

Bringing Precious Water to the People

64th Financial Report

Covering the Fiscal Year Ended March 31, 2020



Quality, Safety & Originality

 Maezawa Kyuso Industries Co., Ltd.

Securities Code 6485

To Our Shareholders

I am pleased to present this report on the business conditions and financial results for the fiscal year ended March 31, 2020. I would like to extend my warmest appreciation for everyone's ongoing support and understanding.

During the fiscal year under review, the Japanese economy was on a moderate recovery trend, while exports declined due to a slowdown in the global economy caused in part by US-China trade friction and to increased weakness, particularly in the manufacturing industry. Economic conditions continued to lack vigor owing to these and other factors. In addition, the economy has been significantly depressed due to the spread of new coronavirus infections since the beginning of the year, and the situation has become difficult.

The number of new housing starts, which affects the Maezawa Group's business, remained low due to a decrease following the rush in demand prior to the tax consumption hike. At the same time, the number of homeowners, rental housing properties, and condominiums fell short of levels posted in the previous year. Looking ahead, the number of housing starts is expected to cool further due to slow economic activity caused by the coronavirus as well as lower consumer sentiment and the employment and income environments.

Against this backdrop, in the water supply equipment segment, the Maezawa Group worked to develop and improve products that meet customer needs in order to secure stable market share as well as increase the sales of products with a high degree of earthquake resistance. In addition, we revised the prices of all water supply equipment to reflect the soaring price of copper, a key raw material, as well as an increase in the price of parts, primary and secondary materials, and rising logistics expenses.

In the housing equipment segment, we sought to expand the business scale mainly by promoting sales to homebuilders. We also made Maezawa Living Solutions Co., Ltd., which develops business for major gas companies, a subsidiary in March 2020 to strengthen the housing equipment business in such areas as floor heating.

As a result, net sales decreased 2.7% year on year to 24,077 million yen due to the decline in new housing starts, while ordinary profit was up 6.0% year on year to 2,722 million yen due primarily to the effects of price increases.

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 2020



Haruki Yamamoto

President
Maezawa Kyuso Industries Co., Ltd.

Financial Highlights

Net sales

24,077 million yen
(down 2.7% year on year) 

Ordinary profit

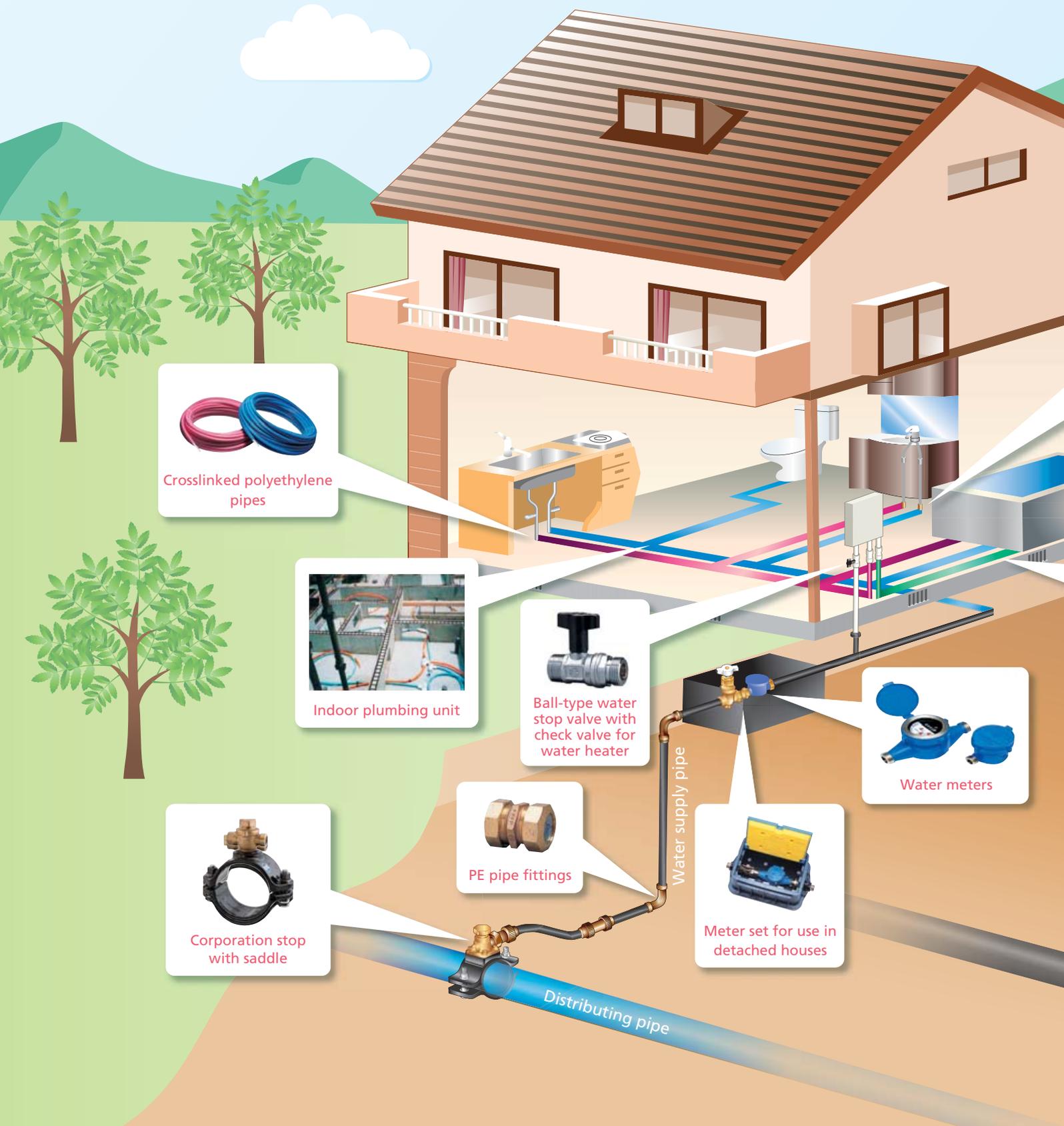
2,722 million yen
(up 6.0% year on year) 

