IINO Report 2010

CSR & Annual Report

Value Innovators bound for Broad Horizons

IINO LINES

The Iino Group's history dates all the way back to 1899, when forerunner Iino Shokai was established at Maizuru Port (Kyoto) to transport coal by barge. During its 111 years in business, the company has developed a thriving marine shipping business, alongside which its real estate operations have developed into a second core business.
Iino's Shipping Business operates a fleet of more than 100 vessels, including oil tankers, chemical tankers, gas tankers, and bulk carriers, engaged in worldwide transport of a variety of cargoes that are essential to modern life and economic activity.
Iino's Real Estate Business provides comfortable office environments to tenants of its six office buildings in central Tokyo. Our properties include the Iino Building, which is under reconstruction toward completion at the end of June 2011.

Management Philosophy

- Securing safety is the foundation of our business operations
- We provide a stable supply of good services and products at fair prices
- We meet customers' needs promptly and accurately
- We observe the law and give due consideration to social and environmental issues
- We seek to increase our corporate value to enhance returns to our shareholders, company officers and employees

Action Charter

Iino Lines, the Iino Group, and its company officers and employees are bound to abide by this charter in all of the enterprise's activities.

1. Contribute to society and improve our corporate value
2. Observe the law and maintain social order
3. Eradicate discrimination and respect human rights
4. Put priority on safety
5. Protect the environment
6. Demonstrate respect for customers
7. Carry out required information disclosures and communicate fully

Editorial Policy

From fiscal 2009, the Iino Group combined its Annual Report, aimed at investors, and its Safety and Environmental Report, aimed at a broader range of stakeholders, into the Iino Report, a comprehensive CSR and annual report.
The Iino Report is designed to provide a well-balanced view of the Iino Group's activities that will be readily understandable to all stakeholders. Accordingly, the report is divided into four sections: Operating Review, Safety and Environmental Report, Social Report, and Financial Review.
In this report, the terms "Iino Group" or the "Group" refer to the entire corporate group of 62 companies; "Iino Kaiun Kaisha, Ltd." or "Iino Lines" refer to the parent company alone. The report was prepared with reference to the Global Reporting Initiative's Sustainability Reporting Guidelines, version 3.0 (2006).
For more detailed information not appearing in this report, please refer to the following documents, which are available on our website.

Financial reports: Annual securities report, summary financial report http://www.iino.co.jp/kaiun/ir/index.html
CSR-related information: Iino Report: Detailed CSR Reporting http://www.iino.co.jp/kaiun/english/csr/report.html

Cautionary note on forward-looking statements

The Iino Report contains various of the Iino Group's future plans, strategies, and earnings forecasts. Such content constitutes forward-looking statements and is based on information available at the time of preparation. Actual results may differ from those expressed or implied by forward-looking statements due to a range of factors including economic trends, market environments, exchange rates, and tax regimes.

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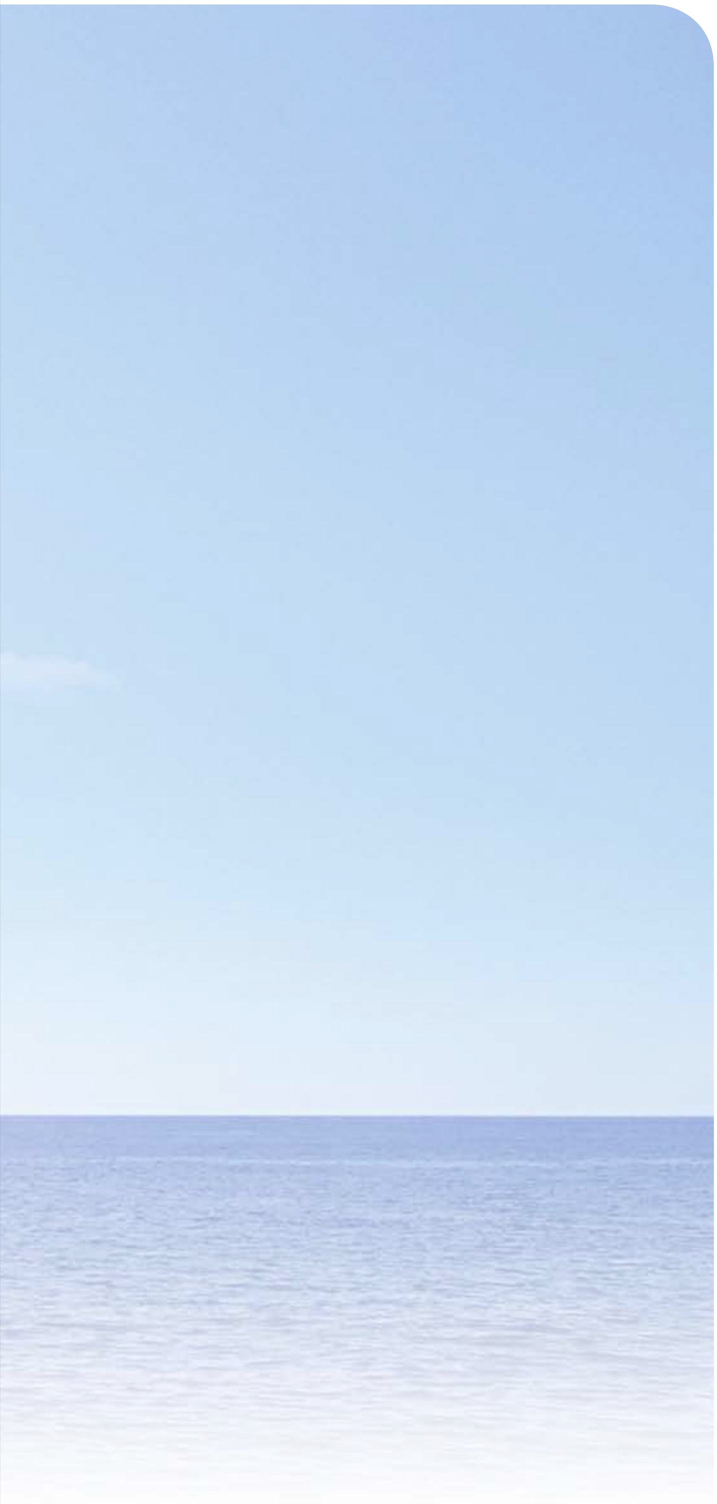


Dear Stakeholders:

Iino Lines marks its 111th year in business this year. Through our two core businesses in marine shipping and real estate, we conduct operations in pursuit of perpetual growth and committed to safety as the foundation of our business operations. We view corporate social responsibility (CSR) as an essential part of our activities to achieve perpetual growth. This report provides information about both our business operations and CSR activities. Our Shipping Business's role lies in transporting essential value that links countries around the globe. Our Real Estate Business links people together by providing office space. We aim to be "value innovators bound for broad horizons" through continued pursuit of these activities and prepared this year's report with that goal in mind.

Fiscal 2009 Earnings

In 2007, the Iino Group formulated a five-year medium-term management plan named ISG12 (Iino's Strategic Growth Plan to 2012). The Group has been building its operational foundation since then to enhance corporate value and achieve ISG12's targets.In fiscal 2009 (year ended March 31, 2010), ISG12's third year, the Shipping Business encountered stiff headwinds. A slump in freight rates due to a decline in seaborne trade and an increase in newbuild supply, along with yen appreciation and rising fuel prices, resulted in lower earnings in our mainstay Chemical Tanker and Bulk Carrier Divisions. In our Shipping Business as a whole, we decommissioned and disposed of unprofitable ships, endeavored to reduce costs, and otherwise responded to adversity. As a result, we ended fiscal 2009 with recurring profit of 2.2 billion yen (down 80.2% versus fiscal 2008) and net income of 200 million yen (down 96.8% versus fiscal 2008) on revenues of 77.0 billion yen (down 18.5% versus fiscal 2008), all on a consolidated basis.

Revision of Medium-term Management Plan

Episodes of pronounced short-term freight-rate volatility have grown more frequent amid free international competition in the shipping industry. Contract periods are becoming shorter, and freight-rate fluctuations are affecting our earnings more with each passing year. In the real estate industry, a burgeoning supply of office buildings in central Tokyo has depressed rent levels.

Given this industry environment and drastic global changes that have taken place since Lehman Brothers' collapse, we feel the need to reassess the effectiveness of strategies based on our current medium-term management plan. We intend to formulate a new medium-term management plan on the basis of that assessment. We will announce the new plan as soon as it is ready.

Fiscal 2009 earnings were unsatisfactory, but we made solid strides during the year toward building an operational foundation that will serve as our nucleus for the future. We invested resources in our Chemical Tanker Division, a strategic priority, and to ensure a stable operational foundation over the medium to long term, we pushed ahead with the Iino Building reconstruction plan. We also meticulously screened investments to ensure that our limited resources are deployed effectively in pursuit of further enhancements to our business foundation. Additionally, we enhanced the consolidated Iino Group's internal controls, focusing primarily on IT controls.

To stabilize earnings, in the Real Estate Business we intend to bolster our contract portfolio underpinned by good customer relationships by pursuing domestic office leasing, which is only weakly correlated with international shipping markets, while in the Shipping Business we intend to bolster our contract portfolio underpinned by good customer relationships. Using our Real Estate Business's stable earnings as a base, we intend to invest in our growing Shipping Business to bring both stability and growth to our overall business portfolio. We will endeavor to maximize corporate value and, in turn, shareholders' common interests over the medium to long term.

Safety and Environmental Initiatives

As we pursue earnings, we are also focused on improving safety and protecting the environment. Recognizing that securing safety is crucial to our success, our Safety and Environment Committee meets monthly to deliberate on safety and environmental measures. Some of the specific measures we have taken are highlighted below.
During fiscal 2009, piracy intensified in the Gulf of Aden and off the coast of Somalia, becoming more cleverly planned and vicious. The Iino Group has redoubled security in various ways, including requesting ship escorts from Japan's Self-Defense Forces and other countries' fleets and always stationing security guards on its ships whenever they pass through risky waters.
Considerable effort went into seismic design for the Iino Building, which is currently under reconstruction. We achieved the highest level of safety with seismic performance exceeding that of other buildings of comparable size by around 25%.
To help alleviate global warming, we are systematically retrofitting our existing buildings and reducing CO_2 emissions with the help of our tenants.
We also care about protecting marine biodiversity and have begun considering what steps the Iino Group can take in this regard through dialog with stakeholders.

Enhancing Corporate Governance

We are also working to enhance corporate governance. The Iino Group has integrated ISO management systems into the core of its operations and systematically uses the PDCA cycle. Two of our three outside corporate auditors are independent auditors (i.e., have no potential conflicts with the interests of general shareholders). This enables the Iino Group to incorporate the objective views of company outsiders into its management.
In fiscal 2010, we will pursue growth with renewed vigor while maintaining our uncompromising stance on safety. We look forward to your continued support.

June 2010

Question & Answer

Question 1

The Iino Group's core businesses are Shipping and Real Estate. What makes these businesses unique?

Answer 1

At the end of March 31, 2010, 95 of the 116 ships operated by the Iino Group were tankers that transport liquids. The Iino Group also transports natural gas, propane, butane, and other gases, which are actually transported in liquid form by tankers.

One way in which our Shipping Business is unique is that its fleet primarily consists of tankers, a large percentage of which are chemical tankers.

Chemical tankers transport more than just chemical products. They can transport almost anything as long as it is liquid at ordinary temperatures, so they transport oils, such as palm oil and lubricants, and cargoes like sulfuric acid, which melts ship tanks at low concentrations.

In addition to tankers, we have bulk carriers, which transport such cargo as soybeans and other grains, fertilizers, steel, coal for power generation, and woodchips for paper manufacturing. All of these cargoes are referred to as dry bulk, meaning they can be put into a ship's hold unpacked.

So another unique feature of the Iino Group's Shipping Business is that it transports a wide variety of cargo.

In the Real Estate Business, we focus primarily on leasing office space. All of our buildings are located in central Tokyo. We have five buildings currently in operation, excluding the Iino Building, which is under reconstruction with completion scheduled for the end of June 2011.

There is actually a reason we combine shipping with real estate operations. In shipping, our bottom line is impacted by fluctuations in various macroeconomic factors such as freight rates, foreign exchange rates, bunker fuel oil prices, and interest rates. In contrast, rents in the real estate market fluctuate slowly over the medium to long term. Rents are relatively stable, rarely swinging wildly over short periods.

So by combining shipping, which has growth potential but also many variable factors, with real estate, which generates stable revenues, we are able to secure stable earnings for the Iino Group as a whole.

Question 2

In fiscal 2009, both revenues and profits declined significantly from the previous fiscal year. What is your outlook for fiscal 2010? Also, what sort of progress are you making toward meeting your medium-term management plan's targets?

Answer 2

The decline in both revenues and profits in fiscal 2009 was largely due to the drop in freight rates due to the global economic slump triggered by Lehman Brothers' collapse. We were particularly affected by the decline in dry bulk freight rates, the drop in freight rates in the Chemical Tanker Division, and the decline in transport volume.

We were also negatively impacted by fluctuations in foreign exchange rates and bunker fuel oil prices.

Nonetheless, we remained profitable by countering the impact of freight rate fluctuations. Our dry bulk tonnage is relatively cost competitive. Also, charter rates decline when freight rates decline, allowing us to reduce costs by chartering ships in down markets.

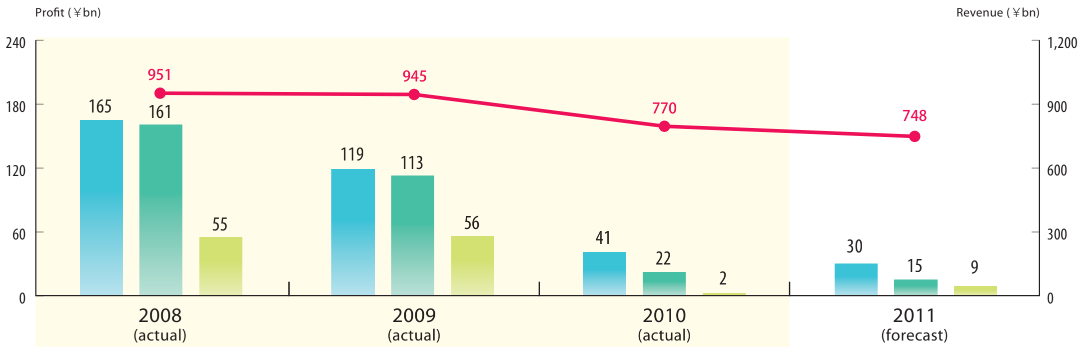
Chemical tankers transport dangerous goods, so we have stably secured a fleet composed primarily of ships tightly managed under Iino Group rules. We endeavor to reduce the impact of freight rate fluctuations by entering into medium- and long-term contracts with cargo owners and adding clauses to contracts that allow us to link freight rates to bunker fuel oil price changes.

In the Real Estate Business, the Iino Building accounted for a considerable portion of revenues through fiscal 2007, but it is currently being rebuilt, so rental income has declined in stages, and the Iino Building produced no rental income at all in fiscal 2009. This has considerably impacted earnings. Our forecasts of the Shipping Business's fiscal 2010 earnings are based on fiscal 2009 profits and take into account changes in foreign exchange rates and bunker fuel oil prices. In the Real Estate Business, we expect revenues to be mostly flat because the Iino Building will not be completed until fiscal 2011. From fiscal 2011 onward, we believe that earnings will be significantly affected by how much progress we make in signing leases for the Iino Building.

Fiscal 2009 was the third year of ISG12, our medium-term management plan. Unfortunately, we were unable to achieve our target ROE of 10%. Given the current environment, we feel the need to reassess the effectiveness of ISG12. We are now earnestly formulating a new medium-term management plan.

Fiscal 2009 was the third year of ISG12, our medium-term management plan. Unfortunately, we were unable to achieve our target ROE of 10%. Given the current environment, we feel the need to reassess the effectiveness of ISG12. We are now earnestly formulating a new medium-term management plan.

Progress toward ISG12 targets (revised April 30, 2010)
For the years through March 31



	2008 (actual)	2009 (actual)	2010 (actual)	2011 (forecast)
Dividend per share (¥)	¥15	¥15	¥12	¥8
ROE[a] (%)	10.6%	10.6%	0.3%	1.7%
DE ratio[b] (%)	1.88	1.98	2.09	2.09
Assumptions				
Exchange rate US$1 =	¥115.29[c]	¥100.82[c]	¥93.04[c]	¥90
Bunker oil price[d] US$ / MT	418	516	422	500

a. ROE = Net income / (Net assets – Minority interests [period averages])
b. DE ratio = Interest-bearing debt / (Net assets – Minority interests [period-end figures])
c. Average interoffice exchange rate
d. For actual results, weighted-average bonded bunker fuel oil price; for forecasts, the expected Singapore bunker price.

Question 3

You regard safety as a key management priority. What is your specific approach to securing safety and what are you doing in that regard?

Answer 3

During normal times, people pay little attention to safety. Japan is one of the safer countries in the world, so Japanese people tend view safety as a given.
But a momentary lapse in safety can have enormous repercussions. In the shipping business, accidents may not only damage cargoes and ships but destroy the environment and people's lives, which are irreplaceable. The same is true in the real estate business. Problems with electricity, gas, and infrastructure, such as Internet connections, can impact tenants immensely. There is also no guarantee that accidents and other contingencies will not occur at the Iino Group's rental office buildings, which are located in central Tokyo and in which many people congregate.
Therefore, we must remain constantly aware of safety and actively work to ensure it. Accordingly, our management principles state first and foremost that "securing safety is the foundation of our business operations," and we work to instill safety awareness in our employees and everyone else associated with the Iino Group.
We also have organizational frameworks in place. As detailed later in this report, we maintain a Safety and Environmental Committee, which meets regularly to discuss issues related to safety and the environment, and we have separate risk management frameworks for normal times and emergencies.
We also set detailed safety-related targets and strive to improve every year. In the Shipping Business, for example, we set numerical targets with respect to preventing collisions and equipment failures and annually draw up specific action plans to achieve them. In the Real Estate Business also, we set safety-related targets and continue to take action every year toward achieving them. (For details, refer to pages 35–36 and page 39 of this report.)
The entire Group works together every year to achieve greater levels of safety through these efforts.

Question 4

In recent years, companies have faced pressure from society to address environmental issues. What are your thoughts about protecting the environment, and what actions are you taking?

Answer 4

Business activities invariably impact the environment in some way, and the Iino Group is no exception.
The operation of ships by our Shipping Business consumes vast amounts of fossil fuel, emitting CO_2, SOx, and NOx into the atmosphere, causing global warming and air pollution. An oil spill, if one were to occur, would pollute the ocean. Also, it has been pointed out that ballast water, which is used to stabilize ships, adversely impacts biodiversity. (For details, refer to pages 13–16 of this report.)
In the Real Estate Business, the Iino Group's leased office buildings consume considerable electricity for lighting, air conditioning, and so on. Offices also use reams of paper and generate waste.
As a member of society, we have a responsibility to reduce our environmental impact by as much as possible. This is not a singular objective, however; it must be balanced against operational efficiency and the quality of services provided to customers. We remain mindful of these issues while engaging in a range of initiatives at the Iino Group.
In the Shipping Business, for example, we have installed equipment to reduce bunker fuel consumption and are working to eradicate oil spills. We hope to help prevent air pollution, ocean pollution, and global warming through these efforts. In the Real Estate Business, we are reducing energy consumption by installing energy-saving equipment and carefully turning off lights in common areas, and we use environmentally friendly building materials. The Iino Building, scheduled for completion at the end of June 2011, incorporates various environmental design features.
We set annual numerical targets for our environmental measures, as we do for safety. We believe that taking specific action toward achieving targets steadily yields results year after year.

Question 5

The Iino Group is a business-to-business enterprise, but you are involved with society and individuals both directly and indirectly. What are some specific examples of this? Also, what kind of company do you want to be viewed as by society?

Answer 5

First, the Iino Group's Real Estate Business is deeply connected with society and individuals. By leasing offices, we provide people who work in them with comfortable places to do business. And Iino Hall, in the old Iino Building, hosted many events including classical music concerts and traditional arts performances. The Iino Hall will be back with a new look in the new Iino Building. We plan to add a conference center for meetings, so we hope that even more people visit and spend some productively creative time at the Iino Building.
Our Shipping Business is actually deeply connected with society also. The petroleum, liquefied gas, coal, and other natural resources that the Iino Group transports are essential to modern lifestyles and economic activity. Transporting petrochemical products is the Iino Group's forte. Of those products, ethylene glycol (MEG), for instance, is used to make PET bottles.
We also transport various other cargoes that directly and indirectly affect people's lives, such as woodchips for paper manufacturing and fertilizers that are essential for agriculture.
Few people know this, but a sizeable share of cargo traded internationally is transported by ship. A total of 973 million tons of cargo was traded between Japan and other countries in 2008, and of that, 99.7% (by weight) was transported by ship. Japan depends largely on other countries for supplies of natural resources and food, so marine shipping plays an extremely important role.
We will continue to reliably fulfill our role as a supporting pillar of the Japanese economy and society through both shipping and real estate.

Designing a Building Admired for the next Century and Beyond

The Iino Group is currently rebuilding the Iino Building in Tokyo's Uchisaiwaicho, with completion scheduled for the end of June 2011. The new building will be a large-scale structure with 27 aboveground and 4 basement floors housing offices, a commercial zone, and a multipurpose hall. The new building will replace the old Iino Building completed in 1960. Iino Group employees involved in the rebuilding project have shared a common aspiration, that of creating a new building that will be as admired as the old Iino Building for the next century and beyond. This section looks at the subject of those aspirations, the new Iino Building.

1. Attracting Community Admiration: An urban oasis linked to Hibiya Park

Connecting People in the Heart of Tokyo

Uchisaiwaicho, where the Iino Building stands, is an important district of central Tokyo near public-sector offices in adjacent Kasumigaseki and major office districts in adjacent Marunouchi and Otemachi. The old Iino Building thrived together with the Uchisaiwaicho district for nearly half a century until being closed in 2008. We hope to enjoy the ongoing admiration of people and the community at large. To achieve that goal, the Iino Group focused on "connections" as the rebuilding project's fundamental design theme.

The Iino Building is located near five train stations, making it accessible via twelve railway lines. Harnessing this convenience will make it possible to connect people with each other. We are also carrying on the old Iino Building's legacy of connections with the community. Through this approach, we aim to build good relationships with people and the community.

Iino Hall's rooftop foyer (artist's rendering)

View of Hibiya Park and office districts from the Iino Building

The Iino Building, scheduled for completion at the end of June 2011 (artist's rendering)

Connecting People and Nature with Greenery

People today place more importance on harmony with nature than in times past. In planning the new building, we devised ways of connecting people and nature. The site faces Hibiya Park across Kokkai-dori street. Our design integrates the building site with the park and its many trees. Visitors approaching the building entrance from the park will encounter Iino Forest, a garden with several dozen planted trees, a verdant oasis in the heart of the capital. The building exterior will be clad in Rockville White American granite, a white granite with black graining that imparts warmth and a pristine look. Beyond the forest, visitors arrive at the expansive entrance lobby, enveloped in white marble. The lobby connects to the offices, Iino Hall, and commercial facilities.

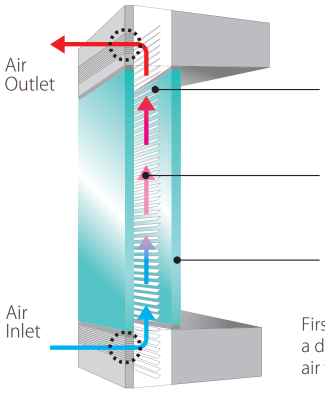
The interior also will convey a natural feel. Iino Hall on the fourth floor will feature a large entrance foyer as well as a foyer and rooftop garden terrace facing Hibiya Park. From the rooftop garden, people will have close views of the park and Iino Forest and feel as though they are enveloped by nature. Lush greenery will imbue the local surrounds with a relaxed, tranquil atmosphere and serve as an emergency response base in the event of a disaster.

Through this approach, the Iino Group hopes to create a building admired by the local community.

