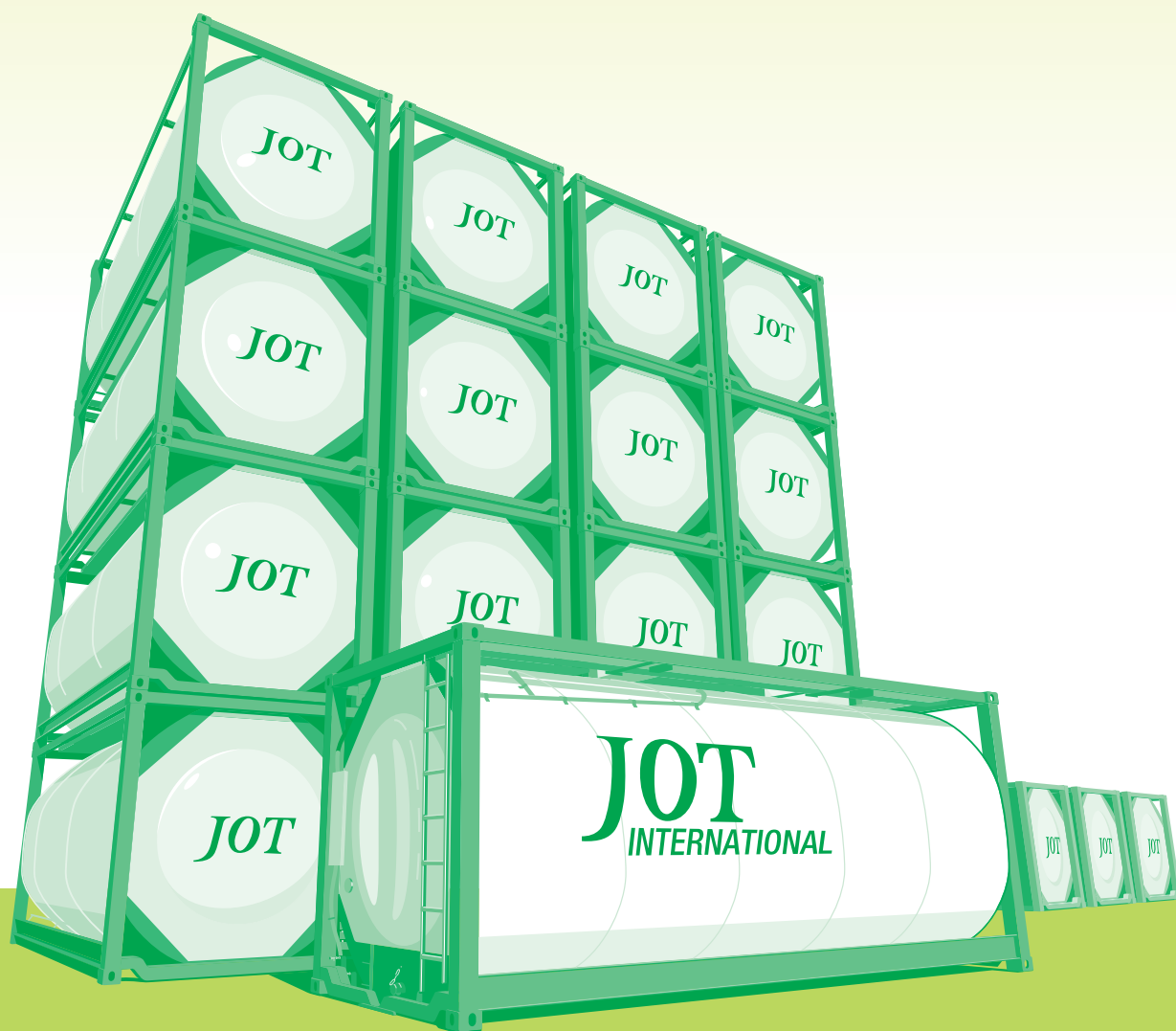


# *JOT*



## **ANNUAL REPORT 2017**

Year Ended March 31, 2017

Japan Oil Transportation Co.,Ltd.

