

# This is YKK 2020



## ▶ YKK Group Information Disclosure

The YKK Group discloses information to its diverse stakeholders in a timely and appropriate manner and places importance on initiating two-way communication.

We endeavor to adapt information disclosure to the needs of stakeholders and for better accessibility. *This is YKK 2020* was published to reach a large number of stakeholders, providing a straightforward, general overview of YKK Group management and the Group's vision for the mid to long term, business activities and sustainability efforts. Detailed financial and non-financial information is available primarily via our website.

- For detailed financial information, visit the following URL.  
<https://www.ykk.com/english/corporate/financial/index.html>
- For detailed non-financial information (corporate social responsibility), visit the following URL.  
<https://www.ykk.com/english/corporate/csr/index.html>

### Editorial Policy

*This is YKK 2020* is an overview of management and business activities that are rooted in the “Cycle of Goodness” YKK Philosophy embraced by the YKK Group from its founding to the present day.

The publication provides insight into the state and foundation of value creation by the YKK Group as it seeks to enhance corporate and social value and reports primarily on progress and achievements under the Fifth Mid-Term Management Plan, representing a mid- to long-term strategy, and sustainability efforts.

An integrated format is used to present the results of activities and future strategies in both financial and non-financial areas.

#### Extent of Coverage

YKK Group companies  
(YKK Corporation, YKK AP Inc., and others)

#### Period Covered

April 1, 2019 to March 31, 2020

\* Includes some activities from outside of this period

#### Date of Publication

September 2020

# This is YKK 2020

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Corporate Advisor, YKK Corporation  
Corporate Advisor, YKK AP Inc.

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## YKK PHILOSOPHY

# CYCLE OF GOODNESS®

“No one prospers without rendering benefit to others.”



As an important member of society, a company survives through coexistence.

When the benefits are shared,

the value of the company's existence will be recognized by society.

When pursuing his business, YKK's founder, Tadao Yoshida, was most concerned with that aspect, and would find a path leading to mutual prosperity.

He believed that using ingenuity and inventiveness in business activities and constantly creating new value would lead to the prosperity of clients and business partners and make it possible to contribute to society.

This type of thinking is referred to as the "Cycle of Goodness," and has always served as the foundation of our business activities.

We have inherited this way of thinking, and have established it as the YKK Philosophy.

## YKK MANAGEMENT PRINCIPLE

**“YKK seeks corporate value of higher significance.”**



**Seeking **corporate value** of higher significance,  
YKK will pursue innovative **quality** in the seven key  
areas shown above.**

YKK Group companies seek to delight our customers, earn the high regard of society and make our employees happy and proud.

We are improving the quality of our products, technology, and management as the means to achieve this.

We make fairness the fundamental standard for all YKK Group business operations, and this is the basis for our management decisions.

## YKK CORE VALUES

**Do not fear failure; experience builds success. /  
Create opportunities for employees.**

**Insist on quality in everything.**

**Build trust, transparency and respect.**

# Message from the Presidents

The YKK Group has continued to grow hand-in-hand with society, based on the YKK Philosophy of the “Cycle of Goodness.” The following messages from the presidents of YKK and YKK AP discuss the direction the Group aims to take in order to create a sustainable society.



## Taking on challenges for a better tomorrow

“Cycle of Goodness” philosophy, we can then react rapidly and correctly to radical environmental changes in markets and society.

Currently, the world is facing a great challenge in the form of COVID-19, but our philosophy has not changed. Even as the YKK Group works on measures to prioritize employee safety, it is important that such measures lead to systems that sustain both employee happiness and corporate profits. Although this is a most difficult time, by carrying today’s efforts into the future, we can further strengthen those business activities that contribute to a better society.

In the Fifth Mid-term Management Plan (FY2017 to FY2020) we put forth the mid-term management vision, “Technology Oriented Value Creation.” At the same time, the Fastening Business, in its Mid-term Business Policy, set out to “aim for further quantitative growth with better products at a lower cost and greater speed.” In this context, we are bolstering efforts to achieve real sustainability through our business and products, based on the YKK Group Environmental Vision 2050, “Towards a brighter future for nature and humanity,” which was announced in 2019.

Guided by the “Cycle of Goodness” philosophy, the YKK Group seeks to be a manufacturing company that constantly contributes to the lives of people around the world and takes on challenges in order to build a better tomorrow.

### Hiroaki Otani

President, YKK Corporation

By creating new value through ongoing and diligent learning and providing that value to a wide range of customers, the YKK Group constantly seeks to contribute to a sustainable society through our core businesses.

The foundation of all our business activities is the “Cycle of Goodness,” the corporate philosophy of YKK founder, Tadao Yoshida. The “Cycle of Goodness” is a pragmatic philosophy born of fierce battles over quality, cost, and overseas markets. At its heart lies the idea that “no one prospers without rendering benefit to others,” a clear expression of the YKK Group’s corporate philosophy that says we shall continue to prosper together with society and related industries. Today we operate in 72 countries and regions around the world, and our philosophy is embraced by all of our employees.

In this world of increasingly high-level globalization and information networks, market environments and social outlooks are continuing to change at unprecedented speed. Now more than ever, we must look to society, improve our sensitivity to information, identify diverse problems, and work to solve them. Guided by the

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## Seeing the future through SDGs and surviving in revolutionary times

From rising consumption taxes to natural disasters, the building industry faced many challenges in FY2019. Among them was the COVID-19 pandemic, which not only threatens the health and lives of countless people, but has also plunged the world into an economic crisis. At our company, we are prioritizing the health and safety of all our employees, suppliers, and partners by working on measures to stop the spread of infection.

Crises like this that force change on societies are bound to happen again. We have to be prepared to adapt to such societal transformations in order to survive them. To that end, we must embrace sustainable viewpoints through such key prisms as SDGs (Sustainable Development Goals) and ESG (Environmental, Social, and Governance), and bolster our efforts toward medium- and long-term business continuity and sustainable growth.

FY2020 is the last year of the Fifth Mid-Term Management Plan. Under the business policy of “sustainable growth of the AP business through added-value and demand creation,” we have been working to increase engineering capabilities and promote windows with high thermal insulation performance initiatives that have been largely proceeding according to plan.

However, COVID-19 has had a major chilling effect on the markets, and can be expected to dramatically impact our business. On the other hand, as people spend more time in their homes, they may be spending more time thinking about their



residences. We are working to disseminate information to these people through the internet and other means.

A manufacturing company like us is not built up by individual heroes. Rather, we create value through the work of teams, and this means we need our employees to be proactive. This is the thinking behind the key phrase, “brand on the outside, pride on the inside.” Raising the value of the YKK AP cooperate brand is bound to raise employee motivation. To raise the level of the brand, employees must have pride in their work. Consumers chose companies in which employees take pride in their work. In order to foster such pride, it is important to have an SDGs outlook. I want employees to understand how their own work contributes to society, and take pride in that work.

Currently, our industry is in the grip of what might be called an “ice age.” It is precisely because of this difficult environment that we should return to basics and think about how we should respond. 2020 marks the 30th anniversary of our company’s founding. I want to make this milestone year one in which we bring to full fruition the ideals of our founding. At the same time, I want us to envision the future YKK AP and keep moving forward, every day.

### **Hidemitsu Hori**

President, YKK AP Inc.

# Global Business Management

## A Global Business Management Structure, with the Fastening and Architectural Products Businesses as Core Operations




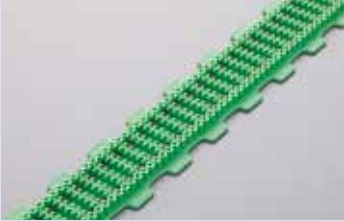
The YKK Group global management matrix consists of two core operations—the Fastening business and Architectural Products (AP) business—supported by the Machinery & Engineering Group, which provides the two core operations with an integrated system of production; and the Six-Region Global Management Structure which conducts regional business.

**Fastening Business**

**Slide Fastener Business**



**Industry:**  
Apparel; Industrial fastening materials

**Main products:**  
Zippers, hook & loop fasteners; plastic hardware

**Snap & Button Business**

**Main products:**  
Jeans buttons and snaps



**Machinery &**

**Materials Development and Processing Technology**

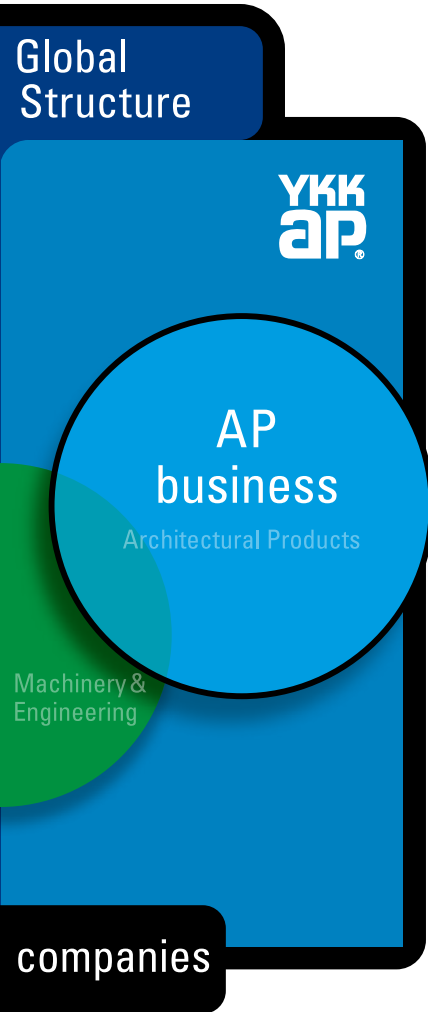
Materials and process development

**Analysis and Simulation**

Advanced analysis and simulation








### AP Business

<p><b>Residential Business</b></p> <p><b>Main products:</b> Windows; entrance doors and sliding doors; interior doors and partitions; window shutters</p> 	<p><b>Exterior Business</b></p> <p><b>Main products:</b> Balconies; carports; gates and fences; terraces; exterior materials</p> 
<p><b>Renovation Business</b></p> <p><b>Main products:</b> Window remodeling; door remodeling; building renovation; quake-resistance retrofitting</p> 	<p><b>Commercial Products Business</b></p> <p><b>Main products:</b> Office building windows; curtainwalls; building entrances; windows and doors for low- and medium-rise residential buildings; remodeling products</p> 
<p><b>Facade Business</b></p> <p><b>Line of business:</b> High-rise and complex curtainwalls; design, construction and sales of related products</p> 	<p><b>Industrial Products Business</b></p> <p><b>Main products:</b> Machinery and equipment components; auto parts; architectural components; sustainable products</p> 

### Engineering Group

**Machinery, Equipment and Line Development**

Development of machinery and equipment for the Fastening Business and AP Business



**Machinery and Mold Manufacturing**

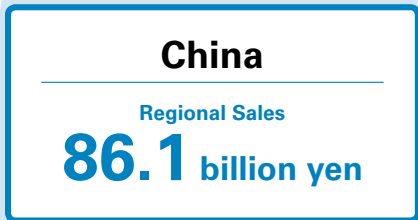
Molds for products; development and manufacturing of machinery parts and molds



# Six-Region Global Management Structure

## Conducting Business under a Six-Region Global Management Structure

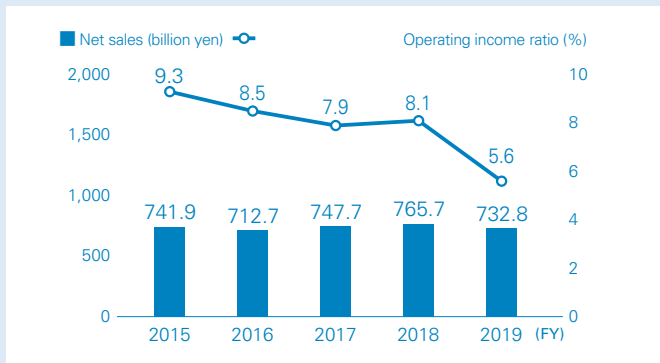
The YKK Group is currently engaged in business in 72 countries/regions around the world. Our management system divides the world into six regional bases: North and Central America; South America; Europe, the Middle East & Africa (EMEA); China; Asia; and Japan. The global business is carried out with YKK Group companies of each region playing a leading role and making the most of their respective regional characteristics.



