



Maezawa Kyuso Industries Co., Ltd.

QSO

Quality, Safety & Originality

Ensuring an Affluent Future
with Reliable Quality

Business Report for Shareholders

60th Financial Report

Covering the Fiscal Year Ended March 31, 2016



Haruki Yamamoto

President

Maezawa Kyuso Industries Co., Ltd.

I am pleased to present this report for the fiscal year ended March 31, 2016, which provides an overview of the Company's business and financial results.

During the fiscal year under review, the recovery of Japan's economy came to a standstill. Consumer spending was sluggish and major exporting firms faced worrisome prospects due to decelerating economic growth in China and other emerging countries, along with the appreciation of the yen following a period of depreciation.

Against this backdrop, the number of new housing starts, which have a major impact on the Maezawa Group's business, increased year on year, especially for condominiums and apartment buildings. The rate of growth, however, slowed as a result of steeply rising prices for building materials. Nonetheless, the price of copper, the main material used for our products, decreased amid declining raw material prices worldwide.

Under these circumstances, we expanded our lineups of product sets for residential buildings, and stepped up sales initiatives targeting seismic reinforcement projects while tapping demand in earthquake-damaged areas in the Tohoku region. At the same time, we focused on raising the profitability of water meter products, cutting costs through product improvements, and trimming fixed costs.

Despite these efforts, net sales decreased 2.7% year on year to 23,715 million yen. Ordinary income, however, jumped 22.7% to 2,188 million yen, mainly owing to our success in cutting costs through product improvements along with the decline in raw material prices. Meanwhile, net profit attributable to owners of the parent company came to 1,074 million yen, increasing 5.9% compared with the previous fiscal year. This occurred despite an extraordinary loss of 391 million resulting from the dissolution of an employee pension fund in which the Company had been a member.

Looking ahead, the Group will work to help ensure that clean, safe, and good-tasting water is always available under our policy of "Quality, Safety & Originality." We remain committed to fulfilling our social responsibilities and contributing to the prosperity of local communities as a company that plays a leading role in Japan's water service industry, which provides a lifeline for society. As we carry out these endeavors, we look forward to the continuing support of the Company's shareholders.

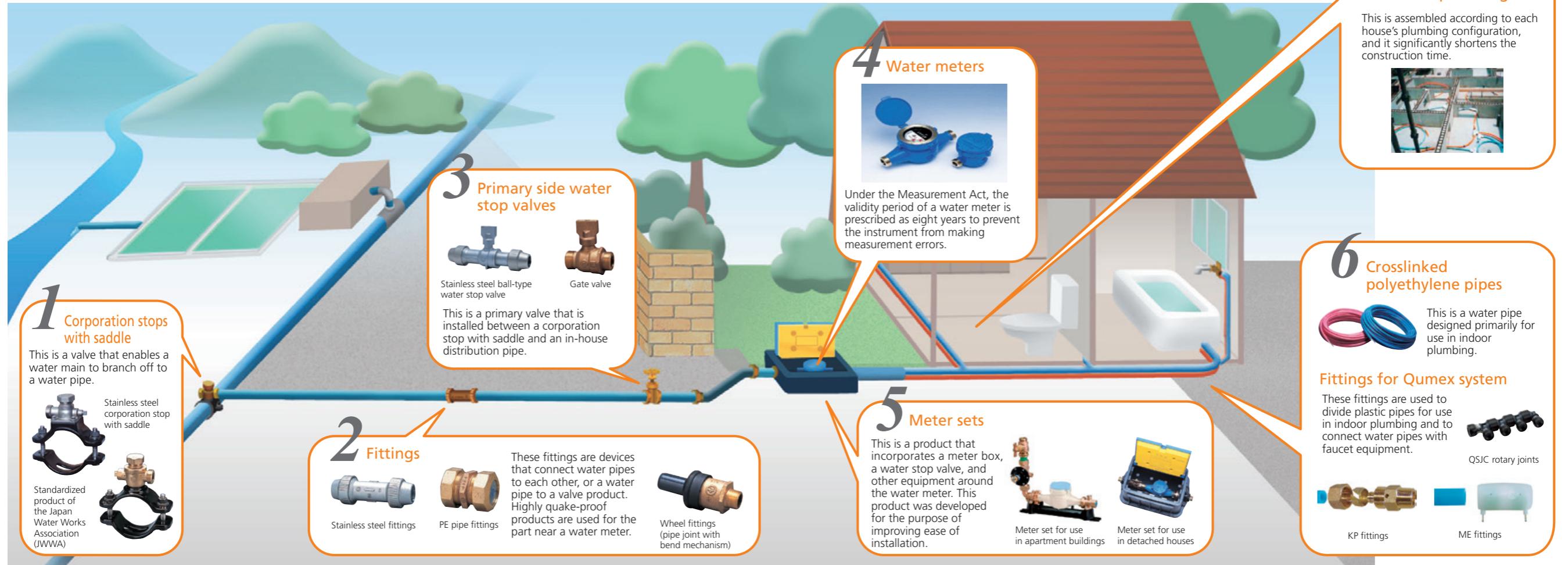
Our products are installed in all kinds of places where water is used.