# *Shift for the Next*

**We fulfill our responsibility to the future  
with thorough safety and high-quality service**

Before presenting the business report for the 100th term (April 1, 2016 to March 31, 2017), I would like to take this opportunity to thank our shareholders for their support throughout the year.

We expect that the Japanese economy will remain unpredictable with concerns over the risk of an economic downturn in overseas economies, although a moderate expansion is expected with support notably from favorable corporate earnings, along with an improvement in employment and income situations.

In the distribution industry, truck driver shortage, a rise in personnel cost, and other costs are issues of concern.

Furthermore, amidst the outlook for a protracted decrease in domestic demand for oil products, moves toward management integration among the primary distributors of oil, including JXTG Group, which started operation on April 1, 2017, are likely to have various impacts on the JOT Group.

Amid these conditions, we have formulated a medium-term management plan that runs from Fiscal 2018 through Fiscal 2020, to achieve a continued growth of the JOT Group under the catchphrase “Shift for the Next - We fulfill our responsibility to the future with thorough safety and high-quality service.”

In the management plan, we have set our targets of net sales of ¥33 billion or more, operating income of ¥1.2 billion or more, and ordinary income of ¥1.5 billion or more in Fiscal 2020. To achieve these goals, we will secure profitability by maintaining and expanding our share of the transportation market, promote such growth areas as LNG (liquid natural gas) transportation, hydrogen transportation, and overseas chemical transportation, and will work on improving productivity through enhanced group-wide collaboration and other means.

I continue to count on your generous support and cooperation.



A handwritten signature in black ink that reads "Kimio Morita".

**Kimio Morita**

President and Representative Director

August 2017

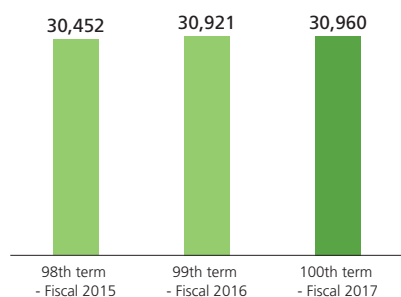
## Results for the 100th term (Consolidated)

In order to secure stable earnings, the JOT Group continued its efforts to ensure thorough safety and provide high-quality service, actively pursuing marketing activities in the LNG transportation business as well as in overseas chemical transportation business as we strove to expand our revenue base for the future.

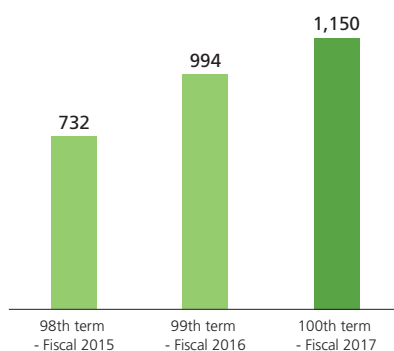
Furthermore, we worked on expanding hydrogen transportation, a new source of energy that the supply infrastructure development is making progress in.

As a result, net sales in the fiscal year under review showed a year-on-year increase of 0.1%, to ¥30,960 million. Furthermore, operating income rose by 15.7% year-on-year to ¥1,150 million, ordinary income rose by 13.0% year-on-year to ¥1,467 million, partly due to the decrease in expenses accompanying the drop in the fuel oil price, and profit attributable to owners of parent rose 28.9% year-on-year to ¥1,014 million.