2. Attracting User Admiration:
Comfort for all building users

Environmental Consideration with a View to the Future

The Iino Group hopes that all Iino Building users experience amenity and comfort and that their work and other ventures endure. Accordingly, we have pursued sustainability even while incorporating mechanisms to ensure tenant and visitor comfort throughout the building.
The building taps into the power of nature. We selected a double-skin facade for the exterior. Windows are double-glazed, and a layer of air separates them from the outer walls and windows. This insulates the building in winter and expels warm air in summer. It also enhances ventilation. An airway runs through the center of the building, where the stairwells and elevators are located. A large void from the seventh floor to the roof allows air to flow vertically through the interior. In addition, the breeze from verdant Hibiya Park will be drawn into offices through wall vents and inlets in the double-skin facade, eventually being expelled after passing through the central void. This mechanism will constantly exchange interior air, allowing the building to breathe. The office zone will feature many glass windows to admit natural light.



Double-skin facade

For cooling and heating, we decided on state-of-the-art desiccant air conditioning. By enabling separate control of humidity and temperature, this offers greater comfort compared with conventional air conditioning systems. Notably, it significantly alleviates the problems of offices being cooled too vigorously in summer and office air becoming too dry in winter.
The new building incorporates various innovations to save energy, including natural ventilation and air conditioning as well as installation of low-energy internal lighting, such as LED lighting. As a result, the building will consume around 46% less energy and emit around the same amount less CO_2 than typical buildings.
To mitigate global warming, it seems likely that, for large buildings, regulatory controls on energy use will be tightened and the obligation to reduce energy use will be extended to tenants. The Iino Building's outstanding energy efficiency, however, will greatly alleviate any added regulatory burden on tenants. In short, we are making it easy to do business.

Simultaneously Pursuing Ease of Use and Security

We have made a point of providing Iino Building users with choices. The C-shaped office spaces offer around 2,350 square meters per floor and feature three-meter ceilings. Tenants can freely adjust room layouts to suit their requirements. We have also made it easy to get around, even providing small balconies that provide external access, an unusual feature for a highrise building. The office area will also have shower rooms for tenant use.
We also considered safety. A backup power supply means that power outages will not affect activity within the building. Seismic performance will exceed that of other buildings of comparable size by around 25%, protecting the building against major earthquakes. With regard to security, smartcards will be used to regulate access to individual rooms and floors and operation of elevator doors. To prevent intrusion, electronic security gates will be installed on the third floor to separate the office zone entrance from the commercial zone and Iino Hall entrances.


Smartcard key

The Iino Building will offer an environment where people can work in comfort and peace of mind. The Iino Group hopes to create a building that will be admired by all building users.

3. Attracting Cultural Admiration:
A place of joy and knowledge

Rebirth of Iino Hall, a Cultural Bastion

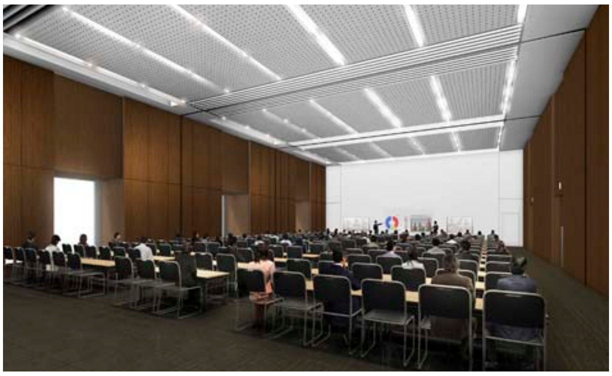
The former Iino Hall was one of Tokyo's premier multipurpose halls, offering diverse entertainment, from traditional performing arts to concerts. Patrons and performers alike favored the hall for its superb facilities and accessibility by public transport. This beloved forum for the arts will be reborn as Iino Hall & Conference Center. The new hall will feature the latest lighting, acoustics, and other facilities. It will also inherit the former Iino Hall's operating expertise. We have also been careful to preserve connections to the past. For instance, we will reinstall the works of artist Masanari Murai (1905–1995) that adorned the walls of the former hall.

The new hall will have 500 seats, tiered in a classic theater configuration. The number of halls with tiered seating has dwindled in recent years, and today most theaters have flat seating. The arts community has high expectations for the new Iino Hall as a modern venue for artistic expression in the classic theater format.

Revering Tradition, Pursuing Modernity

The new Iino Hall will cater to a variety of purposes, including conferences and seminars. One main conference room and four smaller conference rooms will be located on the same floor as the hall. Every conference room will have partitions for adjusting room size. Given the central Tokyo location, we envision bookings for academic conferences, large-scale meetings, and business seminars. The theater-shaped hall could be used for a keynote address or main event, with attendees then splitting up into conference rooms for separate sessions. The hall will also be available for large and small parties.

Full view of the former Iino Hall. The new hall will carry on its legacy as a superb stage for culture and artistry



Conference rooms will be located on the same floor as the hall (artist's rendering)

A foyer and rooftop terrace offering views of verdant Hibiya Park will form part of the Iino Hall facility. Host venue environments impact the outcome of cultural, artistic, and intellectual activities. The new hall is sure to provide an ideal environment for such pursuits.

The Iino Group hopes that Iino Hall will benefit lovers of cultural, artistic, and intellectual activities. We are earnestly preparing for the new Iino Hall's unveiling with that aspiration foremost in mind.

The new Iino Building incorporates various innovations for ease of use and to build new relationships with the local community, people, and culture. The Iino Group is currently progressing with construction with its sights fixed on creating a building that will attract ongoing adoration.

Section Manager
Conference Planning Office
Property Business Group

Masayuki Suzuki

I frequently converse with artists in my work, and I'm constantly astonished that so many people feel an emotional attachment to the former hall. I take pride in that and in the knowledge that the hall's specialist support staff are part of the reason. We devised various features to make the new hall easy to use. We hope to carry on the fine tradition and legacy of the former hall and once again create a cultural and business facility that will be admired by its users.

Round-table Discussion:

Protecting Marine Ecosystems

The Iino Group's Initiatives related to Ballast Water

Over its 111-year history, the Iino Group has endeavored to support modern life and cultivated close relationships with society. The global marine transport industry's attention is currently focused on the ballast water problem. Ballast water is seawater taken into a ship's ballast tanks to adjust center of gravity. It can negatively impact marine ecosystems because it transports organisms from one part of the ocean to another. This special feature explains the Iino Group's stance on the issue in light of stakeholder opinions from an academic and a non-profit organization.

Participants

Associate Prof., Nagoya City University
Advisor to COP 10 CBD Promotion Committee

Ryo Kohsaka

Director, Association for Shore Environment Creation (NPO)

Takashi Kimura

General Manager, Marine Department
Iino Marine Service Co., Ltd.
(Captain)

Toshitada Yamahiro

Section Manager, Safety and Environment Office
Iino Lines
(Discussion chair)

Noboru Hisasue

*This round-table discussion was held at the Iino Lines Headquarters on April 28, 2010.

Japanese Marine Ecosystems in Jeopardy

Hisasue: We called this roundtable discussion to invite your opinions, introduce Iino Lines' initiatives with respect to protecting the ocean, and discuss related issues. Mr. Kohsaka teaches environmental economics at a university level and has been invited to participate in COP 10 (Tenth Meeting of the Conference of the Parties to the Convention on Biological Diversity), which will be held in Nagoya in October 2010. As members of society, how should we in the private sector approach biodiversity?
Kohsaka: Biodiversity is an ambiguous term. Generally, people think of this problem as the need to value animal life and to save pandas and other endangered species. These are noble efforts but only one part of the problem. For example, marine plants, microorganisms, and fish and shellfish, from which humans benefit, are all interconnected. Protecting animals is not the only thing. We need to take a comprehensive view of and approach to connections between organisms and the value that those connection provide.
At COP 10, we plan to discuss ways of protecting biodiversity of coastlines, oceans, and inland rivers. In Japan, the debate about protecting biodiversity has not progressed as far as in European countries. And interest in protecting marine ecosystems is lower than for land-based ecosystems. Shipping companies coexist with the ocean, so they must be proactive in protecting oceanic biodiversity.
Hisasue: Mr. Kimura, at a time when little was being done to protect biodiversity, you pioneered an NPO to protect the oceans. Many people have expressed support for these efforts. Having formerly run a marine survey company, you are an expert on the oceans. From your standpoint, what is the status of Japan's oceans right now?
Kimura: The connections between living things are breaking down. The national and local governments have established detailed laws and ordinances on marine development and use, but they have not created rules or programs to protect the oceans. In the past, little thought was given to the harm that might be visited upon humans if we disrupted ocean ecosystems through development. Various problems have emerged, including the extinction of native species and marine pollution. As an NPO, we believe that things cannot continue as they are.
People take the benefits of the ocean for granted. Yokohama City's coastline is a total of 140 km long, but only 500 meters of that is natural coastline and one kilometer man-made beach. During the May Golden Week holidays, 50,000 people visit those areas daily for recreation, clam digging, and so on. The ocean offers us a place to relax and enjoy ourselves as well as other invaluable benefits. Protecting the oceans is essential to protecting our way of life.
Hisasue: Is ballast water affecting the Tokyo Bay ecosystem?
Kimura: That Tokyo Bay was once a rich source of marine produce is well known. Total biomass has declined while highly reproductive, invasive species have proliferated. Non-native species such as Euspira fortunei, a Southeast Asian shellfish that eats clams, and North American hard-shell clams, which are used in clam chowder, are rising, which is driving away native species. Conversely, reports indicate that highly reproductive wakame (Japanese seaweed) is increasing in seas worldwide and competing out local seaweeds. Ballast water is the likely cause of these problems. We must prevent and reduce the damage done by inflows of non-native species as much as possible.

Rapana venosa (sea snail) eggs laid on Smaragdinella calyculata,a non-native sea slug from Southeast Asia. (Photo credit: Takashi Kimura)

Our NPO's activities include working to protect tidal flats and to increase seaweed biomass, but our aim is not just to protect but also to revitalize coastal environments in the interests of food culture and people's livelihoods. Taking advantage of non-native species is part of this. Japanese people like to plant and grow things, and seaweed and algae play a large role in photosynthesis and maintaining the seafloor environment. And people typically also derive benefit from marine life by consuming it. We hope our activities spur interest in protecting the oceans and thereby halt the destruction of ecosystems.

Mebaru (rockfish) numbers have increased in Tokyo Bay thanks to efforts such as Amamo (seagrass) seed sowing and planting. (Photo credit: Takashi Kimura)

Kohsaka: Mr. Kimura is very realistic. It is almost impossible to fix ecosystems once they have been destroyed. Getting rid of non-native species is extremely costly, and unexpected consequences often emerge when we meddle with natural organisms. So an effective means of safeguarding biodiversity while protecting ecosystems is for shipping companies to tackle the ballast water problem as part of their normal operations.

The Iino Group's Ballast Water Initiatives

Hisasue: Mr. Yamahiro is a former ship captain and now in charge of vessel operations for the Iino Group's ships. Most people are unfamiliar with the ballast water problem. Could you explain it?
Yamahiro: Ships have always needed to adjust their center of gravity and screw submergence depth because cargo is always being loaded and unloaded. In the 19th century, all ships began using ballast water to keep their screws submerged. Around 30 years ago, oil tankers out of Japan bound for oil producing countries would take seawater into their oil tanks and separate the oil from the seawater upon discharge, dumping the seawater into the ocean. But ocean pollution became a problem, so these days all ships have tanks exclusively for ballast water. However, organisms carried in ballast water may be destroying marine ecosystems. To address this issue, the IMO (International Maritime Organization) has added rules concerning ballast water, with countries beginning to ratify the Ballast Water Management Convention. Iino Lines is preparing for tougher regulations (refer to sidebar on page 16).
Hisasue: What problems does that raise?
Yamahiro: There are two problems. The first relates to preparing for the Convention rules. As a Group, we have studied methods of purifying ballast water to comply with the rules. One way of doing this is to use chemicals to purge anything living in the water, but this has the potential to pollute the ocean. So you need to use equipment to purify ballast water, but we haven't found a satisfactory solution in terms of speed, cost, or size. One manufacturer's prototype weighed 300 tons and cost several hundred million yen. The refitting costs in this case would encumber ship profitability. We have designed all of our Group's newbuilds with space for such equipment and have asked heavy equipment makers to build compact, affordable purification systems.
Hisasue: What is the other problem?
Yamahiro: The other problem is that countries have different rules on ballast water. The US requires all ships to exchange ballast water 200 nautical miles offshore. North Pacific seas are rough in winter, which makes exchanging ballast water extremely dangerous. When exchanging ballast water, the center of gravity shifts, and we risk damage to the ship from the force of water banging around in the tank. In Australia, port expansions have not kept pace with increased shipping traffic stemming from the resources boom. Ships sometimes only have around 15 hours to load cargo upon entering port. Ballast water must be discharged while cargo is loaded. This is very labor intensive. Countries are generally tightening rules at present, so we are studying and responding to developments in that regard.
Hisasue: Iino Lines will of course comply with each country's rules. Is that right?
Yamahiro: We are working voluntarily to not only comply with laws but to protect the oceans. We actively attach purifiers to our ships. However, we face a difficult problem in terms of operations. Ships have a life of about 20 years, but once built, they are difficult to retrofit. We are also constantly subject to shipping rate competition. Moreover, we cannot tell which world ports our Group's ships will be heading for, so we have to comply with the most stringent rules. But we don't know what form rules will take. We currently have a keen eye on purification equipment development and directions taken by the Ballast Water Management Convention.

The Need for Strong Ties between Shipping Companies and Society

Kohsaka: Countries worldwide are working to create a set of unified rules for biodiversity problems in place of disparate regulations. And calls are increasing for the creation of globally unified rules for ballast water, so rules are likely to become tougher. An early response seems crucial.
Kimura: Ballast water regulations are designed to protect ecosystems, so we welcome them. Is there a way for you to

take advantage of these regulations rather than viewing them negatively?

Yamahiro: Japanese land is rich in water resources. The idea of transporting drinking water to the Middle East in ballast tanks has been discussed in the shipping industry. Another idea was to use ballast tanks as aquariums to transport Japanese fish overseas. But the difficulty of maintaining a hygienic environment within ballast tanks makes such ideas impractical. Finding a solution to the ballast water issue is likely to take some time.

Hisasue: Going forward, we hope to strengthen ties with societal stakeholders and contribute to society and solve problems through our core operations, including with respect to the ballast water problem. We want to hear from academics and NGOs about what they think Iino Lines can do.

Kohsaka: I think that the workings of shipping companies' day-to-day operations are fairly opaque to the general public. Unlike upstream producers and downstream retailers who deal directly with consumers, shipping is a midstream industry. It nevertheless plays an important role and impacts society, through ballast water for example. I'd like to see shipping companies disseminating information, listening to public opinion, and strengthening ties with society. This would be both beneficial to Iino Lines and advantageous to society.

Biodiversity loss is a major hazard. Pathogens carried in ballast water are one cause of disease outbreaks. Native species are frequently driven to extinction by abnormal growth of non-native species. We would like you to not only work on the ballast water problem but also cooperate with stakeholders on a variety of initiatives.

Kimura: Our NPO has teamed up with companies to clean coastal areas and carry out other projects, but I don't think we've done much work with shipping companies so far. We both benefit from the ocean, so we should be able to collaborate in a variety of ways. Ecosystem destruction in Tokyo Bay and Japanese seas is the result of multiple problems, with shipping activity being one of the causes. At the same time, shipping is a worthwhile enterprise that underpins modern life. Together, we should consider ways of sustaining both shipping industry development and environmental protection and foster new joint initiatives. Shipping companies' networks connect Japan with other countries, and different regions of Japan, via sea. So it would be quite productive if you could provide opportunities for people to connect and for the exchange of ideas with NPOs and researchers.

Hisasue: The shipping industry, and Iino Lines, should deepen societal ties and think more deeply about the benefits provided by the ocean. We will give serious consideration to your views as we work to protect the oceanic environment.

International Rules concerning Ballast Water

The IMO (International Maritime Organization) estimates that every year around 12 billion tons of ballast water is transported around the world. An estimated 17 million tons of ballast water from other regions is brought to waters near Japan, while 300 million tons of ballast water from Japan is transported overseas.

In 1997, the IMO Assembly established guidelines pertaining to the use of ballast water, which, for instance, called for ballast water to be exchanged 200 nautical miles offshore. In 2004, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments. To prevent the transport of aquatic species, the Convention called for ships to exchange ballast water far offshore or to treat ballast water to rid it of organisms before discharging it. The Convention includes strict limits on organisms. There must be less than 10 organisms of greater than or equal to 50 micrometers (primarily zooplankton) per cubic meter of ballast water. Further, from 2016 onward, all ships navigating international routes will be required to meet the standards set by the IMO.

The Convention will enter into force after ratification by 30 IMO member states, representing 35 per cent of world merchant shipping tonnage. As of May 31, 2010, the number of ratifying countries remains at 25 with the combined tonnage of registered ships representing 24.28% of the world total. Panama, where the majority of the Iino Group's ships are registered, and Japan are yet to ratify the Convention. Lack of progress developing ballast water management systems capable of meeting the Convention's requirements is thought to be stopping more countries from ratifying the Convention.

Operating Review

Financial Highlights (Consolidated)

Years ended March 31,		2005	2006	2007	2008	2009	2010		
							Yen	U.S. dollars[a]	
Revenues	(¥bn)	63.8	73.4	80.5	95.1	94.5	77.0	828	($m)
Operating profit	(¥bn)	9.5	12.4	13.3	16.5	11.9	4.1	44	($m)
Recurring profit	(¥bn)	8.3	11.0	11.6	16.1	11.3	2.2	24	($m)
Net income	(¥bn)	4.9	8.4	3.9	5.5	5.6	0.2	2	($m)
Total assets	(¥bn)	147.8	156.7	166.7	176.2	175.8	180.7	1943	($m)
Net assets	(¥bn)	39.5	48.4	52.0	52.0	53.4	52.7	567	($m)
Shareholders' equity ratio	(%)	26.7	30.9	31.2	29.7	30.2	28.9	28.9	(%)
Net income per share	(¥)	47.23	76.13	35.36	50.39	51.54	1.69	0.02	($)
Net assets per share	(¥)	360.22	440.75	474.66	477.08	497.64	489.78	5.26	($)
Dividend	(¥)	10.0	15.0	15.0	15.0	15.0	12.0	0.13	($)
Payout ratio[b]	(%)	21.2	19.7	42.4	29.8	28.9	711.8	711.8	(%)
ROE[c]	(%)	13.9	19.2	7.7	10.6	10.6	0.3	0.3	(%)
DE ratio[d]		2.23	1.73	1.72	1.88	1.98	2.09	2.09	

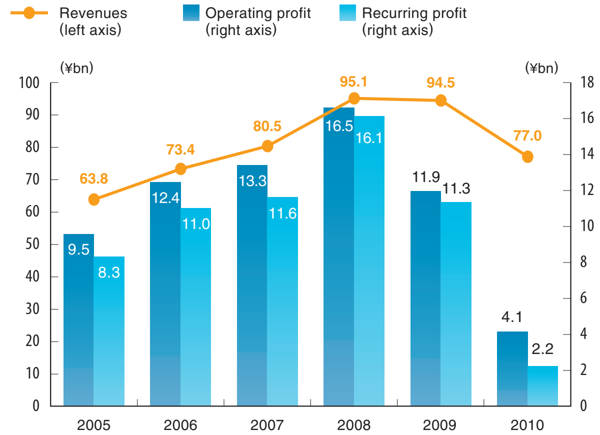
a. Japanese yen amounts were translated into U.S. dollars for fiscal 2009 at the average of the Group's interoffice exchange rate for the fiscal year ended March 31, 2010 (US$1 = ¥93.04)

b. Payout ratio = Dividend per share / Net income per share

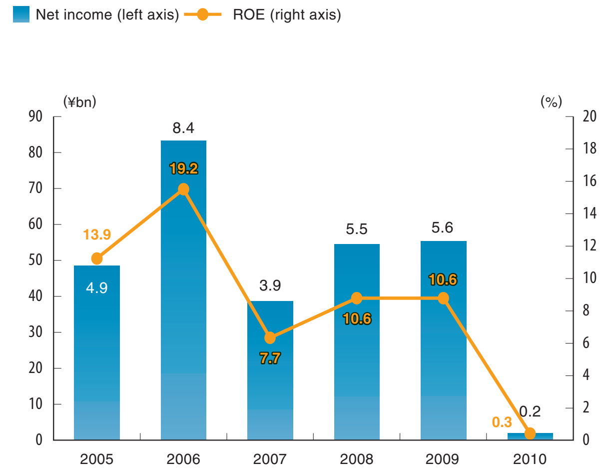
c. ROE = Net income / (Net assets – Minority interests [period averages])

d. DE ratio = Interest-bearing debt / (Net assets – Minority interests [period-end figures])

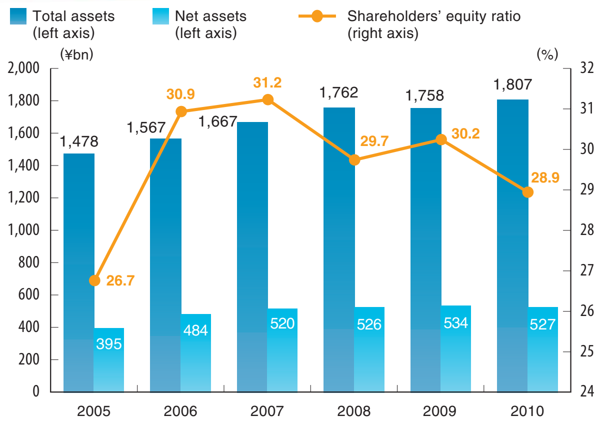
Revenues, operating profit, and recurring profit



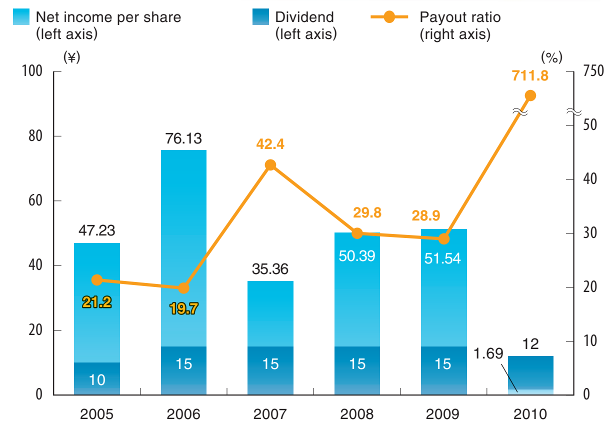
Net income and ROE



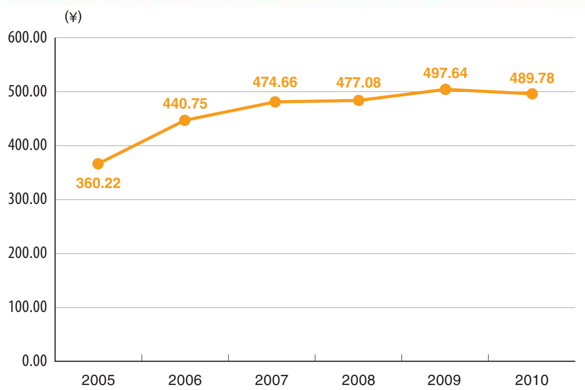
Total assets, net assets, and shareholders' equity ratio



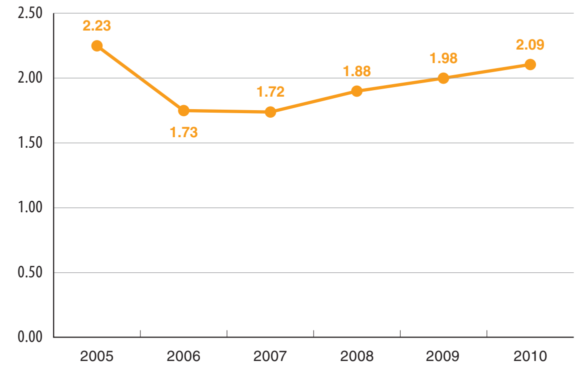
Net income per share, dividends, and payout ratio



