in pending foreign currency denominated transactions</p>

	<p>(c) Hedging policy The Company uses interest rate derivative transactions solely for the purpose of fixing the amount of future interest payments by effectively converting variable rate obligations into fixed rate obligations. The Company uses currency-related derivatives solely for the purpose of i) hedging foreign currency exposure in foreign currency denominated revenues generated from its normal business operations and ii) hedging foreign exchange risks associated with collection of loans made to the Group companies to meet their foreign currency needs. The amount of currency-related derivatives undertaken by the Company does not exceed the amount of foreign currency denominated revenues or loans that require hedging. It is the Company's policy not to engage in currency-related derivative transactions for speculative purposes.</p> <p>(d) Method of evaluating effectiveness of hedges The Company evaluates the effectiveness of hedges by comparing cumulative changes in cash flows between hedged items and hedging instruments.</p>	<p>pending foreign currency denominated transactions</p> <p>(c) Hedging policy Same as on the left</p> <p>(d) Method of evaluating effectiveness of hedges Same as on the left</p>	<p>(c) Hedging policy Same as on the left</p> <p>(d) Method of evaluating effectiveness of hedges Same as on the left</p>
	<p>(6) Standards for recognizing income and expenses from shipping business The Company calculates income and expenses from its shipping business on a daily pro rata basis based on the number of days of voyage.</p>	<p>(6) Standards for recognizing income and expenses from shipping business Same as on the left</p>	<p>(6) Standards for recognizing income and expenses from shipping business Same as on the left</p>
	<p>(7) Method of treatment of interest expense In principal, the Company recognizes interest expenses on an accrual basis, provided, however, that interest payments related to and incurred during the construction of long-life operating assets of significant amount that meet certain conditions are included in the acquisition cost of the operating</p>	<p>(7) Method of treatment of interest expense Same as on the left</p>	<p>(7) Method of treatment of interest expense Same as on the left</p>

	asset concerned.		
	(8) Consumption tax, etc. Transactions subject to consumption taxes and local consumption taxes are recorded at amounts exclusive of consumption taxes.	(8) Consumption tax, etc. Same as on the left	(8) Consumption tax, etc. Same as on the left
V Scope of cash and cash equivalents in the consolidated statements of cash flows	Included in "Cash (cash and cash equivalents)" in the Interim Consolidated Statements of Cash Flows are cash in hand, demand deposits, and short-term investments with maturity arriving in three months from the date of acquisition, that are readily convertible to cash and are subject to minimum risk of price fluctuations.	Same as on the left	Included in "Cash (cash and cash equivalents)" in the Consolidated Statements of Cash Flows are cash in hand, demand deposits, and short-term investments with maturity arriving in three months from the date of acquisition, that are readily convertible to cash and are subject to minimum risk of price fluctuations.

### Changes in Accounting Method

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<p>(Accounting Standard for Impairment of Fixed Assets) In the period under review, the Company adopted Accounting Standard and Guidance in accordance with the Accounting Standard on Impairment of Fixed Assets (i.e. "Opinion Concerning Establishment of Accounting Standard on Impairment of Fixed Assets" (Business Accounting Council, August 9, 2002), and "Guidance for Accounting Standard on Impairment of Fixed Assets" (ASB Guidance No.6, October 31, 2003)). The adoption decreased pretax profit by 1,495 million yen. The cumulative impairment losses are deducted directly from the value of corresponding assets in accordance with the revised interim consolidated financial statement rules.</p>	<p>_____</p>	<p>(Accounting Standard for Impairment of Fixed Assets) In the period under review, the Company adopted Accounting Standard and Guidance in accordance with the Accounting Standard on Impairment of Fixed Assets (i.e. "Opinion Concerning Establishment of Accounting Standard on Impairment of Fixed Assets" (Business Accounting Council, August 9, 2002), and "Guidance for Accounting Standard on Impairment of Fixed Assets" (ASB Guidance No.6, October 31, 2003)). The adoption decreased pretax profit by 1,495 million yen. The cumulative impairment losses are deducted directly from the value of corresponding assets in accordance with the revised consolidated financial statement rules.</p>
<p>_____</p>	<p>(Accounting Standards for Presentation of Net Assets in the Balance Sheet)  Effective this period, the Company adopted "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5 issued by Accounting Standards Board of Japan on December 9, 2005) and "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8 issued by Accounting Standards Board of Japan on December 9, 2005). The effect of this change on the consolidated results of the operations is none. The amount that would have been presented as "shareholders equity" in the former accounting method was ¥50,061 million. Reflecting the revision of the Regulations on Interim Consolidated Financial Statements, the Company's interim consolidated financial statements are presented in accordance with the revised regulations. Effective this period, "Deferred loss on hedge contracts" and "Deferred gain on hedge contracts," previously presented under "Assets" and "Liabilities" in the financial statements for a year earlier period, are presented as "Gains/losses on deferred hedge contracts," a subcategory of "Valuation and</p>	<p>_____</p>

