

57th Financial Report

April 1, 2012 – March 31, 2013

Report to Shareholders

The logo consists of three stylized letters: a red 'Q' with a white arrow pointing down and to the right, a blue 'S', and a green 'O'.

QSO

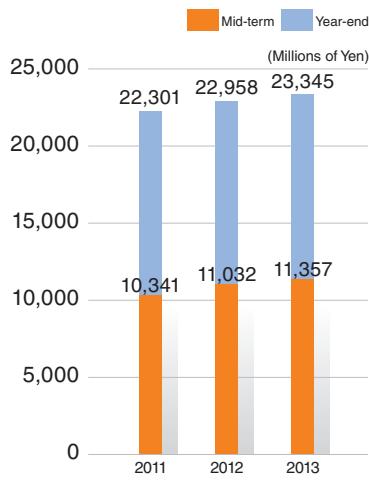
Quality, Safety & Originality

Ensuring an Affluent Future with Reliable Quality

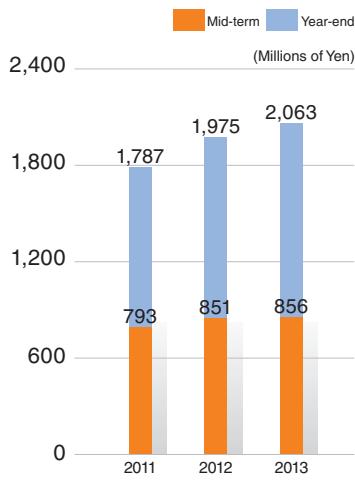
Maezawa Kyuso Industries Co., Ltd.

Financial Highlights

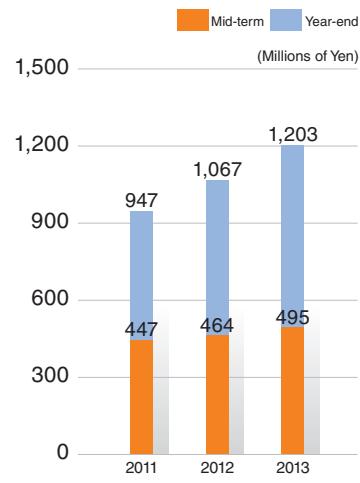
Net sales



Ordinary income



Net income



Special Benefits for Shareholders Provided Again This Year

Unuma-Koshihikari is renowned as the best rice in Japan. Tokamachi district, a Koshihikari production area in Niigata Prefecture, unites the elements that make for delicious rice, namely the fertile land formed by the Shinano River and a climate perfectly suited to rice growing. What makes the mountainous Tokamachi district different from the lowland are its superior geographical and climate conditions. For example, because of the low content of the main component of soil (nitrogen), the rice plants seldom fall over while there is a large difference between the maximum and minimum temperatures during the ripening period.

A gift of this rice will be delivered to our shareholders starting in early November again this year (based on the record date as of March 31, 2013).

(Standard for Gift-Giving)

We provide a gift to shareholders whose names are registered in the registry of shareholders as of March 31 each year based on the following standard:

3-kg *Unuma-Koshihikari* for holders of 100 shares or more

5-kg *Unuma-Koshihikari* for holders of 1,000 shares or more



Quality, Safety & Originality

“Quality is personality, safety is cooperation, and originality is reform.”

We are pleased to present the financial report for the 57th fiscal year (April 1, 2012 to March 31, 2013), which sets out an overview of our business and financial results.

Under its corporate policy of pursuing “Quality, Safety & Originality,” the Company is developing business activities in order to provide “clean, safe and pure water.” In addition, as a company that plays a leading role in the water service industry, which is the lifeline of our society, we aim to fulfill our social responsibilities and contribute to the prosperity of local communities.

During the consolidated fiscal year under review, the Japanese economy showed a trend toward deterioration, as a result of prolonged appreciation of the yen and expansion of the trade deficit. Subsequently, however, it moved toward recovery as the yen weakened and stock prices rose following the change in government and substantial monetary easing.

In the water supply equipment industry in which our Group operates, new housing starts rose year on year, buoyed by an increase in housing investment spurred by reconstruction demand. Because of the weakening yen, however, the price of copper—the main raw material in water supply equipment—continued to rise.

In response to this challenge, our Group reinforced sales of products offering ensured work efficiency and earthquake resistance in conjunction with initiatives aimed at quakeproofing businesses in the water industry.

At the same time, we worked all-out to expand sales channels for water meters and heating equipment. We also strove to cut manufacturing costs by enhancing our processing equipment and improving our assembly lines.

As a result of these strategies, net sales grew year on year by 1.7% to 23,345 million yen. Ordinary income grew year on year by 4.4% to 2,063 million yen. Thus, we succeeded in posting increases in both sales and income for the second consecutive year.

In the current fiscal year and thereafter, we will make continuous efforts to boost our corporate performance and improve our value, thereby living up to shareholders’ expectations.