Net assets per share

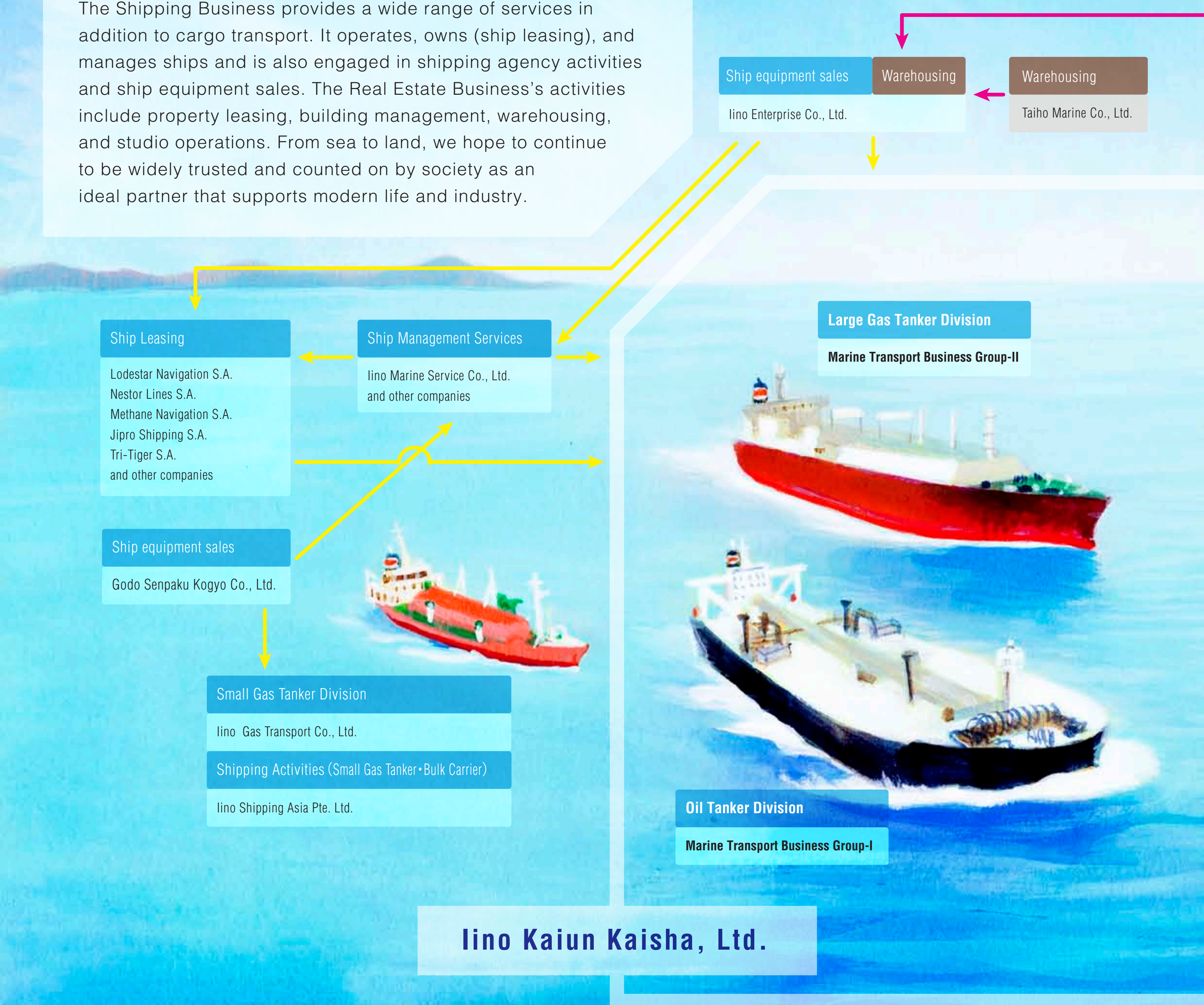


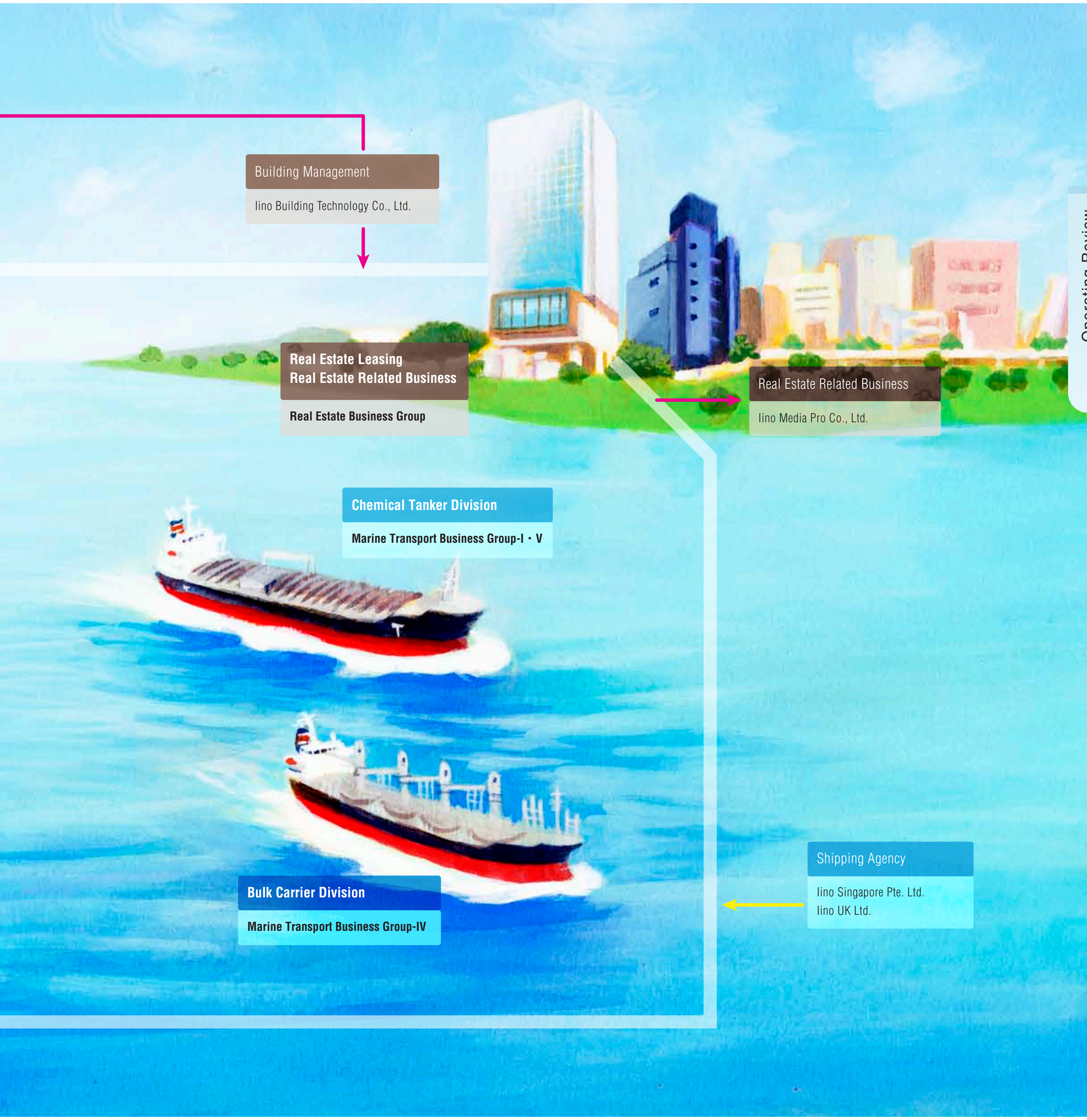
DE ratio



Overview of Group Business

The Iino Group's core businesses are Shipping and Real Estate. The Shipping Business provides a wide range of services in addition to cargo transport. It operates, owns (ship leasing), and manages ships and is also engaged in shipping agency activities and ship equipment sales. The Real Estate Business's activities include property leasing, building management, warehousing, and studio operations. From sea to land, we hope to continue to be widely trusted and counted on by society as an ideal partner that supports modern life and industry.



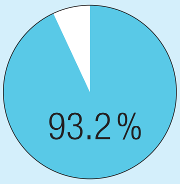

Building Management
Iino Building Technology Co., Ltd.
Real Estate Leasing
Real Estate Related Business
Real Estate Business Group
Real Estate Related Business
Iino Media Pro Co., Ltd.
Chemical Tanker Division
Marine Transport Business Group-I・V
Bulk Carrier Division
Marine Transport Business Group-IV
Shipping Agency
Iino Singapore Pte. Ltd.
Iino UK Ltd.

Iino Lines at a Glance (consolidated segment overviews)

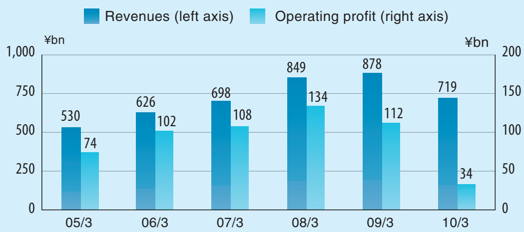
Division		Share of consolidated revenues (fiscal year ended March 31, 2010)

Shipping Business

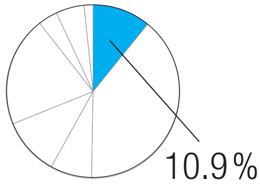
Share of consolidated revenues
(fiscal year ended March 31, 2010)



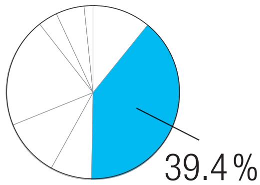
Revenues and operating profit



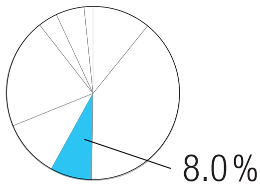
Oil Tanker Division



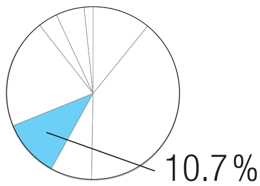
Chemical Tanker Division



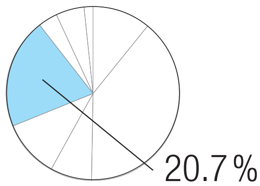
Large Gas Tanker Division



Small Gas Tanker Division

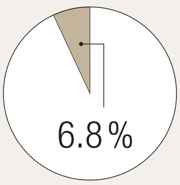


Bulk Carrier Division

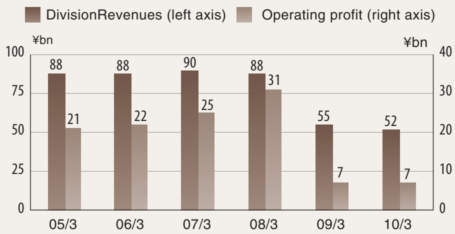


Real Estate Business

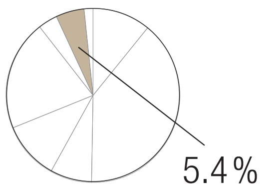
Share of consolidated revenues
(fiscal year ended March 31, 2010)



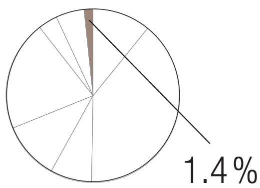
Revenues and operating profit



Real Estate and Leasing Division

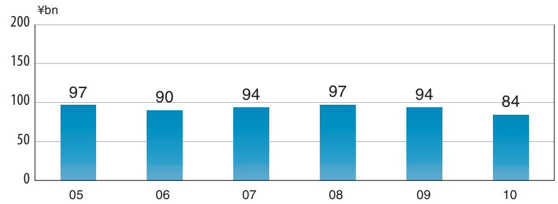


Real Estate Related Business Division

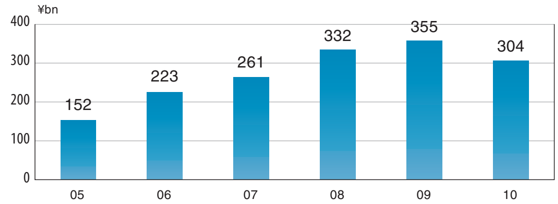


Revenues
(fiscal years ended March 31, 2005 through 2010)

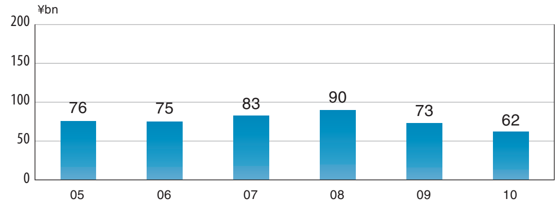
Overview of business



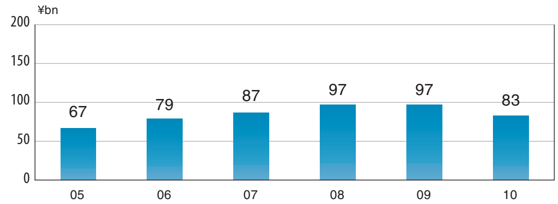
The division operates a fleet comprised of tankers including 300,000-dwt-class very large crude carriers (VLCC), medium- and small-sized crude oil tankers, and product tankers (petroleum products).
Most of the vessels are used to transport crude oil and petroleum products on routes around the world on medium- to- long-term contracts. To help protect the marine environment, the division's entire fleet is double-hulled.



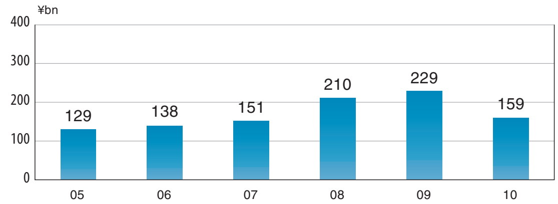
The division's fleet is one of the industry's largest. The fleet includes chemical tankers with stainless steel tanks and dedicated methanol tankers. The division taps advanced vessel management know-how required for the transport of petrochemical products to transport petrochemical products, vegetable oil, methanol, and other products on routes around the world. The division has a leading market share in the transport of petrochemical products particularly on the Middle East to Asia route.



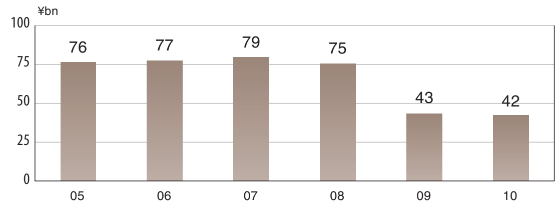
The division's fleet comprises mainly refrigerated large gas tankers and transports liquefied petroleum gas (LPG) and liquefied natural gas (LNG). The division's LPG tankers transport LPG on medium- to long-term contracts, mainly to the Far East, and are also engaged in the transport of ammonia and other petrochemical gases. The division participates in Japan-bound and trilateral joint LNG transport projects, and also manages an LNG vessel for the Korea Gas Corporation.



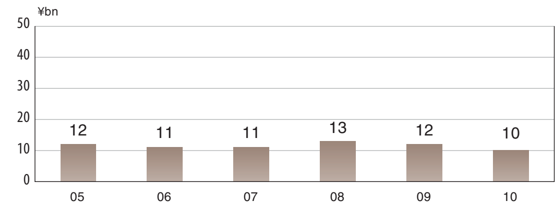
The division's fleet comprises mainly pressurized small gas tankers and transports fuel gases such as LNG and LPG, and petrochemical gases such as propylene and vinyl chloride monomers (VCM) in Japanese coastal waters and adjacent waters including East Asia and Southeast Asia. The division ranks among the leaders in terms of share of domestic transport of LPG and petrochemical gases, and boasts one of the largest operations in adjacent waters. The division also operates one of the few LNG tankers in Japanese coastal waters.



The division's fleet comprises a diverse range of vessels including large to small-sized bulk carriers as well as wood chip carriers. It transports products such as coal for electric power generation, steel, fertilizers, and wood chips. The division finely tunes services to meet customers' differing needs depending on cargo. It provides dedicated vessels for the transport of coal and wood chips that are integral to customers' stable transportation systems, and it also provides flexible transport of fertilizers using small bulk carriers.



Having begun with the completion of the old Iino Building in 1960, the division currently owns five office buildings in the heart of Tokyo (excluding the Iino Building which is currently being rebuilt). The division provides comfortable office space, offering integrated services from planning to operation, management, and maintenance.



The division operates two photo studios and two retouching offices in central Tokyo and also has an office in London. Based in these two cities, it not only provides photography studios but also handles graphic design, photo retouching, and other services through its enhanced creative division, thereby providing integrated support from photography and production through to delivery.

Notes 1: Besides the above, Iino has an Other Shipping Division, which accounted for 2.7 billion yen, or 3.5%, of consolidated revenues in the fiscal year ended March 31, 2010.
Notes 2: Revenues for each division include intra-Group sales, so the aggregate of divisional revenues does not equate with consolidated revenue.

Segment Overviews

Shipping Business

Oil Tanker Division

Marine Transport Business Group-I

KIHO

○ Fiscal 2009 Market Overview

① Oil Tanker Market

The market remained soft as tonnage supply-demand fundamentals loosened in the wake of a demand falloff, stemming from the global economic downturn, coupled with a sizeable influx of newbuilds. The market rallied temporarily after the turn of the calendar year, but supply-demand fundamentals failed to mount a full-fledged recovery.

② Product Tanker Market

Although some tankers were diverted for use as floating storage, the market remained soft as supply-demand fundamentals failed to tighten amid a falloff in petroleum product demand, due to the economic downturn, and an influx of newbuilding tonnage.

○ Fiscal 2009 Performance

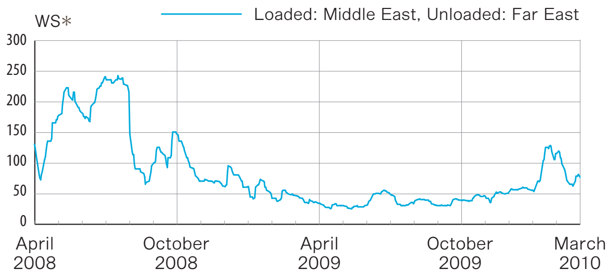
The Oil Tanker Division worked to avoid the risks associated with market volatility and maintain stable revenues by continuing to deploy the majority of is fleet on medium- to long-term contracts. Although the division had to renew some tanker contracts while freight rates were depressed, it successfully maintained stable revenues overall.

○ Fiscal 2010 Outlook

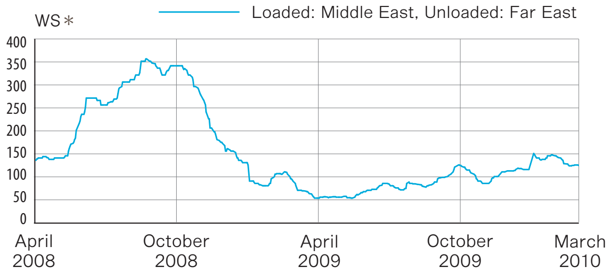
We expect the oil tanker market to recover gradually over the long term as international regulations impose a total ban on single-hull tanker transport from 2015, the US economy recovers, and demand for crude oil from China and other emerging economies rises. With respect to the product tanker market, demand for petroleum products is on the rise in China and some other emerging economies, but tonnage supply-demand fundamentals may take some time to improve amid an increasing number of newly built medium-range tankers, the predominant type.

Amid these conditions, the Iino Group will strive to maintain stable revenues by retaining its existing long-term contracts while actively building up its fleet with an eye to petroleum demand in Asia, which we expect to grow in the future.

Oil tanker (VLCC) freight rates



Product tanker (LR2) freight rates



∗WS: Worldwide Tanker Nominal Freight Scale

NORTHERN DAWN

Chemical Tanker Division

Marine Transport Business Group-I&V

CHEMROUTE BRILLIANT

Fiscal 2009 Market Overview

Freight rates plummeted in the fiscal first half as petrochemical product demand declined under the weight of global economic recession, seaborne trade volumes decreased due to disruptions at Middle Eastern petrochemical plants and other factors, and tonnage supply-demand fundamentals loosened amid the ongoing influx of newbuilding tonnage. In the fiscal second half, petrochemical product demand picked up gradually, Middle Eastern plants resumed operation, and supply-demand fundamentals improved on the back of solid long-haul spot transport volumes. Freight rates began a moderate turnaround in response but failed to stage a full-fledged recovery.

Fiscal 2009 Performance

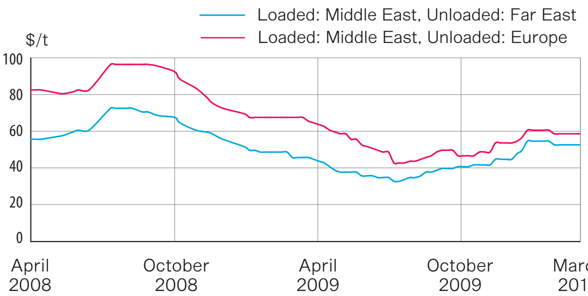
To ensure stable fleet deployment and revenues on the key Middle East – Asia route, the Chemical Tanker Division continued to acquire new customers and diversify cargoes, obtaining new contracts of affreightment on both fronthaul and backhaul. On the Middle East – Europe route, the division maintained existing contracts while also pursuing new contracts of affreightment, thereby increasing transport volume on the route.

Fiscal 2010 Outlook

Freight rates remain in a slump amid global economic recession, with petrochemical product demand yet to enter a full-fledged recovery from its downturn and newbuilding tonnage entering the market. However, over the medium- to long-term, we expect tonnage supply-demand fundamentals to tighten gradually and rates to recover modestly due to several factors. Petrochemical product demand is steadily recovering, most notably in China and India but also in Southeast Asia, South America, and elsewhere, multiple new large Middle Eastern petrochemical plants are slated to go into operation, and U.S. petrochemical products have become more export competitive, pointing to a prospective increase in medium- and long-haul transport.

To secure stable revenues amid this environment, the Chemical Tanker Division will continue operating on a basic strategy of maintaining and expanding its top market share on the Middle East – Asia route. It will also endeavor to branch into new routes that offer opportunities to exploit Iino Group strengths, provided such moves are in the interests of our business portfolio (efficient asset allocation).

Chemical tanker freight rates



Iino Singapore Pte. Ltd.

Kouzen Kojima

Strengthening trust relationships with domestic and international customers

From Singapore, I handle deployment of our vessels on the Middle East – Asia route, on which transport demand looks set to continue rising. Competition with other companies is intensifying, but I'm making full use of the Iino Group's unique experience amassed over the past 30 years to strengthen trust relationships with customers while striving to further elevate our position as a market leader.

Shipping Business

Large Gas Tanker Division

Marine Transport Business Group-II

SK SUNRISE

Fiscal 2009 Market Overview

① Very Large Gas Carrier (VLGC) Market

Energy demand fell in the wake of economic recession, shipments from Middle Eastern plants where increased production was anticipated were delayed, and a multitude of newbuildings ordered before the financial crisis were completed. As a result, tonnage supply-demand fundamentals loosened substantially and freight rates tracked at record-low levels.

② Large LNG Tanker Market

The supply of LNG increased as new plants were completed in the Middle East and other regions in response to the ongoing shift toward natural gas for energy to help curb global warming and counter crude oil price inflation. Demand for seaborne LNG transport in the U.S. was lower than expected and freight rates remained low as a result of ongoing development of unconventional gas fields (e.g., shale gas fields).

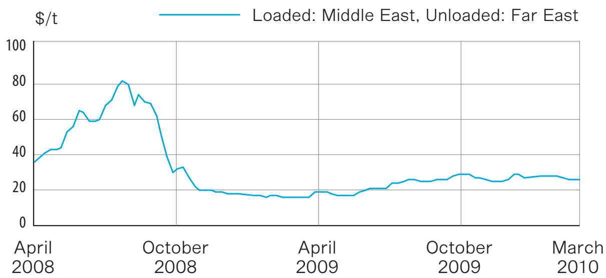
Fiscal 2009 Performance

The division's basic strategy is to deploy both LPG and LNG tankers on medium- and long-term contracts. In fiscal 2009, the division had to renew some VLGC contracts while freight rates were depressed, and revenues consequently fell versus fiscal 2008.

Fiscal 2010 Outlook

Although seaborne LPG trade volume should rise gradually, a full-fledged recovery in VLGC freight rates is likely to take some time given the influx of newbuilding tonnage. LNG freight rates are likely to remain subdued with tonnage supply-demand fundamentals loosening as newbuilding tonnage, ordered in anticipation of expanding transport demand, progressively enters the market despite delays in construction of new LNG plants.
The Iino Group's large gas tankers carrying LPG and LNG are deployed primarily on long-term contracts, so we expect to be able to continue earning stable revenues. Moreover, global demand for gas is rising over the long term, so we intend to pursue new deals in light of demand trends.