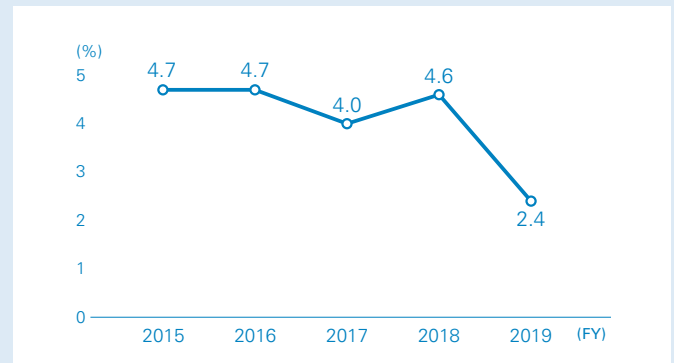
Notes:  
1. EMEA: Europe, the Middle East and Africa  
2. Sales figures are allocated to countries and regions based on the customer's location.

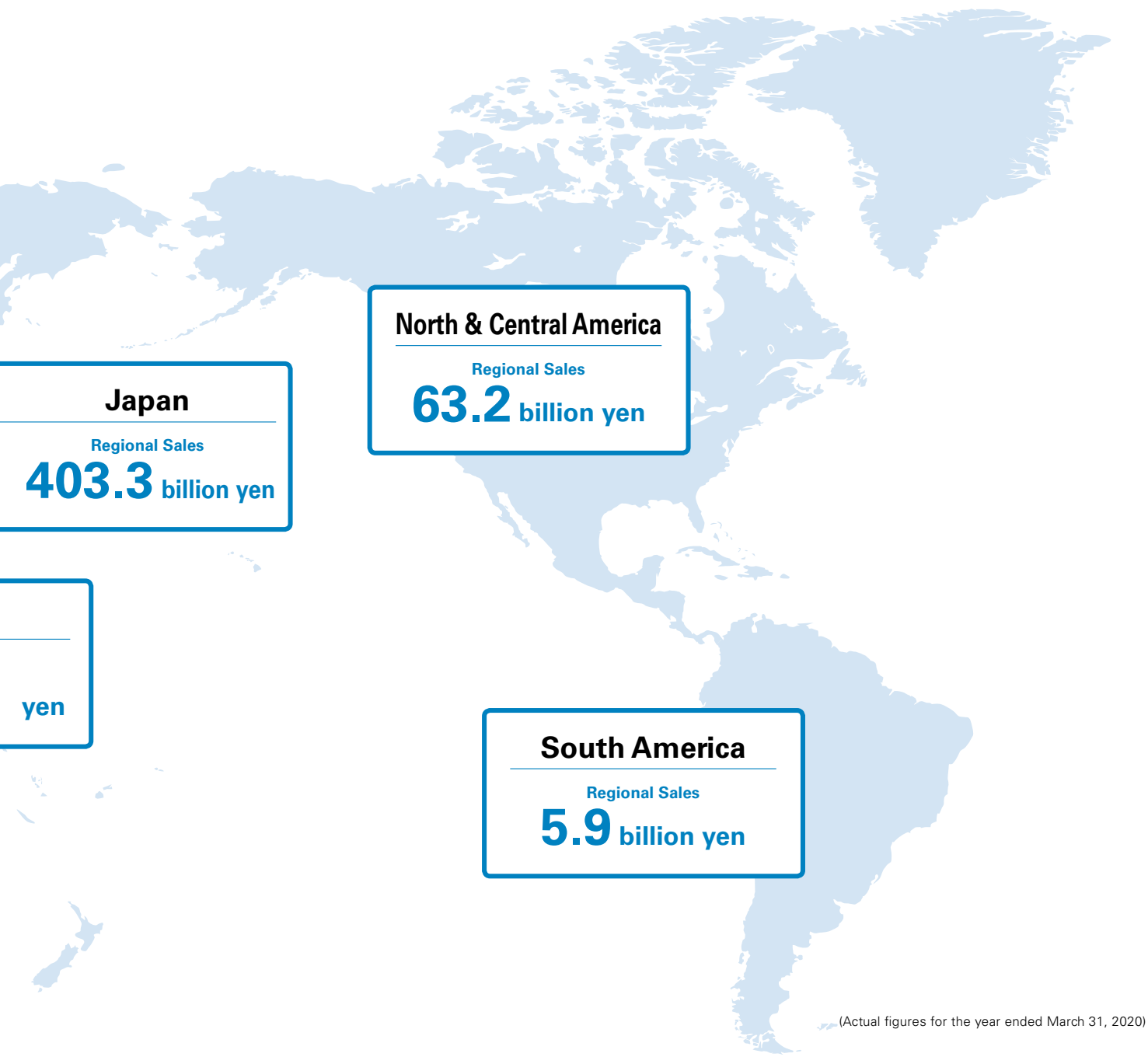
## Financial and Non-Financial Highlights

YKK Group Net Sales and Operating Income

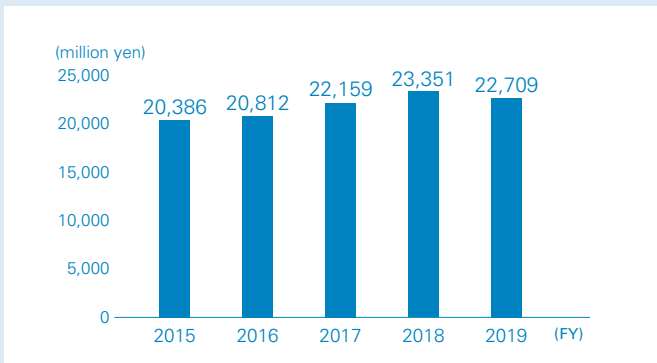


Return on Assets

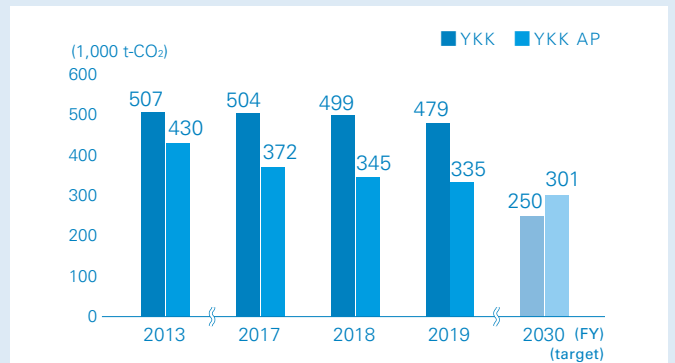




**R&D Expenses**



**Group CO<sub>2</sub> Emissions (All YKK Group Locations Worldwide)**



\* Calculated according to YKK Group GHG calculation rules (varying CO<sub>2</sub> conversion factor for electricity)

\* FY2030 targets—YKK: 50% reduction from FY2018; YKK AP: 30% reduction from FY2013

# Value Creation by the YKK Group — A Timeline

**“Better products at a lower cost and greater speed”**

The history of the YKK Group is also a story of technological innovation to provide customers with better products. The YKK Group will continue in its effort to keep creating new value for our customers and for society.

1934-

1959-

Foundation: Establishment of the Integrated Production System

Global Expansion and AP Business Advancement

1934

### Foundation

Founded in Kakigara-cho, Nihonbashi (center of photo)



1939

### YKK Utility Model No. 1

Metal slider for zippers

1950

### From handicraft industry to mechanization

Four zipper chain machines imported from the U.S.



1952

### Establishment of fully integrated production system

Predecessor of Machinery & Engineering Group launches



### ▶ Fastening business

1959

### Overseas expansion

First overseas location in New Zealand



### ▶ Architectural Products (AP) business

1959

### Entry into aluminum building products business

Application of aluminum alloy is successful; aluminum melting and extrusion starts



### ▶ Machinery & Engineering Group

1953

### YKK Patent No. 1

Development of intermittent chain production equipment



1974

### Integrated production system starts overseas

First overseas integrated zipper production plant



Macon Plant (U.S.)

1986

### AP business expansion and start of full-scale overseas production

First overseas integrated production plant for architectural products



YKK Alumico Indonesia (now YKK AP INDONESIA)

1964

### Successful acceleration

Start of production with YKK-CM6 model (certified Mechanical Engineering Heritage\*)



\* Cultural heritage items which made contributions of historical significance to the development of technology and industry in Japan. These include machines, components and related facilities and documents that are considered cultural heritage for passing on to future generations. They are certified by the Japan Society of Mechanical Engineers (JSME).

1977

1980

1985

1990

## Evolution of YKK Group Mid-Term Management Policy

Group consolidated net sales (million yen)



800,000

700,000

600,000

500,000

400,000

300,000

200,000

100,000

0

# 2017-

Enhancement of Business Value

Toward New Value Creation

1992

### Expansion into growing markets

Full-scale base for expansion into China



Shanghai YKK Zipper Co., Ltd. (China)

2011

### Creation of new business model

Core plant of window business



Saitama MADO (window) Plant (Japan)

2011

### International level quality assurance system

Registration of Japan's first firewall testing center\*



Analysis Technology Center, Machinery & Engineering Group

\*The first testing laboratory in Japan to be registered by the U.S. Consumer Product Safety Commission (CPSC) for analysis and certification of lead content in products.

2016

### Establishment of a new foundation for value creation at Kurobe, Japan.

A center for technology accumulation, exchange and development training



YKK AP R&D Center

2016

### Establishment of region for the integration of the YKK AP's technology in Kurobe

The facility for value proposition to architectural professionals



YKK AP R&D Center

2015

### Ongoing evolution of integrated production ideas

World's first precision machinery plant with windows completed



Machinery & Engineering Group Slide Fastener Machine Parts Plant

2017

### New forms of collaboration

Inter-company joint development starts



Joint development with JUKI Corporation

2019

### Joint value creation with partners

Sharing of issues leads to proposals for new value



Partners Support Studio

2017

### Aiming for full automation

Efforts made to realize smart, digital facilities



Advanced factory robotic automation center opens

# Value Creation by the YKK Group

## Sustainable Society Through Our Core Business

At the heart of the YKK Group’s business activity lies the “Cycle of Goodness”—an approach to management seeking a sustainable society where the YKK Group and society prosper together. Armed with technological capabilities, product appeal and a global reach—the foundations for value creation by the YKK Group—we strive to grow our business over the mid to long term while continually delivering new value for stakeholders.