Net profit attributable to owners of the parent company

1,789 million yen
(up 2.9% 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.



Crosslinked polyethylene pipes



Indoor plumbing unit



Ball-type water stop valve with check valve for water heater



Water meters



Corporation stop with saddle



PE pipe fittings



Meter set for use in detached houses

Water supply pipe

Distributing pipe



QS Joint Clear



KP pipe fittings



Pair tube for reheating devices



Water meter by-pass unit



Stainless steel corporation stop with saddle



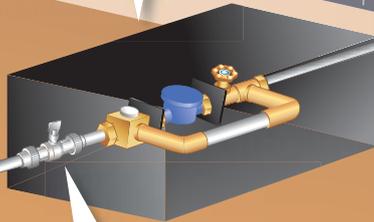
Water supply pipe



Stainless steel fittings



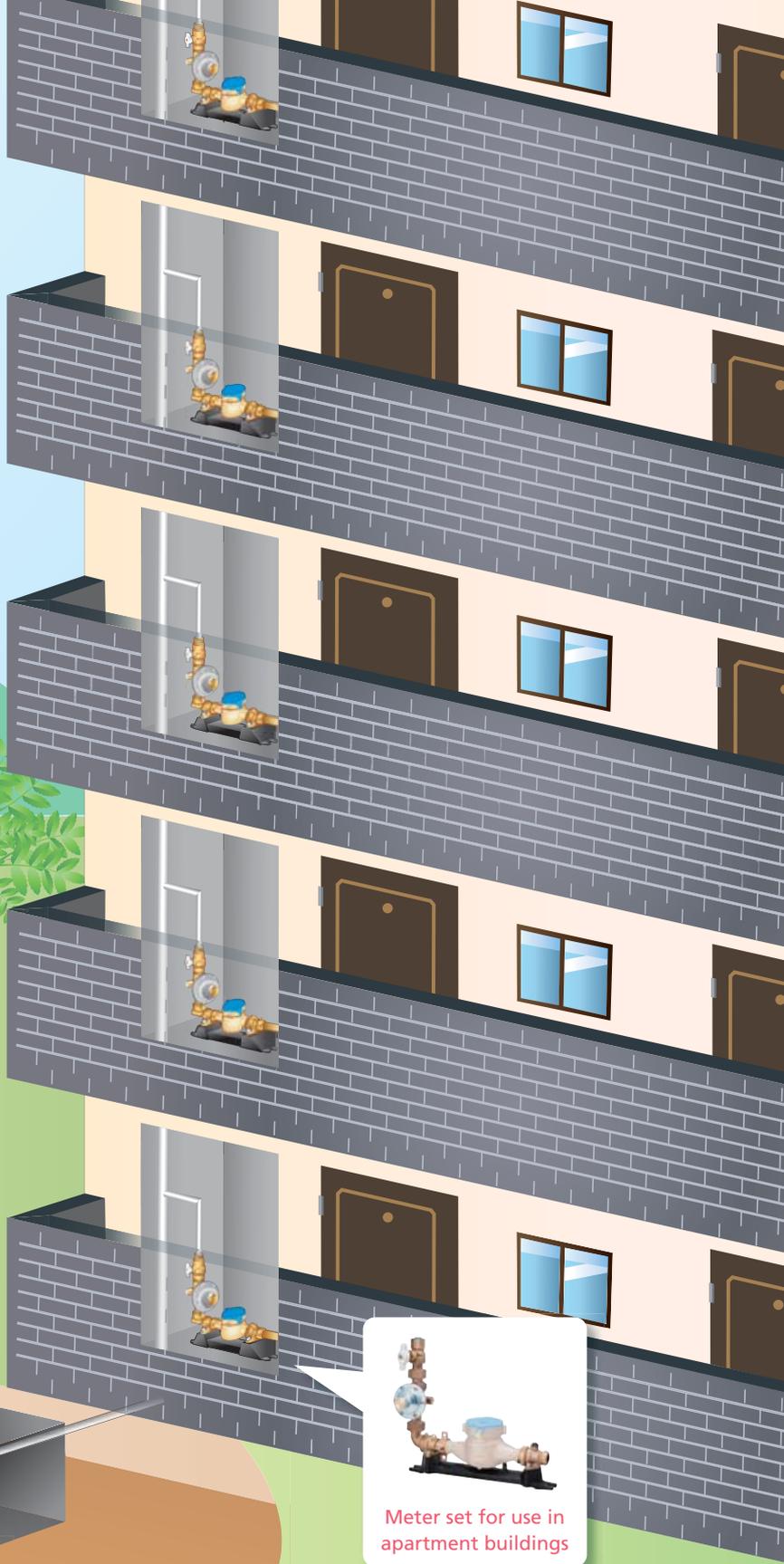
Stainless steel ball-type water stop valve



