

Business Report for Shareholders

62nd Financial Report

Covering the Fiscal Year Ended March 31, 2018

The logo consists of three stylized letters: a red 'Q' with a white arrow pointing right from its bottom right corner, a blue 'S', and a green 'O'.

QSO

Quality, Safety & Originality

Ensuring an Affluent Future
with Reliable Quality



Maezawa Kyuso Industries Co., Ltd.



Haruki Yamamoto

President

Maezawa Kyuso Industries Co., Ltd.

I am pleased to present this report for the fiscal year ended March 31, 2018, which provides an overview of the Company's business and financial results.

During the fiscal year under review, in the Japanese economy, corporate earnings continued to improve and there were signs of a recovery in personal consumption.

The number of new housing starts related to the Maezawa Group's business started to show weakness due to the completion of construction of rental housing against the background of inheritance tax countermeasures. In addition, the business environment grew increasingly severe due in part to continued highs in copper and resin prices, two of our core raw materials.

Against this backdrop, the Maezawa Group worked to post sales of highly earthquake-resistant water supply equipment nationwide and promoted sales of housing equipment, such as that for apartment buildings. We also sought to cut production costs and minimize indirect costs across the board.

As a result, net sales rose 3.3% year on year to 24,764 million yen and operating profit increased 2.8% year on year to 2,599 million yen. Ordinary profit was down 2.3% year on year to 2,716 million yen due to a drop in non-operating income. Net profit attributable to owners of the parent company grew 9.5% year on year to 1,857 million yen due to a decline in the extraordinary loss.

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, providing a "lifeline" for society. As we carry out these operations, we look forward to the continuing support of the Company's shareholders.

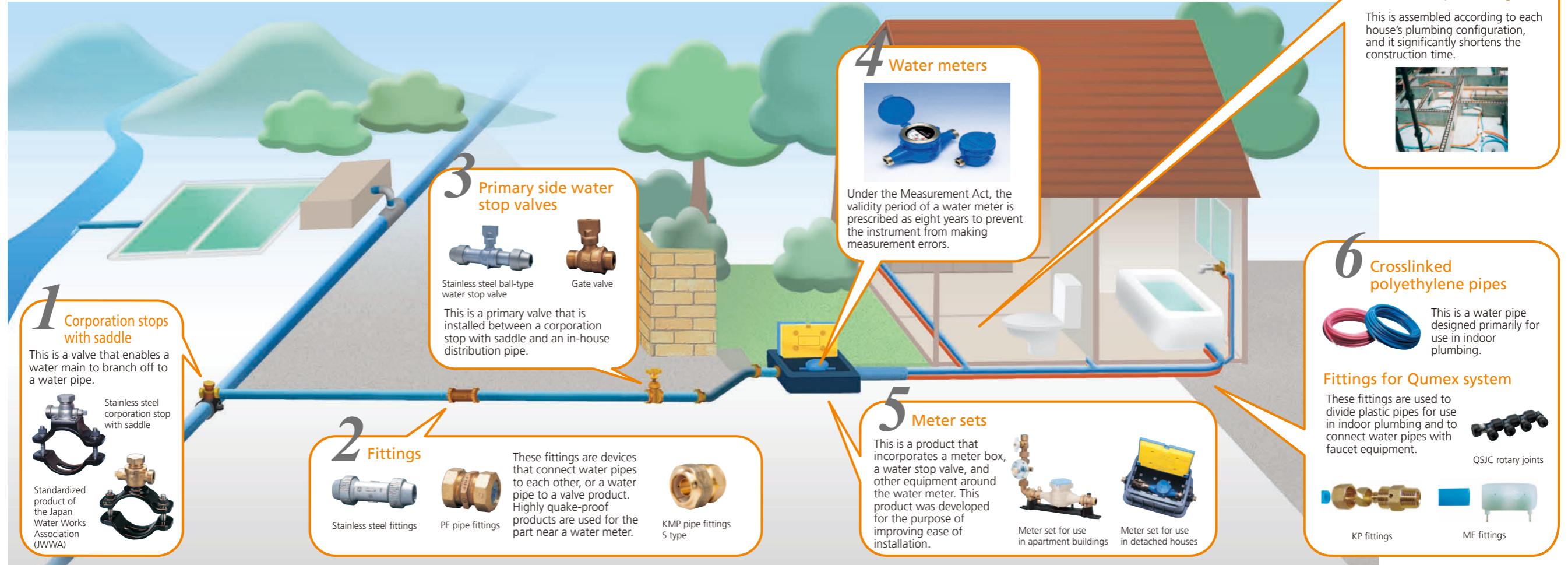
Our products are installed in all kinds of places where water is used.

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

24,764 million yen
(up 3.3% year on year)

Ordinary profit

2,716 million yen
(down 2.3% year on year)

Net profit attributable to owners of
the parent company

1,857 million yen
(up 9.5% year on year)

Earnings per share

158.42 yen

Year-end dividend per share

23.00 yen

Consolidated Financial Statements (Summary)

● Balance Sheets

(Millions of yen)

	2017 (As of March 31)	2018 (As of March 31)
Assets		
Current assets	26,900	27,952
Fixed assets	12,080	12,190
Total assets	38,981	40,143
Liabilities		
Current liabilities	6,037	6,083
Fixed liabilities	1,078	986
Total liabilities	7,115	7,069
Net assets		
Shareholders' equity	30,984	32,015
Accumulated other comprehensive income	881	1,058
Total net assets	31,865	33,073
Total liabilities and net assets	38,981	40,143

● Statements of Income

(Millions of yen)

	2017 (Year ended March 31)	2018 (Year ended March 31)
Net sales	23,972	24,764
Cost of sales	16,328	17,101
Gross profit	7,643	7,662
Selling, general and administrative expenses	5,114	5,063
Operating profit	2,528	2,599
Non-operating income	287	159
Non-operating expenses	35	41
Ordinary profit	2,780	2,716
Extraordinary income	3	2
Extraordinary loss	245	7
Income before income taxes	2,538	2,711
Income taxes—current	836	844
Income taxes—deferred	4	9
Net profit attributable to owners of the parent company	1,697	1,857

● Statements of Cash Flows

(Millions of yen)

	2017 (Year ended March 31)	2018 (Year ended March 31)
Cash flows from operating activities	1,761	1,746
Cash flows from investing activities	(305)	(278)
Cash flows from financing activities	(809)	(826)
Effect of exchange rate changes on cash and cash equivalents	18	59
Net increase (decrease) in cash and cash equivalents	664	701
Cash and cash equivalents at beginning of year	10,629	11,293
Cash and cash equivalents at end of year	11,293	11,995

Company Profile (As of March 31, 2018)

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	376 (Non-consolidated)

Board of Directors and Corporate Auditors (As of June 27, 2018)

President	Haruki Yamamoto
Director	Toshiya Hori
Director	Hideaki Murata
Director	Yuichi Taniai
Director	Chikashi Maeda
Director	Yoshiki Danbara
Director (Outside)	Hiroshi Shidehara
Director (Outside)	Akihiro Yoshikawa
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.

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	Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Division
Address	1-1 Nikko-cho, Fuchu-shi, 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.

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 Tokachimachi district, that make it possible to grow delicious *Koshihikari*.

A gift of this rice from the Tokachimachi district, considered to be of 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, 2018).

(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 between 100 and 999 shares

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





Quality, Safety & Originality