Very large gas carrier (VLGC) freight rates



LPG Team
Marine Transport Business Group-II

Ayako Sakai

Workplace communication as paramount

I work as an assistant in Marine Transport Business Group-II. My job mainly involves creating invoices related to ship operation as well as managing our trade journal and report collections, arranging for domestic and overseas business trips, and managing electronic and printed documents. I'm the only assistant in Marine Transport Business Group-II, so I strive to actively communicate with everyone else as I go about my daily work.

Shipping Business

Small Gas Tanker Division

Iino Gas Transport Co., Ltd.

TOHO MARU

Fiscal 2009 Market Overview

Domestic demand for LPG for use as a petrochemical raw material increased in response to a reduction in supply of naphtha, a competing raw material, but general-use LPG demand continued to decline in fiscal 2009 as the world shifted toward other energy sources and consumer belt-tightening took root. Seaborne trade volume fell in tandem with a decline in product demand, and some operators made the decision to lay up ships in the summer low-demand season.

Ethylene production, an indicator of demand for petrochemical gases, turned up as domestic petrochemical plants kept capacity utilization at high levels in response to buoyant petrochemical product demand from China. Petrochemical gas transport in domestic and adjacent waters correspondingly remained firm overall, but disruptions at domestic petrochemical plants during the fiscal second half caused some jitters. Under these circumstances, low freight rates for small gas tankers persisted owing to the decline in LPG demand in Japan. In adjacent waters, freight rates exhibited firmness on the back of petrochemical gas demand from China but increased only as a passing trend during the winter demand season, while demand for tonnage failed to improve substantially.

Fiscal 2009 Performance

To maintain revenue from operations in Japanese coastal waters amid sluggish LPG transport levels, the division worked to efficiently operate its fleet by, for instance, redeploying tonnage to transport petrochemical gases and redeploying some ships used concurrently on domestic and ocean-going routes to ocean-going transport.

Fiscal 2010 Outlook

We expect demand for domestic transport of LPG to remain in decline as a consequence of the shift toward other energy sources, distribution rationalization due to the integration of distributors, and other factors. We anticipate ongoing consolidation and closure of domestic petrochemical plants, and we expect individual manufacturers to expand beyond Japan into Asian regions in search of new sales channels and to secure raw materials as changes take place in domestic distribution between manufacturers. In adjacent waters, we expect demand for seaborne transport to remain firm in response to petrochemical product demand from China, but a full-fledged recovery in freight rates is likely some way off.

Capitalizing on market changes as opportunities in domestic shipping, the Iino Group will endeavor to optimize fleet size and composition, increasingly employ ships suitable for both domestic and ocean-going routes, and so on to enable it to flexibly meet cargo owners' demands in the aim of expanding geographic coverage. We aim to expand our market share in adjacent waters by supporting domestic cargo owners who are expanding overseas in response to changes in the economic environment while also working to increase dealings with overseas cargo owners. We will also actively invest in assets to ensure our ability to provide high-quality transport services, for instance, by replacing aging ships with newbuildings and offering to transport cargoes aboard new-model ships.

KENTMERE

Operating Review

Bulk Carrier Division

Marine Transport Business Group-IV

AMAKUSA ISLAND

Fiscal 2009 Market Overview

Tonnage supply-demand fundamentals tightened due to several factors. Demand for transport of steel raw materials, grains, and other cargoes to China and other emerging economies was buoyant. The number of newbuildings entering the market fell short of initial projections as a result of newbuilding contract cancellations, suspension of additional orders, and postponement of completion dates. And despite this, long-haul transport on the South America-to-China and other routes increased, while shipping congestion intensified in Australia and elsewhere in response to soaring demand for coal and iron ore. As a result, bulk carrier freight rates recovered gradually in fiscal 2009 after plummeting during the second half of fiscal 2008, and despite some fluctuation, they rose into the fiscal second half and remained firm thereafter.

Fiscal 2009 Performance

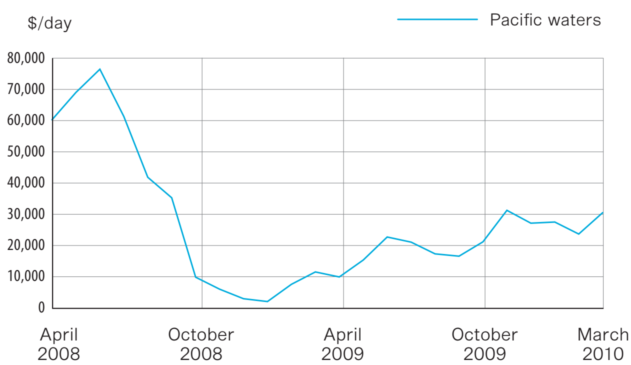
The division secured stable revenues from vessels dedicated to carrying wood chips for paper manufacturers and coal for electric power companies, while also expanding revenues by deploying cost-competitive tonnage under its control to benefit from firm freight rates. The division redelivered one vessel and added two newbuildings to expand and revitalize its fleet.

Fiscal 2010 Outlook

In the bulk carrier market, we expect to see continued firm transport demand from emerging economies, predominantly China, for iron ore, grains, and other cargoes. Further, the actual number of newbuildings entering the market looks set to fall short of initial projections, so the “2010 problem,” an anticipated slump in freight rates due to a sizeable influx of newbuildings, is likely to have somewhat less of an impact than previously thought. We therefore expect rates to remain firm.
Under such circumstances, the Iino Group will endeavor to secure stable revenues from medium- and long-term contracts, including contracts of affreightment, as its basic strategy, while aiming to expand revenues by taking on short-term contracts to benefit from market upswings in the aim of achieving highly flexible, well-balanced fleet deployment and operation.

PAX SILVA

Bulk carrier (panamax) charter rates



Real Estate Business

Real Estate and Leasing Division

Property Business Group

Shiodome Shiba-Rikyu Building

Fiscal 2009 Market Overview

Office rents in central Tokyo have descended into a slump due to tenants scaling back leased floor area and other downward pressure on demand for offices amid economic recession. Vacancy rates have reached their lowest levels since February 2004, when rents plummeted in the wake of the "2003 problem." Competition for tenants has intensified as vacancy rates have risen, putting rents on a downward trajectory, making for a tough market.

Fiscal 2009 Performance

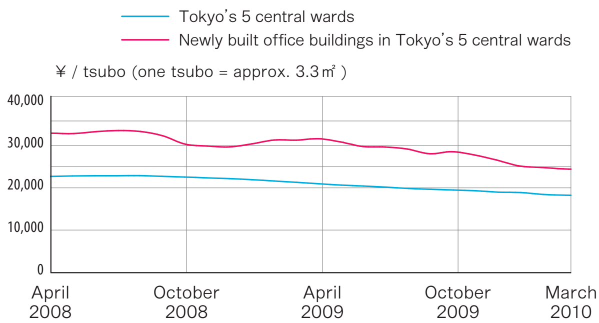
Revenues fell versus fiscal 2008 as vacancy rates rose at some buildings held by the Iino Group amid the office leasing market slump, but the division maintained high occupancy rates by virtue of strong service offerings at the Group's other buildings. The Iino Building is progressing favorably toward completion at the end of June 2011.

Fiscal 2010 Outlook

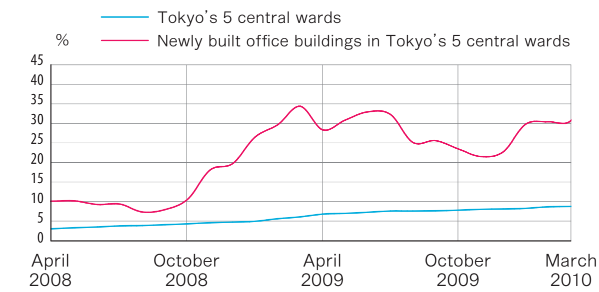
The trend toward office space downsizing due to poor corporate performance is attenuating, while the rise in vacancy rates and descent in rents have eased off, indicating that the market may be bottoming out. However, the supply of new office space in new large-scale office buildings in the central Tokyo market in fiscal 2009 was largely unchanged from 2008, so a full-blown market recovery is likely some way off.

Amid such conditions, we will endeavor to maintain high occupancy rates and secure stable revenues at existing buildings by continuing to provide high-quality services. Moreover, we will push steadily ahead with the Iino Building reconstruction project and actively solicit tenants to build an earnings foundation for the future.

Average office rents in central Tokyo



Office building vacancy rate in central Tokyo



Building Team
Property Business Group

Nobuhiko Aizaki

Guiding tenant stores toward launch

As part of the Building Team, I handle operation and management of Iino's buildings. My work is quite varied and includes invoicing tenants for rent, settling accounts with building co-owners, and routine tenant relations. I also take prospective new commercial store tenants through the full process of entering our buildings, from store space viewings to rent negotiations and contract signing. I strive everyday to guide stores through to launch.

Iino Hiroo Studio

Real Estate Business

Real Estate Related Business Division

Property Business Group
Iino Media Pro Co., Ltd.

Fiscal 2009 Market and Performance Overview

Photo studio utilization and photo shoot costs remain in decline in the wake of cutbacks in corporate advertising budgets and declines in publication circulations, due to economic recession, and structural changes in the advertising and publication industry, due to the ongoing digital revolution.
Under these circumstances, the Iino Group's photo studios worked to maintain revenues by leasing photo studio space as well as offering a wide array of related services, including design (e.g., advertisements and CD jackets) and digital photo retouching. Sales declined versus fiscal 2008.

Fiscal 2010 Outlook

With economic recovery anticipated, the pace of advertising budget cutbacks driven by poor corporate performance is gradually easing. Studio utilization is unlikely to improve rapidly, but the Iino Group will continue to reduce costs while further expanding and enhancing its design and photo retouch divisions and providing comprehensive services in the aim of securing revenues.

Iino Hiroo Studio

Iino Minami-Aoyama Studio

Retouching to tease out beautiful digital images

The rapid digitization of photography has brought photo retouching technology into the spotlight. Retouching utilizes various digital image manipulation techniques provided by software, most prominently Photoshop, to adjust colors, remove blemishes, combine images, and so on. Through close relations with professional photographers and editors, Iino Media Pro identified such needs early and set up a retouch division ahead of competitors in 2000, in addition to its studio business. We currently have a staff of 10 retouchers. We recruit people who have studied retouching fundamentals and experienced retouchers alike. They constantly refine their technique and sense as retouchers through work producing large volumes of high-quality visuals. The work goes beyond simple retouching (corrections) to test their skill as true creative professionals who can make skin appear beautiful or combine multiple images to render artwork with verve. Looking ahead, rapid advances in digital imaging equipment should drive demand for video retouching also.

Overview of Fleet and Facilities

Tonnage in Operation (as at March 31, 2010)

Vessel type (Owned or chartered)		Owned* No. ships	Owned* dwt	Chartered No. ships	Chartered dwt	Total No. ships	Total dwt	For reference: FY2010–12 Fleet Expansion Plan No. ships	For reference: FY2010–12 Fleet Expansion Plan dwt
Oil tankers		5	999,922	5	347,723	10	1,347,645	0	0
Chemical tankers		8	260,384	31	852,485	39	1,112,869	9	289,400
Large gas tankers	Large LNG tankers	12	860,573	0	0	12	860,573	0	0
	Large LPG tankers	1	49,651	2	79,595	3	129,246	0	0
	Subtotal	13	910,224	2	79,595	15	989,819	0	0
Small gas tankers	Small LNG tankers	1	1,938	0	0	1	1,938	0	0
	Small LPG tankers	13	17,623	16	50,562	29	68,185	2	4,800
	Molten Sulfur Carriers	1	1,704	0	0	1	1,704	0	0
	Subtotal	15	21,265	16	50,562	31	71,827	2	4,800
Bulk carriers	Bulk carriers	5	421,381	12	687,358	17	1,108,739	4	166,000
	Wood-chip carriers	3	85,246	1	46,900	4	132,146	0	0
	Subtotal	8	506,627	13	734,258	21	1,240,885	4	166,000
Total		49	2,698,422	67	2,064,623	116	4,763,045	15	460,200

*The "owned" category includes tonnage owned by Iino Group companies. Deadweight tonnage (dwt) is inclusive of ownership partners' shares of jointly held tonnage.

Lease Buildings

Name	Location	Gross floor area (m²)
Tokyo Sakurada Building	Nishishinbashi, Minato-ku, Tokyo	17,762.63
Tokyo Fujimi Building	Fujimi, Chiyoda-ku, Tokyo	10,674.86
Iino Takehaya Building	Koishikawa, Bunkyo-ku, Tokyo	4,736.37
Sasazuka Center Building	Sasazuka, Shibuya-ku, Tokyo	11,973.11
Shiodome Shiba-Rikyu Building	Kaigan, Minato-ku, Tokyo	32,702.37
Total		77,849.34

*The Tokyo Sakurada Building, Tokyo Fujimi Building, and Shiodome Shiba-Rikyu Building are jointly owned with other parties. Gross floor areas shown are inclusive of ownership partners' shares.

Scheduled for completion in June 2011 Iino Building	Uchisaiwaicho, Chiyoda-ku, Tokyo	Around 104,000 (planned)


View of Iino Building


Shiodome Shiba- Rikyu Building


Tokyo Fujimi Building


Sasazuka Center Building


Tokyo Sakurada Building


Iino Takehaya Building

Photography Studios

Name	Location	Main facilities
Iino Hiroo Studio	Hiroo, Shibuya-ku, Tokyo	5 white cyclorama studios 1 guest room Design room Retouch room
Iino Minami-Aoyama Studio	Minami-Aoyama, Minato-ku,Tokyo	4 white cyclorama studios 1 daylight studio 1 guest room
Iino Graphic Images Omotesando Office (Photo Retouch)	Minami-Aoyama, Minato-ku,Tokyo	7 Retouch booths 2 meeting room


Iino Hiroo Studio


Iino Minami-Aoyama Studio

Fleet List (as of March 31, 2010)

Iino Lines

Oil Tankers

Vessel Name	dwt (mt)	Completed
KOHO Ⅰ	301,045	2002
KIHO	300,866	2006
RYUHO MARU	281,050	1999
DIAMOND CHAMP	107,198	2003
GLORY CRYSTAL	84,997	2000
PACIFIC BRAVERY	68,967	1999
FREJA SELANDIA	53,815	2007
FREJA FIONIA	53,714	2007
PACIFIC SERENITY	47,999	2003
NORTHERN DAWN	47,994	2003
10 vessels	1,347,645	

Chemical Tankers

Vessel Name	dwt (mt)	Completed
MAGELLAN ENDEAVOUR	47,931	2006
GULF ELAN	46,891	2007
CARIBBEAN SPIRIT	46,383	2004
CHEMWAY ARROW	38,065	2007
CHEMWAY LARA	37,982	2007
PACIFIC HORIZON Ⅱ	37,981	2007
JIPRO ISIS	37,946	2008
CHEMWAY GAIA	37,300	2007
CHEMROAD LILY	33,944	2006
CHEMROAD ECHO	33,944	2004
CHEMROAD HAYA	33,916	2004
CHEMROAD FUJI	33,888	2006
CHEMROAD DITA	33,554	2009
CHEMROAD JOURNEY	33,526	2009
CHEMROAD ROSE	32,046	2005
CHEMROAD WING	32,000	2005
MADONNA	30,561	1999
CHEMROAD NOVA	30,407	2002
CHEMROAD VEGA	30,383	2003
CHEMROAD MEGA	30,364	2000
CHEMROAD LUNA	30,350	2000
RABIGH SUN	30,001	2008
CHEMROUTE SUN	25,615	2008
CHEMROUTE BRILLIANT	25,594	2009
CHEMSTAR MASA	20,819	2009
CHEMSTAR MOON	19,949	2002
CHEMSTAR YASU	19,896	2008
CHEMSTAR BRAVE	19,884	2003
CHEMSTAR SEVEN	19,700	2005
CHEMSTAR BELLE	19,662	2003
CHEMSTAR KING	19,508	1998
VICTORY OCEAN	19,481	1997
CHEMSTAR ACE	19,481	1997
CHEMSTAR VENUS	19,455	1999
CHEMSTAR DUKE	19,441	2000
SHINTOKU	18,523	1996
KIWI SPIRIT	18,200	2000
LODESTAR GRACE	14,298	2002
FAIRCHEM GENESIS	14,000	2005
39 vessels	1,112,869	

Large LNG Tankers

Vessel Name	Tank Capacity (㎥)	Completed
SK SUNRISE	138,270	2003
AL ZUBARAH	135,509	1996
BROOG	135,466	1998
ZEKREET	135,420	1998
AL RAYYAN	135,358	1997
AL WAKRAH	135,310	1998
AL KHOR	135,294	1997
AL BIDDA	135,279	1999
AL WAJBAH	135,249	1997
DOHA	135,202	1999
AL JASRA	135,169	2000
LNG VESTA	127,547	1994
12 vessels	1,619,073	

Large LPG Tankers

Vessel Name	Tank Capacity (㎥)	Completed
LOTUS GAS	80,186	2008
TOYOSU MARU	78,462	1997
ROSE GAS	35,204	2007
3 vessels	193,852	

Bulk Carriers

Vessel Name	dwt (mt)	Completed
BLUE ISLAND	152,398	2000
UNITED JOURNEY ＊1	82,580	2009
JP CORAL	81,887	2007
AMAKUSA ISLAND	81,887	2005
PEGASUS ISLAND	77,830	2002
ATLAS ISLAND	76,554	2008
AGIOS NIKOLAS ＊1	76,390	2004
DANNAN ISLAND	75,637	2006
HERMES ISLAND	75,615	2000
INTER PRIDE ＊1	74,005	2000
ELINAKOS ＊1	73,751	1997
JA FRONTIER	32,258	2008
CRANE ISLAND	32,154	2009
FORTUNE EXPRESS ＊1	30,109	1998
JA ALADDIN DREAM Ⅱ	28,611	2003
AURORA ISLAND	28,418	2009
16 vessels	1,080,084	

Chip Carriers

Vessel Name	dwt (mt)	Completed
SHINTONAMI	47,002	1991
PAX SILVA	46,900	2007
SHIN CHUETSU	25,331	1998
RAISHU	12,913	1989
4 vessels	132,146	

Total vessels (Iino Lines): 84

Iino Gas Transport Co., Ltd.

Small LNG Tankers

Vessel Name	Tank Capacity (m³)	Completed
NORTH PIONEEER	2,513	2005
1 vessel	2,513	

Small LPG Tankers

Vessel Name	Tank Capacity (m³)	Completed
KENTMERE	8,712	2007
ORIENTAL HAWK	3,543	2010
SAEHAN STELLAR *1	3,517	1991
PETRO MILLENNIUM	3,520	2000
ORIENTAL MIHO	3,519	2006
GLOBAL EXPRESS No.2 *2	3,512	1996
ORIENTAL SKY	3,203	1995
ZEUS	2,522	1998
SHUNHO MARU	1,830	2004
FORTUNE QUINTET	1,830	2004
KOHO MARU No.21	1,830	2002
RYOKA MARU No.103	1,830	1999
SHUHO MARU	1,829	2007
ZUIYO MARU	1,826	1996
SEIHO MARU	1,723	1996
KOHO MARU No.18	1,721	1995
DAIKEN MARU	1,554	1996
SHINPUKU MARU No.10	1,524	1986
HEISEI MARU	1,507	1990
TAIKASAN MARU No.2	1,498	1982
ZUIKO MARU	1,450	2002
TOHO MARU	1,443	2009
KYUHO MARU	1,413	2006
TAIHEI MARU	1,310	1999
KAIHO MARU	1,260	2008
RYOHO MARU	1,207	1987
KAIJIN	1,159	1991
27 vessels	58,249	

Molten Sulfur Carriers

Vessel Name	dwt (mt)	Completed
RYUHO MARU	1,704	1992
1 vessel	1,704	

Total vessels (Iino Gas Transport): 29

Iino Shipping Asia Pte. Ltd. (as of December 31, 2009)

Small LPG Tankers

Vessel Name	Tank Capacity (m³)	Completed
ORIENTAL OKI	5,020	2006
GLOBAL EXPRESS No.2 *2	3,512	1996
2 vessels	8,532	

Bulk Carriers

Vessel Name	dwt (mt)	Completed
PHOENIX ISLAND	28,655	1996
1 vessel	28,655	

Total vessels (Iino Shipping Asia): 3

Iino Group's total operating fleet: 116 vessels

*1 Tonnage not under the Iino Group's effective control but on short-term charters from other shipping companies (as of March 31, 2010).
*2 Global Express No.2 was transferred from Iino Shipping Asia Pte. Ltd to Iino Gas Transport in January 2010 and therefore listed on both companies' fleet lists.
*3 Laurel Island (28,556 dwt, completed 2005) was transferred from Iino Lines to Iino Shipping Asia Pte. Ltd. in February 2010 and therefore does not appear on either companies' fleet lists, but it remains part of the tonnage operated by the Iino Group.

Corporate Governance

Corporate Governance System

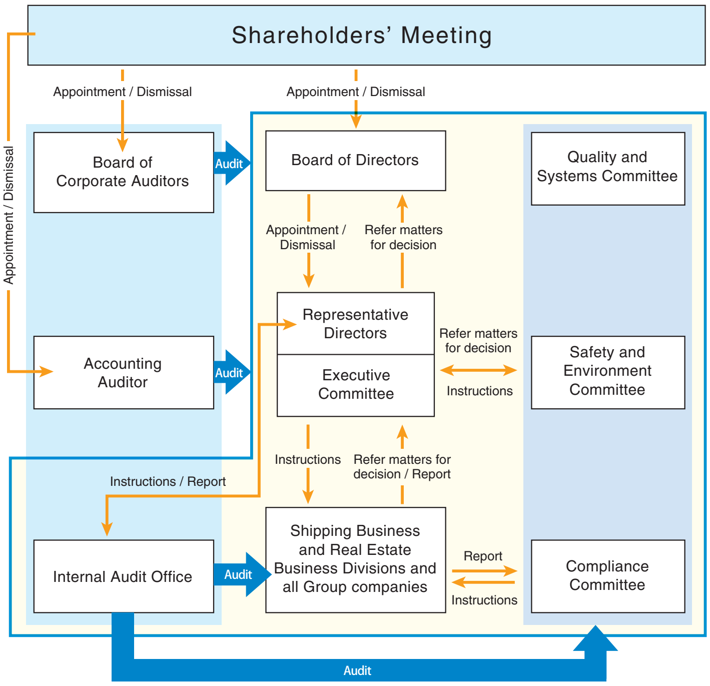
■Basic Philosophy on Corporate Governance

The Iino Group defines corporate governance as "a framework for achieving efficient corporate activity by regulating the interests of a corporation's various stakeholders."

■Three-Pillar Corporate Governance System

The Iino Group's corporate governance system has three key components, Iino Lines' Board of Directors and Executive Committee, a three-way auditing regime, and a three-committee framework (refer to corporate governance system diagram).

Corporate governance system



◯Board of Directors and Executive Committee: Overseeing the execution of duties

The Board of Directors is composed of directors and both full-time and outside auditors and meets monthly as a general rule to oversee execution of duties and make key decisions. The Executive Committee is composed of directors and full-time auditors and meets once a week as a general rule.

◯Three-way Auditing Regime

The Iino Group employs a three-way auditing regime whereby corporate auditors, its audit firm, and its Internal Audit Office collaborate on audits. Corporate auditors audit the company's overall activities, including those of the Board of Directors and Executive Committee.
The audit firm audits the company's financial statements. The Internal Audit Office (which reports directly to the president) audits the Iino Group's business activities and our three risk-management committees (discussed below). Corporate auditors and the Internal Audit Office meet monthly to exchange information, and corporate auditors exchange information closely with the audit firm. Such communication raises the quality of all auditing activities.

