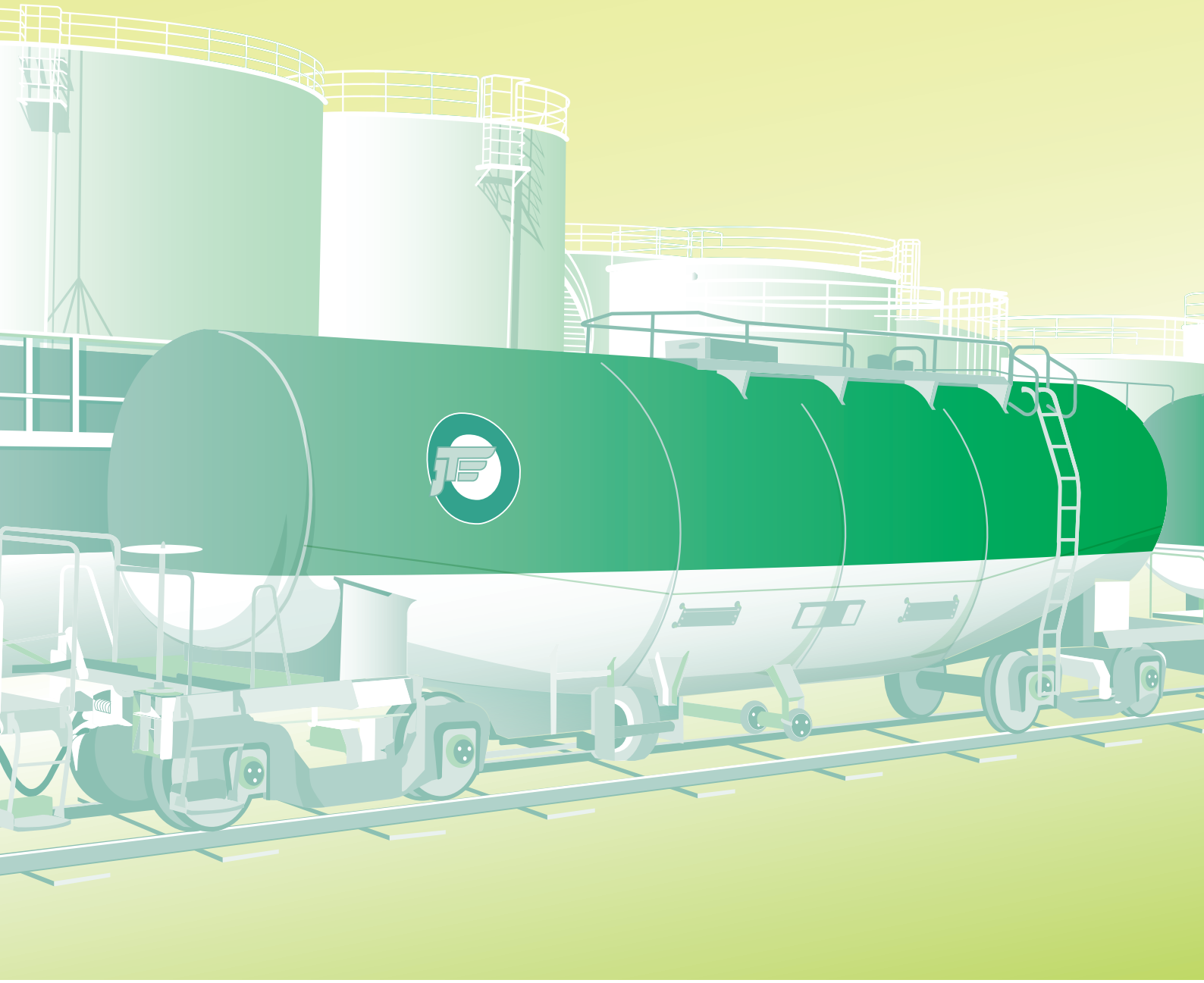
JOT



ANNUAL REPORT 2019

Year Ended March 31, 2019

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 102nd term (April 1, 2018 to March 31, 2019), I would like to take this opportunity to thank our shareholders for your support throughout the year.

Going forward, we expect the tone of moderate recovery in the Japanese economy to continue, but on the other hand there are concerns about the impact of the consumption tax hike scheduled for October 2019, and the increasingly uncertain outlook for overseas economies.

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.

Also, we expect the progressing consolidation and rationalization of oil manufacturing companies to have various effects on the JOT Group in the future.

Amid these conditions, the JOT Group companies are working together as a united group to achieve the objectives of the 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."