Our products are 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.

“Quality is personality, Safety is cooperation, and Originality is reform.”



Net sales

23,715 million yen
(down 2.7% year on year)

Ordinary income

2,188 million yen
(up 22.7% year on year)

Net profit attributable to owners of
the parent company

1,074 million yen
(up 5.9% year on year)

Earnings per share

89.26 yen

Year-end dividend per share

25 yen

Consolidated Financial Statements (Summary)

● Balance Sheets

(Millions of yen)

	2015 (As of March 31)	2016 (As of March 31)
Assets		
Current assets	25,103	25,609
Fixed assets	12,529	12,752
Total assets	37,632	38,362
Liabilities		
Current liabilities	6,221	6,339
Fixed liabilities	711	1,108
Total liabilities	6,933	7,447
Net assets		
Shareholders' equity	29,444	30,097
Accumulated other comprehensive income	1,254	816
Total net assets	30,698	30,914
Total liabilities and net assets	37,632	38,362

● Statements of Income

(Millions of yen)

	2015 (Year ended March 31)	2016 (Year ended March 31)
Net sales	24,366	23,715
Cost of sales	17,670	16,700
Gross profit	6,696	7,014
Selling, general and administrative expenses	5,103	5,088
Operating income	1,593	1,926
Non-operating income	218	335
Non-operating expenses	27	73
Ordinary income	1,783	2,188
Extraordinary income	2	0
Extraordinary loss	52	525
Income before income taxes	1,733	1,663
Income taxes—current	681	770
Income taxes—deferred	37	(181)
Net profit attributable to owners of the parent company	1,014	1,074

● Statements of Cash Flows

(Millions of yen)

	2015 (Year ended March 31)	2016 (Year ended March 31)
Cash flows from operating activities	901	1,537
Cash flows from investing activities	(848)	(397)
Cash flows from financing activities	(421)	(421)
Effect of exchange rate changes on cash and cash equivalents	188	(73)
Net increase (decrease) in cash and cash equivalents	(180)	645
Cash and cash equivalents at beginning of year	10,165	9,984
Cash and cash equivalents at end of year	9,984	10,629

◆ New Wing of the Osaka Logistics Center Completed

A new wing of the Osaka Logistics Center (in Osaka) was completed on November 16, 2015. The project to expand the Osaka-based center with a new wing was carried out with the aim of ensuring a dependable supply of the Group's residential plumbing products in western Japan, to which products had been delivered from a leased warehouse in Fukushima Prefecture in northern Japan. As the Group's main logistics facility in western Japan, the Osaka Logistics Center will play a role in bolstering sales going forward.



◆ Production Systems Newly Upgraded

Maezawa has newly upgraded its production systems, which are at the core of its operations. After operating multiple systems in each of businesses in the past, the Company launched a project to integrate them under a single system in response to the growing number of its products. The new system, which began operating in April 2016, incorporates bar codes for data entry and management, and greatly reduces manual workload and interruptions between systems. Looking ahead, Maezawa plans to make effective use of the new system to enhance its operational platform.



