



Quality, Safety & Originality

Business Report for Shareholders

63rd Financial Report

Covering the Fiscal Year Ended March 31, 2019

Bringing Precious Water to the People

To Our Shareholders

I am pleased to present this report on the business conditions and financial results for the fiscal year ended March 31, 2019. I would like to extend my warmest appreciation for everyone's ongoing support and understanding.

During the fiscal year under review, the Japanese economy continued a moderate recovery following signs of a resurgence in personal consumption on the back of improvements in employment and income, despite the impact of a series of natural disasters. In contrast, uncertainty increased in the global economy, characterized by intensifying trade friction between the United States and China as well as political unrest in Europe.

The number of new housing starts, which affects the Maezawa Group's business, saw year-on-year increases for detached houses and apartment buildings, while rental housing continued to decline. In addition, the business environment grew increasingly severe due mainly to continuing high copper and resin prices, two of our core raw materials, and increasing transportation costs.

Against this backdrop, the Maezawa Group promoted business based on the following four themes.

- Securing a stable share of the water supply equipment business
- Expanding the scale of the housing equipment business, mainly through sales activities for major regional cities
- Increasing the efficiency of the production system
- Reducing logistics costs

As a result, net sales decreased 0.1% year on year to 24,733 million yen and ordinary profit was down 5.5% year on year to 2,568 million yen. On the other hand, we exceeded the profit target set at the start of the fiscal year (2,485 million yen in ordinary profit) through cost reductions by improving production processes and consolidating distribution centers as well as by reducing fixed costs in indirect departments.

The Maezawa Group achieved an ordinary profit margin of 10.4%, exceeding our target of at least 10%, one of our management goals.

The Group remains committed to driving significant development as a company needed by society and to raising corporate value by providing water supply equipment that delivers clean, safe, and good-tasting water. We look forward to the continued support of all of our stakeholders.

June 2019



Haruki Yamamoto

President
Maezawa Kyuso Industries Co., Ltd.

Financial Highlights

Net sales

24,733 million yen

(down 0.1% year on year)

Ordinary profit

2,568 million yen

(down 5.5% year on year)

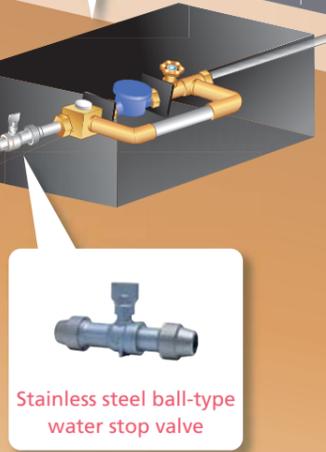
Net profit attributable to owners of the parent company

1,739 million yen

(down 6.4% year on year)

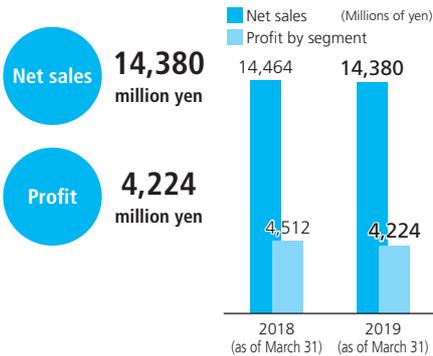
Our mission is to provide clean, safe, and good-tasting water.

Water is essential to life. Equipment for the supply of water is therefore indispensable in the lives of people. As a top manufacturer of water supply equipment, we create and provide products that form a "lifeline" for people, from water supply equipment to indoor cold and hot water piping supplies and heating products based on sophisticated technology and a flexible approach.