YKK Philosophy & Management Principle

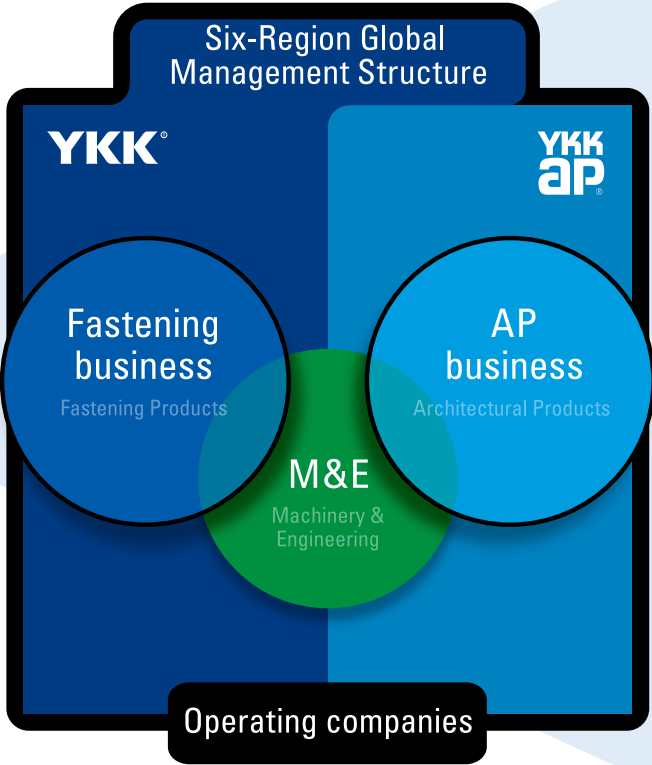
Global Business Management

**CYCLE OF GOODNESS®**  
No one prospers without rendering benefit to others.

一九八三年—一九九四年

“YKK seeks corporate value of higher significance.”

Seeking corporate value of higher significance, YKK will pursue innovative quality in the seven key areas shown above.



## Growth Strategy

Contributing to Sustainable Society  
Through Our Core Business

## The Fifth Mid-Term Management Plan (FY2017–2020)

The Fifth Mid-Term Management Vision

### Technology Oriented Value Creation

#### Primary Management Focus

“Product appeal & proposal capability,”  
“Technology & manufacturing capability,” and  
“Human resource development”

#### Goals of the Mid-Term Plan

- Operating income ratio of 8.0% or above
- ROA of 5.0% or above

#### Mid-Term Business Policy

##### YKK Corporation

Development and innovation in *monozukuri*  
—An endeavor for YKK’s *monozukuri* in the “Standard” category—

##### YKK AP Inc.

Sustainable growth of the AP business through added-value and  
demand creation

Customers

Society

Employees

# 1

## Pursuing *Monozukuri* Through Integrated Production

The YKK Group employs integrated production, carrying out its own development and production of materials and manufacturing equipment through to products. This has enabled us to supply top-quality products worldwide, sustaining our growth and advancement.

An integrated production system allows us to respond quickly to the ever-changing needs of customers, accommodating even the finer details in a timely manner. There are advantages that manifest as cost competitiveness, too. Integrated production also gives rise to new materials and methods we have never seen before, in the form of elemental technologies, such as for developing metal, fiber and plastic materials; sustainable recycling technology; and the establishment of logistics, sales and manufacturing systems.

The YKK Group's unique integrated production system therefore provides new value both for customers and for society.

Fastening Business  
AP Business

Machinery &  
Engineering Group



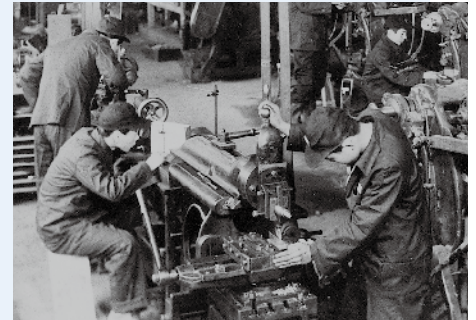


### The Integrated Production Philosophy Behind YKK's Rise as a Dependable Brand

During Japan's post-war reconstruction period, YKK founder Tadao Yoshida became convinced that integrated production, right from the raw material stage, was needed to improve the quality of YKK brand zippers. In 1949, he established a copper rolling plant to make raw materials for zippers. At the same time, ahead of many in the domestic industry, he worked to mechanize the zipper manufacturing process, which had mainly consisted of manual tasks. This resulted in dramatic quality and productivity improvements.

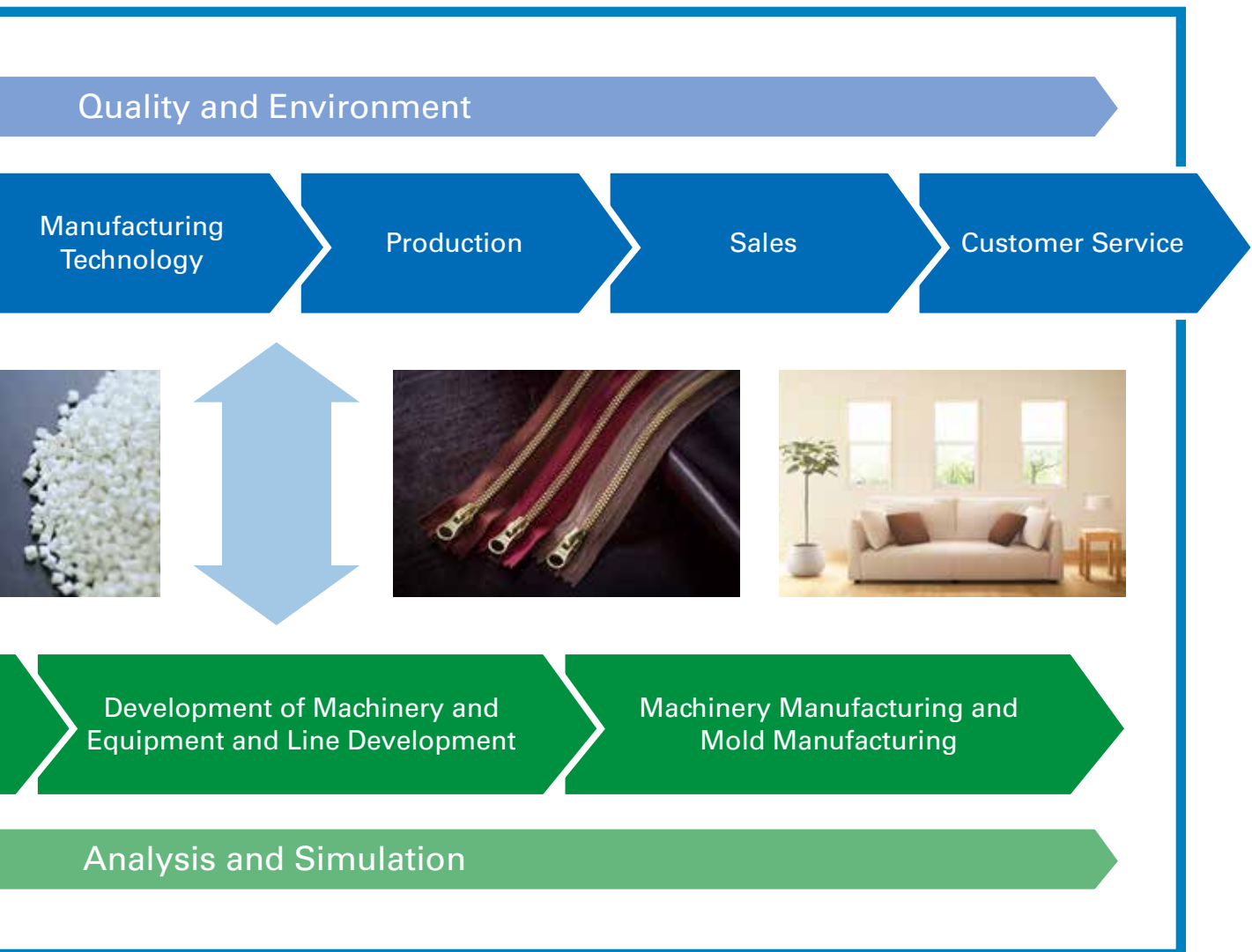
Ever since, the YKK Group has been

pursuing the ideal form of *monozukuri* based on the idea that to maintain top quality, we must make the best materials ourselves and develop our own equipment. Today, we do not necessarily insist on manufacturing everything in-house, putting competitiveness first. But the integrated production philosophy is core to our management, helping to establish YKK as a dependable brand in fastening and architectural product industries, and we will continue and strengthen our efforts even in changing times.



Precursor of the Machinery & Engineering Group established in 1952

## YKK Integrated Production



The YKK Group's integrated production system is our process for achieving "YKK Group quality," enabling stable worldwide supply of high-quality products. It encompasses elemental technology involving material and process development; sustainable recycling technology; and establishment of logistics, sales and manufacturing systems.

# 2

## Addressing All Kinds of Needs Globally and One to One

In 1959, the YKK Group made its first foray overseas, launching operations in New Zealand. We have built up businesses in countries and regions around the world by laying down roots in the community and focusing on the needs of the local market and local customers under the slogan, “Becoming part of the local community.”

At the same time, we put effort into building ties based on trust and reliability, for example through management seeking employment and development of the local workforce, and into developing the local community and economy. Achieving balance between business growth and local prosperity is our fundamental goal.

Here we cover our global sales structure linking the YKK Group to customers worldwide and our research and development framework for attending to needs for one-to-one marketing in each region where we operate.

**72** countries/regions

**109** companies

Global operations  
(as of March 31, 2020)



**1959**

First overseas operation  
(New Zealand)



More than **3** million km

Annual zipper production



**175** countries/  
regions

YKK trademark registrations  
(as of August 2015)



### “Becoming Part of the Local Community” – The “Cycle of Goodness” in Our Operations



YKK founder Tadao Yoshida with local children

Since our foundation, the YKK Group has valued links to our communities, both at home and abroad, where we do business.

Our founder, Tadao Yoshida, said the following:

“ YKK exists all around the globe, an expanding “Cycle of Goodness.”

*In the course of this expansion, I have always told everyone that YKK is not just a Japanese firm; it exists in its own manifestations in the United States and Germany, for example.*

*We cannot expect to be loved unless we are constantly contributing*

*to local communities and the economies of their respective countries.”*

*(Excerpt from The Complete Works of Tadao Yoshida, Vol. II, Management Philosophy)*

Yoshida also explained that when people are working abroad, “They should show respect for a place’s customs, practices and traditions, and feel as if they were actually born there.” At the YKK Group, we believe in being part of the local community.

We constantly bear in mind the need to think locally and work with communities to prosper and grow together in accordance with the YKK philosophy of the “Cycle of Goodness.”

