

JOT



ANNUAL REPORT 2018

Year Ended March 31, 2018

Japan Oil Transportation Co.,Ltd.

Shift for the Next

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

I am Shoichiro Hara, the recently appointed President and Representative Director of Japan Oil Transportation. Before presenting the business report for the 101st term (April 1, 2017 to March 31, 2018), I would like to take this opportunity to thank our shareholders for their support throughout the year.

Going forward, we expect the tone of recovery in the Japanese economy to continue, supported by strong corporate earnings, but on the other hand there are concerns that the outlook for overseas economies will remain uncertain.

In the logistics industry, challenging conditions are expected to continue due to such factors as the problem of truck driver shortages and a rise in personnel costs. Furthermore, amidst the outlook for a protracted decrease in domestic demand for oil products, we expect the movement towards consolidation and rationalization of oil manufacturing companies to have various effects on the JOT Group in the future.

Amid these conditions, the JOT Group has drawn up a medium-term management plan under the slogan "Shift for the Next - We fulfill our responsibility to the future with thorough safety and high-quality service," and will

move ahead with initiatives to achieve the plan's objectives.

In Fiscal 2018, the first year of the medium-term management plan, we made satisfactory progress, and in Fiscal 2019 we aim to continue to work on strengthening profitability, acquiring new customers in all areas of the transportation business, and maintaining and expanding our transportation market share.

Moreover, we will take an active approach to capital expenditures for growth areas such as LNG (liquid natural gas) transportation, hydrogen transportation, and international chemical transportation, accelerating our initiatives to expand the business. In addition, with regard to the problem of truck driver shortages, we will secure personnel by striving to improve the employment environment, and generally work to maintain the stability of transportation operations.

Implementing these initiatives in parallel, we will strive to enhance safety education so as to provide a high-quality service going forward that customers can use without worry.

I will dedicate all my efforts to the development of the Company's business, and humbly request the continued support and the good offices that you showed my predecessor, Kimio Morita.



A handwritten signature in black ink, reading "Shoichiro Hara" with a stylized flourish at the end.

Shoichiro Hara
President and Representative Director

August 2018

Results for the 101st term (Consolidated)

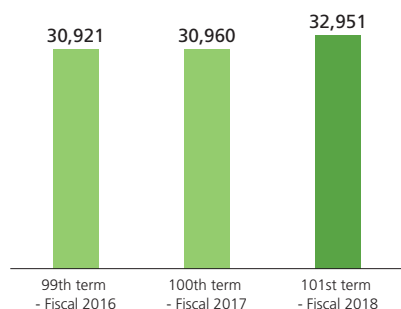
With the aim of achieving the objectives of the medium-term management plan, the Company worked to strengthen profitability by maintaining and expanding its transportation market share, promote growth areas such as LNG transportation, hydrogen transportation, and international chemical transportation, and improve productivity through increased collaboration among the JOT Group.

In addition, in terms of safety, we strove to further enhance training facilities related to safety education for Group companies.

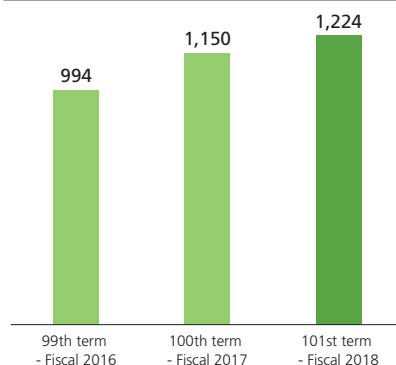
As a result, net sales in the fiscal year under review showed a year-on-year increase of 6.4%, to ¥32,951 million due to strong performance in the respective transportation businesses.

Furthermore, operating income rose by 6.4% year-on-year to ¥1,224 million, ordinary income rose by 0.1% year-on-year to ¥1,467 million, and profit attributable to owners of parent rose by 2.2% year-on-year to ¥1,037 million.