Distributing pipe

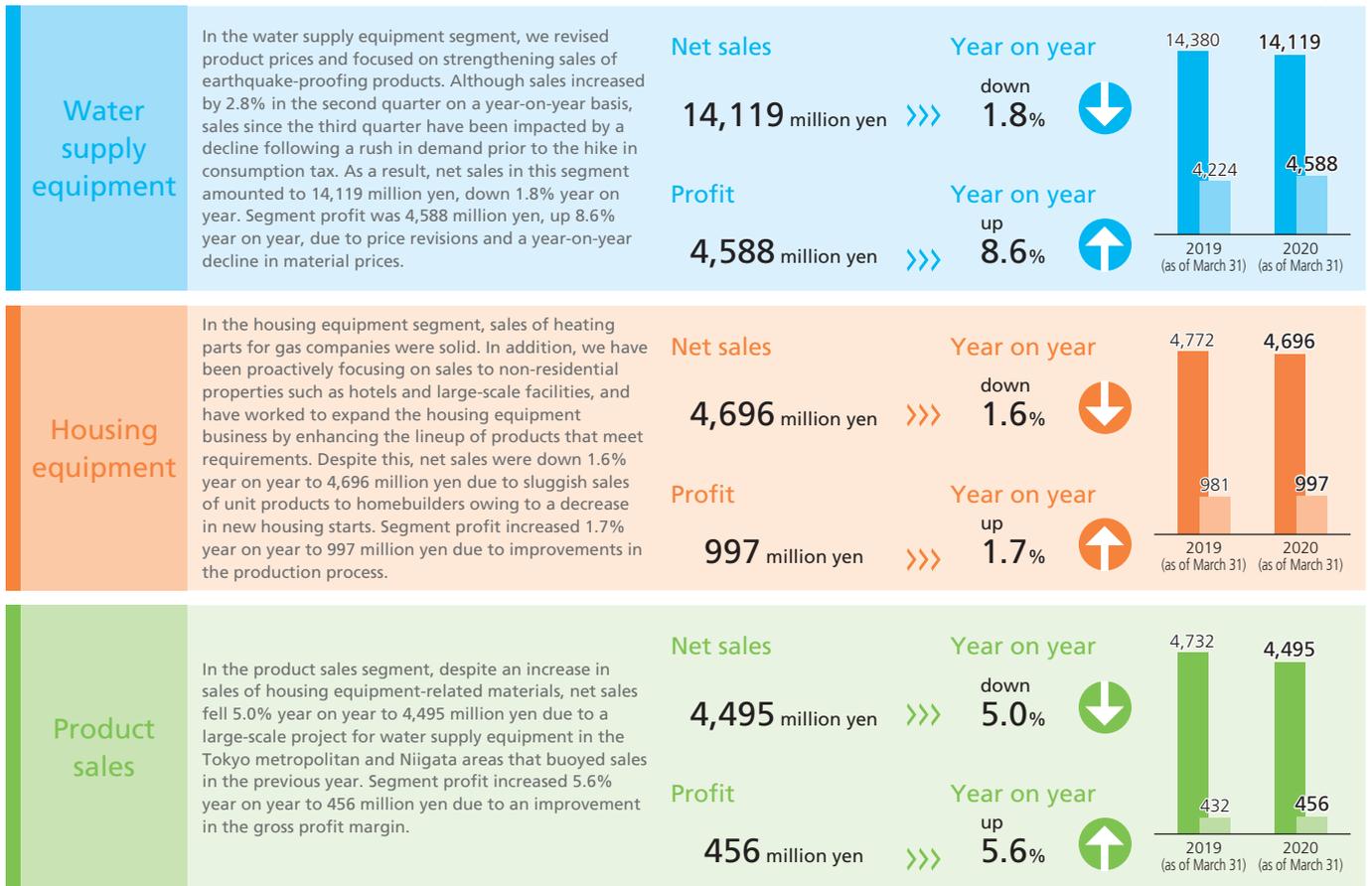


Meter set for use in apartment buildings



Business Overviews (segments)

(Millions of yen) ■ Net sales ■ Profit by segment



Topics

New Lineup of Multiple Meter Sets: Quadruple-Meter Set

Although we have sold double-meter and triple-meter sets in the past, we recently received approval from the Tokyo Metropolitan Government's Bureau of Waterworks to market quadruple-meter sets. Going forward, we will strive to have these multiple-meter sets adopted by water suppliers nationwide.



Features

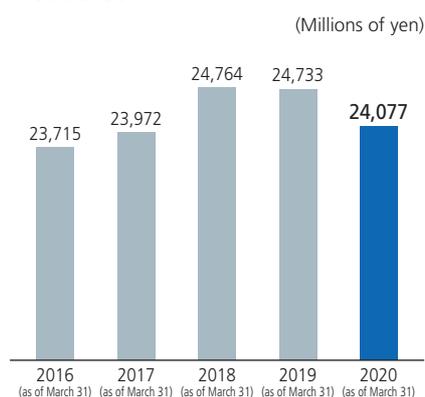
Combining multiple meters in a meter box results in a more space-saving design. The caps also come in black and ivory (close to the color of concrete) in addition to the standard blue to match the exteriors of buildings and not clash with the design around building entrances. In addition, we are working to improve areas surrounding meter installation and replacement as well as to reduce the time it takes to read a water meter.

This product was developed jointly between Maezawa Kyuso Industries, a leading manufacturer of water supply equipment, and Maezawa Kasei Industries, our sister company and one of Japan's major meter box companies. We have already received inquiries for this product from top apartment builders who are dedicated to exceptional exterior design, and we will work to expand sales channels going forward.