◯Three-Committee Framework: Our system for managing risk

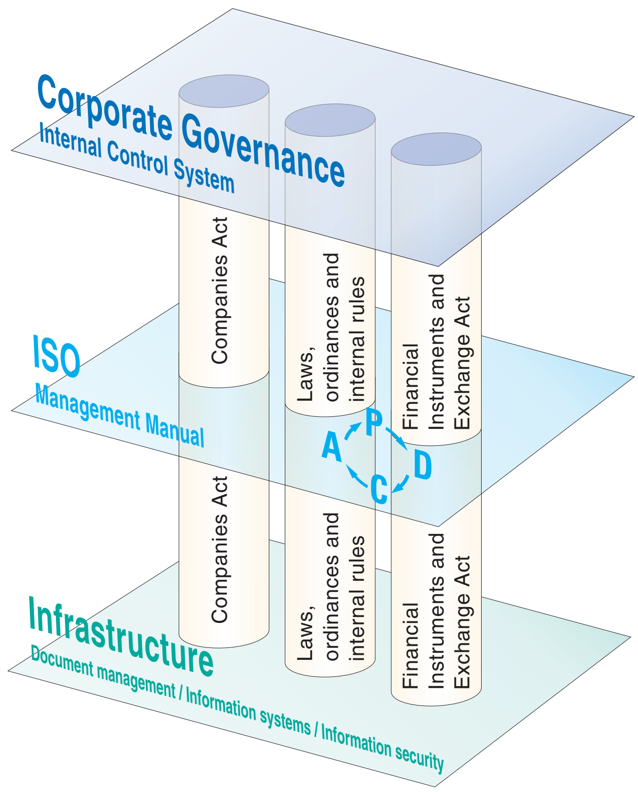
Iino Lines manages risk on a group-wide basis through a three-committee, cross-Group framework comprising the Compliance Committee, the Safety and Environment Committee, and the Quality and Systems Committee. Each committee comprises Iino Lines' executive officers and presidents of Group companies, enabling rigorous group-wide risk management based on relevant themes.

Utilizing ISO Management Systems

All four core Group companies (Iino Lines, Iino Marine Service, Iino Building Technology, and Iino Gas Transport) have obtained ISO 9001 and ISO 14001 certifications. Certified companies are required to make ongoing improvements by implementing the ISO's PDCA (Plan–Do–Check–Action) cycle. The Iino Group applies the PDCA cycle to quality and environmental issues (to which the certifications apply) and also uses it as a basic framework for management as a whole. Specifically, work processes of our Group companies and internal groups

are documented in a management manual that functions as a practical standard for carrying out operations. Based on periodic assessments of the management manual's consistency with actual operations and the effectiveness of control, we continuously improve our operations and update the manual in pursuit of operating efficiency.
The Iino Group conducts corporate governance in accord with this ISO management manual and through operations based on it. Corporate governance and the ISO management manual are underpinned by document management, information systems, and information security. Iino Group management is carried out through this three-layer corporate governance ISO infrastructure.
These three layers also underpin our legal compliance framework by ensuring compliance with laws and regulations, such as the Companies Act and Financial Instruments and Exchange Act, and internal rules (refer to compliance structure diagram).

Compliance Committee



Risk Management

■Our Approach to Risk Management

The Iino Group's management principles state first and foremost that securing safety is the foundation of our business operations. Risk management to ensure and maintain safety is a key management priority. Putting safety first in all of our business activities protects the safety of human lives and customers' assets and also helps ensure environmental safety.

■Risk Management during Normal Times and Emergencies

During normal times, the Board of Directors, Executive Committee, and the three risk-management committees form the nucleus of the Group's risk management framework. In emergencies, the Iino Group sets up an Emergency Response Headquarters headed by the president. We have also put hard assets in place to enable rapid responses to contingencies by setting up an emergency response room at corporate headquarters that is fully equipped for emergencies.

■Enhanced Business Continuity Planning

The Iino Group has in place a continuously updated business continuity plan (BCP) to mitigate risks that may affect our ongoing ability to function as a corporation. Such risks include the risk of large natural disasters, accidents, and pandemics. We continuously update our plan to ensure business continuity and rapid recovery in the event of a large earthquake epicentered in the Tokyo metropolitan area, our Real Estate Business's main business area and the location of our Group's headquarters.

Safety and Environmental Report

Safety and Environmental Management in the Shipping Business

The Importance of Safe Shipping Operations

Maintaining safe vessel operations is paramount to Iino's Shipping Business. Our objective is to "Ensure safe transport of cargo through safe operation of vessels."
We pursue safety in four areas: safety of cargo (customers' assets), safety of human lives (crew and all other persons), safety of vessels (shipowners' assets), and safety of the environment (an asset of society as a whole). Ensuring safety is fundamental to customer satisfaction and helps maintain and enhance the quality of our operations.
Maintaining safety is also vital to reducing environmental footprints and protecting the environment.

Iino Group's Environmental Protection Initiatives

The operation of ships impacts the environment in various ways. The Iino Group's Shipping Business endeavors to protect the environment by setting and pursuing environmental objectives and targets in four categories:
(1) Marine pollution prevention: Prevent oil spills and liquid chemical product leaks (vessels)
(2) Waste reduction: Reduce and properly process waste (vessels and offices)
(3) Reduction of natural resource consumption: Reduce electricity and paper use (offices)
(4) Air pollution prevention: Use fuel efficiently, reduce gas emissions (vessels).

Iino's Safety, Quality and Environmental Management System Certifications

The Iino's Group's Shipping Business has obtained and operates in accord with ISO certifications in the aim of constantly addressing safety, quality and environmental initiatives and ensuring ongoing improvement. Three Iino Group companies have obtained ISO 9001 and 14001 certifications: Iino Lines, vessel management company Iino Marine Service, and Iino Gas Transport, which transports gases in domestic (Japan) and adjacent (Asia) waters.
Both Iino Marine Service and Iino Gas Transport have obtained International Safety Management (ISM) Code certifications for their safety management systems. The Iino Group aims to further enhance its safety and environmental initiatives through an integrated approach to ISO standards and the ISM Code.

Safety, Quality and Environmental Management

Iino Marine Service and Iino Gas Transport are engaged firsthand in vessel management. The table below summarizes Iino Marine Service's attainment level for its safety and environmental management program targets for 2009 alongside targets for 2010. The table shows progress with respect to safety and environmental initiatives.

Category	Objective	Target metric	2009 target (2008 result)		2009 result	2010 target
Health	Prevent job-related injury	Lost-time injuries to seamen (per million working hours)	Tankers: 0.666 or less (0.784)	✗	0.863	0.863 or less
			Bulk carriers: 0.724 or less (0.724)	✓	0.712	0.712 or less
Safety	Prevent collisions/ groundings	Collisions/groundings (including fixed-object/ pier/bottom-scraping incidents)(per voyage)	0.001 or less (0.00089)	✗	0.00274	0.001 or less
	Prevent mechanical failures	Equipment failures/accidents (per voyage)	0.03 or less (0.028)	✓	0.015	0.01 or less
	Avoid storms	Storm-related hull damage incidents (per voyage)	0.0010 or less (0.0013)	✗	0.0014	0.0010 or less
Security	Proactively avoid security breaches	Third-party audit criteria (Port State Control, Major Oil Inspection, etc.) identified (per inspection/audit)	0.050 or less (0.051)	✓	0.03	0.020 or less
Quality	Enhance customer satisfaction	Maritime accidents (collisions, fires, groundings, oil spills) (per voyage)	0.0030 or less (0.0031)	✗	0.00319	0.0025 or less
		Deficiencies identified by Major Oil Inspection (per inspection)	7.00 or less (7.64)	✓	6.3	6.00 or less
		Failure of or damage to facilities/equipment affecting shipping schedule, environment, or cargo handling (per vessel)	0.20 or less (0.17)	✓	0.053	0.05 or less
		Retention rate for officers with more than 2-years service	80% or more (83.52%)	✓	81.44%	80% or more
		Rentention rate for senior officers (top 4) with more than 2-years service	80% or more (85.11%)	✓	82.77%	80% or more
		Average customer satisfaction rating	3.8 or higher (3.3)	✗	2.9	3.8 or higher
Environment	Prevent marine pollution	Oil or chemical spills onto deck or overboard (per voyage)	0.0005 or less (0.0004)	✓	0.00046	0
	Reduce waste	Disposal of garbage/waste produced on vessels (vs. previous year)	Previous year's level or less (11% reduction)	✗	10% increase	Previous year's level or less
		Plastic/plastic-sheeting waste landed (by applicable vessels)	Land all such waste (All such waste landed)	✓	Land all such waste	Land all such waste
	Reduce natural resource consumption	Offices' monthly paper purchases (per office worker)	720 sheets or fewer (758 sheets)	✗	830 sheets	805 sheets
		Offices' monthly electricity used (per office worker)	178.9kWh or less (188.3kWh)	✗	193.4kWh	187.6kWh
	Prevent air pollution	Sulfur content of fuel oil	3.0% or less (2.95%)	✓	2.96%	3.0% or less
		Fuel-use reducing equipment/systems (proportion of vessels equiped)	10% or more (13.0%)	✓	20%	20%
		Lubricant-use reducing equipment/systems (proportion of vessels equipped)	38% or more (37.04%)	✓	20%	40%

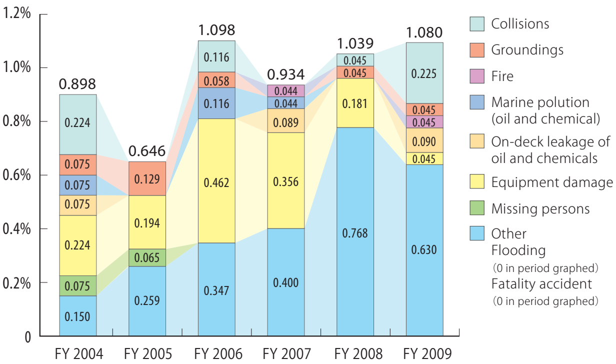
For details, refer to pages 20–27 of the Iino Report: Detailed CSR Reporting, available on Iino Lines' website.

Analysis of Accident Causes and Rigorous Recurrence-Prevention Measures

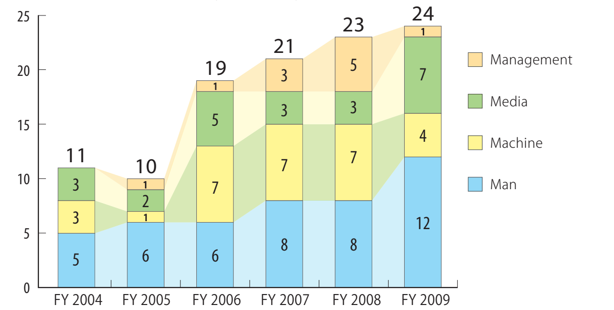
The Iino Group aims to ultimately achieve safe vessel operations free of accidents and other mishaps and has adopted many KPIs* for management of vessel operations. We use the PDCA cycle to monitor annual incidence rates (incidents per voyage) by accident type, analyze accident causes, and reinforce recurrence-prevention measures. We classify accident causes based on the four Ms: Man, Machine, Media (information/environment), and Management. In the fiscal year ended March 31, 2010 (fiscal 2009), we experienced one more accident than in the previous fiscal year. The overall incidence rate also increased. Collisions between vessels when at sea or anchored are particularly frequent. The trend in the number of accidents by primary cause indicates that accidents attributable to lookout during watch duty and to navigation information (weather/sea conditions) are rising. Cause analysis suggests that one factor may be insufficient ability to predict crises or judge situations resulting from improper assignment of crew to navigational watch and anchor watch duty and insufficient individual experience. In view of these findings, we will ensure rigorous compliance with safety management manuals and verify navigational watch practices by dispatching inspectors to determine whether watch assignments and activities are being correctly performed. We are bolstering practical guidance on our vessels.

*KPI: Key Performance Indicators
Metrics for monitoring progress toward achievement of final targets.

Accident rate by accident type (Number of accidents per voyage x 100%)



Number of accidents by primary cause



Safeguards Against Piracy

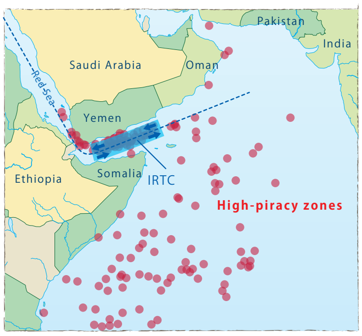
Intensification of Piracy in the Gulf of Aden and off the Coast of Somalia

Piracy occurs frequently in the Gulf of Aden and off the coast of Somalia, and piracy is becoming more cleverly planned and vicious and affecting an ever wider area. Piracy involving the use of rockets and other firearms to raid and commandeer ships in pursuit of ransom occurs frequently. Whereas pirate activity was previously restricted to one or two small boats in coastal areas, it is now spreading. For instance, at times pirates use several dhows (freight-carrying vessels distinctive to the area) or large fishing boats as assault boats and venture as far as Indian Ocean offshore areas. In response, the European Union Force and various national navies have begun to protect ships in accord with a United Nations Security Council resolution. Japan has dispatched two Maritime Self-Defense Force ships to patrol these waters. Nevertheless, piracy is expanding into the middle of the Arabian Sea, beyond the reach of naval vessel monitoring, so commercial ships must also implement their own self-defense measures.

Piracy Prevention Measures

When passing through the Gulf of Aden, the Iino Group's vessels generally travel though a designated IRTC* and request vessel escorts from Japan's Self-Defense Forces, the South Korean navy, or other countries' navies. When such protection is unavailable, our vessels form convoys with other vessels and travel under the close watch of naval ships in the vicinity.

Additionally, we have redoubled security by always stationing our own security teams on vessels when they pass through risky waters, and we make preparations to promptly contact nearby naval forces in emergencies. In response to widening of piracy zones, we will expand our security team coverage to the waters from the Red Sea to the entrance of the Suez Canal, an area outside the IRTC, and also bolster our security gear. Onshore personnel use vessel position tracking systems to support safe vessel operations.



High-piracy zones off Somalia and in Gulf of Aden

*IRTC: International Recommended Traffic Corridor
Recommended route patrolled by by naval forces

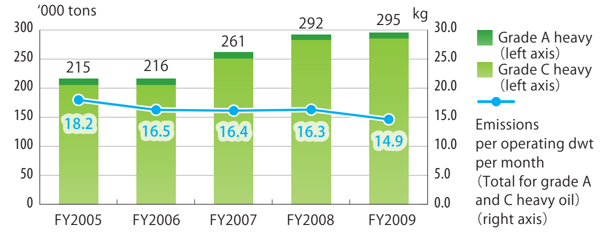
For details, refer to page 10 of the Iino Report: Detailed CSR Reporting, available on Iino Lines' website.

Prevention of Global Warming and Air Pollution

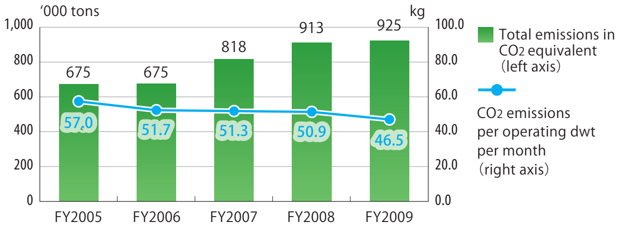
Reduction of Greenhouse Gas Emissions

Ships are an environmentally friendly mode of transport and consume substantially less energy per unit of cargo weight than aircraft or trucks. Because ships are powered by fuel oil, however, they emit CO_2 and other greenhouse gases. The Iino Group endeavors to reduce greenhouse gas emissions through energy-conservation measures such as improving fuel efficiency and reducing hull resistance. In fiscal 2009, we received many requests from charterers (cargo owners) to reduce bunker fuel consumption. By operating vessels at lower speeds, we reduced emissions per operating deadweight ton.

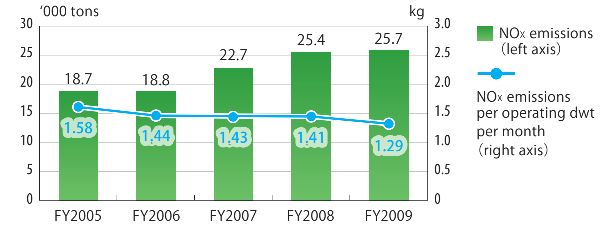
Fuel consumption (vessels operated by Iino Group)



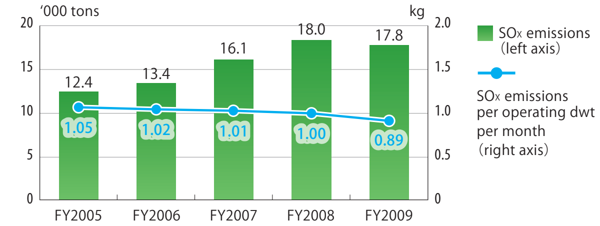
Greenhouse gas emissions (vessels operated by Iino Group)



Nitrogen oxide emissions (vessels operated by Iino Group)



Sulfur oxide emissions (vessels operated by Iino Group)



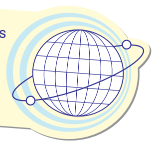
Reduction of NOx and SOx Emissions

To reduce NOx and SOx emissions, a cause of air pollution and acid rain, the Iino Group is equipping vessels with electronically controlled engines (to lower NOx emissions) and using low-sulfur heavy fuel oil (to prevent SOx emissions). From January 2010, use of low-sulfur fuel oil having sulfur content of 0.1% or less was mandated in EU member countries' ports. From January 2012, the same will be mandated in waters within 24 miles of the coast of California in the U.S. Accordingly, the Group is preparing to comply with these regulations, beginning with vessels that may operate in the regulated areas.

Biodiversity Preservation

In October 2010, the 10th Conference of the Parties to the Convention on Biological Diversity (COP 10) will be held in Nagoya, Aichi Prefecture. One objective of the biodiversity convention is to conserve the diversity of life on earth and its habitats, which includes preserving ecological and genetic diversity. We strive to operate our fleet so as to reduce impact on biodiversity.

For details, refer to pages 13-14 of the Iino Report: Detailed CSR Reporting, available on Iino Lines' website.



Ballast Water Management

To maintain hull stability when unladen with cargo, ships fill their ballast tanks with seawater (ballast water). Historically, ships have filled up with ballast water at cargo destination ports and discharged the ballast water at their next port of loading. This practice has resulted in migration of marine species, including plants, small fish, and harmful pathogens. Such migration has adversely affected marine ecosystems in the vicinity of ports. A convention on regulations governing the installation of ballast water treatment systems and deep-sea ballast water exchange is expected to come into force in 2016. The Iino Group is preparing to comply with these regulations and endeavoring to preserve marine ecosystems by exchanging ballast water at least 200 nautical miles from shore, or at least 50 nautical miles from shore in waters at least 200m deep.

Safety and Environmental Management in the Real Estate Business

Safety, Quality, and Environmental Management Initiatives

In our Real Estate Business, we place priority on maintaining safety and amenity within buildings and engage in quality management to ensure customer satisfaction. We also engage in environmental management to reduce buildings' environmental footprints. Specific measures include those to reduce natural resource consumption and waste emissions at our buildings.

Group company Iino Building Technology is engaged firsthand in building management. The table below summarizes Iino Building Technology's attainment level for its safety and environmental management program targets for 2009 alongside targets for 2010.

Two of the Iino Group's Real Estate Business companies have obtained combined ISO 9001/14001 certification: Iino Lines (for its Real Estate Business) and Iino Building Technology.

Category	Objective	Target metric	2009 target		2009 result	2010 target
Quality	Enhance customer satisfaction	Number of accidents within buildings	0 accidents	✓	0 accidents	Maintain safety/ environment within buildings Contribution index : Tokyo Sakurada Building : 1% or higher Tokyo Fujimi Building : 2% or higher
		Number of occupational accidents	0 accidents	✓	0 accidents	0 accidents
		Prevent accidents and complaints due to facilities works/installations	Incidence of accidents/ complaints per job : 0.9% or less	✓	Incidence rate : 0.7% (2 incidences)	Incidence rate of accidents/ complaints per job: 0.9% or less
		Reduce number of criteria (corrections) identified by completion inspections	Correction criteria identified: 5% or fewer	✓	Correction criteria identified : 0% (no corrections were identified for all 93 inspections)	Maintain 5% or fewer correction criteria identified
		Improve janitorial services' quality (reduce deficiencies identified by janitorial inspections)	Deficiencies identified : 6%or fewer inspection criteria	✓×	Not achieved at 1 building due to replacement of janitorial staff Achieved at 3 buildings	Maintain 6% or fewer correction criteria identified
		Implement internal controls • Group-wide control • Control over business processes	Maintain/revise group-wide internal control evaluation sheet Maintain/revise the 3 process-control documents for the 3 main business processes	✓	Content of evaluation sheets and documentation for both group-wide control and process control were checked and revised	Maintain/revise group-wide internal control evaluation sheet Maintain/revise the 3 process-control documents for the 3 main business processes
Environment	Reduce natural resource consumption and save energy	Green procurement	Purchase 10 or more item types	✓	28 item types purchased	Purchase 12 or more item types
		Use environmentally sound building materials	Ensure all paints/coatings, adhesives, and detergents used have a formaldehyde emission rating of F☆☆☆☆.	✓	All paints/coatings and adhesives used have an F☆☆☆☆ rating. Detergents are essentially formaldehyde-free and so were otherwise ensured as safe before use.	Use environmentally sound building materials Ensure 100% of paints/ coatings and adhesives used have a formaldehyde emission rating of F☆☆☆☆
		Adopt facilities/equipment that help save energy	Adoption rate of 91% or higher	✓	91% or higher achieved on all investigated items	Set environmental targets related to saving energy
		Reduce electricity used by turning off lights in common-use areas	Contribution index : Tokyo Sakurada Building : 1.5 or higher Tokyo Fujimi Building : 2.0 or higher	✓	Objective achieved at both buildings (unneeded lights were turned off during patrols)	Contribution index : Tokyo Sakurada Building : 1.5 or higher Tokyo Fujimi Building : 3.0 or higher
		Use of flip side of used A4 copy paper	Use flip side of 30% or more of used paper	✓×	Objective not achived at 1 building Achieved at 4 buildings	Use flip side of 30% ormore of used paper

For details, refer to pages 20–27 of the Iino Report: Detailed CSR Reporting, available on Iino Lines' website.

Global Warming Mitigation Measures

● Revised Energy Conservation Act and Tokyo Metropolitan Ordinance on Environmental Preservation

Japan's revised Act on the Rational Use of Energy (Energy Conservation Act) and the Tokyo Metropolitan Ordinance on Environmental Preservation (Environmental Preservation Ordinance) went into effect on April 1, 2010, introducing new requirements. Business sites whose total annual energy use (crude oil equivalent) exceeds prescribed levels are obligated to reduce greenhouse gas emissions. The revised Energy Conservation Act mandates average annual emissions reductions of 1% over the medium to long term, and Tokyo's Environmental Preservation Ordinance mandates reductions of between 6% and 8% by fiscal 2014. The Iino Group's Shiodome Shiba-Rikyu Building and Iino Building (scheduled for completion in June 2011) are subject to these requirements. Accordingly, we will be required to manage overall energy use at our buildings, including use by tenants, and reduce greenhouse gas emissions.

● Greenhouse Gas Reduction Measures at the Shiodome Shiba-Rikyu Building

In compliance with standards set by Tokyo's Environmental Preservation Ordinance in effect until fiscal 2009, we submitted a global warming mitigation plan for the Shiodome Shiba-Rikyu Building to the Tokyo Metropolitan Government in August 2008. We set a target of reducing greenhouse gas emissions by 3.7% by fiscal 2013 and worked steadily toward it, achieving a 5% reduction versus projections in fiscal 2009 as a result.
The Shiodome Shiba-Rikyu Building was designed with top-class environmental performance features and equipped with state-of-the-art technologies and equipment. Its greenhouse gas emissions are substantially lower than conventional large office buildings as a result. Nonetheless, we plan to continue implementing plans to reduce greenhouse gas emissions in accordance with the revised Energy Conservation Act and Tokyo's Environmental Preservation Ordinance.

Cogeneration system
(gas-fired generator)

Shiodome Shiba-Rikyu Building's environmental features

Feature	Greenhouse gas reduction mechanism
Hybrid natural ventilation system	The ventilation system reduces air-conditioning running time through wind-forced air intake. Occupants enjoy fresh air while windows stay closed to shut out external noise.
Low-E glass	Insulation performance is enhanced by use of exterior materials with a low solar heat gain coefficient and high shading coefficient.
Cogeneration system	By recycling heat exhaust from gas-fired power generation to heat water or cool water, cogeneration is more resource-efficient than consuming gas or electricity in isolation.
Ice thermal storage tank	At night, when nuclear power plants, which have extremely low CO_2 emissions, account for a large share of power generation, water is frozen and stored for use in the air-conditioning system during the day, thereby reducing fossil-fuel-fired power generation.