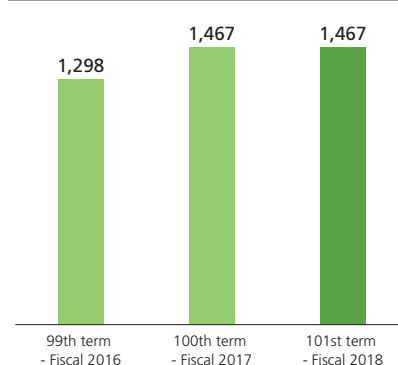
Net Sales (Millions of yen)



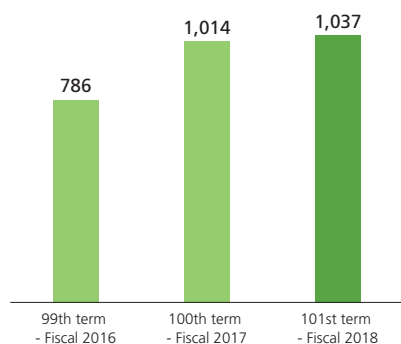
Operating Income (Millions of yen)



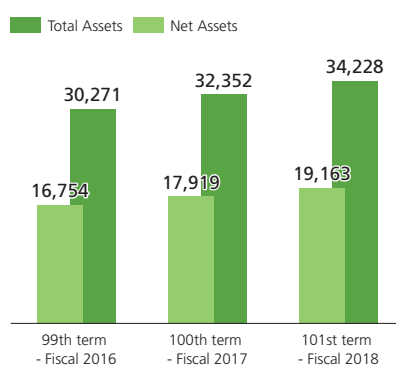
Ordinary Income (Millions of yen)



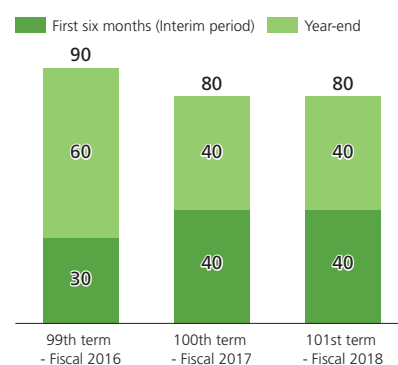
Profit Attributable to Owners of Parent (Millions of yen)



Total Assets / Net Assets (Millions of yen)



Dividend Per Share (Yen)



*Effective October 1, 2016, we undertook a 1-for-10 stock consolidation, and for dividend calculations before the interim dividend for the 100th term, we have presented our calculations based on the number of shares post-consolidation.

*Year-end dividend per share for the 99th term includes a ¥20 commemorative dividend.

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 truck 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 - ¥15,740 million

Operating income - ¥606 million

In the oil transportation business, amid the progressing consolidation and rationalization of oil manufacturing companies, we took aggressive steps to maintain and expand our share of the transportation market, in addition to which there was a recovery effect from the impact of periodic refinery maintenance during the previous fiscal year, leading to increases in both net sales and operating income. As a result, net sales in the oil transportation business rose by 6.1% year-on-year to ¥15,740 million, and operating income rose by 12.8% year-on-year to ¥606 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 import terminals around Japan, as well as to domestic gas fields.



Net sales - ¥8,445 million

Operating income - ¥471 million

In the high-pressure gas transportation business, in addition to beginning new LNG transportations, growth in hydrogen transportation resulted in higher net sales. However, due to increases in fuel costs and in personnel and other expenses, operating income declined. As a result, net sales in the high-pressure gas transportation business rose by 3.6% year-on-year to ¥8,445 million, and operating income decreased by 3.3% year-on-year to ¥471 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 - ¥8,584 million

Operating income - ¥89 million

In the chemical transportation business, besides the growth of domestic transportation as a result of proactive development of sales activities, international 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. On the other hand, expenses related to investments increased, and led to a fall in operating income. In the container transportation business, due to strong growth in cargo of vegetables from the summer onward, and due to our acquisition of stable long-term lease contracts, both net sales and operating income posted increases. As a result, net sales in the container transportation business rose by 10.2% year-on-year to ¥8,584 million, and operating income rose by 13.7% year-on-year to ¥89 million.

Other Business

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



Net sales - ¥181 million

Operating income - ¥56 million

In the solar power generation business, net sales rose by 0.5% year-on-year to ¥181 million, and operating income rose by 22.7% year-on-year to ¥56 million due to smooth operation of the solar power plants.