	<p>Translation Adjustments”, in the amount after tax effect adjustments.  The amount of “ Deferred loss on hedge contracts ” and “ Deferred gain on hedge contracts ” for a year earlier period that would have been presented in the new accounting method was ¥950 million.</p>	
<p>_____</p>	<p>(Partial revision of Accounting Standard for Treasury Stock and Reversal of Legal Reserves, etc.)  Effective this period, the Company adopted the revised “Accounting Standard for Treasury Stock and Reversal of Legal Reserves, etc.” (ASBJ Statement No. 1 issued by Accounting Standards Board of Japan, latest revision on August 11, 2006) and “Guidance for Accounting Standard for Treasury Stock and Reversal of Legal Reserves, etc.” (ABSJ Guidance No. 2 issued by Accounting Standards Board of Japan, latest revision on August 11, 2006).  The effect of this change on the consolidated results of the operations is none.  Reflecting the revision of the Regulations concerning the Interim Consolidated Financial Statements, the Company’s interim consolidated financial statements are prepared based on the revised regulations.</p>	<p>_____</p>

Changes in the Presentation of Accounts

Six months ended September 30, 2005	Six months ended September 30, 2006						
<p><b>[Consolidated Statements of Cash Flows]</b></p> <p>For the previous consolidated fiscal year, the Company included " Increase/decrease in accounts receivable, trade (" - " denotes " increase ") , " Increase/decrease in accounts payable, trade (" - " denotes " decrease ") " and " Equity in income/ loss of non-consolidated subsidiaries and affiliates " in " Other " under " Cash flows from operating activities. Starting this fiscal year, the Company presents these items in separate components for greater clarity. The items that were included in " Other " for the interim accounting period ended September 30, 2004 but are separately presented from this accounting period under review are as follows:</p> <table> <tr> <td>Increase/decrease in accounts receivable-trade:</td> <td align="right">¥271 million</td> </tr> <tr> <td>Increase/decrease in accounts payable-trade:</td> <td align="right">¥343 million</td> </tr> <tr> <td>Equity in income/loss of non-consolidated subsidiaries and affiliates:</td> <td align="right">-¥53 million</td> </tr> </table>		Increase/decrease in accounts receivable-trade:	¥271 million	Increase/decrease in accounts payable-trade:	¥343 million	Equity in income/loss of non-consolidated subsidiaries and affiliates:	-¥53 million
Increase/decrease in accounts receivable-trade:	¥271 million						
Increase/decrease in accounts payable-trade:	¥343 million						
Equity in income/loss of non-consolidated subsidiaries and affiliates:	-¥53 million						

**Notes**

**<Consolidated Statements of Balance Sheets>**

(In million yen)