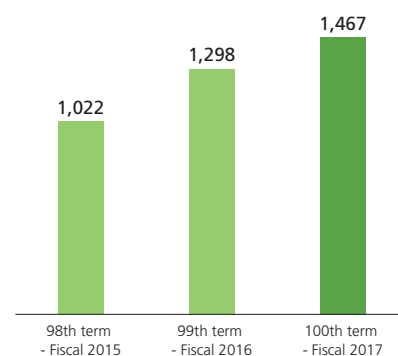
### Net Sales (Millions of yen)



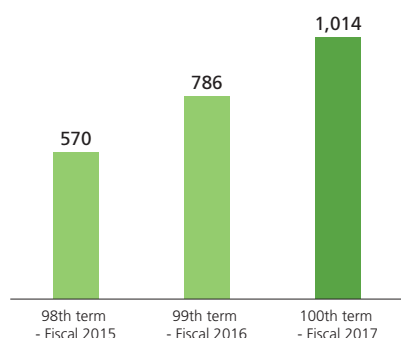
### Operating Income (Millions of yen)



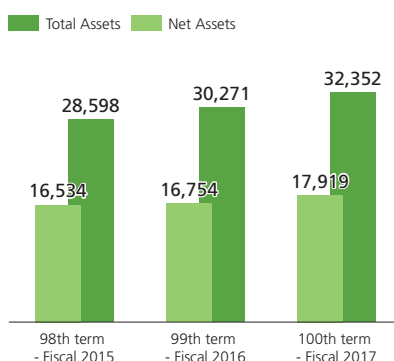
### Ordinary Income (Millions of yen)



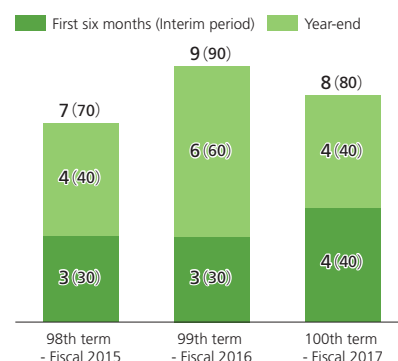
### Profit Attributable to Owners of Parent (Millions of yen)



### Total Assets / Net Assets (Millions of yen)



### Dividend Per Share (Yen)



\*Year-end dividend per share for the 99th term includes a ¥2 commemorative dividend.

\*Effective October 1, 2016, we undertook a 1-for-10 stock consolidation. Figures in ( ) of the dividends reflect this stock consolidation.

# Segment overview (consolidated)

## Oil Transportation Business

### Business description

Making use of two different modes of transportation, namely rail tank car transportation, which enables the transportation of high volumes at low cost and with little environmental impact, and trucking transportation, which is agile and flexible, the JOT Group conducts transportation of fuel oils such as gasoline, diesel, and kerosene.



### Overview of the period

**Net sales - ¥14,892 million**

**Operating income - ¥583 million**

In the oil transportation business, although cold weather was accompanied by a growth in demand, net sales decreased due to effects such as periodic refinery maintenance. As a result, net sales in the oil transportation business showed a year-on-year decrease of 1.2% to ¥14,892 million.

## High-Pressure Gas Transportation Business

The JOT Group conducts multimodal transportation by tanker truck and rail tank containers. We link our customers' satellite stations and plants, etc., to LNG (liquid natural gas) import terminals around Japan, as well as to domestic gas fields.



**Net sales - ¥8,096 million**

**Operating income - ¥493 million**

In the high-pressure gas transportation business, our core business of LNG transportation more or less maintained the preceding year's levels as we secured new transport routes which helped to offset the decrease in some existing transport routes. Additionally, increase in hydrogen transportation helped to boost net sales in this segment. As a result, net sales in the high-pressure gas transportation business showed a year-on-year increase of 1.5% to ¥8,096 million.

## Chemical and Container Transportation Business

In the chemical transportation business, the JOT Group is developing the leasing of containers for the transport of liquid and powder chemicals and foodstuffs, as well as multimodal transportation, combining various methods of transportation.



In the container transportation business, the JOT Group is also engaged in rental and leasing of various types of rail containers, such as for agricultural products, food products, industrial products, and courier services, in order to meet the needs of our customers.



**Net sales - ¥7,790 million**

**Operating income - ¥26 million**

In the chemical transportation business, domestic transportation continued at the preceding year's levels, while overseas transportation was supported by an increase in the number of ISO tank containers and efforts in expanding sales channels, resulting in a net sales increase. In the container transportation business, net sales decreased as a result of frequent service disruptions to freight trains in the Hokkaido area due to typhoons, as well as the partial termination of refrigerated container operations at the end of the preceding fiscal year. As a result, net sales in the chemical and container transportation business showed a year-on-year increase of 1.2% to ¥7,790 million.