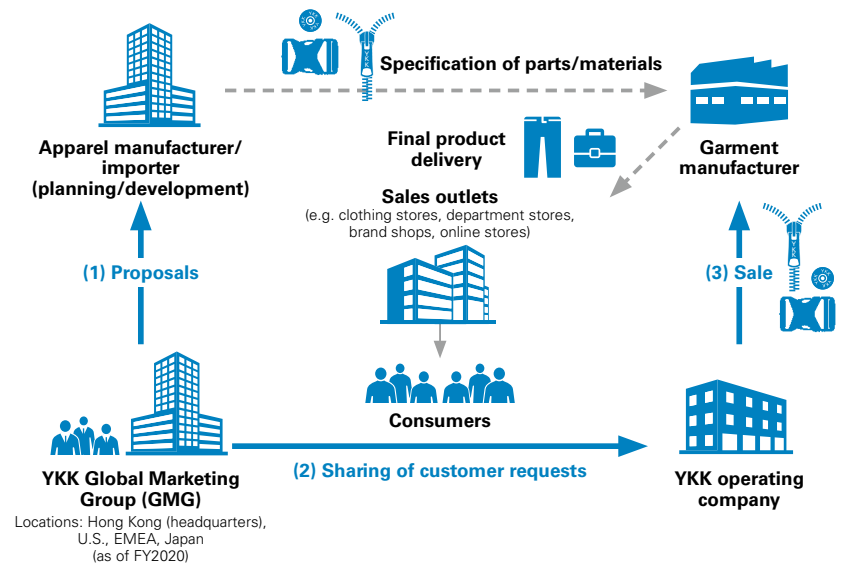
## Global Marketing Group (GMG)—Operating Across Borders

YKK's Global Marketing Group (GMG) operates across national and regional boundaries.

The key to getting customers (e.g. apparel manufacturers) to use YKK fastening products at production facilities across the globe is to have them designate YKK products during the product planning stage. To achieve this, we assign dedicated personnel to attend to each customer. These representatives play a role in advancing the development of new products by actively presenting proposals to customers and relaying customer requests to YKK operating companies in the relevant country or region.

During the 1990s, when globalization of the apparel industry was advancing and the geographical reach of production activities was expanding, YKK sought a novel approach and devised an original business model. The integrative strengths of "one company" originating

### ▼ GMG Activity Example



in the GMG have earned the trust of customers worldwide.

More recently, the GMG is at the forefront of advanced internal efforts to identify and adapt to customer requirements regarding sustainability and digital technology.

## R&D Attending to the World's Needs

YKK Group research and development, like business, is carried out under the Six-Region Global Management Structure centered on Japan. R&D centers have been set up in a number of countries and regions to advance future-oriented research and development covering advanced technology research through to new products that reflect local needs. From a perspective of building up businesses rooted in the community, we also direct energy into training of local development personnel.

### Expanding the Sustainable Product Lineup to Bolster Proposal Capabilities

YKK Turkey fills an important role as a garment manufacturing center for products for the European market, and its R&D Center develops basic technology for

zippers, snaps and buttons. The center also possesses functions for surveying trends and new technologies and undertaking research through inter-industry partnership and is working to expand new technology and product offerings to respond to the requirements of customers who react quickly to the changing times.

### Center for Window R&D Tackles Social Issues of Hot and Humid Areas

Aiming to realize comfortable living environments for people in Southeast Asia—a hot and humid area—YKK AP R&D Center (Indonesia) develops windows and doors suited to the local climate and architecture and undertakes research in the area of passive design, used to create comfortable, low-energy housing.



YKK Turkey R&D Center  
(opened July 2019)



YKK AP R&D Center (Indonesia)  
(opened August 2018)

# 3

## Pursuing Sustainability Under the “Cycle of Goodness” YKK Philosophy

Since its founding, the YKK Group has been developing its business rooted in the “Cycle of Goodness,” the idea that “no one prospers without rendering benefit to others.” The philosophy, expounded by YKK founder Tadao Yoshida, is a call for balance in the dual pursuit of YKK Group growth and a sustainable society. The YKK Group, while maintaining ongoing dialogue with its different stakeholders, will keep providing new value for customers, society and employees and contribute to creation of a sustainable society.

### Environmental Management

#### Providing New Value for a “Brighter Future for Nature and Humanity”

Formulated in April 2019, the YKK Group Environmental Vision 2050 is to be realized through business activities, having been incorporated into short- and mid-term targets.

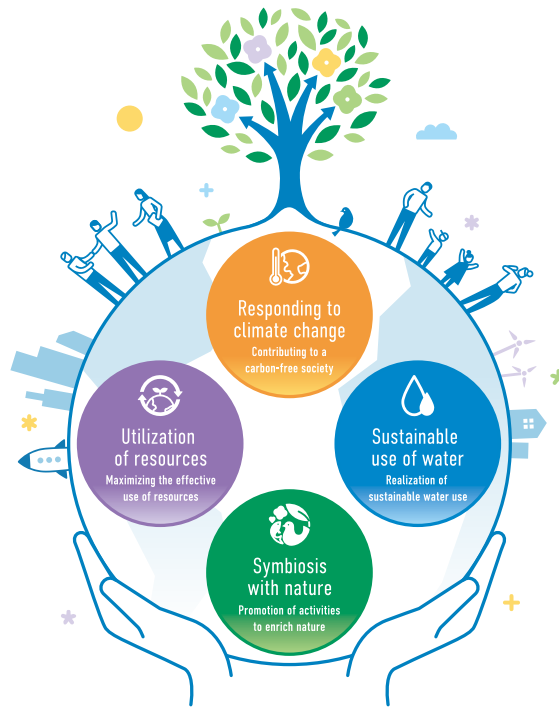
As customer demand for sustainable products and *monozukuri* increases, we will work to provide new value that is friendly to the planet. This will be done by advancing efforts to save resources and lower the environmental impact in manufacturing processes, at the same time shifting to the use of sustainable raw materials for fastening products, supplying vinyl windows, which reduce energy consumption, and advancing social activities to make sure nature’s richness remains for future generations.

\* For sustainability initiatives of the Fastening and AP businesses, see pages 31 and 37.

### YKK Group Environmental Vision 2050

YKK Group, in the spirit of the “Cycle of Goodness,” challenges society and all employees to create new value in order to realize a rich natural environment for all living things in the future.

### Towards a brighter future for nature and humanity



#### Responding to climate change

The climate change that is occurring on a global scale has become a serious problem for all organisms living on Earth. Considering it our responsibility as a member of society to take actions to mitigate this problem, the YKK Group is striving to reduce the emissions of greenhouse gases, including CO<sub>2</sub>, and adapt to climate change.

#### Sustainable use of water

While water is an essential resource for sustaining life and all types of industry, the amount and quality available vary widely depending on the country and region. For those of us who aim for prosperous coexistence with society, joining our communities in sustainably utilizing water resources is essential. Therefore, we are taking actions such as cutting back the volume of water intake and reducing the environmental load in waste water.

#### Utilization of resources

Since the YKK Group manufactures many products, including zippers and windows, various types of resources that constitute raw materials are essential for us. To ensure that we will be able to stably continue supplying our products well into the future, we are acting to maximize effective utilization of non-renewable resources, and also taking initiatives to recycle the waste materials generated throughout the entire life cycle of our products.

#### Symbiosis with nature

Nature provides resources essential to an affluent lifestyle, such as a stable atmosphere, clean water, and healthy food, and gives us places for recreation. To leave the possibility of an affluent lifestyle for the generations to come, we are engaged in activities to protect the natural environment and reduce our environmental impact.

## Forest Management

### A Diverse Workforce as the Source of Value Creation

In keeping with its “Forest Management” concept, the YKK Group wants to be an entity whose employees can all fully exercise their individuality and potential. We view promotion of diversity, a global approach to human resources development, and keeping employees healthy and safe as important management issues and undertake a range of initiatives accordingly.

Another important challenge for management is encouraging more than 40,000 employees from diverse cultural backgrounds and with different sets of values to embrace the YKK Management Principle and Core Values. Initiatives advanced globally within national and regional organizations include the 40,000 Employee Forum—to help firmly establish the Management Principle—and the Round-Table Meeting as a form of dialogue between management and employees.

Every employee of the YKK Group is a source of value creation and it is of paramount importance to ensure they are proud to work for us, in good health, gaining satisfaction from their job.



YKK Portugal was chosen as one of the best companies to work for in 2019.



### “YKK is a Forest Organization.”

These are the words of our founder, Tadao Yoshida.

In a forest, some trees are old and venerable, rich with experience and knowledge, while some trees are young, scarcely more than saplings.

Our organization aims to be like a forest, with each individual growing onward and upward in their own unique way. Forest Management is about moving forward together while letting each person fully exercise their abilities doing what they do best in keeping with their own individual traits, not under anyone’s control.

While we are all employees, we are also all managers.



YKK Sri Lanka donated PET bottle collection cages to an industrial park. A system of upcycling was established whereby collected bottles are recycled into yarn that is then used in NATULON® Ocean Sourced™ zippers (see page 32).

## Globally Spreading the YKK Management Principle

Alex Gregory and Jessica Cork of YKK Corporation of America shared experiences from efforts to communicate the YKK Management Principle within the North and Central America region and discussed the “Cycle of Goodness” YKK Philosophy with employees of YKK Group companies in Shanghai, Dalian, Shenzhen, Hong Kong, Singapore, Indonesia and Turkey.



Dialogue

# Aiming to Contribute to a Sustainable Society Through Our Core Business

## YKK philosophy of management as seen in the “Cycle of Goodness” philosophy chart

As concern for sustainability grows throughout the world, corporate management needs to take a long-term view. YKK External Director Keinosuke Ono and veteran executive Tadahiro Yoshida exchange opinions about YKK management and the “Cycle of Goodness” that lies at its core.



### Tadahiro Yoshida

Born in 1947 in Toyama Prefecture, Japan. Mr. Yoshida graduated from the Keio University Faculty of Law. In 1972, after graduating from the Kellogg School of Management at Northwestern University in the United States, he joined YKK Corporation (formerly known as Yoshida Kogyo K.K.). In 1990, he became president of YKK AP Inc. In 1993, Mr. Yoshida became president of YKK Corporation. In 2011, Mr. Yoshida became Chairman and CEO of YKK Corporation and YKK AP Inc. In 2018, he became a director of YKK Corporation and YKK AP Inc. In June 2020, he became Corporate Advisor of YKK Corporation and YKK AP Inc.

This discussion was to have been held in April 2020 but was cancelled due to the coronavirus disease pandemic. Instead, it is presented here as a written exchange.

**Yoshida:** Dr. Ono, since 2007, you have provided many words of support in your position as YKK External Director, but today I would like to hear your perspective on YKK management, as someone who has studied YKK corporate philosophy and management principles over many years.

**Ono:** I'd be delighted to talk about that.

**Yoshida:** We have inherited, and consistently applied, a management style based on the “Cycle of Goodness,” which was the corporate philosophy of the company founder, Tadao Yoshida. First, I'd like to hear your thoughts about that philosophy.