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006																																																																																										
*1 Accumulated depreciation of intangible fixed assets	¥42,838 million	¥47,851 million	¥44,420 million																																																																																										
*2 Assets pledged as collateral	<p>The assets listed below under "(a) Assets pledged as collateral" totaling 59,422 million yen are pledged as collateral for the obligations listed below under "(b) Obligations secured by collateral" totaling 50,213 million yen.</p> <p>(a) Asset pledged as collateral</p> <table> <tr> <td></td> <td style="text-align: right;">Book value</td> </tr> <tr> <td></td> <td style="text-align: right;">As of Sep.30, 2005</td> </tr> <tr> <td>Vessels</td> <td style="text-align: right;">44,659</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">4,321</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">9,842</td> </tr> <tr> <td>Investment securities</td> <td style="text-align: right;">585</td> </tr> <tr> <td>Guarantee deposits</td> <td style="text-align: right;">15</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>59,422</b></td> </tr> </table> <p>(b) Obligations secured by such collateral</p> <table> <tr> <td></td> <td 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66,412 million yen are pledged as collateral for the obligations listed below under "(b) Obligations secured by collateral" totaling 53,858million yen.</p> <p>(a) Asset pledged as collateral</p> <table> <tr> <td></td> <td style="text-align: right;">Book value</td> </tr> <tr> <td></td> <td style="text-align: right;">As of Sept. 30, 2006</td> </tr> <tr> <td>Vessels</td> <td style="text-align: right;">49,926</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">3,922</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">9,843</td> </tr> <tr> <td>Investment securities</td> <td style="text-align: right;">2,706</td> </tr> <tr> <td>Guarantee deposits</td> <td style="text-align: right;">15</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>66,412</b></td> </tr> </table> <p>(b) Obligations secured by such collateral</p> <table> <tr> <td></td> <td style="text-align: right;">Book value</td> </tr> <tr> <td></td> <td style="text-align: right;">As of Sept. 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secured by collateral" totaling 47,293 million yen</p> <p>(a) Asset pledged as collateral</p> <table> <tr> <td></td> <td style="text-align: right;">Book value</td> </tr> <tr> <td></td> <td style="text-align: right;">As of March 31, 2006</td> </tr> <tr> <td>Vessels</td> <td style="text-align: right;">42,296</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">4,145</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">9,843</td> </tr> <tr> <td>Investment securities</td> <td style="text-align: right;">534</td> </tr> <tr> <td>Guarantee deposits</td> <td style="text-align: right;">15</td> </tr> <tr> <td><b>Total:</b></td> <td style="text-align: right;"><b>56,833</b></td> </tr> </table> <p>(b) Obligations secured by such collateral</p> <table> <tr> <td></td> <td style="text-align: right;">Book value</td> </tr> <tr> <td></td> <td style="text-align: right;">As of March 31, 2006</td> </tr> <tr> <td>Accounts payable-trade</td> <td style="text-align: right;">77</td> </tr> 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**<Consolidated Statements of Operations>**

(In million yen)

	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
*1 Major items in selling, general and administrative expenses	Directors' remuneration and salaries 1,030 Reserve for directors' retirement benefits 45 Reserve for bonuses 235 Reserve for employees' retirement benefits 37 Outsourcing expenses 400	Directors' remuneration and salaries 1,038 Reserve for directors' retirement benefits 29 Reserve for bonuses 238 Reserve for employees' retirement benefits 85 Outsourcing expenses 469 Depreciation expenses 71	Directors' remuneration and salaries 1,861 Reserve for directors' retirement benefits 115 Reserve for bonuses 264 Reserve for employees' retirement benefits 82 Outsourcing expenses 776 Depreciation expenses 125
*2 Major items in gain on sale of fixed assets	Vessels 13	_____	Buildings & structures 574 Land 252
*3 Major items in loss on disposal of fixed assets	Buildings 1	Loss on disposal of buildings & structures 1	Loss on disposal of buildings & structures 13
*4 Tax expenses	The amounts of tax payment and income tax adjustments for the interim period under review were calculated based on the assumption of reversal of the reserve for special depreciation through appropriation of retained earnings scheduled for the year ending March 31, 2006.	The amounts of tax payment and income tax adjustments for the interim period under review were calculated based on the assumption of reversal of the reserve for special depreciation scheduled for the year ending March 31, 2007.	_____
*5 Impairment losses	For the fiscal year under review, the Group recognized an asset impairment loss for the following fixed asset group:  Intended use of property: Leasing Type of property: Land & structures Location: Sagamihara, Kanagawa  In principle, the Group records fixed assets such as vessels, lease properties and unutilized assets by each item, and recognizes other types of fixed assets in one group as shared assets. Due to the continuous decline in land prices, the recoverable amount of the asset group listed above has become substantially lower than its carrying amount. As a result, the Group has recognized the amount of impairment (1,495 million yen) as an asset impairment loss, reducing the carrying amount to the recoverable amount. Breakdown of impairment losses: Land 965 Buildings 505 Other 25	_____	For the fiscal year under review, the Group recognized an asset impairment loss for the following fixed asset group:  Intended use of property: Leasing Type of property: Land & structures Location: Sagamihara, Kanagawa  In principle, the Group records fixed assets such as vessels, lease properties and unutilized assets by each item, and recognizes other types of fixed assets in one group as shared assets. Due to the continuous decline in land prices, the recoverable amount of the asset group listed above has become substantially lower than its carrying amount. As a result, the Group has recognized the amount of impairment (1,495 million yen) as an asset impairment loss, reducing the carrying amount to the recoverable amount. Breakdown of impairment losses: Land 965 Buildings 505 Other 25