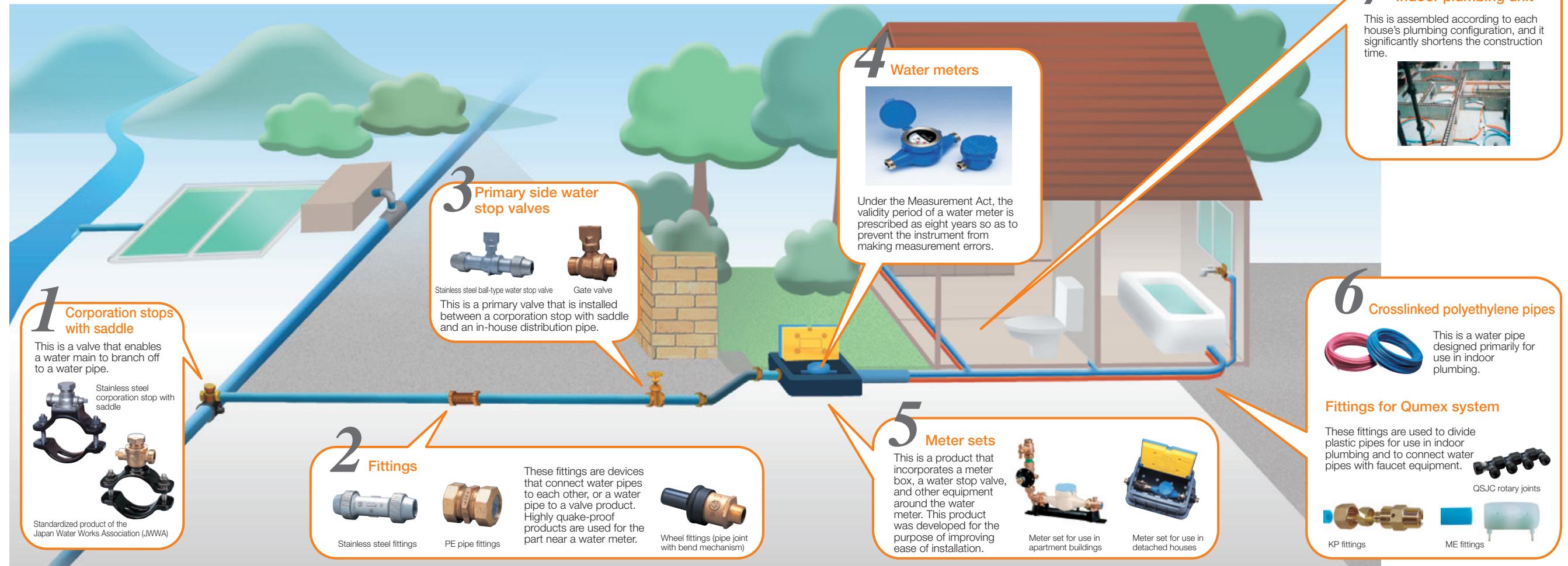
We look forward to the continued support and guidance of all our shareholders.



Takehisa Ozaki
President

Connecting water with households for half a century

Our products are being used in all parts of the waterworks infrastructure, from water mains to home faucets.
 Our product lineup also includes quake-proof and heat-resistant products, according to the intended use and usage environment.
 In addition, our products include those related to heating.



◆ Our products are used to quakeproof water pipes

The aging of water pipes laid during Japan's years of high economic growth (between 1955 and 1973) is a problem facing the entire nation—and it is one that needs to be dealt with. In addition, businesses in the water industry have been stepping up their quakeproofing efforts ever since the Great East Japan Earthquake.

Given this situation, we have assembled a lineup of products such as corporation stops with saddles and fittings suitable for highly quakeproof conduit pipes and water pipes, and we are suggesting them to businesses in the water industry.



Cast iron corporation stop with saddle



Polyethylene pipe metallic fitting

Male threaded polyethylene spigot fitting

Female threaded electrofusion fitting

◆ Our products were displayed at the Exhibition for the International Symposium on Water Supply Technology

The International Symposium on Water Supply Technology is held every three years as a place for the 500 to 1,000 water supply professionals who attend to discuss global water supply challenges and trends in the latest water supply technology. Participants come from both Japan and overseas.

The most recent symposium was held at Pacifico Yokohama in the city of Yokohama in November 2012. Our products were displayed at the exhibition that was held alongside the symposium, and viewed by people from around the world.