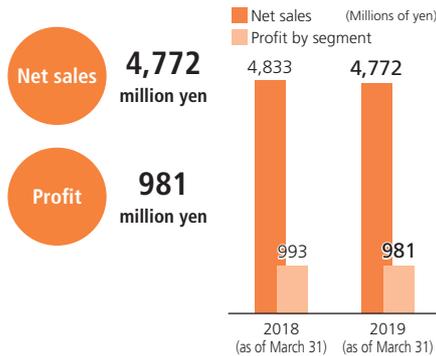
Business Overviews (segments)

Water supply equipment



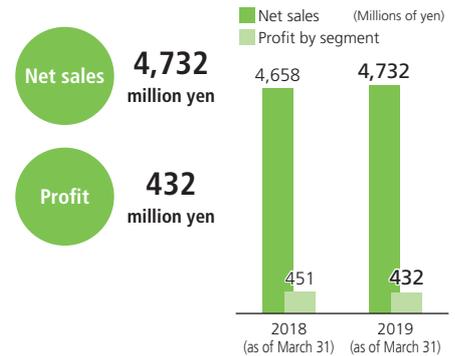
In the water supply equipment segment, we strengthened sales of earthquake-proofing products, ball-type water stop valves and meter sets, and conducted marketing activities in light of revised prices. Despite this, demand remained sluggish for infrastructure replacement work and other areas. As a result, net sales in this segment came to 14,380 million yen, down 0.6% year on year. Segment profit was 4,224 million yen, down 6.4% year on year, due to the diminishing effect of new product releases and high raw material prices.

Housing equipment



In the housing equipment segment, we reinforced sales activities to major regional cities and posted increases in sales of unit products for the housing sector and heating parts for gas companies. Nevertheless, intensifying competition with leading manufacturers led to a year-on-year decline of 1.3% in net sales to 4,772 million yen and a year-on-year decline of 1.2% in segment profit to 981 million yen.

Product sales



In the product sales segment, growth in sales of equipment and parts for the housing sector led to a year-on-year increase of 1.6% in net sales to 4,732 million yen. Segment profit, meanwhile, was down 4.3% year on year to 432 million yen.

Topics

Strengthened Sales of Equipment for Hotels

Although the rush in construction of hotels in the Tokyo metropolitan area ahead of the 2020 Tokyo Olympics has subsided, hotel construction in the Kansai region in such locations as Osaka, Kyoto, and Kobe is expected to peak soon on the back of an increase in tourists and the Osaka Expo in 2025. An increase of 6,000 rooms is forecast annually for Osaka alone, up until 2025. We will look to precisely identify these needs and actively promote the development and sale of the following equipment for hotels.

1 One-touch pipe fittings for prefabricated piping



Water supply pipes and hot water supply pipes are concentrated into a very small space in hotels, and as such, we started sales of one-touch pipe fittings for prefabricated piping with outstanding workability.

2 Large diameter metal headers (1 inch type)



We started sales of large diameter metal headers for hotels requiring high water flow. The number of hotels designing and installing large diameter headers to ensure the quantity of flow in each room is increasing.

3 SH ball-type valves



Installing SH ball-type valves enables the simple repair and replacement of pressure reduction valves requiring regular maintenance.

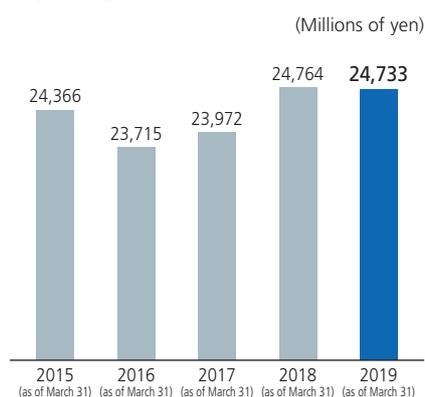
4 Large diameter pressure reduction valves (30-50 mm)



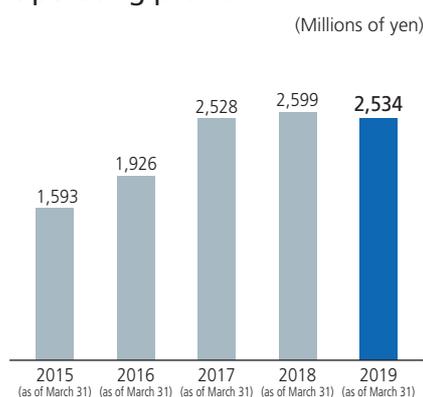
We are currently developing large diameter pressure reduction valves that can handle high water flow, since hotels, as distinct from general residences, need to supply cold and hot water to multiple rooms from a single main pipe. This product is scheduled to launch in September 2019.