**Ono:** The source of the “Cycle of Goodness” is the idea that by contributing to the world we enrich ourselves, and enriching ourselves contributes to the development of the world. I think this is a fundamental principle that transcends time and era, one which is intrinsic in maintaining and developing all economic activity in human societies. However, to follow this fundamental principle in both one's business and personal life, you need to have a broad outlook, open mind, and a long-term view. You cannot act according to this fundamental principle if you engage in narrow thinking that focuses on personal profit and a short-term outlook in which you pursue immediate gains. There are many corporations that pursue social contributions and fairness in their management principles, but it is also true that there are many cases of companies chasing only immediate profits. As a member of the YKK Board of Directors, one thing I feel strongly is that when facing very real and difficult management circumstances, YKK leaders always sincerely strive to implement the YKK Philosophy and Management Principle.

**Yoshida:** You are too kind. Thank you.

**Ono:** I think what lies behind such a corporate climate is the fact that top management has many opportunities to talk about the YKK Philosophy and Management Principle, and the company works tirelessly to constantly communicate the message inside and outside the company. As well, YKK is still an unlisted company, and the special shareholder composition in which employees, including management and holding associations, are major shareholders is another important factor in making this possible.

**Yoshida:** You included that point in your

Philosophy Chart, in which you do such a wonderful job of laying out the “Cycle of Goodness.” In that chart, what was the main aspect that you wanted to highlight?

**Ono:** In the chart, I gathered all the important elements identified by the company founder in direct conversation and speech transcripts, and organized them as a business model with the “Cycle of Goodness” at the core. The first thing I noted was the company developed financial strength through the employee's acquisition of shares through payroll and bonus deductions and the accumulation of retained profit. These financial resources are then invested actively in facilities, enabling the company to increase technological development capabilities and competitiveness and create new demand, which in turn leads to increased manufacturing, sales, and profits. Then, with an eye to long-term stability, the profits are shared with customers, partner companies, and the company itself (internal reserves and dividends), and this in turn feeds into the next phase of active facilities investment and technological development, and so on. I wanted to make it clear that the essential nature of the “Cycle of Goodness” is a long-term, dynamic process that cycles through these various factors.

**Yoshida:** Your chart certainly lays this out visually and makes it easy to grasp the overall flow. The “Cycle of Goodness” is a management philosophy that arose as we worked to solve challenges that we faced in the process of growing our business. In other words, it is not something created by layering theory upon theory. Rather, it is a pragmatic philosophy born of hard, diligent study and based on ongoing, real experience. I believe this is why employees with worksite experience, who are doing the hard work at the front lines of business, readily understand it.

**Ono:** Yes. I think it is essential that a management philosophy and management principles must be properly constructed so that they can be used to raise the company's competitiveness and contribute to its long-term development.

**Yoshida:** I think so, too.

**Ono:** You have been serving in YKK Group's upper management for many years now, so you must have faced situations in which short- and

medium-term management strategies, implemented to maintain market competitiveness in the face of immediate changes in the environment, were in conflict with the “Cycle of Goodness” philosophy, which aims for long-term development that is always in harmony with society. In such situations, as a company leader, what sort of stance did you take when making policy decisions?

**Yoshida:** Your question points to the issue that I perhaps focus on the most as an executive. The first thing I always remind myself is that the core must remain stable. That is, our corporate actions are based on the “Cycle of Goodness.” Even in the face of tumultuous and difficult business environments, I am committed to preserving the integrity of the “Cycle of Goodness.” The second thing I would tell myself is that if we are not keeping up with the times, we have to make changes. The times and the market demand many responses from corporate management, but with the “Cycle of Goodness” forming a stable core, we do not need to fear such revisions and changes. As an executive, I believe it has been my job to determine what can and cannot be changed and steer a course based on that.

**Ono:** I see. That is very interesting.

**Yoshida:** What do you see as your mission on the YKK Board of Directors?

**Ono:** Like other companies, if YKK is to survive in our economic society, it has to overcome the continuous and dramatic changes in the environment and win in fiercely competitive markets. This requires the company to constantly push forward while balancing the “Cycle of Goodness” core philosophy, which aims for long-term growth, against short- and medium-term strategies that deal with immediate environmental changes and market competition. A ship that is sailing for a destination in the south must sometimes steer to the east or west due to shipping lanes, weather, and other passing ships. However, when faced with extreme environmental changes or fierce market competition, for most of us the balance tends to lean toward the short and medium term. This appears to be especially so in emergency situations, such as the current coronavirus pandemic. As an external director, I believe that part of my mission is to spot when internal directors, who are responsible for the company’s results, start leaning too far toward the short and medium term, and, when necessary, to suggest tilting the balance back toward the long-term outlook of the core philosophy.

**Yoshida:** As you say, in this current coronavirus pandemic, I think it is necessary for us to further raise awareness about what we can and cannot change. Some have pointed to the coronavirus pandemic as an opportunity to establish a “new normal.” Perhaps in the business world we will also see the emergence of a completely new outlook. In times like this, we have to ground ourselves in what cannot be changed, by which I mean the “Cycle of Goodness” philosophy, and anticipate and respond to what can be changed.

**Ono:** I agree.

**Yoshida:** Tell me what you think about the increasingly large role companies are taking in building a sustainable society.

**Ono:** As you know, the concept of a sustainable society first entered public awareness with the release of the Club of Rome’s report, “The Limits to Growth” in 1972. In the nearly half-century since then, there has been a vigorous and ongoing debate about the concept, centered on the UN, and we still do not have a clear picture of how to build this sustainable society. That said, the state of the world’s environment and human societies means that we have reached a point where debate is not enough. At a 2015 UN summit, the idea of SDGs was adopted, but the actual work involved has only just begun. Companies are being asked to further strengthen their efforts in realizing sustainable societies in their core businesses.

**Yoshida:** Finally, can you tell me about your expectations for the future of YKK?

**Ono:** As we have talked about with regard to the “Cycle of Goodness,” I think that maintaining and developing all economic activity in human societies has always been a fundamental principle. Even in fiercely competitive markets, if we have more companies that adhere to and practice management philosophies and principles such as the “Cycle of Goodness,” the “Cycle of Goodness” will flow more effectively through societies as a whole, and it will become easier to make those societies prosper. In this sense, I think that YKK continues to have an important social mission as an exemplar. Namely, by enacting management philosophy and principles and sincerely following them, it can demonstrate that those principles lead to the long-term development of a company.

**Yoshida:** Thank you very much for sharing your valuable insights. I will remember them well as we continue to move forward.

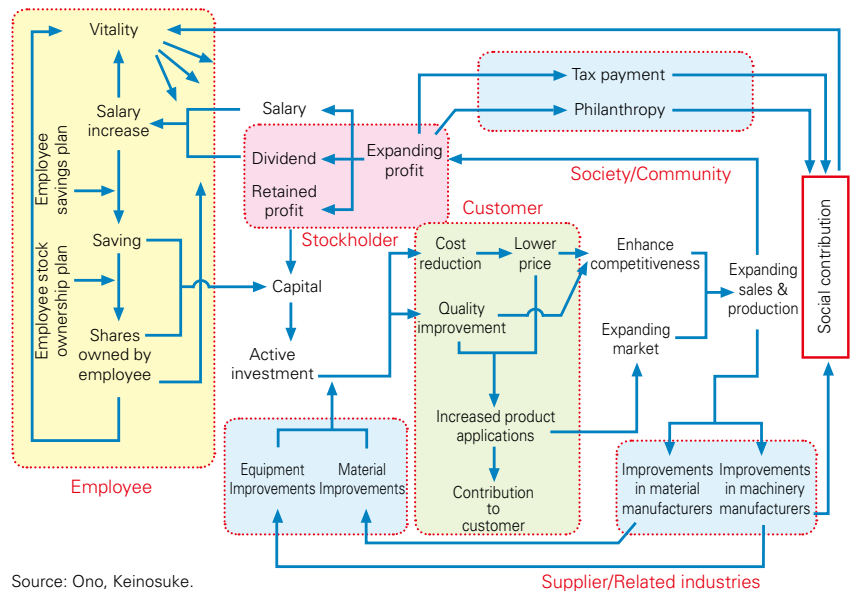


**Keinosuke Ono**

Born in 1940 in Tokyo. Graduated in 1963 from the Administration Engineering Department, Faculty of Engineering, Keio University. Completed doctoral course in Graduate School of Engineering of the same university in 1968. Completed the International Teachers Program at Harvard Business School in 1970. Obtained doctorate in engineering in 1983 (Keio University). In 1984, became Professor, Keio Business School (KBS). In 1997, named Dean and Principal, KBS.

In 2005, named Professor Emeritus, Keio University (to present), Dean of Chubu University’s College of Business Administration and Information Science and Graduate School of Business Administration and Information Science. Named Managing Director, Chubu University and YKK External Director (to present) in 2007. Named Vice President and Professor at Chubu University in 2010. Professor Emeritus Chubu University (April 2015 to present).

▼ Chart of YKK Philosophy “CYCLE OF GOODNESS”



Source: Ono, Keinosuke. *Mission Keiei no Susume: Toward Mission-driven Management*

# The YKK Group: Fifth Mid-Term Management Plan

## Overall Policy

Under the management vision of “Technology Oriented Value Creation” in the Fifth Midterm Management Plan (FY2017–2020), the YKK Group has positioned “product appeal and proposal capabilities,” “technology and manufacturing capability” and “human resource

development” as primary points. The Group is promoting the initiatives presented in the mid-term management plan with the aim of achieving a target of 8.0% or more in terms of an operating income margin and an ROA of 5.0% or more.

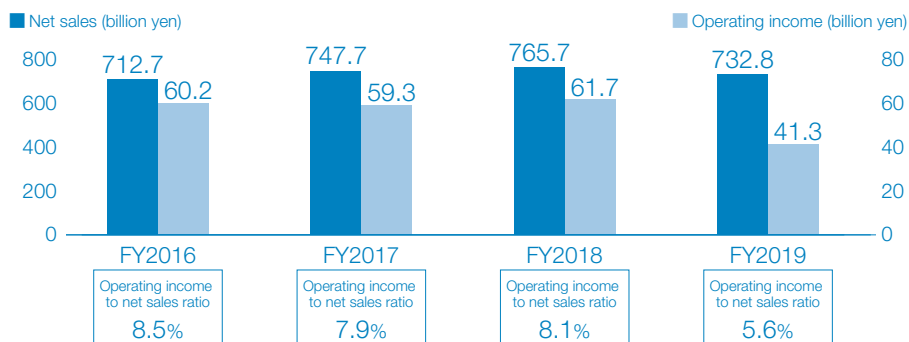
YKK Group: Fifth Mid-Term Management Plan (FY2017–2020)		
The Fifth Mid-Term Management Vision		
Technology Oriented Value Creation		
Primary Management Focus		- Product appeal & proposal capability - Technology & manufacturing capability - Human resource development
Goals of the Mid-Term Plan		Operating income ratio of 8.0% or above - ROA of 5.0% or above
Mid-Term Business Policy	YKK Corporation	Development and innovation in <i>monozukuri</i> An endeavor for YKK's <i>monozukuri</i> in the “Standard” category
	YKK AP Inc.	Sustainable growth of the AP business through added-value and demand creation

## Summary of Consolidated Financial Results FY2019

Consolidated financial results for the fiscal year ended March 31, 2020 were as follows. Net sales came to 732.8 billion yen (96% compared to the previous year), operating income was 41.3

billion yen (67%), ordinary income was 42.6 billion yen (66%), and net income attributable to owners of parent was 23.6 billion yen (52%).