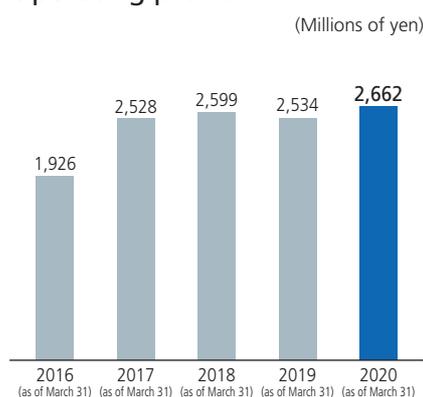
*Trademark registration pending

Consolidated Financial Highlights

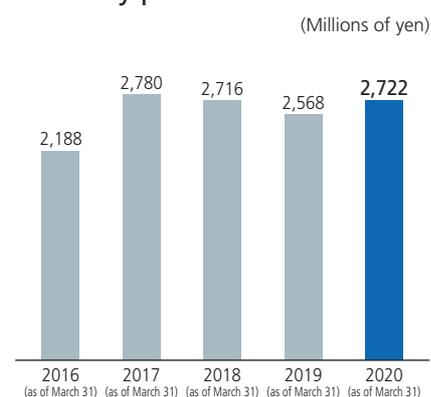
Net sales



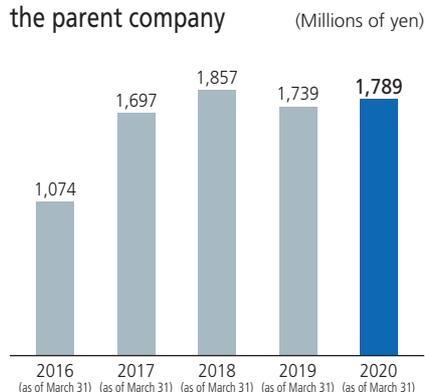
Operating profit



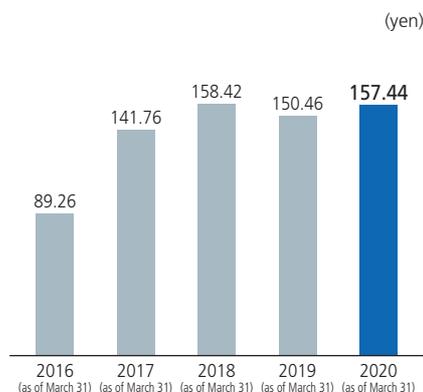
Ordinary profit



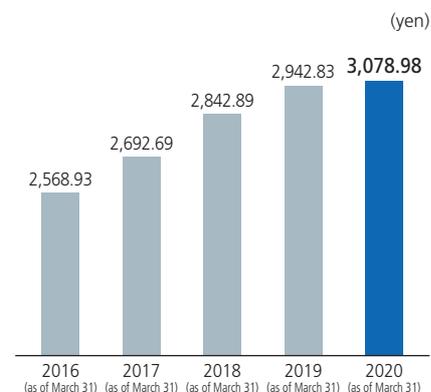
Net profit attributable to owners of the parent company



Net profit per share



Net assets per share



Consolidated Financial Statements (Summary)

● Balance Sheets

(Millions of yen)

	2019 (As of March 31)	2020 (As of March 31)
Assets		
Current assets	28,260	27,974
Fixed assets	12,455	13,630
Property, plant and equipment	7,507	7,817
Intangible assets	309	922
Investments and other assets	4,637	4,889
Total assets	40,715	41,604
Liabilities		
Current liabilities	6,073	6,057
Fixed liabilities	876	811
Total liabilities	6,949	6,869
Net assets		
Shareholders' equity	32,982	33,965
Paid-in capital	3,358	3,358
Capital surplus	3,711	3,711
Retained earnings	26,826	28,193
Treasury stock	(914)	(1,298)
Accumulated other comprehensive income	783	769
Valuation difference on available-for-sale securities	759	759
Foreign currency translation adjustment	118	74
Remeasurements of defined benefit plans	(94)	(64)
Total net assets	33,765	34,735
Total liabilities and net assets	40,715	41,604

● Statements of Income

(Millions of yen)