Consolidated Financial Statements (Summary)

● Balance Sheets

(Millions of yen)

	2013 (As of March 31)	2012 (As of March 31)
Assets		
Current assets	24,218	23,760
Fixed assets	12,624	11,793
Tangible fixed assets	8,999	8,901
Intangible fixed assets	181	62
Investments and other assets	3,443	2,830
Total assets	36,843	35,554
Liabilities		
Current liabilities	7,649	7,312
Fixed liabilities	720	721
Total liabilities	8,369	8,033
Net assets		
Shareholders' equity	27,941	27,159
Capital stock	3,358	3,358
Capital surplus	3,711	3,711
Earned surplus	21,566	20,784
Treasury stock	(694)	(694)
Accumulated other comprehensive income	531	360
Unrealized gains or losses on other securities	613	580
Foreign currency translation adjustments	(81)	(219)
Total net assets	28,473	27,520
Total liabilities and net assets	36,843	35,554

● Statements of Income

(Millions of yen)

	2013 (Year ended March 31)	2012 (Year ended March 31)
Net sales	23,345	22,958
Cost of sales	16,491	16,166
Gross profit	6,853	6,791
Selling, general and administrative expenses	4,987	4,944
Operating income	1,866	1,847
Non-operating income	224	169
Non-operating expenses	27	40
Ordinary income	2,063	1,975
Extraordinary income	—	0
Extraordinary loss	12	31
Income before income taxes	2,050	1,944
Income taxes—current	838	832
Income taxes—deferred	9	43
Net income	1,203	1,067

● Statements of Cash Flows

(Millions of yen)

	2013 (Year ended March 31)	2012 (Year ended March 31)
Cash flows from operating activities	2,075	2,231
Cash flows from investing activities	(980)	(469)
Cash flows from financing activities	(421)	(1,921)
Effect of exchange rate changes on cash and cash equivalents	105	1
Net increase (decrease) in cash and cash equivalents	779	(158)
Cash and cash equivalents at beginning of year	9,751	9,910
Cash and cash equivalents at end of year	10,531	9,751

Note: This report is compiled based on figures and text described in a financial statement summary. For details of business results, and correction information and earnings forecast revision, which may be released later, please refer to our reference materials, including those posted on our website.

● Company Profile

Name	Maezawa Kyuso Industries Co., Ltd.	
Head office	2-13-5 Takaban, Meguro-ku, Tokyo 152-8510, Japan	
Paid-in capital	¥3,358.9 million	
Establishment	July 15, 1937	
Foundation	January 23, 1957	
Number of employees	400 (Non-consolidated) (As of March 31, 2013)	
Board of directors and corporate auditors	President	Takehisa Ozaki
	Senior Managing Director	Hidetoshi Sato
	Managing Director	Haruki Yamamoto
	Director	Toshiya Hori
	Director	Hideaki Murata
	Director	Yuichi Taniai
	Standing Corporate Auditor	Shigeo Kane
	Corporate Auditor	Hiroshi Shidehara
	Corporate Auditor	Yasushi Miyata
	Corporate Auditor	Hiroshi Fujita

● Group Companies

QSO Industrial Co., Ltd.
Maezawa Kyuso (Nanchang) Co., Ltd.
QSO Service Co., Ltd.

● Stock Information (As of March 31, 2013)

(1) Shares authorized for issuance	47,000,000
(2) Shares issued and outstanding (Excluding 465,925 shares of treasury stock)	12,500,000
(3) Number of shareholders	7,393

● Major Shareholders (As of March 31, 2013)

Name	Shares (thousands)	Equity stake (%)
Maezawa Kyuso Industries Employees' Shareholding Association	729	6.06
Maezawa Industries, Inc.	624	5.18
Maezawa Kasei Industries Co., Ltd.	624	5.18
Resona Bank, Ltd.	500	4.15
Sumitomo Mitsui Banking Corporation	500	4.15
The Bank of New York Non-Treaty JASDEC Account	440	3.66
Nippon Life Insurance Company	366	3.04
The Dai-ichi Mutual Life Insurance Company	288	2.39
State Street Bank and Trust Company 505420	279	2.31
Mizuho Bank, Ltd.	250	2.07
Mitsubishi UFJ Trust and Banking Corporation	250	2.07

(Notes) 1. The Company holds 465,925 shares of treasury stock, but it is excluded from the major shareholders listed above (the top 11 major shareholders).
2. Equity stakes are calculated with 465,925 shares of treasury stock excluded.

● Shareholders' Memo

Business year	From April 1 to March 31 of the following year
Annual meeting of shareholders	June each year
Date of record	Year-end dividends March 31 Interim dividends September 30
Administrator of the register of shareholders Account management institution for the special account	Mitsubishi UFJ Trust and Banking Corporation
Address	Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Division 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan TEL: 0120-232-711 (Toll free)
Share unit number	100 shares
Method of public notice	Electronic public notice If the Company is unable to give an electronic public notice because of an accident or any other unavoidable reason, public notice will be given in the <i>Nihon Keizai Shimbun</i> . Advertising URL: http://www.qso.co.jp/

With the introduction of the Electronic Share Certificate System, various share-related procedures are handled in principle by the account management institutions (securities firms, etc.) where shareholders have accounts. For the procedure for changing an address, etc., please contact the securities or other firms where you have your accounts. Regarding the procedures related to shares registered in the special account, please contact Mitsubishi UFJ Trust and Banking Corporation, which has been appointed as the account management institution for the special account.