### ▼ YKK Group Net Sales and Operating Income



See the following website for details regarding YKK Group FY2019 business results.  
<https://www.ykk.com/english/corporate/financial/index.html>



## YKK Group Management Team for FY2020

A new management team was appointed to lead the YKK Group toward achievement of ambitious targets under the Fifth Mid-Term Management Plan.

The new team will ensure steady implementation of the plan while continuing to uphold the fundamental YKK philosophy of the "Cycle of Goodness."

### YKK Corporation



Chairman **Masayuki Sarumaru**

### YKK AP Inc.



Chairman **Akira Yoshida**



President **Hiroaki Otani**



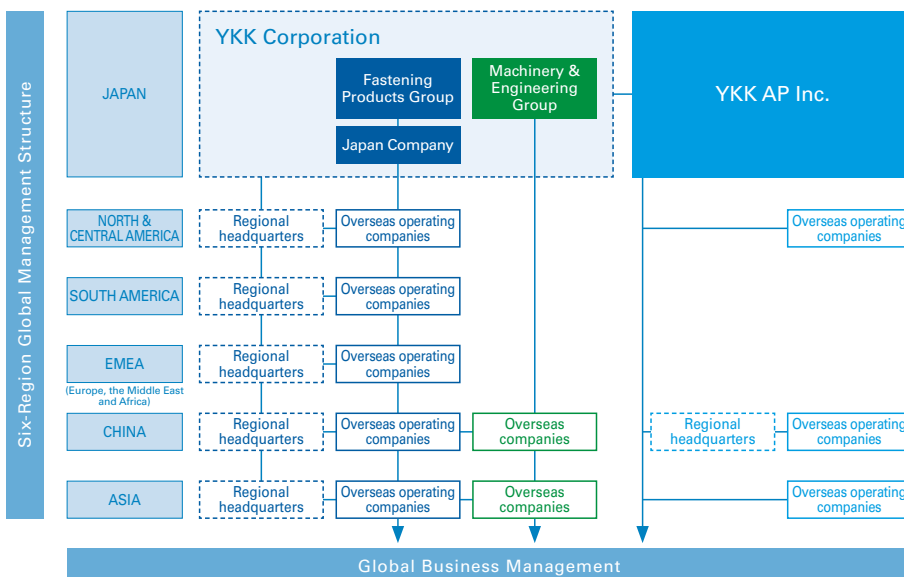
President **Hidemitsu Hori**

(Appointments to take effect following the annual general meeting of shareholders and subsequent Board of Directors meeting in June 2020)

Capital restructuring of overseas companies was undertaken within the AP business. Through changes to capital and business operations under the pre-existing consolidated management structure,

we will work to clarify responsibilities and authority and speed up management to promote further expansion of overseas business.

### ▼YKK Group Consolidated Management Structure



# Consolidated Financial Data of the YKK Group for the past 11 years

Fiscal year Year ended	2009 March 31, 2010	2010 March 31, 2011	2011 March 31, 2012	2012 March 31, 2013
Net sales (millions of yen)	556,439	544,896	544,434	576,965
Ordinary income (millions of yen)	16,572	30,976	26,681	33,681
Net income attributable to owners of parent (millions of yen)	3,828	10,136	16,334	32,692
Comprehensive income (millions of yen)	–	-6,090	14,336	70,777
Total assets (millions of yen)	399,866	391,095	403,169	471,271
Net assets per share (yen)	689,593	690,322	715,364	788,440
Basic net income per share (yen)	326,352	318,900	328,395	384,171
Diluted net income per share (yen)	3,192	8,453	13,622	27,265
Equity ratio (%)	56.7	55.4	55.0	58.4
Return on equity (%)	1.0	2.6	4.2	7.7
Cash flows from operating activities (millions of yen)	68,431	55,955	32,076	67,214
Cash flows from investing activities (millions of yen)	-32,636	-31,635	-39,667	-44,013
Cash flows from financing activities (millions of yen)	-21,795	-13,465	6,636	-11,719
Cash and cash equivalents at the end of period (millions of yen)	90,429	98,201	96,891	116,510
Employees (number)	37,597	38,080	37,719	38,235
<small>The numbers in square brackets represent the average number of part-time employees not included in the numbers of regular employees.</small>	[5,595]	[7,031]	[7,127]	[7,123]

Notes: 1. Net sales are presented exclusive of consumption tax.

2. Diluted net income per share is not presented because the Company had no dilutive securities.

3. Price earnings ratio is not presented because the stock is not listed.

4. The scope of employees has changed from the year ended March 31, 2014, as the number of employees includes contractors, senior employees and other applicable employees, which were previously included under the average number of part-time employees.

5. For the year ended March 31, 2010, 43 foreign consolidated subsidiaries were consolidated by using their financial statements as of the parent fiscal year end (a 15-month period), prepared solely for consolidation purposes. The fiscal year end of a total of 47 foreign consolidated subsidiaries was changed from December 31 to March 31. Therefore, their fiscal year included 15 months of operating results.

<b>2013</b> March 31, 2014	<b>2014</b> March 31, 2015	<b>2015</b> March 31, 2016	<b>2016</b> March 31, 2017	<b>2017</b> March 31, 2018	<b>2018</b> March 31, 2019	<b>2019</b> March 31, 2020
696,929	721,037	741,935	712,783	747,762	765,781	732,854
66,022	69,720	70,988	61,545	59,924	64,466	42,661
44,908	46,978	44,646	45,180	38,728	45,824	23,629
70,447	81,416	-20,695	51,998	30,123	38,420	-5,032
513,543	586,664	561,547	609,848	636,361	671,195	662,564
883,336	946,283	954,060	963,231	978,563	1,011,934	983,645
417,986	477,438	456,991	496,267	518,187	546,662	539,329
37,453	39,181	37,237	37,683	32,302	38,220	19,708
56.7	60.5	57.4	61.8	63.5	64.8	65.7
9.3	8.8	8.0	7.9	6.4	7.2	3.6
85,186	91,254	101,727	81,619	57,525	68,607	77,731
-60,708	-65,976	-95,252	-59,345	-67,661	-53,888	-68,123
-3,784	-4,379	-4,359	-14,569	-4,470	-3,255	-5,446
143,131	173,558	167,229	171,259	155,076	166,241	164,708
40,306 [6,828]	42,154 [5,738]	44,250 [5,390]	44,674 [4,801]	45,618 [4,538]	46,167 [4,430]	46,261 [3,701]

# FASTENING PRODUCTS

## Fastening Business



### ► Development of a New Growth Strategy

For over 80 years, the Fastening Products business has produced and marketed fastening products including zippers, hook & loop, plastic hardware, snap & buttons, and more.

The business has won the trust of customers through comprehensive quality management and integrated production systems, the flexibility to provide a stable supply of what customers truly need, and consistently high product quality the world over.

The needs of those customers become more diversified every day, and we respond swiftly with the products they demand as well as the marketing, development, and production levels they have come to expect. As we strive to grow, we will never compromise, and never sacrifice the quality of the products and services our customers count on us to provide.



#### Slide Fastener Business

##### Apparel

Presently, the global fashion industry is experiencing growing diversification in consumer needs alongside shorter product cycles, resulting in demand for even faster product development and more reasonable pricing. The business is exerting its efforts for the Standard category and for BOP\* products, targeting global super brands and sports apparel brands, and also aiming to boost sales in expanding markets such as Asia.

Currently, YKK products are being used all over the world. We will continue to take on challenges by further improving our technological capabilities in order to provide the products that customers demand.

##### Industrial Fastening Materials

YKK's fastening products are used as industrial fastening materials in

automobiles, disposable diapers, and shoes, among others. They are used in a limitless range of applications, and the company is therefore able to propose fastening solutions adapted to the needs and wishes of customers. Moving forward, we will continue to pursue greater product planning and development capabilities in order to be useful in a wide range of fields.

#### Snap & Button Business

The Snap & Button business manufactures jeans buttons, snaps, and similar products. It is striving to improve the services, products, and quality that it offers to customers by reinforcing its product support.

\* Base of the Pyramid



In order to supply safe, secure, sustainable products, YKK conducts its product manufacturing in conformance with world-class product safety and quality standards.

Please refer to the following link for information on YKK's fastening product quality assurance system.  
<https://www.ykkfastening.com/quality/>

## ► Fastening Business Fifth Mid-Term Management Plan

### Fifth Mid-Term Management Plan Business Policy

We have adopted "Aim for further quantitative growth" as our business policy, and to achieve this we will strengthen our competitiveness in the Standard category. We aim to provide customers with better products at a lower cost and greater speed. At the heart of this is technology, we will strive for qualitative growth using numbers merely as indicators.

Key Measures
<ul style="list-style-type: none"> <li>Strengthen development capabilities</li> <li>Increase product variation</li> <li>Improve on-time delivery performance</li> <li>Strengthen cost competitiveness</li> </ul>

Targets to be achieved by FY2020
<ul style="list-style-type: none"> <li>Capital investment: 154.1 billion yen</li> <li>New product development offices: 19</li> <li>New development personnel: 250</li> </ul>

### Summary of Consolidated Financial Results FY2019

In our Fastening Business, market conditions declined in China and other regions in Asia, and sales of high-value-added products and sales to high-end bag customers in Europe and the U.S. fell. In Japan, overall sales were sluggish, so material supplies fell. In addition to these declines in sales volume and capacity utilization, manufacturing-related fixed costs rose due to investment in greater

sales and manufacturing capacity in China and other regions in Asia and we also had an increase in development platform enhancement expenses. These placed significant downward pressure on profitability, and, together with the impact of the spread of COVID-19, resulted in the company recording 302.1 billion yen in net sales and 36.2 billion yen in operating income.