	2019 (Year ended March 31)	2020 (Year ended March 31)
Net sales	24,733	24,077
Cost of sales	17,378	16,355
Gross profit	7,354	7,721
Selling, general and administrative expenses	4,819	5,059
Operating profit	2,534	2,662
Non-operating income	101	132
Non-operating expenses	67	72
Ordinary profit	2,568	2,722
Extraordinary income	51	0
Extraordinary loss	27	70
Income before income taxes	2,592	2,652
Income taxes—current	812	871
Income taxes—deferred	40	(9)
Total amount of income taxes and other	853	862
Net income	1,739	1,789
Net profit attributable to owners of the parent company	1,739	1,789

● Statements of Cash Flows

(Millions of yen)

	2019 (Year ended March 31)	2020 (Year ended March 31)
Cash flows from operating activities	2,323	2,228
Cash flows from investing activities	(773)	(2,030)
Cash flows from financing activities	(772)	(808)
Effect of exchange rate changes on cash and cash equivalents	(65)	(25)
Net increase (decrease) in cash and cash equivalents	710	(636)
Cash and cash equivalents at beginning of year	11,995	12,706
Cash and cash equivalents at end of year	12,706	12,069



Company Profile / Stock Information (As of March 31, 2020)

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	520 (consolidated), 366 (non-consolidated)

Board of Directors and Corporate Auditors

(As of June 25, 2020)

President	Haruki Yamamoto
Director	Yuichi Taniai
Director	Hideaki Murata
Director	Chikashi Maeda
Director	Hiroshi Sugimoto
Director	Yoichiro Taniguchi
Director (Outside)	Akihiro Yoshikawa
Director (Outside)	Yasuo Iijima
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.
- Maezawa Living Solutions Co., Ltd.

*On March 31, 2020, we acquired all the shares of Maezawa Living Solutions Co., Ltd and made it a consolidated subsidiary.

ESG initiatives

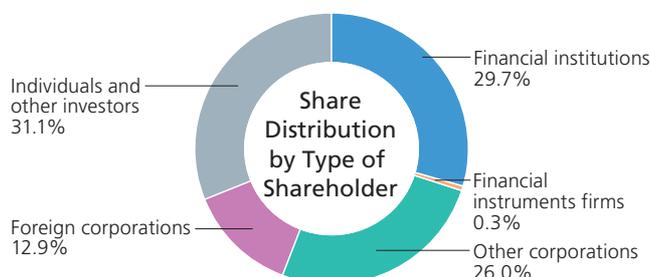
Participation in the Aoshita-no-Mori Project in Sendai City

On January 16, 2020, the Company signed an agreement with Sendai City regarding participation in the Aoshita-no-Mori Project being run by Sendai City Waterworks Bureau.

The project revolves around a public-private initiative seeking to protect and nurture a watershed preservation forest owned by Sendai City. The purpose of the initiative is to "protect the water source and to supply safe, delicious tap water," a goal consistent with our mission of delivering clean, safe, and good-tasting water. For this reason, we made the decision to take part in the project from April 2020. Our work will take place on the grounds of the Memorial Hall of Sendai Waterworks Bureau, and we welcome visitors.

Stock Information

(1) Shares authorized for issuance	47,000,000
(2) Shares issued and outstanding (including 718,544 shares of treasury stock)	12,000,000
(3) Number of shareholders	7,361



(Note) Share distribution by type of shareholder was calculated with 718,544 shares of treasury stock excluded.

Major Shareholders

Name	Shares (thousands)	Equity stake (%)
Maezawa Industries, Inc.	624	5.53
Maezawa Kasei Industries Co., Ltd.	624	5.53
Japan Trustee Services Bank, Ltd. (Trust Account)	612	5.43
Resona Bank, Ltd.	420	3.72
Sumitomo Mitsui Banking Corporation	420	3.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	366	3.25
Nippon Life Insurance Company	366	3.24
Yasumitsu Shigeta	336	2.99
Maezawa Kyuso Industries Employees' Shareholding Association	335	2.98
The Dai-ichi Mutual Life Insurance Company	288	2.55

(Notes) 1. The Company holds 718,544 shares of treasury stock, but these are excluded from the major shareholders listed above.

2. Equity stakes are calculated with 718,544 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/

Notes:

For inquiries regarding a change of address, purchase of fractional shares, designation of transfer of dividends, 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 unreceived dividends, please contact Mitsubishi UFJ Trust and Banking Corporation.