## Other Business

With regard to the solar power generation business, there are currently four JOT solar stations located around Japan.



**Net sales - ¥180 million**

**Operating income - ¥46 million**

In the solar power generation business, net sales increased due to an expanded operation with a solar power station completed during the preceding fiscal year, as well as smooth operation of the stations. As a result, net sales in the other business showed a year-on-year increase of 8.8% to ¥180 million.

# TOPICS

## - Medium-term management plan has been formulated -

In a business environment that is undergoing significant changes, we have formulated a medium-term management plan for the Fiscal 2018 through Fiscal 2020 period, setting the following numerical targets and basic policies to achieve a continued growth of the JOT Group.

1 Targets	Net Sales	¥33.0 billion or more (Fiscal 2020)
	Operating Income	¥1.2 billion or more (Fiscal 2020)
	Ordinary Income	¥1.5 billion or more (Fiscal 2020)
	ROE	5 % (Fiscal 2020)
	Dividend Payout Ratio	30 % (Fiscal 2018 - Fiscal 2020)
	Total Investment	¥12.5 billion or more (Total of Fiscal 2018 - Fiscal 2020)

2 Basic Policies	Secure profitability	<ul style="list-style-type: none"> <li>· Maintain our share of the transportation market, secure stable earnings [Oil / LPG / Chemicals / Containers]</li> <li>· Further expand the market share through M&amp;As and other means [Truck transportation company]</li> </ul>
	Growth areas	<ul style="list-style-type: none"> <li>· Steadily capture the growing demand [LNG]</li> <li>· Expand investment in new areas [Overseas business / hydrogen / air cargo containers]</li> </ul>
	Improve productivity	<ul style="list-style-type: none"> <li>· Strengthen our sales capabilities through group-wide collaboration (improve labor productivity) [Work-style reforms]</li> <li>· Build a strong and flexible corporate group [Reorganization / Recruitment]</li> </ul>

## - The LNG Training Center has been expanded -

The environment surrounding LNG transportation is changing more significantly than ever before; nationwide construction and planned construction of new LNG terminals has continued in recent years along with the growth in LNG demand; additionally, full liberalization of town gas retail market started in April 2017.

Under these conditions, in April 2017, the LNG Training Center for the JOT Group was revamped and relocated to a new site in Hitachinaka City in Ibaraki Prefecture, where enhanced education and training programs are offered. It is part of our efforts to further upgrade our LNG transportation business where continued growth is expected, in order to become a corporate group that responds to clients' needs, and is our clients' first choice.

The Training Center provides drivers with an opportunity to experience an integrated program of education, training, and exercise in LNG transport, which extends from acquiring basic knowledge to receiving practical skills in cargo handling operation. For instance, drivers first learn how to operate LNG transport vehicles using models of LNG transport vehicles and cutaway models of equipment, upon which they receive practical, technical guidance using actual LNG tanker trucks and piping devices for training.

Making use of the enhanced training facilities and teaching materials, we seek to deepen drivers' knowledge and experience in LNG transport to further promote our commitment towards thorough safety in transportation.