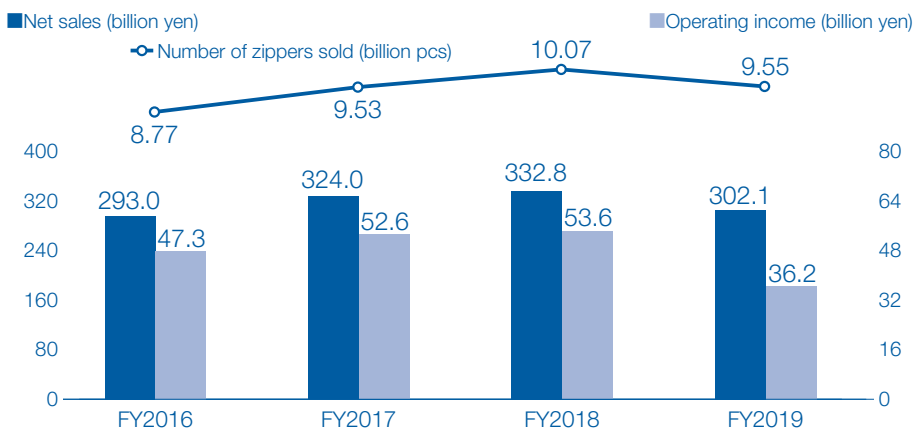
### FY2019 Results



Net Sales

**302.1 billion yen**

### ▼ Fastening Business Net Sales and Operating Income



Operating Income

**36.2 billion yen**

## Current Business Environment, Issues, and Measures

Current Business Environment	FY2020 Issues and Measures
<ul style="list-style-type: none"> <li>• China-U.S. trade war</li> <li>• Decline in demand (continuing warm winters and excess clothing inventory; declining demand for blue denim)</li> <li>• Permeation of sustainability in the fashion industry</li> <li>• Changes in the customer value chain due to advances in IT technology</li> <li>• COVID-19 pandemic</li> </ul>	<ul style="list-style-type: none"> <li>• Further support for One to One</li> <li>• Continuous introduction of new products (value-added products and sustainable products)</li> <li>• Continue to strengthen products and manufacturing for the Standard category</li> <li>• Taking on the challenges of labor-saving equipment deployment and continuous operation</li> <li>• Further cost reduction</li> <li>• Value chain collaboration with apparel customers</li> </ul>

### FY2020 Business Policy

Under our business policy of strengthening our competitiveness in the Standard category, we will engage in business activities aimed at providing customers with better products at a lower cost and greater speed. Although we have positioned the Standard category as our most important category, we will also strengthen our development capabilities, increase product variety, improve on-time delivery performance, strengthen our cost competitiveness in the Value Conscious, Standard, and BOP categories, and implement measures for products and *monozukuri* that meet the

needs of customers in each of these categories. In addition to enhancing our one-to-one support capabilities for each customer, we will also continually launch new value-added products and sustainable products, carry out measures to improve our Standard category products and *monozukuri*, take on the challenges of labor-saving equipment deployment and continuous operation, further reduce costs, and link our value chain with the value chains of our apparel customers. We will also respond to market changes and perform business investment focused on the benefits of rationalization.

### FY2020 Key Initiatives

- Value Conscious: Strengthen one-to-one response and continuously provide value-added products
- Standard: Expand product and surface-finishing variety and enhance cost competitiveness
- Create value through sewing rationalization
- Digitize design planning
- Further strengthen one-to-one development matched to customers and markets
- Respond to market changes and perform business investment focused on the benefits of rationalization

### Main Topics for FY2019 (Business)

## Strengthening Competitiveness in the Standard Category — Better Products at a Lower Cost and Greater Speed —

In FY2019, led by our Mid-Term Business Policy of “Aim for further quantitative growth,” we have taken measures such as building a structure for increased production in the growing Asian market; increasing sales for the Standard category by deeply cultivating demand by mass retailers in Europe and the U.S. as well as the domestic demand in each country; augmenting product development bases; and strengthening product lineups. In our active investment in the growing Asian markets, we have successfully started up operation of the YKK Vietnam Co., Ltd.

Ha Nam Plant that was completed in July 2019 in order to enhance our supply capabilities in Vietnam, which has a growing market for zippers for processing and exporting, and improve our service level through on-time delivery. Through our measures for augmenting product development bases, in July 2019 we opened an R&D Center at YKK METAL ve PLASTIK URUNLERI SANAYI ve TICARET A.S. in Turkey. This has brought our number of fastening development sites to 39 and our number of R&D site personnel to 1,018 at the end of FY2019.



YKK Vietnam Co., Ltd. Ha Nam Plant

## Joint Development with JUKI Corporation of New AiryString® Tapeless Zipper and Dedicated Sewing Machine

JUKI Corporation and YKK have leveraged their technologies and knowledge to jointly develop sewing machines and fastening products since 2017. In FY2019, we produced our second batch of development results, the new AiryString® tapeless zipper and a sewing machine for sewing this zipper into garments.

AiryString® has no zipper tape, so it can improve the texture and design of garments, and the dedicated sewing machine eliminates the stitching process required for conventional products, helping streamline the sewing process.



AiryString®

This innovative zipper was awarded the Gold Selection in the Japan Industrial Designers' Association's JIDA Design Museum Selection Vol. 21.

## ► Pursuing Sustainability in the Fastening Business

As greater focus is placed on environmental and social issues around the world, national governmental demands, societal demands, and consumer consciousness are increasingly turning to the pursuit of sustainability. The fashion industry, the core customer of the Fastening business, in particular, is moving away from its previous mass production, mass consumption business model, and the entire industry is working towards the realization of a sustainable society.

Based on YKK Group Environmental Vision 2050, YKK has defined its own medium- and long-term goals for the Fastening business, such as eliminating

the use of harmful chemical substances and reducing greenhouse gas emissions and water consumption, and has begun initiatives aimed at achieving these goals. YKK is also working to increase the use of sustainable materials in products and reduce the environmental impact of manufacturing processes, as well as actively developing sustainable products and technologies such as NATULON®, a zipper made from recycled materials, GreenRise®, a fastening product whose main raw material is plant-based polyester resin, and ECO-DYE®, a dye technology that uses almost no water in the dyeing process.



NATULON®



GreenRise®

### ▼ Examples of Specific Initiatives

<b>Responding to climate change (reducing greenhouse gas emissions)</b>
<ul style="list-style-type: none"> <li>■ <b>Signing of Fashion Industry Charter for Climate Action</b></li> <li>■ <b>Declaration of SBT*<sup>1</sup> commitment</b></li> </ul>
<b>Utilization of resources (using sustainable materials)</b>
<ul style="list-style-type: none"> <li>■ <b>Promotion of NATULON®</b> Sustainable zippers made from recycled polyester Contributes to reduction in the usage of new petroleum resources by using recycled PET to reduce the amount of virgin PET used</li> <li>■ <b>Launch of NATULON® Ocean Sourced™ planned for FY2020</b> Contributes to marine environment conservation through the reuse of ocean bound plastic</li> </ul>
<b>Sustainable use of water</b>
<ul style="list-style-type: none"> <li>■ <b>Water resource initiatives</b> Pursues sustainable use and recycling of water through dye technology improvements</li> </ul>
<b>Symbiosis with nature</b>
<ul style="list-style-type: none"> <li>■ <b>Zero discharge of hazardous chemicals (ZDHC)</b> Eliminates restricted substances from textile and plastic parts in accordance with ZDHC MRSL*<sup>2</sup> standards</li> </ul>

\*1 Science Based Targets

\*2 The ZDHC Manufacturing Restricted Substances List



## Main Topics for FY2019 (Sustainability)

## YKK Signs Fashion Industry Charter for Climate Action

## Global Climate Action

United Nations Climate Change

In March 2020, YKK became a signatory to the Fashion Industry Charter for Climate Action, an initiative advanced by the United Nations Framework Convention on Climate Change (UNFCCC).

This charter, based on the long-term goals of the Paris Agreement, aims to achieve a 30% aggregate reduction in greenhouse gas emissions by 2030 and net-zero emissions by 2050. The charter has over 100 signatory corporations and organizations.

YKK will continue its efforts to identify and reduce greenhouse gas emissions in its business activities, including raw material procurement, production processes, logistics, and the supply chain. Within the next two years it aims to obtain SBT\* initiative certification. By becoming a signatory, YKK will further accelerate coordination throughout the industry and contribute to the creation of a sustainable society.

\* Science Based Targets

## Development of NATULON® Ocean Sourced™, Made from Ocean Bound Plastic

YKK has developed its new NATULON® Ocean Sourced™ collection of zippers made from ocean bound plastic and plans to launch it by the end of 2020. NATULON® Ocean Sourced™ plastic zippers are made from plastic waste that has been collected within 50 km of the coastline of Sri Lanka. They have the same strength, durability, and functionality as conventional zippers.

The massive amounts of ocean bound plastic are a global problem. Most of this plastic comes from land-based sources, negatively impacting millions of birds, turtles, fish, and other parts of the marine ecosystem. Upcycling to NATULON® Ocean Sourced™ instead of allowing this plastic to enter the oceans helps address the marine plastic problem.



# ARCHITECTURAL PRODUCTS

## AP Business



### ► Seeking New Opportunities

Private homes and commercial buildings, where people live and work, create value in their surrounding areas, become part of the local culture, and are ultimately part of the global environment.

Windows and doors are significant attributes to creating comfortable living spaces. Building facades create beautiful urban scenery. The YKK AP business aims to deliver advanced comfort to living and urban spaces through its architectural products.



#### Residential Products

##### Supporting Construction of Homes While Valuing the Era, Region, Beauty, and Individuality

We offer a variety of products, from windows and doors to exterior fixtures, aimed at creating homes for new lifestyles and comfortable living. A characteristic of our products is the high added value from factors such as enhanced basic performance, variation in color and design, and functionality. We provide solutions suited to a new dimension of needs, including application, aesthetics, accessibility, insulation, the environment, and recycling.

#### Commercial Products

##### Delivering New Value for Ideal Construction

We deliver the design, performance, and function required in all construction, from skyscrapers to medium- and low-rise buildings. The components and systems required for this have been validated through many years of achievements. Please make the most of our extensive know-how, cultivated through our global expansion and involvement in many large projects. Not only do we handle everything from development to manufacturing, we also fully support construction and provide after-sales service.



YKK AP strives to provide customers with safety and security. We have formulated the YKK AP Product Safety Basic Policy, consisting of our Product Safety Pledge and Product Safety Action Guidelines, so that the entire company can work as one to actively implement product safety measures.

Please refer to the following link for information on the YKK AP Product Safety Basic Policy.  
<https://www.ykkap.co.jp/company/japanese/safety/> (Information in Japanese)

## ▶ AP Business Fifth Mid-Term Management Plan

### Fifth Mid-Term Management Plan Business Policy

Aiming for sustained business growth, even in a tough market environment where the amount of new domestic housing construction work is expected to shrink, we set “Sustainable growth of the AP business through added-value and demand creation” as our business policy, and we will work on key measures through each of our seven businesses and business areas.

Key Measures	Business Policy
	• <b>Residential business:</b> Promote windows with high thermal insulation performance
	• <b>Exterior business:</b> Reinforce sales through expanding products range and increasing product appeal
	• <b>Renovation business:</b> Create demand and boost growth
	• <b>Commercial products business:</b> Increase engineering capability and promote high thermal insulation products
	• <b>Overseas AP business:</b> Reinforce business foundation and expand business in the target market
	• <b>Facade business:</b> Expand presence of Facade business
	• <b>Business process re-engineering:</b> Standardize and optimize business processes

### Summary of Consolidated Financial Results FY2019

AP business net sales in FY2019 were 425.8 billion yen (down 0.5% year-on-year and down 4.8% vs. plan) and operating income was 22.8 billion yen (down 2.8% year-on-year and down 4.4% vs. plan). Inside Japan, in the residential business, we expanded sales through promotion of windows and doors with high thermal insulation performance focusing on vinyl windows, and through model changes to our entrance door core products, proposed value through total coordination for buildings and outdoor facilities, promoted the use of high thermal insulation in the residential expansion and renovation field, and increased sales of renovation products. In the commercial products business, we reinforced our property support capabilities by enhancing our proposals of individual fire-resistant products and enriching our communications.

Overseas, in North America we opened a commercial products branch on the west coast, and in December we acquired all shares of Erie Architectural Products Group, a Canadian curtainwall manufacturer. In China we expanded our order volume by enhancing our proposal capabilities for the major real estate development market. In Taiwan, we enhanced our order reception capabilities for the high-end market by reducing manufacturing costs. In Indonesia, we expanded sales of sectioned material and sales of products for ready-built housing. However, the rebound in consumption in Japan following the raising of the consumption tax rate and the impact of the spread of COVID-19 caused net sales to decline and market competition to grow more fierce, sales administration expenses rose, and, consequently, operating income fell year-on-year.