TOPICS & COLUMN

International transportation business : Topics for Fiscal 2018

· Establishment of the Singapore branch

The JOT Group's international transportation business has grown satisfactorily since we began full-scale operations in October 2013. In April 2015 we established a representative office in Singapore for the purpose of collecting information, such as market research. Furthermore, with the aim of further expanding the international transportation business, we have upgraded this representative office to a branch office, and have been shifting to full-scale activities there since April 2018. By enabling not only information collection, but also local sales activities, we have prepared an environment in which we can focus on expanding sales channels.

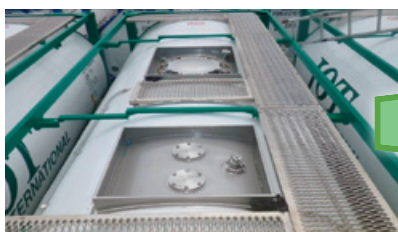
· Additional launch of ISO tank containers

In the international transportation business, in order to handle the number of items dispatched, which rises every year, we are continually manufacturing new containers, and we launched 500 units in Fiscal 2018. As a result of this, the number of ISO tank containers for use in the international transportation business exceeded 1,600 units.

On this occasion, in order to differentiate our newly manufactured containers from those of competitors, we made the insulation that covers the tank body thicker than that of existing containers in order to reduce the heating time and cut costs, in addition to which we fitted lids to the loading and unloading valves to improve insulation performance.

Also, as an initiative to improve safety, we increased the surface area of the walkway fixed to the upper section of the container relative to that of existing containers, changing the specification to one that takes into account safety during loading and unloading operations.

Making full use of the establishment of the Singapore branch, and the containers with improved performance and safety characteristics, we will devote all our energies to further expanding the business platform.



Upper section of existing container



Upper section of container newly manufactured on this occasion

Introduction to domestic oil transportation business (rail transportation)

Here we will take a look at domestic rail tank car transportation, a business that has continued since the establishment of the Company. Crude oil that is imported to Japan from overseas by ship is refined at refineries located along the coasts, and becomes various kinds of petroleum products.

Our rail tank cars are responsible mainly for transportation between refineries and the oil tanks spread throughout the country as storage points for petroleum products.

The advantage of rail transportation lies in the high volume transported and the low number of personnel required, and the JOT Group has continued to prioritize research and development in order to make rail tank cars larger and faster to increase the amount of product transported.

The rail tank car in use at the time of the establishment of the Company had a top speed of around 60 km/h and a small body that held less than 30,000 L of gasoline.

As a result of the progress made in technology, research, and development since that time, in 1993, the 47th year after the establishment of the Company, we succeeded in developing what is now the mainstream TAKI 1000-series of freight cars.

In addition to running at a maximum of 95 km/h, this model can hold around 60,000 L of gasoline per train car.

If we assume that the average vehicle has a tank capacity of 50 L, 10 train cars of this model can fill up tanks of more than 10,000 vehicles.

As for the number of personnel required, the amount carried by around 30 tanker trucks can be transported by one train driver.

As a result of the spread of fuel-efficient vehicles, and the progress of the conversion to alternate fuels, demand for oil is decreasing year by year, however the JOT Group will utilize both rail and truck transportation to contribute to the stable supply of the petroleum products that are indispensable to our lives.



The rail tank car used at the time of the establishment of the Company



The current mainstay rail tank car

Consolidated Financial Statements (Summarized)

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

CONSOLIDATED BALANCE SHEETS

As of March 31, 2018 and 2017

Assets	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Current assets:			
Cash and deposits	¥ 2,311	¥ 2,856	\$ 26.9
Notes and accounts receivable - trade	3,541	3,922	36.9
Inventories	50	38	0.4
Deferred tax assets	293	339	3.2
Other	390	571	5.4
Total current assets	6,587	7,727	72.7
Non-current assets:			
Property, plant and equipment	20,237	20,316	191.2
Buildings and structures	1,707	1,869	17.6
Machinery, equipment and vehicles	4,299	3,846	36.2
Containers	2,617	3,052	28.7
Land	5,487	5,486	51.6
Lease assets	5,754	5,917	55.7
Construction in progress	302	59	0.6
Other	67	84	0.8
Intangible assets	58	62	0.6
Software	18	60	0.6
Software in progress	39	2	0.0
Investments and other assets	5,468	6,121	57.6
Investment securities	4,462	5,201	49.0
Long-term loans receivable	48	45	0.4
Deferred tax assets	493	411	3.9
Other	464	463	4.4
Total non-current assets	25,764	26,501	249.4
Total assets	¥ 32,352	¥ 34,228	\$ 322.2