	Recoverable amount of this asset group is measured by net sales price which in turn is assessed by a real estate appraiser.		Recoverable amount of this asset group is measured by net sales price which in turn is assessed by a real estate appraiser
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### [ Statements of Changes in Shareholders' Capital ]

Six months ended September 30, 2006 (April 1, 2006 to September 30, 2006)

#### 1. Shares issued and outstanding

	Number of shares as of March 31, 2006	Increase	Decrease	Number of shares as of September 30, 2006
Ordinary shares	111,075,980	-	-	111,075,980

#### 2. Treasury stock

	Number of shares as of March 31, 2006	Increase	Decrease	Number of shares as of September 30, 2006
Ordinary shares	1,497,061	2,311	263	1,499,109

(Reasons for change)

The increase was due mainly to the following reason:  
Purchase of odd-lot shares: 2,311 shares

The decrease was due mainly to the following reason:  
Sale of shares in accordance with the scheme enabling shareholders to purchase odd-lot shares to make a tradable unit: 263 shares

#### 3. Stock option

N/A

#### 4. Dividends

##### (1) Dividend paid

Date of approval	Type of share	Total dividends paid	Dividend per share	Record date	Effective Date
Annual general meeting of shareholders on June 29, 2006	Ordinary share	986 million yen	9.00 yen	March 31, 2006	June 29, 2006

##### (2) Dividends for which the effective date occurs after the six-month period under review, out of dividends for which the record date occurred during the period under review

Date of approval	Type of share	Source of cash dividend	Total dividends paid	Dividend per share	Record date	Effective Date
Annual general meeting of shareholders on November 9, 2006	Ordinary share	Retained earnings	657 million yen	6.00 yen	September 30, 2006	December 7, 2006

## [Consolidated Statement of Cash Flows]

(In million yen)

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
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 stated in Consolidated Balance Sheets.	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 stated in Consolidated Balance Sheets.	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 stated in Consolidated Balance Sheets.
Cash & deposits 5,944	Cash & deposits 7,649	Cash & deposits 6,694
Time deposits with maturity exceeding three months -140	Time deposits with maturity exceeding three months -105	Time deposits with maturity exceeding three months -25
Other cash equivalents included in other (repurchase agreement) 1,999	Other cash equivalents included in other (repurchase agreement) 2,356	Other cash equivalents included in other (repurchase agreement) 2,000
Cash & cash equivalents <u>7,803</u>	Cash & cash equivalents <u>9,900</u>	Cash & cash equivalents <u>8,669</u>

## [Lease Transactions]

(In million yen)