Consolidated Financial Highlights

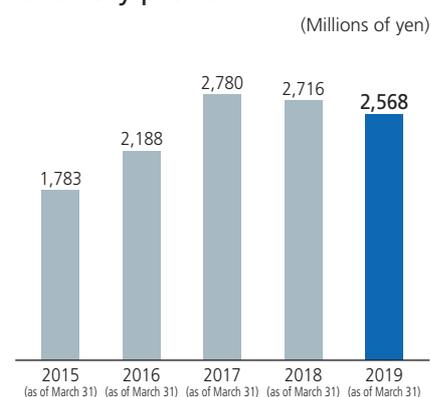
Net sales



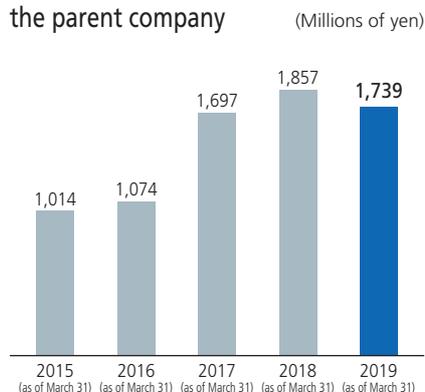
Operating profit



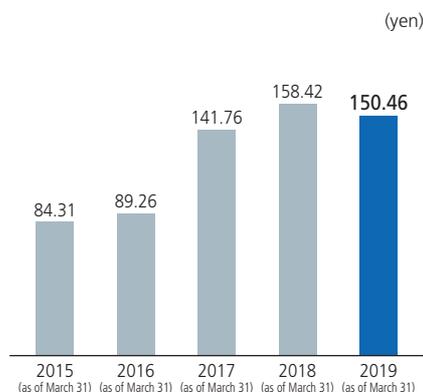
Ordinary profit



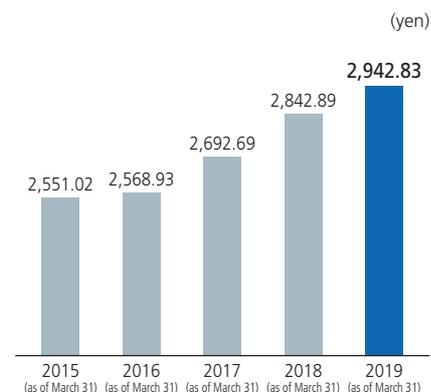
Net profit attributable to owners of the parent company



Net profit per share



Net assets per share



Consolidated Financial Statements (Summary)

● Balance Sheets

(Millions of yen)

	2018 (As of March 31)	2019 (As of March 31)
Assets		
Current assets	27,816	28,260
Fixed assets	12,247	12,455
Property, plant and equipment	7,764	7,507
Intangible assets	186	309
Investments and other assets	4,295	4,637
Total assets	40,064	40,715
Liabilities		
Current liabilities	6,083	6,073
Fixed liabilities	906	876
Total liabilities	6,990	6,949
Net assets		
Shareholders' equity	32,015	32,982
Paid-in capital	3,358	3,358
Capital surplus	3,711	3,711
Retained earnings	25,551	26,826
Treasury stock	(605)	(914)
Accumulated other comprehensive income	1,058	783
Valuation difference on available-for-sale securities	927	759
Foreign currency translation adjustment	217	118
Remeasurements of defined benefit plans	(86)	(94)
Total net assets	33,073	33,765
Total liabilities and net assets	40,064	40,715