Special Benefits for Shareholders Provided Again This Year

The secret behind the delicious *Koshihikari* rice produced in the Tokamachi district is the melted snow from the surrounding mountains and rivers. The area is known for having among the heaviest snowfall of any region in Niigata Prefecture. Winter snowfall melts in the spring and turns into springwater, providing rice paddies with an unending supply of water. The difference in daytime and nighttime temperatures in summer and autumn gives the rice an even greater depth of taste. It is these natural conditions, found only in the Tokamachi district, that make it possible to grow delicious *Koshihikari*.

A gift of this rice from the Tokamachi district, considered to have superior taste even among Niigata Prefecture standards, will be delivered to our shareholders starting in early November again this year (based on the record date as of March 31, 2016).

(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 *Uonuma-Koshihikari* for holders of more 100 shares but less than 1,000 shares
- 5-kg *Uonuma-Koshihikari* for holders of more 1,000 shares



Company Profile (As of March 31, 2016)

Name	Maezawa Kyuso Industries Co., Ltd.
Head office	2-14-4 Takaban, Meguro-ku, Tokyo 152-8510, Japan
Paid-in capital	3,358.9 million yen
Establishment	July 15, 1937
Foundation	January 23, 1957
Number of employees	387 (Non-consolidated)

Board of Directors and Corporate Auditors

President	Haruki Yamamoto
Director	Toshiya Hori
Director	Hideaki Murata
Director	Yuichi Taniai
Director	Chikashi Maeda
Director	Yoshiki Danbara
Director (external)	Hiroshi Shidehara
Standing Audit & Supervisory Board Member	Isao Oozu
Standing Audit & Supervisory Board Member	Takashi Kitamura
Audit & Supervisory Board Member (Outside)	Hiroshi Fujita
Audit & Supervisory Board Member (Outside)	Toshiyasu Kanno

Group Companies

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

Stock Information

(1) Shares authorized for issuance	47,000,000
(2) Shares issued and outstanding (Excluding 466,022 shares of treasury stock)	12,500,000
(3) Number of shareholders	8,862

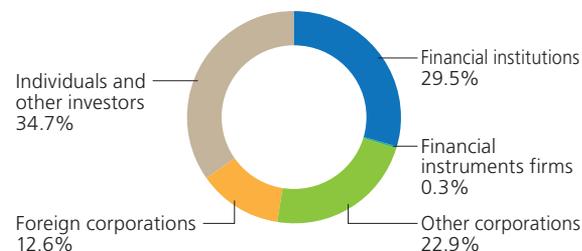
Major Shareholders

Name	Shares (thousands)	Equity stake (%)
Maezawa Industries, Inc.	624	5.18
Maezawa Kasei Industries Co., Ltd.	624	5.18
Japan Trustee Services Bank, Ltd. (Trust Account)	611	5.08
Resona Bank, Ltd.	500	4.15
Sumitomo Mitsui Banking Corporation	500	4.15
Maezawa Kyuso Industries Employees' Shareholding Association	476	3.96
Nippon Life Insurance Company	366	3.04
The Dai-ichi Mutual Life Insurance Company	288	2.39
Mizuho Bank, Ltd.	250	2.07
Mitsubishi UFJ Trust and Banking Corporation	250	2.07

(Notes) 1. The Company holds 466,022 shares of treasury stock, but these are excluded from the major shareholders listed above.

2. Equity stakes are calculated with 466,022 shares of treasury stock excluded.

Share Distribution by Type of Shareholder



(Note) Share distribution by type of shareholder was calculated with 466,022 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	Mitsubishi UFJ Trust and Banking Corporation
Account management institution for the special account 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 Nihon Keizai Shimbun. Advertising URL: http://www.qso.co.jp/

Information regarding Inquiries

- For inquiries regarding a change of address, purchase of fractional shares, or other related matters, please contact the securities company handling your trading account.
- For inquiries on procedures concerning shares entered in a special account, please contact the financial institution's department handling special accounts, listed above.
- For inquiries regarding unpaid dividends, please contact Mitsubishi UFJ Trust and Banking Corporation, the administrator of the Register of Shareholders.



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