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
1 Finance leases for which ownership of the leased assets does not transfer to the lessees.  (1) Details omitted as applicable transactions are insignificant  (2) Lessor (a) Acquisition cost of leased property, accumulated depreciation amount and balance as at the end of the period Equipment & fixtures Acquisition cost: 17 Accumulated depreciation amount: 3 Net balance, end of period: 14  (b) Unearned lease revenue at the end of the period Within 1 year: 4 More than 1 year: 13 Total: 17	1 Finance leases for which ownership of the leased assets does not transfer to the lessees.  (1) Details omitted as applicable transactions are insignificant  (2) Lessor (a) Acquisition cost of leased property, accumulated depreciation amount and balance as at the end of the period Equipment & fixtures Acquisition cost: 17 Accumulated depreciation amount: 8 Net balance, end of period: 9  (b) Unearned lease revenue at the end of the period Within 1 year: 4 More than 1 year: 9 Total: 13	1 Finance leases for which ownership of the leased assets does not transfer to the lessees.  (1) Details omitted as applicable transactions are insignificant  (2) Lessor (a) Acquisition cost of leased property, accumulated depreciation amount and balance as at the end of the period Equipment & fixtures Acquisition cost: 17 Accumulated depreciation amount: 6 Net balance, end of period: 11  (b) Unearned lease revenue at the end of the period Within 1 year: 4 More than 1 year: 11 Total: 15
The equivalent amount of future lease payments at the end of the interim period is calculated using the inclusive-of-interest method, as a combined amount of the ending balance of future lease payments at the end of the interim period and the ending balance of the estimated residual value accounts for only a small percentage of the ending balance of operating receivables.	The equivalent amount of future lease payments at the end of the interim period is calculated using the inclusive-of-interest method, as a combined amount of the ending balance of future lease payments at the end of the interim period and the ending balance of the estimated residual value accounts for only a small percentage of the ending balance of operating receivables.	The equivalent amount of future lease payments at the end of the accounting period is calculated using the inclusive-of-interest method, as a combined amount of the ending balance of future lease payments at the end of the interim period and the ending balance of the estimated residual value accounts for only a small percentage of the ending balance of operating receivables.
(c) Lease income and depreciation Lease income 2 Depreciation expense 3	(c) Lease income and depreciation Lease income 2 Depreciation expense 2	(c) Lease income and depreciation Lease income 4 Depreciation expense 5
2 Operating lease transactions Future lease payments Within 1 year: 2,256 More than 1 year: 2,956 Total: 5,212	2 Operating lease transactions Future lease payments Within 1 year: 2,029 More than 1 year: 730 Total: 2,759	2 Operating lease transactions Future lease payments Within 1 year: 2,042 More than 1 year: 1,742 Total: 3,784

## Securities

### 1. Other marketable securities for which market price is available

(In million yen)

	As of September 30, 2005			As of September 30, 2006			As of March 31, 2006		
	Acquisition cost	Carrying value on consolidate d B/S	Difference	Acquisition cost	Carrying value on consolidate d B/S	Difference	Acquisition cost	Carrying value on consolidate d B/S	Difference
Stocks	3,972	8,544	4,572	5,086	11,025	5,939	4,806	11,649	6,843
Bonds									
Government bonds, municipal bonds, etc.	-	-	-	-	-	-	-	-	-
Other	400	403	3	300	301	1	300	301	1
Other	10	10	-0	-	-	-	10	10	0
Total	4,382	8,957	4,575	5,386	11,326	5,940	5,116	11,960	6,844

### 2. Other marketable securities for which market price is not available

(In million yen)

	As of September 30, 2005	As of September 30, 2006	As of March 31, 2006
	Carrying value on consolidated B/S	Carrying value on consolidated B/S	Carrying value on consolidated B/S
Other securities			
Private equities (excluding OTC equities)	3,187	3,639	3,607
Private preferred equity securities	4,100	3,800	3,800
Total	7,287	7,439	7,407

## Derivative Transactions (Contract amount, Market value and Valuation gain/loss)

Interest rate related:

(In million yen)

Out of market transactions:	As of September 30, 2005			As of September 30, 2006			As of March 31, 2006		
	Contract amount	Market value	Valuation gain/loss	Contract amount	Market value	Valuation gain/loss	Contract amount	Market value	Valuation gain/loss
<u>Interest rate swap</u>									
Receive fixed and pay floating	-	-	-	-	-	-	-	-	-
Receive floating and pay fixed	563	-44	-44	135	-0	-0	21	-0	-0
<b>Total</b>	<b>563</b>	<b>-44</b>	<b>-44</b>	<b>135</b>	<b>-0</b>	<b>-0</b>	<b>21</b>	<b>-0</b>	<b>-0</b>

- Notes:
1. Derivative transactions to which hedge accounting is applicable are excluded.
  2. Market value is based on the price presented by the financial institutions with which the Group had transactions.