In Fiscal 2019, the second year of the medium-term management plan, increases in fuel and personnel costs and the impact of natural disasters, etc. led to profits undershooting initial forecasts, but in Fiscal 2020, the final year of the plan, we will further promote the initiatives implemented thus far, seeking to achieve 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 parallel with these initiatives, in order to maintain the stability of transportation we will continue our focus on improving the employment environment to secure drivers and on expanding the number of vehicles, while also striving to further enhance safety education to provide a high-quality service going forward that customers can use without worry.

I continue to count on your generous support and cooperation.

August 2019

Shoichiro Hara
President and Representative Director

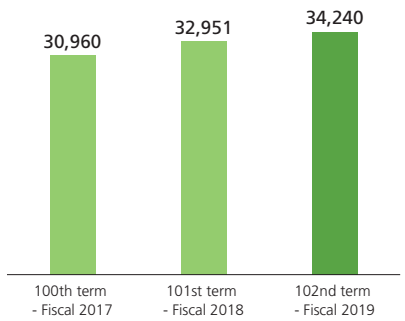
Results for the 102nd term (Consolidated)

With the aim of achieving the objectives of the medium-term management plan (Fiscal 2018 - Fiscal 2020), the JOT Group 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. We also focused on securing truck drivers and on expanding the number of vehicles, with the aim of maintaining a stable transportation operation.

As a result, net sales in the fiscal year under review showed a year-on-year increase of 3.9%, to ¥34,240 million, and operating income fell by 17.5% year-on-year to ¥1,009 million, due to increases in fuel costs and in personnel and other expenses. Ordinary income fell by 10.4% year-on-year to ¥1,315 million, and profit attributable to owners of parent fell by 19.8% year-on-year to ¥831 million.

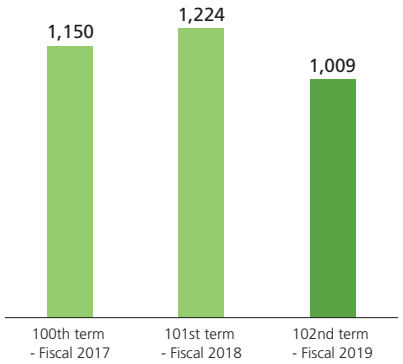
Net Sales

(Millions of yen)



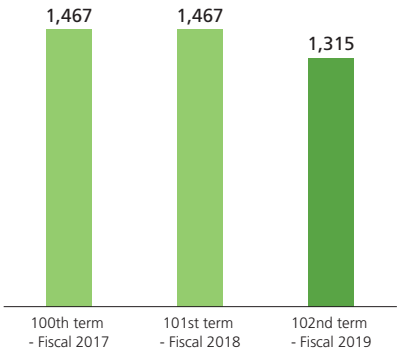
Operating Income

(Millions of yen)



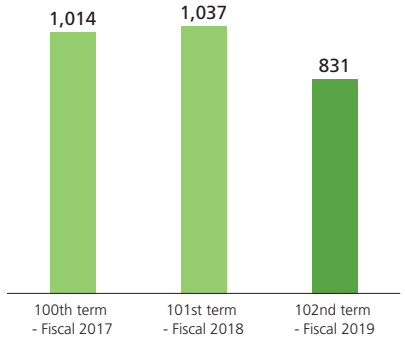
Ordinary Income

(Millions of yen)



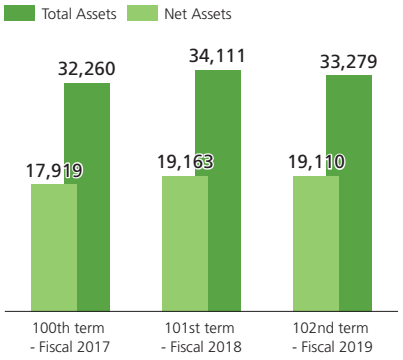
Profit Attributable to Owners of Parent

(Millions of yen)



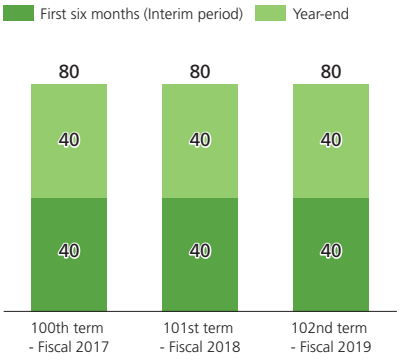
Total Assets / Net Assets

(Millions of yen)



Dividend Per Share

(Yen)



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

Segment overview (consolidated)