Lecture on LNG transport



Cargo handling simulation



Lecture using an actual LNG tanker truck

# Consolidated Financial Statements (Summarized)

Japan Oil Transportation Co., Ltd. and its Consolidated Subsidiaries

## CONSOLIDATED BALANCE SHEETS

As of March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars
Assets	2016	2017	2017
<b>Current assets:</b>			
Cash and deposits	¥ 1,878	¥ 2,311	\$ 20.6
Notes and accounts receivable - trade	3,465	3,541	31.6
Inventories	28	50	0.5
Deferred tax assets	245	293	2.6
Other	119	390	3.5
<b>Total current assets</b>	<b>5,737</b>	<b>6,587</b>	<b>58.7</b>
<b>Non-current assets:</b>			
<b>Property, plant and equipment</b>	<b>19,803</b>	<b>20,237</b>	<b>180.4</b>
Buildings and structures	1,821	1,707	15.2
Machinery, equipment and vehicles	4,426	4,299	38.3
Containers	3,039	2,617	23.3
Land	5,428	5,487	48.9
Lease assets	4,998	5,754	51.3
Construction in progress	13	302	2.7
Other	75	67	0.6
<b>Intangible assets</b>	<b>25</b>	<b>58</b>	<b>0.5</b>
Software	25	18	0.2
Software in progress	—	39	0.4
<b>Investments and other assets</b>	<b>4,704</b>	<b>5,468</b>	<b>48.7</b>
Investment securities	3,674	4,462	39.8
Long-term loans receivable	51	48	0.4
Deferred tax assets	507	493	4.4
Other	471	464	4.1
<b>Total non-current assets</b>	<b>24,533</b>	<b>25,764</b>	<b>229.7</b>
<b>Total assets</b>	<b>¥ 30,271</b>	<b>¥ 32,352</b>	<b>\$ 288.4</b>

	Millions of yen		Millions of U.S. dollars
Liabilities	2016	2017	2017
<b>Current liabilities:</b>			
Notes and accounts payable - trade	¥ 1,808	¥ 1,938	\$ 17.3
Short-term loans payable	447	407	3.6
Lease obligations	1,389	1,454	13.0
Accrued expenses	691	655	5.8
Income taxes payable	397	307	2.7
Provision for bonuses	589	648	5.8
Provision for directors' bonuses	89	92	0.8
Other	808	752	6.7
<b>Total current liabilities</b>	<b>6,222</b>	<b>6,259</b>	<b>55.8</b>
<b>Long-term liabilities:</b>			
Lease obligations	3,647	4,346	38.7
Deferred tax liabilities	300	461	4.1
Reserve for vehicle repairs	326	322	2.9
Net defined benefit liability	2,635	2,616	23.3
Other	385	427	3.8
<b>Total long-term liabilities</b>	<b>7,295</b>	<b>8,173</b>	<b>72.9</b>
<b>Total liabilities</b>	<b>¥ 13,517</b>	<b>¥ 14,432</b>	<b>\$ 128.6</b>

<b>Net assets</b>			
<b>Shareholders' equity</b>	<b>16,308</b>	<b>16,990</b>	<b>151.4</b>
Common stock	1,661	1,661	14.8
Capital surplus	290	290	2.6
Retained earnings	14,389	15,073	134.4
Treasury shares, at cost	(33)	(34)	(0.3)
<b>Accumulated other comprehensive income</b>	<b>446</b>	<b>929</b>	<b>8.3</b>
Net unrealized gains on other securities	571	1,083	9.7
Deferred gains or losses on hedges	(0)	(11)	(0.1)
Remeasurements of defined benefit plans	(125)	(143)	(1.3)
<b>Total net assets</b>	<b>16,754</b>	<b>17,919</b>	<b>159.7</b>
<b>Total liabilities and net assets</b>	<b>¥ 30,271</b>	<b>¥ 32,352</b>	<b>\$ 288.4</b>



## CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars
	2016	2017	2017
<b>Net sales</b>	<b>¥ 30,921</b>	<b>¥ 30,960</b>	<b>\$ 276.0</b>
<b>Cost of sales</b>	<b>28,001</b>	<b>27,863</b>	<b>248.4</b>
<b>Gross profit</b>	<b>2,919</b>	<b>3,096</b>	<b>27.6</b>
<b>Selling, general and administrative expenses</b>	<b>1,925</b>	<b>1,946</b>	<b>17.3</b>
<b>Operating income</b>	<b>994</b>	<b>1,150</b>	<b>10.3</b>
<b>Non-operating income</b>	<b>548</b>	<b>525</b>	<b>4.7</b>
Interest income	0	0	0.0
Dividend income	90	93	0.8
Rent income on fixed assets	236	235	2.1
Gain on sales of non-current assets	140	113	1.0
Share of profit of entities accounted for using equity method	20	20	0.2
Other	61	61	0.5
<b>Non-operating expenses</b>	<b>245</b>	<b>208</b>	<b>1.9</b>
Interest expenses	68	69	0.6
Rent expenses on fixed assets	102	81	0.7
Loss on sales and retirement of non-current assets	48	45	0.4
Other	25	11	0.1
<b>Ordinary income</b>	<b>1,298</b>	<b>1,467</b>	<b>13.1</b>
<b>Extraordinary income</b>	<b>68</b>	<b>76</b>	<b>0.7</b>
<b>Extraordinary expenses</b>	<b>85</b>	<b>47</b>	<b>0.4</b>
<b>Profit before income taxes</b>	<b>1,280</b>	<b>1,495</b>	<b>13.3</b>
Income taxes - current	526	546	4.9
Income taxes - deferred	(33)	(65)	(0.6)
<b>Profit</b>	<b>786</b>	<b>1,014</b>	<b>9.0</b>
<b>Profit attributable to non-controlling interests</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Profit attributable to owners of parent</b>	<b>¥ 786</b>	<b>¥ 1,014</b>	<b>\$ 9.0</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2017 and 2016

	Millions of yen		Millions of U.S. dollars
	2016	2017	2017
<b>Net cash provided by operating activities</b>	<b>¥ 4,371</b>	<b>¥ 4,115</b>	<b>\$ 36.7</b>
<b>Net cash used in investing activities</b>	<b>(3,098)</b>	<b>(2,356)</b>	<b>(21.0)</b>
<b>Net cash used in financing activities</b>	<b>(462)</b>	<b>(1,327)</b>	<b>(11.8)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(0)</b>	<b>3</b>	<b>0.0</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>810</b>	<b>433</b>	<b>3.9</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,067</b>	<b>1,878</b>	<b>16.7</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 1,878</b>	<b>¥ 2,311</b>	<b>\$ 20.6</b>

Note: The approximate exchange rate in effect on March 31, 2017 was ¥112.19 = U.S. \$1.

# Corporate Information

## Company Profile (As of March 31, 2017)

**Company Name:** Japan Oil Transportation Co., Ltd.  
**Established:** March 27, 1946  
**Head Office:** WEST BLDG. Gate City Ohsaki  
11-1, Ohsaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan  
TEL: 81-3-5496-7671  
URL: <http://www.jot.co.jp/en>  
**Paid-in Capital:** ¥1,661 million  
**Number of Employees:** 1,396 (consolidated); 161 (non-consolidated)

## Primary Business

1. Transportation of oil products (gasoline, kerosene, etc.) by rail tank car and truck
2. Transportation of high-pressure gas (LNG, etc.) by rail container, truck, and intermodal transportation
3. Transportation of petrochemical and related products by rail container, truck, and domestic and international intermodal transportation; leasing of a range of containers
4. Rental and leasing of railway refrigerated containers and freezer containers and related items
5. Solar power generation business

## Major Subsidiaries (As of March 31, 2017)

Company Name	Paid-in Capital	Equity Ownership	Primary Business
<b>ENEX, Inc.</b>	¥100 million	100.0%	Trucking transportation of oil products, high-pressure gas, and related products, disaster prevention at petroleum industry complexes
<b>Kinki Oil Transportation Co., Ltd.</b>	¥ 75 million	100.0%	Trucking transportation of oil products, high-pressure gas, and related products
<b>NICHIYU CO., LTD.</b>	¥ 40 million	100.0%	Sales and leasing of rail vehicle and container accessories, insurance agency
<b>New J's Co., Ltd.</b>	¥ 48 million	100.0%	Trucking transportation of petrochemical and related products, automobile services
<b>JK TRANS Co., Ltd.</b>	¥100 million	100.0%	Trucking transportation of oil products, petrochemical and related products



Japan Oil Transportation Co., Ltd.

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