## Segment Information

### 1. Business Segment Information

Six months ended September 30, 2005 (April 1, 2005 to September 30, 2005)

(In million yen)

	Shipping	Real estate	Retail distribution	Total	Elimination or corporate	Consolidated
Net sales						
(1) External sales	29,692	4,315	940	34,947	-	34,947
(2) Inter-segment sales	-	21	52	73	-73	-
Total	29,692	4,336	992	35,020	-73	34,947
Operating expenses	25,320	3,070	984	29,374	-73	29,301
Operating income/loss	4,372	1,266	8	5,646	-	5,646

Six months ended September 30, 2006 (April 1, 2006 to September 30, 2006)

(In million yen)

	Shipping	Real estate	Retail distribution	Total	Elimination or corporate	Consolidated
Net sales						
(1) External sales	32,681	4,289	959	37,929	-	37,929
(2) Inter-segment sales	-	53	27	80	-80	-
Total	32,681	4,342	986	38,009	-80	37,929
Operating expenses	27,743	3,255	1,006	32,004	-80	31,924
Operating income/loss	4,938	1,087	-20	6,005	-	6,005

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
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/loss	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	Main business content
Shipping	Overseas cargo shipping, domestic cargo shipping, leasing, shipping agent
Real estate	Ownership, rental and administration of real estate, design control and execution of building works
Retail distribution	Sale of oil such as gasoline

## 2. Geographic Segment Information

Six months ended September 30, 2005 (April 1, 2005 to September 30, 2005)

Geographic segment information is not provided herein as overseas subsidiaries account for less than 10% of total consolidated sales.

Six months ended September 30, 2006 (April 1, 2006 to September 30, 2006)

Geographic segment information is not provided herein as overseas subsidiaries account for less than 10% of total consolidated sales.

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

Geographic segment information is not provided herein as overseas subsidiaries account for less than 10% of total consolidated sales.

## 3. Overseas Sales

Six months ended September 30, 2005 (April 1, 2005 to September 30, 2005)

(In million yen)

		North America	Middle East	Asia, Oceania	Other	Total
I	Overseas sales	1,729	12,476	6,609	5,244	26,058
II	Consolidated net sales					34,947
III	Ratio of overseas sales to total consolidated sales	4.9%	35.7%	18.9%	15.0%	74.5%

Six months ended September 30, 2006 (April 1, 2006 to September 30, 2006)

(In million yen)

		North America	Middle East	Asia, Oceania	Other	Total
I	Overseas sales	1,276	11,736	7,018	7,820	27,850
II	Consolidated net sales					37,929
III	Ratio of overseas sales to total consolidated sales	3.4%	30.9%	18.5%	20.6%	73.4%

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

(In million yen)

		North America	Middle East	Asia, Oceania	Other	Total
I	Overseas sales	2,869	25,832	14,067	11,707	54,475
II	Consolidated net sales					73,382
III	Ratio of overseas sales to total consolidated sales	3.9%	35.2%	19.2%	15.9%	74.2%

### Notes:

1. Overseas sales include overseas shipping sales of the Company and its consolidated subsidiaries in Japan and the sales of overseas consolidated subsidiaries (excluding inter-segment sales).
2. Geographic segmentation is based on geographic proximity.
3. Major countries or regions in each segment are as follows:
  - (1) North America: U.S., Canada
  - (2) Middle East: Saudi Arabia, Oman, etc.
  - (3) Asia, Oceania: Australia, Malaysia, Indonesia, India, etc.
  - (4) Other areas: Europe, Africa, etc.

<<Reference>>

**Change in Quarterly Results (Consolidated)**

Year ending March 31, 2007 (April 1, 2006 to March 31, 2007)

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	Apr. 1 – Jun. 30, 2006	Jul. 1 – Sep. 30, 2006	Oct. 1 – Dec. 31, 2006	Jan. 1 – Mar. 31, 2007
Net sales	18,671	19,258		
Operating income	3,080	2,925		
Ordinary income	2,769	2,509		
Net Income, quarterly	1,654	1,567		
Net income per share, quarterly (Yen)	15.10	14.30		
Total assets	157,369	165,902		
Net assets	50,783	50,991		
Shareholders' equity ratio (%)	32.2	30.7		
Net assets per share (Yen)	463.45	465.14		

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

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	Apr. 1 – Jun. 30, 2005	Jul. 1 – Sep. 30, 2005	Oct. 1 – Dec. 31, 2005	Jan. 1 – 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, quarterly	2,688	1,595	1,933	2,201
Net income per share, quarterly (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
Net assets per share (Yen)	374.61	396.77	416.79	440.75

- Notes: 1. The above operating results are based on the results for the first quarter and the cumulative results for the first six, nine, and twelve months, and are computed by taking the difference between the two adjacent periods.
2. "Net income per share-fully diluted" data are not shown in the above table, as there are no residual securities outstanding.