● Safety Measures and Energy-Saving Modifications

In addition to improving safety at buildings that we manage, we renovate buildings as required to reduce environmental footprints. In October 2009, we waterproofed the Tokyo Fujimi Building's roof to prevent leaks. In December 2009, we installed an air curtain (fans) in the Shiodome Shiba-Rikyu Building's second-floor common entrance to reduce summer air-conditioning load factors (e.g., indoor temperature increases due to inflows of warm outside air) caused by automatic doors opening and closing. Additionally, when we performed earthquake-proofing to reinforce the Tokyo Fujimi Building's light-weight steel ceiling structure from May 2010, we completely replaced the building's interior lighting fixtures with energy-efficient lighting.

Fire Prevention, Disaster Preparedness, and Safety Activities

In the aim of achieving zero accidents, Iino Building Technology, our building management subsidiary, hires highly experienced security personnel and encourages them to attend training programs and obtain credentials required for their work.
The company periodically carries out disaster and first aid training to prepare against emergencies while also continuously recording and studying data on accidents and other mishaps in an effort to make improvements.

Percentage of security personnel with credentials/training

Credentials/training program	Percentage with credential/training
Fire and disaster risk manager	87.5%
Firefighter certification	62.5%
Disaster preparedness center training programs	62.5%
Advanced emergency first aid certification	87.5%
Certified security guard trainer	25.0%
Fire risk inspector	25.0%
Disaster risk inspector	25.0%

Number of accidents *1 /mishaps

Category	FY2008	FY2009
Human factors *2	10	26
Equipment factors	1	3
External/indeterminate factors	1	1
Totals	12	30

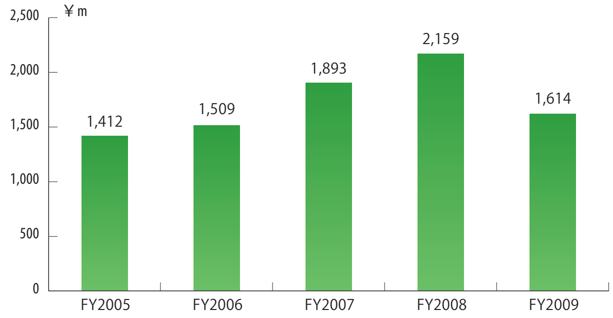
*1 Includes equipment failures and property damage due to negligence etc.
*2 Attributable to the Iino Group's employees, contractors, tenants, etc.

Safety and Environmental Accounting and Material Flows

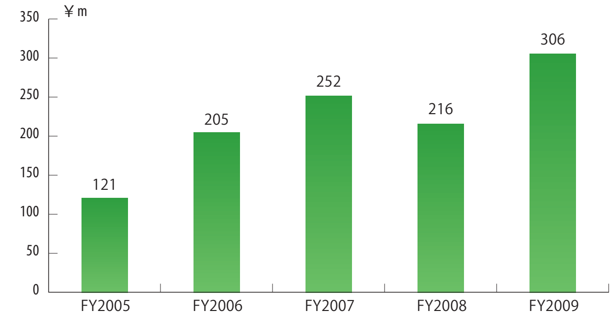
Safety and Environmental Accounting

Safe operations are the foundation of the Iino Group's business. Cognizant of the strong need to ascertain and manage safety-related costs, since fiscal 2003 we have carried out safety and environmental accounting in accord with internal principles and disclosed the results. Our objective is to quantitatively grasp and comprehensively disclose the costs and benefits of our safety and environmental activities.
We employ risk management principles in safety accounting to calculate avoidance costs and prevention costs, incurred to lower accident incidence rates; mitigation costs, incurred to reduce losses from accidents; and retention and transfer costs, incurred in responding to accidents that have occurred.
Environmental accounting involves tallying internal environmental losses (cost to the Iino Group of its environmental footprint) and external environmental losses (quantitative impact on society) so that we can attempt to reduce both through environmental protection activities and environmental assessments.
The graphs at right show annual aggregates for the past five years.

Prevention costs in the Shipping Business



Environmental protection and assessment costs in the Real Estate Business



For details, refer to pages 28–33 of the Iino Report: Detailed CSR Reporting, available on Iino Lines' website.

Material Flows

The Iino Group's shipping and real estate business activities impact the natural environment through natural resource consumption (input) and environmentally detrimental emissions (output). Our objective is to quantify the environmental footprint of our business activities, and to encourage ongoing efforts to mitigate the impact.

Shipping Business
Operated vessels + managed vessels
Waste is from managed vessels only *See notes

Input	
Fuel oils	
Grade C heavy oil	527,000t (546,000 kℓ)
Grade A heavy oil	14,000t (17,000 kℓ)
Heavy oil total	542,000t (563,000 kℓ)

Output	
Greenhouse gases (CO_2 equivalent)	1,679,000t
NO_x	47,000t
SO_x	33,000t
Daily-life waste from vessels	
Plastics	495 m³
Bottles and cans	445 m³
Food waste	276 m³

Real Estate Business
Total of lease buildings
Includes tenants' portion

Input	
Daytime electric power	8,620,000kWh
Nighttime electric power	3,595,000kWh
City gas	595,000 m³
Grade A heavy oil	59 kℓ
Supplied water, well water, spring water	82,000 m³
Recycled water	20,000 m³

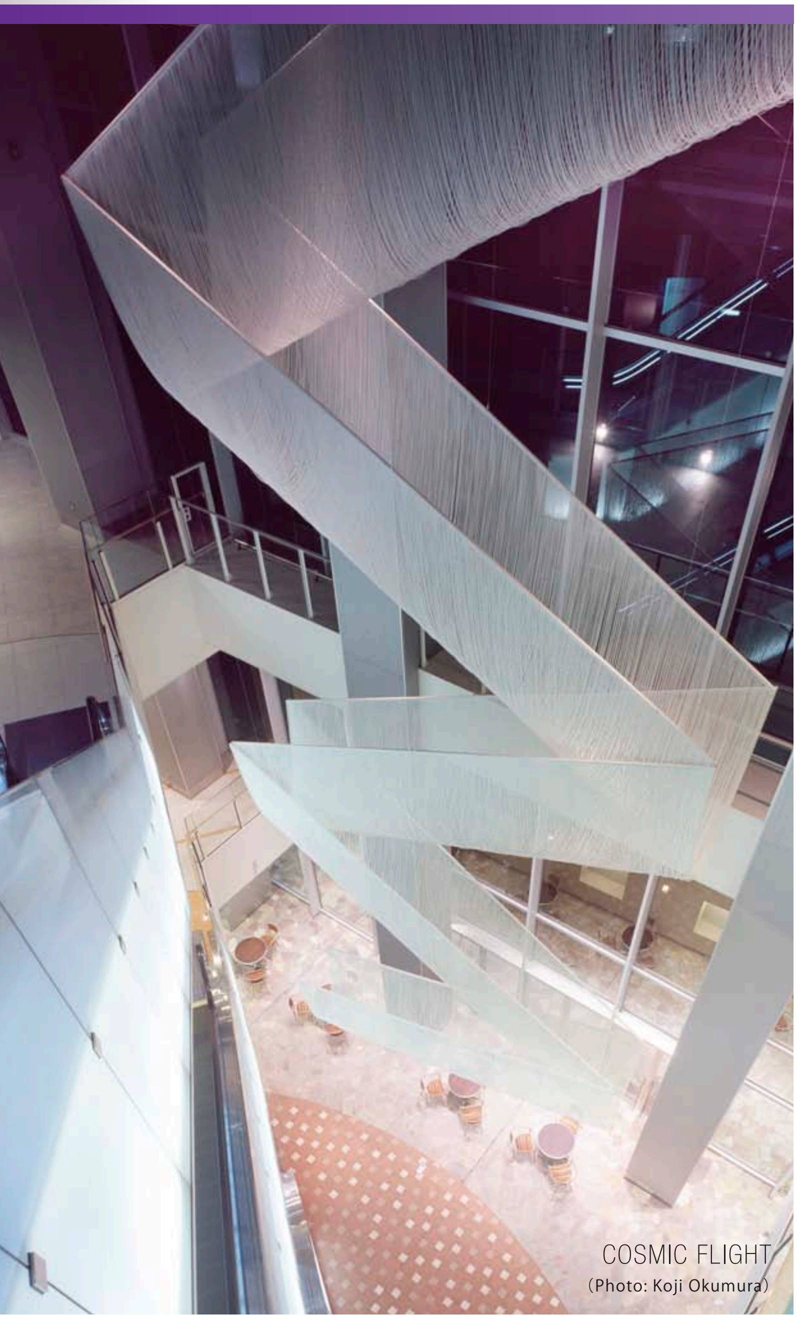
Output	
CO_2	6,142t
NO_x	1,140kg
SO_x	100kg
General waste	645t
Industrial waste	243t
Wastewater	70,000 m³

Notes: Operation: Operation refers to deciding freight content, ports of loading and unloading, and dates of loading and unloading and providing shipping schedules to Iino Group-owned vessels or chartered vessels so as to perform marine transport as requested by cargo owners. Operation also involves handling all accompanying necessary arrangements. (Includes loading/unloading arrangements, refueling, etc. Also includes instructing vessel managers to perform required tasks.)

Management: Management refers to maintaining Iino Group-owned vessels or vessels managed for ship owners in a condition fit to engage in marine transport in line with vessel operators' instructions. This includes maintaining vessels while they are in operation, and involves making sure that resource-related (human, physical, financial) and other necessary conditions for operation are met (vessel upkeep, vessel equipment arrangements, crew deployment, etc.).

The Iino Group both operates and manages certain vessels, and either operates or manages (not both) others.

Cultural and Societal Activities



COSMIC FLIGHT
(Photo: Koji Okumura)

Iino Group's Affinity for the Arts

● Fusing Real Estate with Artwork

The Iino Group incorporates the power of art into real estate. We install artworks in our buildings to create appealing environments and provide artists with venues for creative expression. Through these efforts, we hope to build good relationships between real estate, tenants, visitors, and more broadly, society at large.

Cosmic Flight, a work by Mr. Akio Hamatani, has been installed in the four-story atrium of the Shiodome Shiba-Rikyu Building (in Tokyo's Minato Ward). This enormous *objet d'art* is 14 meters long and made from a single shiny white thread suspended in midair. Among viewers, it may evoke images of waves, clouds, a white dragon, wings, and other dynamic shapes. Mr. Hamatani described his artistic intention as follows: "I hope that the piece breathes fresh air into the atrium as a place of human interaction and inspires tranquil, hope-filled thoughts."

The Iino Group will continue to create buildings and communities that tap into the power of art. In spring 2010, we will begin selecting artworks for installation at six key locations in the Iino Building, which is currently under reconstruction.

In the Words of Mr. Akio Hamatani

Artwork and architecture can interact to mutually enhance each other's appeal. Efforts in this vein are not as widespread in Japan as in the West, so it's wonderful that Iino Lines is pioneering efforts to fuse art and architecture here. By consulting with Iino Lines on this project, I was able to create a work of grand scale that takes full advantage of available space. Its appearance changes depending on what height and angle you view it from. I hope that it fascinates viewers and evokes various images in their minds.

Care of Shipboard Workforce

Shipboard Workforce Health and Safety

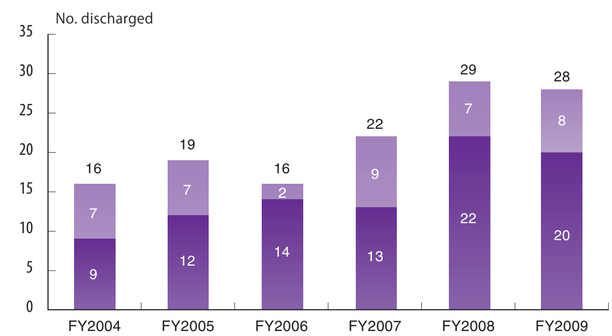
Shipboard personnel are subject to considerable stress, which makes it difficult to maintain physical and psychological health during long sea voyages. Such stress results from the peculiar nature of the occupation, characterized as follows.

1. Prolonged separation from family
2. Close proximity between workplace and living quarters
3. Limited scope for activity during free time
4. Limited entertainment and access to shopping
5. Inability to easily increase crew size on a temporary basis due to limited crew size
6. Limited access to medical care due to remote location

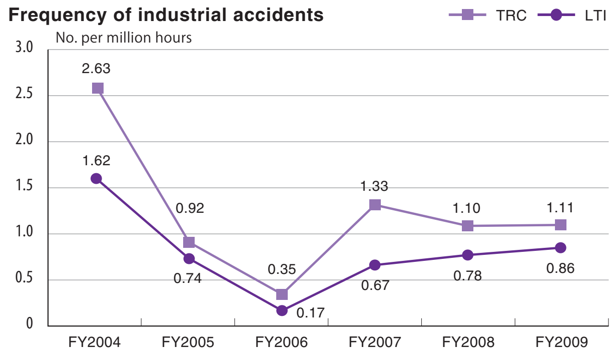
The Iino Group places utmost importance on the physical and psychological health of crewmembers and strives to alleviate the burden inherent in the work. We conduct thorough health examinations before and after voyages. As a form of mental health care during voyages, we loan low-cost international mobile phones to Filipino crewmembers, who account for much of our shipboard workforce, giving them greater opportunity to speak with their families. We also provide a free personal email service via ships' communication systems. In the interests of crewmember health, we increased the daily cost of ingredients used to prepare shipboard meals from $7.5 to $9.0 per day per person from January 2010. To increase satisfaction with meals, we purchase the best possible food and conduct cooking courses to teach shipboard cooks ethnic dishes suited to a multinational crew.

For details, refer to page 34 of the Iino Report: Detailed CSR Reporting, available on Iino Lines' website.

Injuries and illness (number of crew discharged)



Frequency of industrial accidents



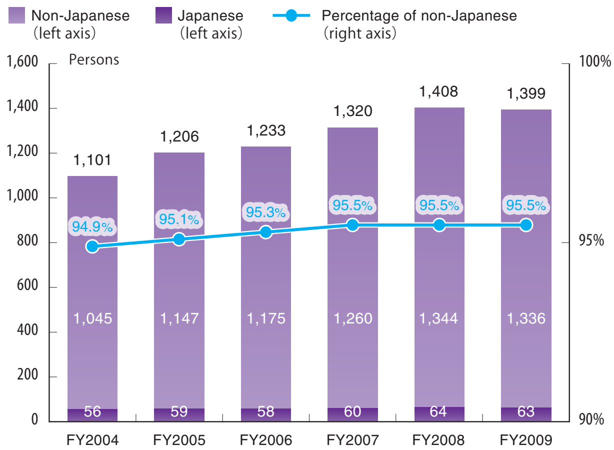
LTI (Lost Time Injuries):
Frequency of death or injury due to industrial accidents
TRC (Total Recordable Cases):
LTI + incidence of on-the-job injuries requiring medical care

Shipboard Workforce Diversity

The Iino Group's shipboard workforce comprises Japanese, Korean, Filipino, and Burmese seamen. We combine nationalities to form Japanese-Filipino, Korean-Filipino, and Korean-Burmese crews, among other combinations. Considerable effort is required to maintain harmony among crewmen of two nationalities, with different cultures and ways of life, living and working together during a long sea voyage. Small arguments or exchanges of words due to a difference in values can cause problems, potentially resulting in a major accident.

To minimize incidents among crewmembers and ensure safe operation, we cooperate with staffing agencies that provide Korean, Filipino, and Burmese personnel and meticulously and conscientiously deal with matters relating to shipboard harmony. Before every voyage we explain to crewmembers about differences in national traits and provide guidance to promote mutual understanding. When incidents occur, we carefully interview crewmembers after they disembark to ascertain the cause and background of the incident, thoroughly discuss incidents with the staffing agencies, to work out a response. In preparation for subsequent voyages, we thoroughly familiarize crewmembers with accident case studies and measures to prevent recurrence. Problems among mixed-nationality crews are steadily decreasing as a result of these patient efforts.

Percentage of non-Japanese seamen in the Iino Group (ocean-going vessels)



Care of Onshore Workforce

Training and Career Support for New Employees

Iino Lines' education and training system offers diverse programs that combine on-the-job training, external training, and support for employee self-development. The programs are stratified by seniority level, ranging from recent hires to management. To develop personnel over the medium- to long term, we periodically conduct training beneficial for new employees' career development.

For details, refer to page 35 of the Iino Report: Detailed CSR Reporting, available on Iino Lines' website.

● Follow-Up Training (After Six Months of Employment)

Each October, we conduct follow-up training whereby new hires review their first six months, revise business manners and other fundamentals of working life, and discover future tasks and objectives. Over one day, employees brush up their business manners, give presentations on the nature of work in their organizational unit and successes and failures of their first six months, and finally write down and submit their thoughts and insights about work. At a later date, the employees are individually interviewed by the Personnel Group. In fiscal 2009, six employees participated in the training.

● Shipboard Training (Second Year of Employment Onward)

Every year, we conduct shipboard training for all new onshore employees in their second and subsequent years of employment. This practical training fosters unity and understanding of the entire Iino Group by exposing all employees to onboard environments, regardless of whether they work in shipping, real estate, or administration. It lasts about 50 days and principally involves an out-and-back voyage through the Far East and the Arabian Gulf, one of our main routes. The employees ship out as apprentices on large ocean-going oil tankers and other ships manned by Iino Lines crew members (seamen) and learn shipboard work firsthand by engaging in navigational watch, deck, engine room, and galley (meal preparation) duties for several days each.

In fiscal 2009, two employees participated in the training. One was assigned to the Ryuho Maru oil tanker from October 25 to December 22, 2009, and the other to the Toyosu Maru very large gas carrier from February 10 to April 4, 2010. The training provided them an opportunity to reaffirm their identity and pride as employees of a shipping company. In the words of one participant: "I experienced firsthand the importance of cooperation among all crew members to ensure a safe voyage."

Practical onboard training taking place on the Toyosu Maru

Mutual Aid Association Activities to Encourage Employee Bonding

Iino Lines encourages lively interaction among employees and provides funds to support employee club activities and events through a mutual aid association. Currently, nine clubs are active, including a boating club, ski club, and tennis club. In fiscal 2009, the boating club and 24 employees participated in the Dragon Boat Race held on June 6 at Yamashita Park in Yokohama. Every year, the mutual aid association and the Iino Labor Union (for onshore staff) hold a Christmas party for employees. The fiscal 2009 party was held on December 9 and attended by 52 employees, who enjoyed a bingo game and other festivities.

Competing in the Yokohama Dragon Boat Race

Comments from the Wife of an Employee Posted Overseas

Minako Munemura

Our married life began in Singapore in 2007, and this year we began living in the U.S. In Singapore, I participated in a handicraft club and enjoyed interacting with the locals. It was a wonderful experience, and I even learned some simple Chinese dialog. Although at first we felt uneasy because of the language barrier and cultural differences, I feel that our family bonds grew stronger because my husband and I helped each other and overcame every difficulty together. We are expecting our first child in July 2010 during our stay in the U.S. I'm excited about this valuable opportunity to experience living overseas as a family of three.

Key Financial Data

Years ended March 31,	2001	2002	2003	2004
Consolidated Statements of Operations (millions of yen)				
Revenues	63,630	62,572	55,961	58,265
Shipping business	42,821	44,433	44,600	47,651
Real estate business	9,821	9,479	8,971	8,666
Retail business *1	10,988	8,660	2,390	1,948
Costs and expenses	50,804	49,608	45,518	47,368
Selling, general and administrative expenses	6,383	6,852	5,278	4,962
Operating profit	6,443	6,112	5,165	5,935
Shipping business	3,420	3,642	2,394	3,632
Real estate business	3,215	2,527	2,747	2,303
Retail business *1	(192)	(57)	24	(0)
Recurring profit	3,943	3,523	3,113	3,557
Income before corporate income taxes	2,245	2,325	4,187	3,701
Current corporate income taxes	1,296	1,430	1,244	1,548
Deferred corporate income taxes	(556)	(557)	365	(41)
Minority interest in income (loss) of consolidated subsidiaries	100	123	63	(67)
Net income	1,605	1,329	2,515	2,261
Consolidated Balance Sheets (millions of yen)				
Current assets	24,714	22,851	19,961	15,684
Vessels, property and equipment	95,744	89,855	107,829	109,070
Total assets	134,323	129,473	143,520	142,676
Current liabilities	30,162	29,913	23,543	39,874
Net assets	24,955	25,668	27,652	30,101
Interest-bearing debt	86,280	86,138	100,651	95,016
Consolidated Statements of Cash Flows (millions of yen)				
Cash flows from operating activities	10,263	8,914	8,836	8,132
Cash flows from investing activities	(13,540)	(3,405)	(23,563)	(5,322)
Free cash flow *2	(3,277)	5,509	(14,727)	2,810
Cash and cash equivalents at end of year	10,753	9,323	9,909	7,834
Per-share Data (yen)				
Net income per share	15.67	13.01	24.81	22.24
Net assets per share	243.64	254.85	274.13	302.64
Dividends	5.00	5.00	6.00	8.00

*1 The Retail Business segment was discontinued from the fiscal year ended March 31, 2010.
*2 Free cash flow = Cash flows from operating activities + Cash flows from investing activities

Past 10 Year's Condensed Financial Statements (Consolidated)

The following key financial data show changes in the Iino Group's financial condition over the last ten years. The data were prepared solely by the Iino Group and have not been audited by an independent auditor.
For important notes on use of the data, refer to the consolidated financial statements and notes on the following pages.