Liabilities	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Current liabilities:			
Notes and accounts payable - trade	¥ 1,938	¥ 2,033	\$ 19.1
Short-term loans payable	407	433	4.1
Lease obligations	1,454	1,531	14.4
Accrued expenses	655	576	5.4
Income taxes payable	307	332	3.1
Provision for bonuses	648	707	6.7
Provision for directors' bonuses	92	84	0.8
Other	752	990	9.3
Total current liabilities	6,259	6,690	63.0
Long-term liabilities:			
Lease obligations	4,346	4,433	41.7
Deferred tax liabilities	461	695	6.5
Reserve for vehicle repairs	322	244	2.3
Net defined benefit liability	2,616	2,566	24.2
Other	427	434	4.1
Total long-term liabilities	8,173	8,374	78.8
Total liabilities	¥ 14,432	¥ 15,065	\$ 141.8

Net assets			
Shareholders' equity	16,990	17,762	167.2
Common stock	1,661	1,661	15.6
Capital surplus	290	290	2.7
Retained earnings	15,073	15,845	149.1
Treasury shares, at cost	(34)	(35)	(0.3)
Accumulated other comprehensive income	929	1,400	13.2
Net unrealized gains on other securities	1,083	1,497	14.1
Deferred gains or losses on hedges	(11)	(3)	(0.0)
Remeasurements of defined benefit plans	(143)	(93)	(0.9)
Total net assets	17,919	19,163	180.4
Total liabilities and net assets	¥ 32,352	¥ 34,228	\$ 322.2

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2018 and 2017

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Net sales	¥ 30,960	¥ 32,951	\$ 310.2
Cost of sales	27,863	29,797	280.5
Gross profit	3,096	3,154	29.7
Selling, general and administrative expenses	1,946	1,930	18.2
Operating income	1,150	1,224	11.5
Non-operating income	525	500	4.7
Interest income	0	0	0.0
Dividend income	93	98	0.9
Rent income on fixed assets	235	256	2.4
Gain on sales of non-current assets	113	62	0.6
Share of profit of entities accounted for using equity method	20	26	0.3
Other	61	57	0.5
Non-operating expenses	208	257	2.4
Interest expenses	69	73	0.7
Rent expenses on fixed assets	81	91	0.9
Loss on sales and retirement of non-current assets	45	51	0.5
Other	11	40	0.4
Ordinary income	1,467	1,467	13.8
Extraordinary income	76	269	2.5
Extraordinary expenses	47	45	0.4
Profit before income taxes	1,495	1,692	15.9
Income taxes - current	546	590	5.6
Income taxes - deferred	(65)	64	0.6
Profit	1,014	1,037	9.8
Profit attributable to non-controlling interests	—	—	—
Profit attributable to owners of parent	¥ 1,014	¥ 1,037	\$ 9.8

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2018 and 2017

	Millions of yen		Millions of U.S. dollars
	2017	2018	2018
Net cash provided by operating activities	¥ 4,115	¥ 4,223	\$ 39.8
Net cash used in investing activities	(2,356)	(2,979)	(28.0)
Net cash used in financing activities	(1,327)	(691)	(6.5)
Effect of exchange rate change on cash and cash equivalents	3	(8)	(0.1)
Increase (decrease) in cash and cash equivalents	433	544	5.1
Cash and cash equivalents at beginning of year	1,878	2,311	21.8
Cash and cash equivalents at end of year	¥ 2,311	¥ 2,856	\$ 26.9

Note: The approximate exchange rate in effect on March 31, 2018 was ¥106.24 = U.S. \$1.

Corporate Information

Company Profile (As of March 31, 2018)

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: 1,451 (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, 2018)

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



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11-1, Ohsaki 1-chome, Shinagawa-ku, Tokyo 141-0032, Japan