	Business description	Overview of the period
Oil Transportation Business	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.	Net sales - ¥17,017 million Operating income - ¥997 million In the oil transportation business, faced with the move towards consolidation and rationalization by oil manufacturing companies, we took aggressive steps to maintain and expand our share of the transportation market, growing both net sales and operating income by revising freight for our main customers. As a result, net sales in the oil transportation business rose by 8.1% year-on-year to ¥17,017 million, and operating income rose by 64.6% year-on-year to ¥997 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 - ¥8,494 million Operating income - ¥96 million In the high-pressure gas transportation business, our efforts to expand new LNG transportations resulted in higher net sales, but due to increases in fuel costs and in personnel and other expenses, operating income fell. As a result, net sales in the high-pressure gas transportation business rose by 0.6% year-on-year to ¥8,494 million, and operating income fell by 79.5% year-on-year to ¥96 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 - ¥8,549 million Operating loss - ¥151 million In the chemical transportation business, besides the growth of domestic transportation as a result of proactive development of sales activities, rate restoration for international transportation resulted in a net sales increase. In the container transportation business, suspension of freight train services caused by natural disasters such as the torrential rain that hit western Japan in July 2018, and the impact of poor growth of vegetable crops in the Hokkaido region, led to a fall in net sales. As a result, net sales in the chemical and container transportation business showed a year-on-year fall of 0.4% to ¥8,549 million. Moreover, with regard to profits, the fall in net sales caused by natural disasters, etc., and increases in expenses related to investments led to an operating loss of ¥151 million, compared to operating income of ¥89 million for the previous fiscal year.
Other Business	With regard to the solar power generation business, there are currently four solar power plants located around Japan.	Net sales - ¥179 million Operating income - ¥66 million In the solar power generation business, net sales fell by 1.1% year-on-year to ¥179 million, but operating income rose by 16.5% year-on-year to ¥66 million due to reductions in expenses.

TOPICS & COLUMN

Chemical transportation business : Topics for Fiscal 2019

- Introduction of new, low-height ISO tank containers

The chemical transportation business of the JOT Group leases mainly ISO tank containers, which conform to international standards.
We have recently developed a new type of low-height ISO tank container for customers considering replacement of old tanker trucks or looking for new transport means.
By further restricting the height of containers to less than 2 meters, lower than the previous containers used, we achieved a height close to that of tanker trucks, and also succeeded in reducing the weight.
In addition, by providing toolboxes, hose cases and folding ladders as standard features, instead of as options as had previously been, we managed to reduce the time required for conversion of new containers.
In Fiscal 2019 we brought in 30 containers, which have been met by praise from customers. Going forward we plan to increase this number further.
The JOT Group will continue to develop a variety of containers to meet the needs of customers in the future, and put all our efforts into initiatives to further expanding the business platform.

Low-height ISO tank container

Folding ladder

Introduction to high-pressure gas transportation business (LNG transportation)

LNG transportation at the JOT Group began with tanker truck transportation in 1984, followed by rail transportation in 2000, which was characterized by the first use of LNG tank containers in Japan.
LNG stands for Liquefied Natural Gas, which is created by extracting natural gas from gas or oil fields. This is then separated, purified, and refrigerated to a temperature of -162°C. Because its CO_2 emissions are low, LNG is attracting attention as an environmentally friendly and clean source of energy.
By liquefying, its volume can be reduced to approximately 1/600th of the gas volume, allowing for efficient transportation.
For the transportation of LNG, which is a hazardous substance, the JOT Group has established a specialized training center. Here, in addition to obtaining the necessary knowledge for these operations, personnel utilize a real LNG tanker truck and training-use piping devices to practice their skills in realistic conditions.
With regard to transportation, we are proud to have the largest domestic transportation share for LNG, the result of approximately 30 locations nationwide in combination with partner companies.
Going forward, we will focus all our energies on safe and certain transport, while maintaining a keen awareness of our role as an expert in the transportation of LNG, which as a clean energy source is expected to see further growth in demand.

LNG tanker truck

Practicing skills at the training center

Consolidated Financial Statements (Summarized)

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

CONSOLIDATED BALANCE SHEETS

As of March 31, 2019 and 2018

Assets	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Current assets:			
Cash and deposits	¥ 2,856	¥ 2,046	$ 18.4
Notes and accounts receivable - trade	3,922	3,672	33.1
Inventories	38	166	1.5
Other	571	485	4.4
Total current assets	**7,388**	**6,371**	**57.4**
Non-current assets:			
Property, plant and equipment	**20,316**	**21,155**	**190.6**
Buildings and structures	1,869	2,003	18.1
Machinery, equipment and vehicles	3,846	4,034	36.3
Containers	3,052	3,232	29.1
Land	5,486	5,513	49.7
Lease assets	5,917	6,213	56.0
Construction in progress	59	92	0.8
Other	84	65	0.6
Intangible assets	**62**	**98**	**0.9**
Software	60	41	0.4
Other	2	57	0.5
Investments and other assets	**6,343**	**5,653**	**50.9**
Investment securities	5,201	4,437	40.0
Deferred tax assets	633	712	6.4
Other	509	504	4.5
Total non-current assets	**26,723**	**26,908**	**242.4**
Total assets	**¥34,111**	**¥33,279**	**$ 299.8**