2005	2006	2007	2008	2009	2010
63,763	73,382	80,516	95,090	94,496	77,031
52,968	62,629	69,760	84,863	87,627	71,812
8,795	8,697	8,906	8,744	5,500	5,219
2,000	2,056	1,850	1,483	1,369	-
48,846	55,728	61,278	72,074	75,534	66,433
5,372	5,224	5,956	6,492	7,036	6,512
9,545	12,430	13,282	16,524	11,926	4,086
7,427	10,156	10,782	13,376	11,196	3,358
2,128	2,220	2,510	3,141	749	727
(10)	54	(10)	7	(20)	-
8,274	11,038	11,639	16,062	11,256	2,225
8,013	13,269	6,439	8,732	9,301	1,817
3,710	4,723	4,576	4,625	534	179
(575)	84	(2,009)	(1,420)	3,176	1,409
23	45	(3)	6	(14)	50
4,855	8,417	3,875	5,521	5,605	180
18,918	18,296	19,804	24,670	24,790	25,115
107,349	113,318	119,773	134,460	135,501	137,904
147,777	156,659	166,736	176,228	175,808	180,735
23,282	24,865	31,348	47,501	32,498	25,191
39,525	48,372	52,008	52,591	53,395	52,727
88,025	83,851	89,712	98,049	104,916	109,227
12,139	12,553	11,910	12,780	8,648	12,306
(5,287)	(7,350)	(18,168)	(18,946)	(10,591)	(12,784)
6,852	5,203	(6,258)	(6,166)	(1,943)	(478)
10,831	8,669	6,890	9,237	11,087	13,728
47.23	76.13	35.36	50.39	51.54	1.69
360.22	440.75	474.66	477.08	497.64	489.78
10.00	15.00	15.00	15.00	15.00	12.00

Iino Kaiun Kaisha, Ltd. (Iino Lines) and its consolidated subsidiaries

Consolidated Statements of Operations

For the years ended March 31, 2010 and 2009

	Millions of yen	
	2010	2009
Revenues	¥ 77,031	¥ 94,496
Costs and expenses (Note 12)	66,433	75,534
Gross profit	10,598	18,962
Selling, general and administrative expenses	6,512	7,036
Operating profit	4,086	11,926
Other income (expenses):		
Interest and dividend income	1,004	1,019
Interest expense	(2,771)	(2,554)
Foreign exchange gain (loss), net	259	(3)
Gain on sale of fixed assets, net	811	1,579
Rebuilding related loss	(1,094)	(962)
Impairment loss	0	(1,700)
Loss on write-down of investment securities	(2)	(795)
Equity income (loss) in earnings of affiliates	(459)	874
Other income	265	200
Other expenses	(282)	(283)
	(2,269)	(2,625)
Income before corporate income taxes	1,817	9,301
Corporate income taxes (Note 9)		
Current	179	534
Deferred	1,409	3,176
	1,588	3,710
Minority interest in income (loss) of consolidated subsidiaries	50	(14)
Net income	¥ 180	¥ 5,605

	Yen	
Net income per share, basic and diluted	¥1.69	¥51.54
Cash dividends per common share	¥12.00	¥15.00

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

Iino Kaiun Kaisha, Ltd. (Iino Lines) and its consolidated subsidiaries

Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2010

	Millions of yen				
	Shareholders' equity				
	Common Stock	Additional paid-in capital	Retained earnings	Treasury stock	Total Shareholders' equity
Balance as of March 31, 2009	¥ 13,092	¥ 6,432	¥ 35,035	¥ (2,300)	¥ 52,258
Dividends from surplus	—	—	(1,440)	—	(1,440)
Net income	—	—	180	—	180
Acquisition of treasury stock	—	—	—	(3)	(3)
Disposition of treasury stock	—	(0)	—	0	0
Total changes in shareholders' equity for the year ended March 31, 2010	—	(0)	(1,260)	(3)	(1,263)
Balance as of March 31, 2010	¥ 13,092	¥ 6,432	¥ 33,775	¥ (2,303)	¥ 50,995

	Millions of yen					
	Shareholders' equity					
	Net unrealized gains on other securities	Gain (loss) on deferred hedges	Translation Adjustments	Total revaluation and translation adjustments	Minority interest in consolidated subsidiaries	Total net assets
Balance as of March 31, 2009	¥ (143)	¥ 1,018	¥ (52)	¥ 823	¥ 314	¥ 53,395
Dividends from surplus	—	—	—	—	—	(1,404)
Net income	—	—	—	—	—	180
Acquisition of treasury stock	—	—	—	—	—	(3)
Disposition of treasury stock	—	—	—	—	—	0
Items other than changes in shareholders' equity, net	620	(202)	4	421	174	595
Total changes in translation and revaluation adjustments for the year ended March 31, 2010	620	(202)	4	421	174	(668)
Balance as of March 31, 2010	¥ 477	¥ 816	¥ (49)	¥ 1,244	¥ 487	¥ 52,727

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheets

Iino Kaiun Kaisha, Ltd. (Iino Lines) and its consolidated subsidiaries

Consolidated Balance Sheets

As of March 31, 2010 and 2009

	Millions of yen	
	2010	2009
ASSETS		
Current assets:		
Cash and time deposits (Note 3 and 4)	¥ 8,879	¥ 11,087
Notes and accounts receivable (Note 4)	4,370	5,033
Allowance for doubtful accounts	(19)	(11)
Supplies	2,279	1,325
Goods	49	46
Real estates held for sale	276	276
Other current assets (Note 9)	9,281	7,034
Total current assets	25,115	24,790
Vessels, property and equipment:		
Vessels	116,126	128,047
Buildings (Note 10)	19,010	18,923
Equipment (Note 10)	224	225
Other fixed assets (Note 10)	1,108	1,133
Construction in progress	22,349	5,912
	158,817	154,240
Less: accumulated depreciation	(60,987)	(58,747)
	97,830	95,493
Land (Note 10)	40,074	40,008
Total vessels, property and equipment	137,904	135,501
Investments and other assets:		
Investment securities (Notes 4, 5 and 7)	12,425	9,522
Investments in non-consolidated subsidiaries and affiliates (Note 4)	2,502	3,069
Long-term loans (Note 7)	131	117
Other assets (Notes 7 and 9)	2,658	2,932
Allowance for doubtful accounts	(0)	(123)
Total investments and other assets	17,716	15,517
Total assets	180,735	175,808

The accompanying notes are an integral part of these financial statements.

Iino Kaiun Kaisha, Ltd. (Iino Lines) and its consolidated subsidiaries

Consolidated Balance Sheets (continued)

As of March 31, 2010 and 2009

	Millions of yen	
	2010	2009
LIABILITIES, MINORITY INTERESTS, AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings (Note 4 and 7)	¥ 7,345	¥ 11,690
Current portion of long-term debts (Note4 and 7)	8,840	10,989
Accounts payable (Note 4)	4,535	4,904
Advances received	1,729	2,128
Income taxes payable (Note 9)	65	299
Other current liabilities (Note 9)	2,677	2,487
Total current liabilities	25,191	32,497
Long-term liabilities:		
Long-term debts (Note 7)	93,042	82,237
Accrued employees'pension and severance costs (Note 8)	1,290	1,500
Reserve for retirement benefits to directors and statutory auditors	78	121
Reserve for periodic overhaul of vessels	593	656
Other long-term liabilities (Note 9)	7,814	5,402
Total long-term liabilities	102,817	89,916
Total liabilities	128,008	122,413

The accompanying notes are an integral part of these financial statements.

Iino Kaiun Kaisha, Ltd. (Iino Lines)and Its Consolidated Subsidiaries

Consolidated Balance Sheets (continued)

As of March 31, 2010 and 2009

	Millions of yen			
		2010		2009
Net assets				
Shareholders' equity:				
Common stock, no par value				
Authorized				
440,000,000 shares in 2010 (440,000,000 shares in 2009)				
Issued and outstanding	¥	13,092	¥	13,092
– 111,075,980 shares in 2010 (111,075,980 shares in 2009)		6,432		6,432
Additional paid-in capital		33,775		35,035
Retained earnings				
Treasury stock, at cost		(2,303)		(2,300)
– 4,417,181 shares in 2009 (4,410,823 shares in 2009)				
Total Shareholders' equity		50,995		52,258
Revaluation and translation adjustments				
Unrealized gain (loss) on available-for-sale securities (Note 6)		477		(143)
Gain on deferred hedges		816		1,018
Translation Adjustments		(49)		(52)
Total revaluation and translation adjustments		1,244		823
Minority interests in consolidated subsidiaries		487		314
Total net assets		52,727		53,395
Total liabilities and net assets		180,735		175,808

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Iino Kaiun Kaisha, Ltd. (Iino Lines)and Its Consolidated Subsidiaries

Consolidated Statements of Cash Flows

As of March 31, 2010 and 2009

	Millions of yen	
	2010	2009
Cash flows from operating activities:		
Income before income taxes and minority interests	¥ 1,817	¥ 9,301
Depreciation and amortization	9,989	8,908
Impairment loss	–	1,700
Interest and dividend income	(1,004)	(1,019)
Interest expense	2,771	2,554
Gain on sale of fixed assets	(811)	(1,579)
Loss on write-down of investment securities	2	795
Increase (decrease) in notes and accounts payable	(369)	(5,750)
Other, net	275	(334)
Sub-total	12,670	14,576
Interest and dividends received	1,029	1,099
Interest paid	(2,757)	(2,561)
Income taxes refund (paid)	1,411	(4,467)
Net cash provided by operating activities	12,353	8,648
Cash flows from investing activities:		
Payments for purchases of fixed assets	(27,094)	(36,571)
Proceeds from sale of fixed assets	16,060	25,671
Purchase of investment securities	(1,881)	(292)
Proceeds from sale of investment securities	37	11
Other, net	94	590
Net cash used in investing activities	(12,784)	(10,591)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(4,288)	(7,639)
Proceeds from long-term debts	33,757	27,945
Repayments of long-term debts	(24,484)	(12,427)
Proceeds from issuance of bonds	1,000	–
Redemption of bonds	(1,200)	(100)
Proceeds from sale of treasury stock	0	2
Payments for repurchases of treasury stock	(3)	(1,834)
Dividends paid	(1,440)	(1,804)
Dividends paid for minority interests	(4)	(2)
Repayments of lease obligations	(168)	(121)
Net cash provided by (used in) financing activities	3,170	4,020
Effect of exchange rate changes on cash and cash equivalents	(98)	(226)
Net increase (decrease) in cash and cash equivalents	2,641	1,851
Cash and cash equivalents at beginning of year (Note 3)	11,087	9,237
Cash and cash equivalents at end of year (Note 3)	13,728	11,087

The accompanying notes are an integral part of these financial statements.

Iino Kaiun Kaisha, Ltd. (Iino Lines) and its consolidated subsidiaries

Notes to Consolidated Financial Statements

1. Basis of presentation of the consolidated financial statements

The accompanying consolidated financial statements of Iino Kaiun Kaisha, Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Companies") are prepared on the basis of accounting principles generally accepted in Japan. The application and disclosure requirements under the aforementioned accounting principles differ from International Financial Reporting Standards in some respects. The accompanying consolidated financial statements are prepared by the Company as required under the Financial Instrument Exchange Law of Japan. Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside of Japan.

2. Summary of significant accounting policies

a. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its 45 significant subsidiaries in 2010 (47 in 2009).

The other subsidiaries are excluded from consolidation since, in aggregate, the combined total assets, net sales, net income, and retained earnings of these subsidiaries do not have a material effect on the consolidated financial statements of the Companies.

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances, and unrealized profits among the Companies have been eliminated.

b. Equity method

Investments in significant affiliates are accounted for under the equity method as of March 31, 2010 and 2009.

Investments in the remaining 13 non-consolidated subsidiaries and 2 affiliates of the Company are stated at cost on March 31, 2010 (13 non-consolidated subsidiaries and 2 affiliates on March 31, 2009) since the Company's equity in their net income (loss), on aggregate, does not have a material effect on the consolidated financial statements.

c. Fiscal periods of consolidated subsidiaries

The accounts of the consolidated subsidiaries, except for Taranaki Shipping S.A. and 7 other subsidiaries whose fiscal year ends are December 31, are prepared as of the same date as the consolidated financial statements. The aforementioned 8 subsidiaries with differing financial years are included in the consolidated financial statements based on their accounts as of December 31 (their fiscal year ends), and necessary adjustments for significant transactions during the period between their fiscal year ends and the consolidated balance sheet date are reflected in the consolidated financial statements.

d. Foreign currency translation

All monetary assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet dates. The foreign exchange gains and losses from translation are recognized in the statements of income to the extent that they are not hedged by forward exchange contracts. Revenues and expenses are translated using the average exchange rates of the respective periods.

Foreign currency translation of foreign subsidiaries follows the accounting policy of the Company and its domestic subsidiaries as permitted under Japanese generally accepted accounting principles for foreign subsidiaries located in tax-haven jurisdictions.

e. Vessel operating revenues and related costs

Vessel operating revenues and related costs are recognised using the percentage-of-completion method.

f. Income taxes

The provision for income taxes is computed based on "income before corporate income taxes" in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the amounts of assets and liabilities recorded for tax purposes.

g. Net income and dividends per share

Net income per share of common stock is based on the weighted average number of shares of common stock outstanding during each year, appropriately adjusted for stock splits during the year.

Cash dividends per common share shown for each year in the accompanying statements of operations represent dividends approved as applicable to the respective year.

Net income is adjusted by deducting bonuses paid to directors as well as the payment of dividends to shareholders of preferred stocks to be recognized as an appropriation of retained earnings, and the calculation of net income per share is made on that adjusted net income basis.

h. Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash in hand, bank deposits able to be withdrawn on demand, and marketable securities with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

i. Marketable securities and investment securities

Equity securities classified as "Other securities" (available-for-sale securities) for which market quotations are available, are stated at fair market value. Net unrealized gains or losses on these securities are reported as a separate item in "net assets" at a net-of-tax amount. Equity and debt securities classified as "Other securities" (available -for-sale-securities) for which market quotations are not available, are stated at amortized cost or acquisition cost calculated using the weighted average method.

j. Derivative financial instruments and hedge accounting

In accordance with the "Accounting Standard for Financial Instruments" and the "Guidelines for Accounting for Financial Instruments", gains or losses arising from changes in the fair value of interest rate swap agreements, forward exchange contracts and currency swap contracts designated as "hedging instruments" are carried until the profits and losses on the hedged items or transactions are recognized.

In addition, net cash flows from interest rate swap agreements which meet certain criteria under the accounting standard, are offset against or added to the interest arising from the hedged interest-bearing debt.

In addition, designation ("Furiate-shori") is applied to forward exchange contracts and currency swap contracts designated as hedging instruments under certain criteria.

Derivatives that do not meet the criteria for hedge accounting are marked to market, and the unrealized gains or losses on the derivative instruments are charged or credited to current earnings.

k. Allowance for doubtful accounts

An allowance for doubtful accounts is generally provided at an amount calculated using the bad debt loss ratio, primarily based on past experience, plus the estimated uncollectible amount of specific receivables.

l. Inventories

Real estates held for sale are stated at cost, determined using the specific cost method and the real estate held for sale with lower profitability are written down for the purpose of reporting on the Balance Sheet. Other inventories are stated at cost, determined using the first-in first-out method and other inventories with lower profitability are written down for the purpose of reporting on the Balance Sheet

m. Depreciation and amortization

Tangible fixed assets (excluding lease assets):

Vessels, property and equipment, including significant capital expenditures and additions, are stated at cost. Maintenance and repairs are charged to income as incurred.

Depreciation of vessels is computed using the straight-line method over the estimated useful lives of the assets as designated by the Japanese income tax laws. Depreciation of buildings (except for those acquired on or after April 1, 1998; excluding building fixtures) and other equipment is computed using the declining-balance method. Depreciation of buildings acquired on or after April 1, 1998 is computed using the straight-line method in accordance with the revision of the Japanese income tax law in 1998.

Intangible fixed assets (excluding lease assets):

Amortization of intangible assets is primarily computed using the straight-line method over the estimated useful lives of the assets as designated by the Japanese income tax laws. Software for internal use are depreciated using the straight-line method over the period of estimated use (5 years).

Lease assets:

Finance lease transactions that transfer the ownership are capitalized and accounted for as ordinary sales transactions.

Finance lease transactions that do not transfer the ownership are capitalized and depreciated by using the straight-line method over the lease term of the assets with no residual value.

Finance lease transactions that do not transfer the ownership, which commenced prior to April 1, 2008, are accounted for as ordinary lease transactions.

n. Accrued employees' pension and severance costs

Accrued employees' pension and severance costs under the defined benefit plans of the Companies are determined based on the actuarial present value of projected benefit obligations at year end, calculated by applying the plan's benefit formula to employee service rendered to that date, and the fair value of plan assets at year end.

o. Reserve for retirement benefits to directors and statutory auditors

A reserve for retirement benefits to directors and statutory auditors is provided for at the amount which would have been paid based on the Companies' internal policies, if all eligible directors and statutory auditors had retired at the balance sheet date.

Effective from the shareholders' meeting of the Company, held on June 28, 2006, the Company abolished the retirement benefit plan for directors and statutory auditors. Accordingly, the Company recognized the liabilities for retirement benefit for directors and statutory auditors until the shareholders' meeting on June 28, 2006, which would be paid up on their retirement, as other non-current liabilities.

p. Reserve for periodic overhaul of vessels

Under Japanese law, the vessels of the Companies are subject to periodic overhaul. Japanese law requires that vessels be overhauled every five years. The Companies provide for the estimated cost of the future periodic overhaul of vessels.

q. Appropriation of retained earnings

The Corporation Law of Japan provides that an amount equal to 10% of distribution of surplus (aggregate of capital surplus and retained earnings) must be appropriated as a legal reserve or as additional paid-in capital depending on which surplus is distributed, until the total of such reserve and additional paid-in capital equals 25% of common stock.

3. Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2010 and 2009 were comprised of the following:

	Millions of yen			
March 31	2010		2009	
Cash and time deposits	¥	8,879	¥	11,087
Cash equivalents included in other (repo) accounts		4,850		–
	¥	13,728	¥	11,087

4. Financial instruments

Fair value of the financial instruments on March 31, 2010 is summarized below.

	Millions of yen			
March 31	Book value		Fair value	
Cash and time deposits	¥	8,879	¥	8,879
Notes and accounts receivable		4,370		4,370
Available-for-sale securities		7,320		7,320
Accounts payable		(4,535)		(4,535)
Short-term borrowings		(7,345)		(7,345)
Long-term borrowings		(100,782)		(103,511)
Derivative financial instruments		2,180		2,180

The book values of Cash and time deposits, Notes and accounts receivable, Accounts payable and Short-term borrowings are deemed as their fair values since there should not be significant amounts of differences between the book values and fair values. Available-for-sale securities are measured at fair value based on the market quotations. The fair value of Long-term borrowings is based on the discounted cash flow of its interests and principals by incremental borrowing rate.

5. Investment securities

Comparison of the aggregate cost and fair value of the "Other securities" for which market quotations are available on March 31, 2010 and 2009 are as follows:

	Millions of yen			
	Cost	Fair value (carrying amount)	Net unrealized gains	Net unrealized losses
March 31, 2010-				
Equity securities	¥ 6,056	¥ 7,320	¥ 1,860	¥ 596
Debt securities	–	–	–	–
Other	–	–	–	–
	¥ 6,056	¥ 7,320	¥ 1,860	¥ 596
March 31, 2009-				
Equity securities	¥ 6,861	¥ 6,169	¥ 767	¥ 1,459
Debt securities	–	–	–	–
Other	–	–	–	–
	¥ 6,861	¥ 6,169	¥ 767	¥ 1,459

For the year ended March 31, 2010 proceeds from sales of "Other securities" were ¥ 37 million and the gross realized losses were ¥ 1 million.
For the year ended March 31, 2009 proceeds from sales of "Other securities" were ¥ 11 million and the gross realized losses were ¥ 2 million.

6. Derivative financial instruments

In the normal course of business, the Companies employ forward exchange contracts to manage their exposure to adverse fluctuations in foreign exchange rates in respect of receivables and payables. In addition, the Companies use interest rate swap agreements to limit their exposure to loss in relation to underlying debt resulting from adverse fluctuations in interest rates. The Companies do not use derivatives for speculative or trading purposes.
There are no derivative instruments outstanding to which hedge accounting is not applied.

7. Borrowings

"Short-term borrowings" was principally comprised of short-term notes with interest rates ranging from 0.69455% to 1.04455% and from 0.91417% to 2.72000% on March 31, 2010 and 2009, respectively. Short-term lease payables were ¥175 million and ¥121 million, on March 31, 2010 and 2009 respectively.
"Long-term debts" , including long-term borrowings and corporate bonds, on March 31, 2010 and 2009 was comprised of the following:

	Millions of yen	
March 31	2010	2009
Secured loans, principally from banks and insurance companies, due 2009 to 2026 (due 2009 to 2024 as of March 31, 2009) with interest rates ranging from 1.03923% to 7.50% as of March 31, 2010 (0.90923% to 8.50% as of March 31, 2009)	100,782	91,926
1.20% unsecured bonds due on May 11, 2009	–	1,000
1.36% unsecured bonds due on February 29, 2012	200	300
1.27% unsecured bonds due on June 19, 2014	900	–
	101,882	93,226
Less : portion due within one year	(8,840)	(10,989)
	¥ 93,042	¥ 82,237

Financial Review

As of March 31, 2010 and 2009, the following assets were pledged as collateral for the debt:

	Millions of yen			
March 31	2010		2009	
Investment securities	¥	1,749	¥	1,846
Vessels, property and equipment, net of accumulated depreciation:				
Vessels		51,998		62,093
Buildings		5,738		6,059
Land		9,843		9,843
		69,327		79,841
Guarantee money deposited		–		–
	¥	69,327	¥	79,841

The aggregate annual maturities of long-term debts including long-term borrowings and lease payments on March 31, 2010 are summarized below:

	Millions of yen			
Year ending March 31,	Lease payments		Long –term borrowings	
2011	¥	175	¥	8,840
2012		177		8,198
2013		178		10,268
2014 and thereafter		1,307		74,576
	¥	1,837	¥	101,882

8. Employee's pension and severance costs

Under the terms of the employee severance indemnity plans of the Companies, substantially all employees are entitled to consider "benefits" at the time of their severance. The amount of the benefit is, in general, based on the length of service, basic salary at the time of severance and the circumstances under which severance occurs.

The Company and its consolidated subsidiaries have funded pension plans to cover a certain portion of the severance indemnity benefits to their employees. The company replaced the tax-qualified pension plans with defined benefit pension plans pursuant to laws and regulations.

"Accrued employees' pension and severance costs" as of March 31, 2010 and 2009 is summarized as follows:

	Millions of yen			
	2010		2009	
Projected benefit obligations	¥	(2,703)	¥	(2,795)
Plan assets		1,413		1,295
Accrued employees' pension and severance costs	¥	(1,290)	¥	(1,500)

Net pension and severance costs in respect of retirement benefits for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen			
	2010		2009	
Service cost and interest cost	¥	77	¥	456
Net pension and severance costs	¥	77	¥	456

9. Corporate income taxes

The statutory corporate income tax rate used for calculating deferred tax assets and liabilities as of March 31, 2010 and 2009 were 38.0% and 38.0%, respectively.

On March 31, 2010 and 2009, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen			
March 31	2010		2009	
Deferred tax assets:				
Unrealized profits related to fixed assets	¥	229	¥	386
Accrued employees' pension and severance costs		492		566
Reserve for retirement benefits to directors and statutory auditors		102		190
Net loss of affiliates to be liquidated		778		–
Rebuilding related loss		498		322
Unrealized gain on available-for-sale securities		–		86
Other		648		721
Total		2,747		2,271
Less: valuation allowance		(1,991)		(222)
Deferred tax assets		756		2,049
Deferred tax liabilities:				
Retained earnings appropriated as tax deductible reserves		(415)		(442)
Taxable earnings of subsidiaries, carried forward		(463)		(232)
Unrealized gain on available-for-sale securities		(334)		–
Unrealized gain on deferred hedges		(885)		(624)
Other		(0)		(3)
Deferred tax liabilities		(2,097)		(1,301)
Net deferred tax assets	¥	(1,341)	¥	748

For the years ended March 31, 2010 and 2009, reconciliation of the statutory corporate income tax rate to the effective income tax rate is as follows:

March 31	2010	2009
Statutory corporate income tax rate	¥38.0%	38.0%
Adjustment:		
Dividends and other items which are excluded from gross revenues	(8.9%)	(1.5%)
Entertainment expenses and other items which are non-deductible	2.5%	0.5%
Effect of the change in the statutory corporate income tax rate	–	0.7%
Reversal of deferred tax assets	97.4%	1.8%
Deduction based on the tonnage tax system	(36.9%)	–
Other	(4.7%)	0.4%
Effective corporate income tax rate	87.4%	39.9%

10. Investment properties

The company and its consolidated subsidiaries have office buildings (including land) held for lease. Net profit from the lease contracts was ¥506 million for the year ended March 31, 2010.

Total amount of the fair value of the investment properties is ¥131,679 million on the balance sheet dates.

11. Commitments and contingent liabilities

As of March 31, 2010, contingent liabilities for loans guaranteed amounted to ¥18,814 million (¥27,801 million on March 31, 2009).

12. Leases

Operating leases

Future minimum lease payments under operating leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen	
March 31	2010	2009
Due within one year	¥ 84	¥ 85
Due after one year	141	226
	¥ 225	¥ 311

13. Segment information

The operations of the Companies, by line of business, for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen			
March 31		2010		2009
Revenues				
(before elimination of intersegment amounts)				
Shipping	¥	71,827	¥	87,627
Real-estate		5,219		5,530
Other		–		1,607
	¥	77,046	¥	94,765
Identifiable operating costs and expenses:				
(before elimination of intersegment amounts)				
Shipping	¥	68,469	¥	76,431
Real-estate		4,492		4,782
Other		–		1,627
	¥	72,961	¥	82,839
Operating profit:				
Shipping	¥	3,358	¥	11,196
Real-estate		727		749
Other		–		(20)
	¥	4,085	¥	11,926

Identifiable assets as of March 31, 2010 and 2009, and depreciation and capital expenditures, by line of business for the years then ended are summarized as follows:

	Millions of yen			
March 31	2010		2009	
Identifiable assets:				
Shipping	¥	86,146	¥	98,855
Real estate		69,723		53,215
Other		–		189
	¥	155,869	¥	152,258
Elimination, unallocatable or headquarters		24,865		23,550
	¥	180,735	¥	175,808
Depreciation and amortization:				
Shipping	¥	9,158	¥	7,978
Real estate		831		910
Other		—		20
	¥	9,989	¥	8,908
Impairment loss				
Shipping	¥	–	¥	1,700
	¥	–	¥	1,700
Capital expenditures:				
Shipping	¥	9,475	¥	35,011
Real estate		17,315		1,798
Other		–		0
Elimination, unallocatable or headquarters		70		18
	¥	26,861	¥	36,828

Overseas sales for the years ended March 31, 2010 and 2009 comprised of the following:

	Millions of yen			
	2010		2009	
North America	¥	3,705	¥	4,826
Middle East		26,546		28,662
Asia & Oceania		17,036		24,740
Other areas		14,732		18,271
	¥	62,018	¥	76,498

Overseas sales consist primarily of income from ocean-going vessels and revenues of foreign subsidiaries.