● Statements of Income

(Millions of yen)

	2018 (Year ended March 31)	2019 (Year ended March 31)
Net sales	24,764	24,733
Cost of sales	17,101	17,378
Gross profit	7,662	7,354
Selling, general and administrative expenses	5,063	4,819
Operating profit	2,599	2,534
Non-operating income	159	101
Non-operating expenses	41	67
Ordinary profit	2,716	2,568
Extraordinary income	2	51
Extraordinary loss	7	27
Income before income taxes	2,711	2,592
Income taxes—current	844	812
Income taxes—deferred	9	40
Total amount of income taxes and other	853	853
Net income	1,857	1,739
Net profit attributable to owners of the parent company	1,857	1,739

● Statements of Cash Flows

(Millions of yen)

	2018 (Year ended March 31)	2019 (Year ended March 31)
Cash flows from operating activities	1,746	2,323
Cash flows from investing activities	(278)	(773)
Cash flows from financing activities	(826)	(772)
Effect of exchange rate changes on cash and cash equivalents	59	(65)
Net increase (decrease) in cash and cash equivalents	701	710
Cash and cash equivalents at beginning of year	11,293	11,995
Cash and cash equivalents at end of year	11,995	12,706

Company Profile / Stock Information (As of March 31, 2019)

Company Profile

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	481 (consolidated), 370 (non-consolidated)

Board of Directors and Corporate Auditors

(As of June 26, 2019)

President	Haruki Yamamoto
Director	Yuichi Taniai
Director	Hideaki Murata
Director	Chikashi Maeda
Director	Hiroshi Sugimoto
Director	Yoichiro Taniguchi
Director (Outside)	Hiroshi Shidehara
Director (Outside)	Akihiro Yoshikawa
Standing Audit & Supervisory Board Member	Yoshiki Danbara
Audit & Supervisory Board Member (Outside)	Toshiyasu Kanno
Audit & Supervisory Board Member (Outside)	Toru Kanamori

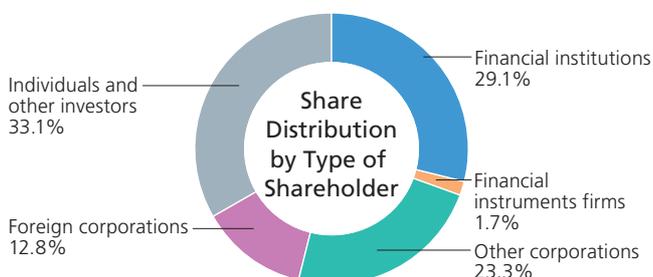
Group Companies

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

*QSO Service Co., Ltd. (non-consolidated subsidiary) was liquidated in September 2018.

Stock Information

(1) Shares authorized for issuance	47,000,000
(2) Shares issued and outstanding (including 526,177 shares of treasury stock)	12,000,000
(3) Number of shareholders	8,709



(Note) Share distribution by type of shareholder was calculated with 526,177 shares of treasury stock excluded.

Major Shareholders

Name	Shares (thousands)	Equity stake (%)
Maezawa Industries, Inc.	624	5.44
Maezawa Kasei Industries Co., Ltd.	624	5.43
Japan Trustee Services Bank, Ltd. (Trust Account)	610	5.31
Resona Bank, Ltd.	470	4.09
Sumitomo Mitsui Banking Corporation	470	4.09
Nippon Life Insurance Company	366	3.18
Maezawa Kyuso Industries Employees' Shareholding Association	334	2.91
Yasumitsu Shigeta	297	2.59
The Dai-ichi Mutual Life Insurance Company	288	2.51
Mitsubishi UFJ Trust and Banking Corporation	250	2.17

(Notes) 1. The Company holds 526,177 shares of treasury stock, but these are excluded from the major shareholders listed above.

2. Equity stakes are calculated with 526,177 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 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/

· 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.