Liabilities	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Current liabilities:			
Notes and accounts payable - trade	¥ 2,033	¥ 2,021	$ 18.2
Short-term loans payable	433	538	4.9
Lease obligations	1,531	1,699	15.3
Accrued expenses	576	784	7.1
Income taxes payable	332	216	2.0
Provision for bonuses	707	696	6.3
Provision for directors' bonuses	84	100	0.9
Other	990	849	7.7
Total current liabilities	**6,690**	**6,908**	**62.2**
Long-term liabilities:			
Lease obligations	4,433	4,559	41.1
Deferred tax liabilities	578	351	3.2
Reserve for vehicle repairs	244	286	2.6
Net defined benefit liability	2,566	1,583	14.3
Other	434	479	4.3
Total long-term liabilities	**8,258**	**7,260**	**65.4**
Total liabilities	**¥14,948**	**¥14,169**	**$ 127.7**
Net assets			
Shareholders' equity	**17,762**	**18,328**	**165.1**
Common stock	1,661	1,661	15.0
Capital surplus	290	290	2.6
Retained earnings	15,845	16,412	147.9
Treasury shares, at cost	(35)	(35)	(0.3)
Accumulated other comprehensive income	**1,400**	**781**	**7.0**
Net unrealized gains on other securities	1,497	908	8.2
Deferred gains or losses on hedges	(3)	(0)	(0.0)
Remeasurements of defined benefit plans	(93)	(127)	(1.1)
Total net assets	**19,163**	**19,110**	**172.2**
Total liabilities and net assets	**¥34,111**	**¥33,279**	**$ 299.8**

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2019 and 2018

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Net sales	**¥32,951**	**¥34,240**	**$ 308.5**
Cost of sales	**29,797**	**31,144**	**280.6**
Gross profit	**3,154**	**3,095**	**27.9**
Selling, general and administrative expenses	**1,930**	**2,086**	**18.8**
Operating income	**1,224**	**1,009**	**9.1**
Non-operating income	**500**	**558**	**5.0**
Interest income	0	0	0.0
Dividend income	98	116	1.1
Rent income on fixed assets	256	256	2.3
Gain on sales of non-current assets	62	51	0.5
Share of profit of entities accounted for using equity method	26	43	0.4
Other	57	89	0.8
Non-operating expenses	**257**	**252**	**2.3**
Interest expenses	73	73	0.7
Rent expenses on fixed assets	91	93	0.8
Loss on sales and retirement of non-current assets	51	39	0.4
Other	40	46	0.4
Ordinary income	**1,467**	**1,315**	**11.9**
Extraordinary income	**269**	**70**	**0.6**
Extraordinary expenses	**45**	**97**	**0.9**
Profit before income taxes	**1,692**	**1,288**	**11.6**
Income taxes - current	590	503	4.5
Income taxes - deferred	64	(47)	(0.4)
Profit	**1,037**	**831**	**7.5**
Profit attributable to non-controlling interests	**—**	**—**	**—**
Profit attributable to owners of parent	**¥ 1,037**	**¥ 831**	**$ 7.5**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2019 and 2018

	Millions of yen		Millions of U.S. dollars
	2018	2019	2019
Net cash provided by operating activities	**¥ 4,223**	**¥ 3,547**	**$ 32.0**
Net cash used in investing activities	**(2,979)**	**(3,150)**	**(28.4)**
Net cash used in financing activities	**(691)**	**(1,213)**	**(10.9)**
Effect of exchange rate change on cash and cash equivalents	**(8)**	**7**	**0.1**
Increase (decrease) in cash and cash equivalents	**544**	**(810)**	**(7.3)**
Cash and cash equivalents at beginning of year	**2,311**	**2,856**	**25.7**
Cash and cash equivalents at end of year	**¥ 2,856**	**¥ 2,046**	**$ 18.4**

Note: The approximate exchange rate in effect on March 31, 2019 was ¥110.99 = U.S. $1.

Corporate Information

Company Profile (As of March 31, 2019)

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: https://www.jot.co.jp/en
Paid-in Capital:	¥1,661 million
Number of Employees:	1,494 (consolidated); 159 (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, 2019)

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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