Segment information by geographic area has not been prepared or disclosed, since net sales and total assets in Japan represented more than 90 percent of consolidated net sales and total assets.

14. Subsequent events

Appropriations of retained earnings of Iino Kaiun Kaisha, Ltd. applicable to the year ended March 31, 2010 and approved at the shareholders' meeting held on June 25, 2010 were as follows:

Date of resolution	Type of stock	Total amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Ex-dividend date	Payment date
June 25, 2010 Shareholders' meeting	Common stock	640	6.0	March 31, 2010	June 28, 2010

These Consolidated Financial Statements have been prepared by Iino Kaiun Kaisha, Ltd. (Iino Lines) and have not been audited by a third party.

Iino Lines' Management and Audit Team (as of June 25, 2010)

Directors

President and Representative Director
Tomoyuki Sekine

Representative Director
Yoshihiko Nakagami

Director
Kenichi Hoshino

Director
Yoichiro Anzai

Director
Mamoru Chikamitsu

Director
Shigeru Nemoto

Director
Yoshiaki Ohashi

Director
Shinji Ohno

Director
Shigeki Miyake

Director
Hiromi Tosha

Auditors

Standing Auditor
Toshio Okada

Standing Auditor
Kazuo Kawahara

Outside Auditor
Shinichi Suzuki

Outside Auditor
Nobuhiko Ishii

Outside Auditor
Mikio Hirooka

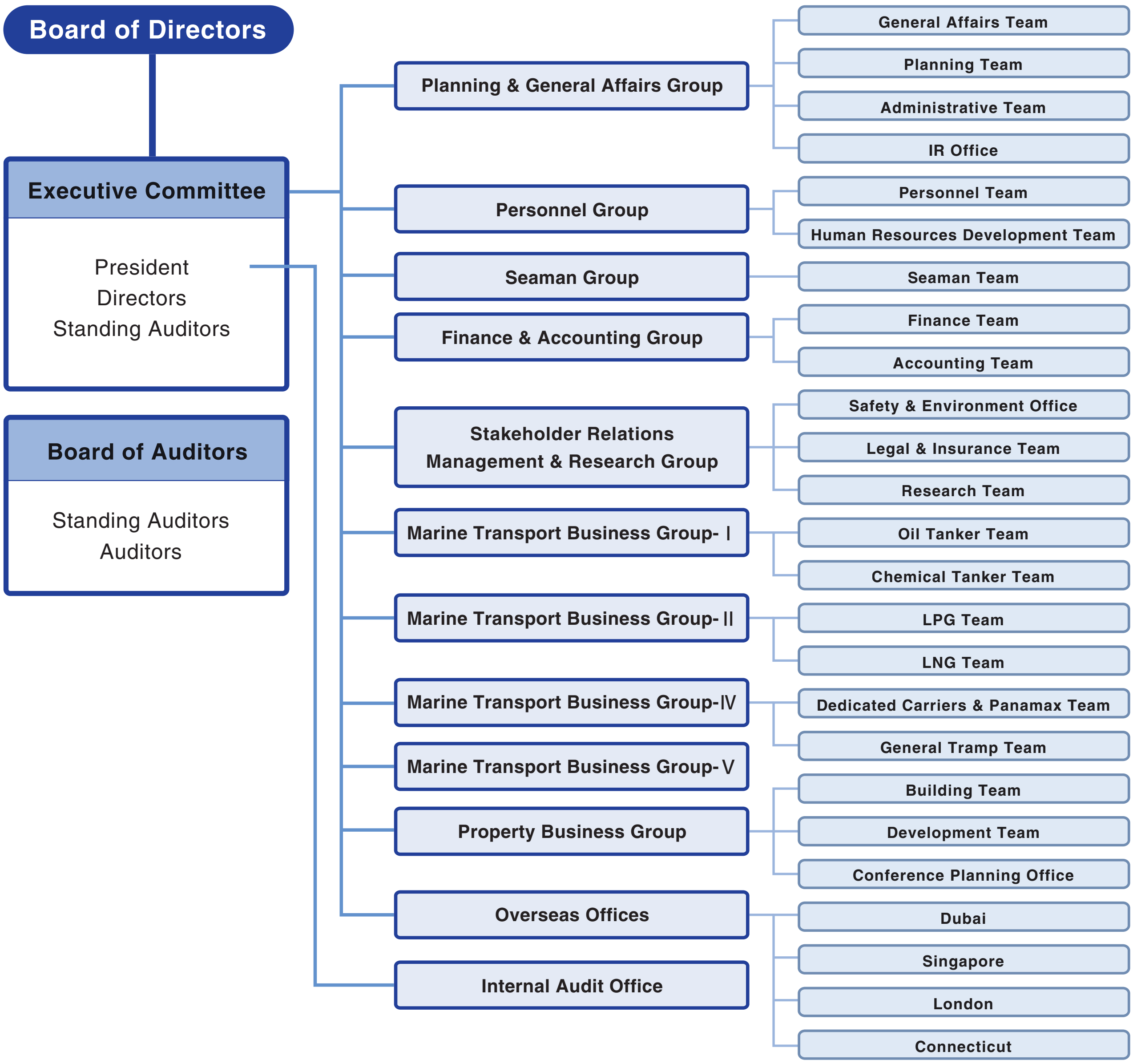
Executive Officer

President	Tomoyuki Sekine	
Managing Executive Officer	Yoshihiko Nakagami	Management of Planning & General Affairs Group, Finance & Accounting Group, and in charge of Personnel Group
Managing Executive Officer	Kenichi Hoshino	In charge of Property Business Group
Managing Executive Officer	Yoichiro Anzai	In charge of Marine Transport Business Group-I, Marine Transport Business Group-V, and Overseas Offices
Managing Executive Officer	Mamoru Chikamitsu	In charge of Marine Transport Business Group-II and Marine Transport Business Group-IV
Managing Executive Officer	Shigeru Nemoto	In charge of Seamen Group President, Iino Marine Service Co., Ltd.
Managing Executive Officer	Yoshiaki Ohashi	In charge of Finance & Accounting Group and Stakeholder Relations Management & Research Group

Executive Officer	Shinji Ohno	President, Iino Management Data Processing Co., Ltd.
Executive Officer	Shigeki Miyake	President, Iino Gas Transport Co., Ltd.
Executive Officer	Fudenori Kubo	Assistant to Director in charge of Property Business Group
Executive Officer	Takao Kunisaki	Chief Internal Auditor
Executive Officer	Kazutomo Miyashita	Managing Director, Iino Marine Service Co., Ltd.
Executive Officer	Hiromi Tosha	In charge of Planning & General Affairs Group, and Group Manager, Planning & General Affairs Group

Group Organization

Iino Lines' Corporate Organization



Main Group Companies

Shipping Business	Ship operation and leasing	Iino Gas Transport Co., Ltd. Lodestar Navigation S.A.
	Ship management	Iino Marine Service Co., Ltd.
	Ship brokerage, ship equipment purchasing and sales	Iino Enterprise Co., Ltd.
Real Estate Business	Building management	Iino Building Technology Co., Ltd.
	Warehousing	Taiho Marine Co., Ltd.
	Real estate-related business	Iino Mediapro Co., Ltd.

The Iino Group's History

2009 | The group began transporting Bio-ETBE (ethyl tertiary butyl ether).

2009 | Construction began on the new Iino Building (with completion scheduled for end-June 2011).

2007 | The Small Gas Tanker Division was split off and integrated into Iino Gas Transport Ltd.

2006 | Iino Singapore Pte Ltd. began ship operating and chartering activities.

2004 | Simultaneously acquired ISO 9001 and 14001 certifications for the shipping business (the office leasing business followed suit the next year).

2003 | The SK Sunrise, the first LNG tanker to be operated by the group, was completed.

2001 | The group took part in the world's largest methanol production project in Saudi Arabia(operations began in 2004).

1999 | The group's first double-hull tanker, Ryuho Maru, was completed.

1997 | Photo studio-operating company Iino Media Pro Co., Ltd was established.

1991 | The group participated in an Indonesia LNG project and began transporting LNG (the group became co-owner of its first LNG tanker, LNG Vesta, the next year).

1974 | Iino Marine Service Co., Ltd. was established as a vessel management company. The next year, it launched the first system in Japanese history that allowed Japanese and foreign sailors to work aboard the same vessel.

1970 | The group's first Panamax bulker, Zenkoren Maru No.5, was built.

1964 | In conjunction with shipping industry rebuilding, the Liner Service Department was split off into newly established Iino Kisen Kaisha, Ltd. (That company later merged with Kawasaki Kisen Kaisha, Ltd., and the Iino Group has focused mainly on tramper and tanker services since.)

1960 | The old Iino Building was completed (the head office was move there and Iino Hall went into operation within).

1949 | The company's stock was listed on the Tokyo Stock Exchange (and successively listed on several other exchanges, starting with the Osaka Securities Exchange, leading up to October 1952).

1944 | Iino Kaiun Sangyo Kaisha, Ltd., was renamed Iino Kaiun Kaisha., Ltd. (Iino Lines), its present name.

1931 | Japan's first oceangoing tanker, the first Fujisan Maru, was built.

1929 | The group's first tanker, the Takatori Maru No. 1 was built.

1899 | Torakichi Iino founded Iino Shokai in Maizuru, Kyoto (the company began stevedoring coal and transporting it by barge).

Corporate Data (as of March 31, 2010)

Corporate Data

Company name	Iino Kaiun Kaisha, Ltd. (Iino Lines)
Established	July 1899
Capital	13,091,775,488 yen
Principal office	1-1 Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8506 Japan *Actual operations are conducted at the head office.
Head office	Shiba-Daimon Front Bldg., 1-7-13 Shiba-Kouen, Minato-ku, Tokyo 105-0011 Japan
Offices	Dubai Overseas affiliates: Singapore, London, Connecticut
Group companies	Consolidated subsidiaries: 45 Equity-method affiliates: 4 Non-consolidated affiliates: 13 Total: 62
Major customers	Astomos Energy Corporation; Electric Power Development Co., Ltd.; Idemitsu Kosan Co., Ltd.; Itochu Corporation; Mitsubishi Corporation; Mitsui & Co., Ltd.; National Federation of Agricultural Cooperative Associations (Zen-Noh); Nippon Oil Corporation; Saudi Basic Industries Corporation; SK Shipping Co., Ltd.; Tokyo Gas Co., Ltd.; Tosoh Corporation; T&D Holdings, Inc.; Zeon Corporation; and other companies
Main banks	Development Bank of Japan Inc.; Mizuho Corporate Bank, Ltd.; The Chuo Mitsui Trust and Banking Company Limited; Sumitomo Mitsui Banking Corporation; and other banks
Employees	138 non-consolidated (89 onshore, 49 at sea) 615 consolidated

Investor Information

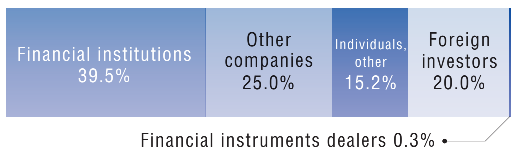
Business year	April 1 through March 31 of the following year
General Shareholders' Meeting	Late June
Equity stock	Shares authorized: 440,000,000 Shares issued: 111,075,980
Trading unit	100 shares
Stock exchange listings	Tokyo, Osaka (first section of each exchange); Fukuoka
Official notification method	Electronic If electronic notification is not possible due to accidents or other unavoidable circumstances, official notifications will be published in the Nihon Keizai Shimbun newspaper.
Total number of shareholders	10,997

Major shareholders

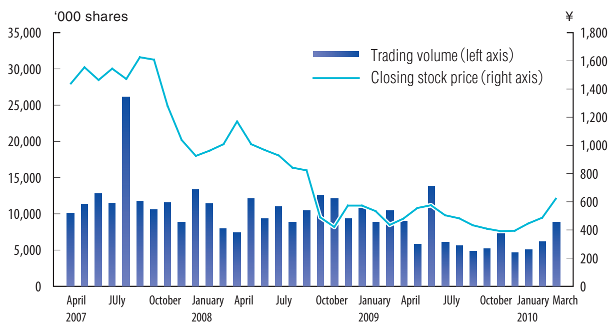
Shareholder name	Number of shares held (thousands of shares)	Percentage of ownership (%)
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,264	5.87
Kawasaki Kisen Kaisha, Ltd.	5,940	5.56
The Chase Manhattan Bank, N.A. London Special Account No.1	4,521	4.23
Mizuho Corporate Bank, Ltd.	4,296	4.02
Mitsui & Co., Ltd.	4,200	3.93
Japan Trustee Services Bank, Ltd. (CMTB Trust Accounts)	3,622	3.39
State Street Bank and Trust Company 505041	3,568	3.34
Iino Lines' Client Stock Ownership	3,225	3.02
Nippon Life Insurance Company	2,507	2.35
Japan Trustee Services Bank, Ltd. (Trust Accounts)	2,315	2.17

*Major shareholders' ranking and percentage of ownership is exclusive of treasury stock (4,417 thousand shares).

Percentage of Iino Lines shares held by shareholder category



Stock price and trading volume



Comments from Stakeholder

High vessels utilisation

Frank Mohn AS pioneered the development of hydraulically driven submerged cargo pumps*, whose innovative design has changed the way tanker are built and operated. The company is today the leading supplier of submerged cargo pumps to the world tanker market.

"Visible, but not seen." The best opportunities are often constrained by our imagination but not so to the Iino organisation which became winners by spotting opportunities and by inventing next generation practice. It sounds a bit simple but it's all about innovations, identifying the opportunities that will arise and building capabilities to capitalise on them.

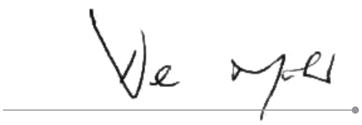
Protection of cargoes and safety for vessels and the environment has been given the highest priority during more than 30 years of successful chemical tanker operation by Iino. Only quality tonnage has been built, most of them with stainless steel cargo tanks and able to transport a variety of different liquids, whether they are volatile or viscous, corrosive, edible or toxic.

* Submerged cargo pump
Pump installed within a tanker's cargo tank that operates immersed in liquid cargo.

But their tonnage is not only able to load and transport difficult cargoes. They are also specially equipped to drain and clean the cargo tanks in a practical and safe manner enabling them to efficiently alter between the available cargoes. We are proud of working closely together with Iino along this challenging path.

A growing world needs more of everything as millions of people are lifted out of poverty. New products will be developed and new requirements for transportation will arise but we are confident that Iino with its innovative approach will be at the heart of the supply chain.

President
Frank Mohn AS
Trond Mohn



Frank Mohn AS's Business

Frank Mohn AS is a major Norwegian manufacturer of a full line of cargo handling equipment sold under the well-known Framo brand name. Its core product is hydraulically driven submerged cargo pumps.
Frank Mohn AS was founded in 1938 in Bergen, western Norway. It developed the submerged cargo pump in the 1960s and became the world's top manufacturer of such pumps. To ensure rigorous quality control, Frank Mohn AS produces all of its products in Norway.
Since 1968, Frank Mohn AS has supplied a cumulative 45,000 submerged cargo pumps for 2,800 tankers throughout the world.
Other products developed, manufactured, and sold by Frank Mohn AS include marine oil spill recovery equipment and anti-heeling pumping systems.

Overview of Frank Mohn AS

Company name:	Frank Mohn AS
Headquarters:	Bergen, Norway
Founded:	1938
Founder:	Frank Mohn
President:	Trond Mohn
Employees:	1700 (group-wide basis)
Sales:	NOK4.2 billion
Stock:	Unlisted

Third-party Opinion

Management Systems to Ensure Safety

Evaluation of safety activities tends to be based solely on changes in the frequency of accidents or to qualitatively evaluate accidents' impact on operations. It bears noting that Iino Lines quantifies the cost of its activities to reduce accident frequency, activities to minimize losses when accidents occur, and activities in response to accidents that have occurred. Iino Lines comprehensively discloses such data as safety accounting together with environmental accounting.

In terms of crew members' safety and hygiene, Iino Lines reports labor accidents' frequency. That Iino Lines discloses such data regardless of whether they are favorable is evidence of its sincere commitment to information disclosure.

Appropriate Information Disclosure based on Quantitative Evaluation

Evaluation of safety activities tends to be based solely on changes in the frequency of accidents or to qualitatively evaluate accidents' impact on operations. It bears noting that Iino Lines quantifies the cost of its activities to reduce accident frequency, activities to minimize losses when accidents occur, and activities in response to accidents that have occurred. Iino Lines comprehensively discloses such data as safety accounting together with environmental accounting.

In terms of crew members' safety and hygiene, Iino Lines reports labor accidents' frequency. That Iino Lines discloses such data regardless of whether they are favorable is evidence of its sincere commitment to information disclosure.

Steady Environmental Protection Efforts

This report also profiles environmental initiatives specific to the shipping business. Specifically, it includes a feature on ballast water exchange measures. In recent years, international rules have been increasingly adopted in response to the problem of ballast water discharges' adverse impact on marine ecosystems. However, the imposition of stricter regulations increases costs for shipping lines, and national regulations vary among countries. It is consequently not easy for companies to comply with such regulations.

This report features a discussion among invited experts. As part of this discussion, Iino Lines frankly acknowledges the difficulty of regulatory compliance from a company's standpoint. This admission bespeaks Iino Lines' earnest attitude of steadily advancing step by step toward challenging targets while level-headedly facing reality. Such candor conveys a favorable impression.

My Expectations for Iino Lines

Although the global economy has embarked on a gradual recovery trend, the economic outlook remains murky. Iino Lines' core Tanker Division continues to face an adverse operating environment, largely reflecting a slack supply-demand balance due to an influx of newly built tankers. Amid such an environment, Iino Lines has set a clear strategic direction of intensively allocating management resources to its Chemical Tanker Division while operating a domestic real estate (office leasing) business to stabilize earnings.

Currently, however, Iino Lines derives over 93% of its revenues from its Shipping Business. The Real Estate Business is not yet contributing appreciably to stabilizing Iino Lines' earnings. Going forward, I hope that Iino Lines make steady progress in building a stable, well-balanced earnings foundation.

Takashi Tsukioka
Managing Director, Managing Executive Officer and General Manager of Corporate Planning Department
Idemitsu Kosan Co., Ltd.

Response to Third-party Opinion

We have renewed our determination in response to Mr. Tsukioka's valuable opinion and encouragement about our Group's activities and this report.

At the Iino Lines Group, ensuring safety is the foundation of our operations. We operate management systems based on ISO standards and pursue continuous improvement through disclosure of targets and results.

We will endeavor to build a stable earnings foundation in accord with Mr. Tsukioka's expectations. We will continue to earnestly listen to your opinions and put them to use in our Group's activities in the aim of creating new value as a company and realizing a future in harmony with environment. We look request your continued input and support.

Yoshiaki Ohashi, Chair of Editorial Committee
Director and Managing Executive Officer
Iino Lines

Message from the Former President

The Iino Group has always viewed safety as an important management issue. To us, the word “safety” implies two ideals.
One is the desire to avoid ever being the cause of a major accident. For example, if crude oil carried by our oil tankers or hazardous materials transported by our chemical tankers were to leak into the ocean, it would dramatically impact the natural environment.
The second is the desire to avoid being caught up in dangerous situations. The Iino Group’s vessels still risk encountering piracy on the waters they travel.
Moreover, some of our vessels may encounter unavoidable situations even if the most careful precautions are taken. They could be nudged, or worse, by another vessel while anchored, for example. We must always exercise caution and never forget to prepare for danger. Nevertheless, some situations are unpredictable and unavoidable even with such precautions. I pray that our entire fleet never encounters such situations and always enjoys safe voyages.
Looking back, my life in the shipping business began with a small company immediately after the consolidation of Japan’s shipping industry, and I grew in step with the company’s subsequent growth. In retrospect, shipping industry consolidation also brought home the importance of standing on your own two feet and widespread concern for safety, which combined to give rise to a corporate culture that values long-term stability and independence. Perhaps this background is why Iino has long been regarded as having sound management.
Our culture is also manifest in our unique corporate strategy, comprising a tenacious investment strategy focused on long-term results and investment in the real estate business as a source of stable earnings. One pertinent example is our Chemical Tanker Division, which was launched in 1979 and is currently one of our mainstay areas. After more than twenty difficult years, the division finally began yielding tangible earnings upon the turn of the millennium. This kind of entrepreneurial spirit within the company has been handed down through the years, culminating in the Iino Group as it exists today. Looking ahead, we hope to continue to provide services that are safe, reliable, and convenient and create new value.
In my role as executive adviser, I will support the new company president and work to ensure the Iino Group’s continued advancement. The entire Iino Group will continue to work as one to meet your expectations, and we look forward to your continued support.

In conclusion, I would like to express my gratitude to everyone from outside the Iino Group who contributed to this report and to all of its readers.

Executive Adviser
(Former President)
Katsuyuki Sugimoto

From the Editorial Committee / Editorial Office

We issued the inaugural Iino Report last year as an amalgamation of our Annual Report and Safety and Environmental Report (which functioned as our CSR report). Our aim in integrating the two reports was to comprehensively communicate a wider range of information to even more stakeholders.
Preparation of this booklet was led by an editorial committee composed of Iino Group employees chosen to be evenly representative of all of our operations and divisions. The committee discussed the best way to communicate the Iino Group's characteristics to readers and devised an editorial policy focused on three main themes: strengths deeply rooted in the company's history and sound corporate culture, sincerity evidenced by consideration for the environment, and strong stakeholder affinity at the individual employee level. We have also endeavored to design pages to be amenable to readers who are color-challenged or have weak eyesight.
In a feature article on the real estate business, development staff from our Real Estate Business division describe their passion and enthusiasm for the Iino Building's reconstruction. A feature article on the shipping business looks at biodiversity in Tokyo Bay. In preparing the article, we invited a specialist involved in restoration of Tokyo Bay and an advisor to the Aichi-Nagoya Conference of the Parties (COP 10), who discussed ways of protecting the chain of marine life with Iino employees.
We look forward to receiving your thoughts and opinions about this report, which we hope to use in improving the Iino Group's operations and corporate social responsibility (CSR) initiatives and as a valuable reference for the preparation of future reports.

Editorial Committee Members

Committee Chair: Yoshiaki Ohashi, Director, Managing Executive Officer, Iino Lines
Vice Chair: Yoshihiko Nakagami, Representative Director, Managing Executive Officer, Iino Lines
Advisor: Mitsuhiko Aiba, Senior Adviser, Iino Lines
Members: Iino Lines: Hiromi Tosha, Takao Kunisaki, Seiichi Fujimura, Koichi Yoshikawa, Takehiro Yamada, Takeshi Suzuki, Hirohito Kobayashi, Osamu Fushida, Koji Wada, Masayuki Toyota, Kimiko Koike, Daisuke Mitate
Iino Marine Service: Toshitada Yamahiro, Hidehisa Ishida
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Editorial Office: Iino Lines: Noboru Hisasue, Yuji Yasuki, Akiko Hayama, Natsuhiko Ito, Eisuke Kamata
Iino Research and Persona: Yasuaki Suzuki

Contacts

Iino Lines Shiba-Daimon Front Bldg. 1-7-13 Shiba-kouen, Minato-ku Tokyo 105-0011
IR Office, Planning & General Affairs Group Tel: +81 3-5408-0356 Fax: +81 3-5408-0443
E-mail:ikk_soumu2@ex.iino.co.jp
Safety and Environment Office, Stakeholder Relations Management & Research Group
Tel: +81 3-5408-0373 Fax: +81 3-5408-0383 E-mail: srm-1@ex.iino.co.jp

Other Publications

1. Valuable Securities Report **2. Business Report** **3. Report to Shareholders**

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