### FY2019 Results



Net Sales

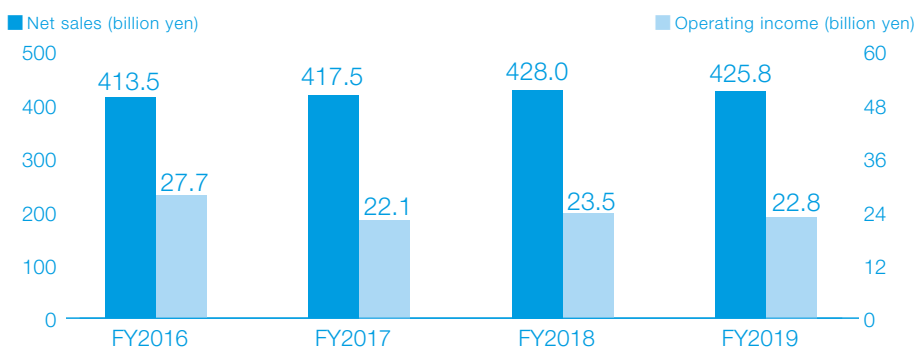
**425.8 billion yen**



Operating Income

**22.8 billion yen**

### ▼ AP Business Net Sales and Operating Income



### Current Business Environment, Issues, and Measures

Business Environment	Japan	Due in part to the impact of the COVID-19 pandemic, reduced consumer confidence with regard to residential purchases, construction delays and project cancellations are expected to result in the amount of new housing construction work starts falling year-on-year for the full-year period.
	Overseas	Except for China, whose recovery was rapid, future uncertainty is expected due to the COVID-19 pandemic, with the possibility of stay-at-home orders by the governments of countries such as India and Singapore.
FY2020 Issues	Overall	<ul style="list-style-type: none"> <li>Creation of new business models that take into consideration potential future COVID-19 conditions</li> </ul>
	Japan	<ul style="list-style-type: none"> <li>Create demand and differentiation by offering high thermal insulation windows and wind-resistant products</li> <li>Enhance total house coordination and easy-install construction for exteriors</li> <li>Create demand in the renovation market through energy saving, ventilation, quake-resistance, disaster prevention, and disaster mitigation proposals</li> <li>Expand sales through further reinforcement of building-specific fire-resistant products, supply capabilities, and sales proposals</li> </ul>
	Overseas	<ul style="list-style-type: none"> <li>North America: Strengthen sales of building materials in the Midwest and West Coast areas Expand residential material sales channels in urban and suburban areas</li> <li>China: Increase orders by expanding our target area</li> <li>Taiwan: Increase orders in the high-end market, prepare for entry into the renovation and non-residential industries</li> <li>Indonesia: Expand sales channels through reinforcement of product competitiveness</li> </ul>

### FY2020 Business Policy

Due to the impact of the COVID-19 pandemic, the business environment is expected to remain unpredictable both in Japan and overseas. In addition to creating new business models that take into consideration potential future conditions, we are implementing key measures in each business and business area led by our Fifth Mid-Term Business Policy of “Sustainable growth of the AP business through added value and demand creation.” In the domestic residential business, we will create demand and differentiation by offering high thermal insulation windows and wind-resistant product series and enhance total house coordination and easy-install

construction proposals for exteriors. In the renovation business, we will create demand through proposals focusing on energy saving, ventilation, quake-resistance, disaster prevention and disaster mitigation. In the commercial products business, we will expand sales through further reinforcement of building-specific fire-resistant products, supply capabilities, and sales proposals.

Overseas, we will engage in speedy management by reorganizing the capitalization and structures of overseas companies, and we will expand business in the U.S., China, Taiwan, and other parts of Asia.

### FY2020 Key Initiatives

- Creation of new business models that take into consideration potential future COVID-19 conditions: Create opportunities by shifting from direct contact with customers to using online (web) sales tools
- Residential business: Strengthen position in metropolitan areas by reinforcing the product appeal of vinyl windows and wind-resistant products series and building lines capable of increased production
- Exterior business: Reinforce sales through product appeal and channel policies
- Renovation business: Create greater awareness of renovation for the housing performance improvement through energy saving, ventilation, and quake-resistance; stimulate retrofitting demand that meets disaster prevention and disaster mitigation needs
- Commercial products business: Create differentiated proposals by leveraging building-specific fire-resistant products and high thermal insulation capabilities
- Overseas AP business: Enhance promotions that are tailored to individual regions and cultivate new customers

## Main Topics for FY2019 (Business)

### 10th Anniversary of the Launch of the APW Vinyl Window Series Contributing to Healthier and More Comfortable Living Environments

YKK AP's APW vinyl window series, which began with the APW 330 high thermal insulation vinyl window launched in July 2009, celebrated its 10th anniversary this year. As the result of our product lineup improvement efforts and proposal and publicity activities, our total sales of windows over this 10 year period has exceeded 3.3 million sets. Our vinyl window ratio\* has also risen to 26%, exceeding the market average. Our activities have contributed to the creation of healthier and more comfortable living environments. In FY2019 we increased our production capabilities through measures such as the construction of a new production line at the Tohoku



APW 431 large opening sliding products that balance thermal insulation properties with a sense of openness

Plant and the rebuilding of a production line at the Hokkaido Factory. We will continue to strive to realize a sustainable society by developing and supplying high-performance, high-value-added products.

\* Percentage of shipped YKK AP residential window sets that consist of vinyl windows (APW vinyl window series and PLAMADO series products for the Hokkaido market)

### Contributing to High-Quality Stock Homes Through Thermal Insulation and Quake-resistance

#### Renovation demonstration project for the housing performance improvement



Hiroshima Miiri Home built in conjunction with Maeda Housing Co., Ltd. (Hiroshima City)

YKK AP has worked with renovation companies across Japan to implement renovation for the housing performance improvement focusing on thermal insulation and earthquake proofing. These projects have demonstrated

the potential for increasing the values of homes through their windows and doors. We carried out two projects in FY2017, four projects in FY2018, and four projects in FY2019. This initiative has been well-received, and in December 2019 we were awarded the grand prize in the open category of the Renovation Council's Renovation of the Year 2019 competition. We will continue to contribute to the spread of high-quality stock homes through the revitalization of circulation in Japan's stock home market and the improvement of thermal insulation and quake-resistance in the homes that make up this market.

## ▶ Pursuing Sustainability in the AP Business

The business environment surrounding the AP business continues to change drastically, including a decrease in new residential construction work, a shortage of craftsmen, and increase in consumer needs for energy saving, health and comfort. YKK AP helps solve social issues by supplying products that contribute to solutions wherever they are necessary.

In January 2019, YKK AP received

certification for its science-based emissions reduction targets (SBT) in accord with the Paris Agreement. We will continue to promote specific measures to achieve our targets of a 30% reduction in YKK AP greenhouse gas emissions (scope 1 + 2) by FY2030 and a 30% reduction in supply chain greenhouse gas emissions (scope 3) by FY2030.

### Societal Issues and Needs Related to AP Business

- Shifting demographic and household trends
- Residential housing policies
- Resources and energy
- Environmental issues
- Lifestyle
- Regional revitalization
- Crime and disaster prevention
- Health and comfort
- Shortage of craftsmen
- Abandoned houses
- etc.

### YKK AP Proposals

<p><b>Energy saving</b> Health and comfort</p>  <p>APW vinyl window series</p>	<p><b>Disaster prevention</b></p>  <p>GR wind-resistant shutters</p>	<p><b>Quake-resistance</b></p>  <p>Quake-resistance window and door products FRAME II</p>
<p><b>Easy-install construction</b></p>  <p>Window remodeling products Mado Remo series</p>	<p><b>Abandoned homes</b></p>  <p>Stand-alone home performance improvement renovation demonstration project</p>	<p><b>Technology transfer</b></p>  <p>YKK AP Construction Skills Training Academy</p>

### Greenhouse Gas Emissions Reduction Targets

YKK AP greenhouse gas emissions reductions (scope 1 + 2)

**30% reduction by FY2030**

Supply chain greenhouse gas emissions reductions (scope 3)

**30% reduction by FY2030**



## Main Topics for FY2019 (Sustainability)

## Acquisition of EcoLeaf Environmental Labels for Vinyl Windows and Sashes Used in Commercial Buildings

YKK AP has acquired EcoLeaf environmental labels\*1 for its EXIMA 77 and EXIMA 37 vinyl windows and sashes for use in commercial buildings.

As Zero Energy Houses (ZEH) and Zero Energy Buildings (ZEB) grow more common in the architectural industry, in order to realize a low-carbon society it has become even more important to disclose environmental impact information for entire product life cycles. The commercial building vinyl windows and sashes for which we have acquired



Cross-section of the EXIMA 77 double-sliding window

EcoLeaf environmental labels offer high thermal insulation performance thanks to their vinyl frames, which have superb thermal insulation performance. They cut the amount of energy used for both cooling and heating, contributing to CO<sub>2</sub> emissions reductions. Products with EcoLeaf environmental labels are taken into consideration by commercial building builders and construction companies when making green procurement decisions, and the use of certified materials is also factored positively when making LEED certification\*2 decisions.



\*1 EcoLeaf environmental label:

These environmental labels, developed in Japan, use life cycle assessment (LCA) methods to quantitatively evaluate and indicate the environmental characteristics of products throughout all of their life cycle stages from a multitude of angles. These labels are categorized as Type III environmental declarations by ISO standards (ISO 14025) and are operated and managed by the Sustainable Management Promotion Organization.

\*2 LEED certification:

The LEED certification system was developed and is operated by the U.S. Green Building Council. It certifies sustainable building and area development.

## Support for the White Logistics Movement

YKK AP supports the White Logistics movement promoted by the Japanese Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Economy, Trade and Industry, and the Ministry of Agriculture, Forestry and Fisheries. We have issued a public declaration that we will work voluntarily to achieve sustainable logistics.

Due to the ongoing severe shortage of truck drivers, we are faced with a new social challenge: securing stable distribution. The White Logistics movement seeks to improve truck transportation productivity and distribution efficiency while creating good working environments for everyone, regardless of gender or age. As a supporter of this movement, YKK AP has declared



Double connected trucks deployed to further improve loading efficiency

that it will implement six measures, including using pallets, discontinuing or suspending driving in extreme weather, and using larger vehicles. By participating in this movement, we are contributing to the realization of sustainable logistics in order to improve distribution efficiency and productivity.

# MACHINERY & ENGINEERING

## Machinery & Engineering Group



### ► Strengthening Our Technology Capabilities to Reinforce the Competitiveness of the Fastening and AP Businesses

The Machinery & Engineering Group contributes to the growth of the YKK Group by developing and manufacturing machinery as the core of YKK Group technologies. The YKK Group has grown globally by developing an integrated production system that encompasses materials, manufacturing equipment, and products. The Machinery & Engineering Group supplies machinery specialized for the Fastening business and AP business to YKK Group plants all over the world by developing materials, machinery, and equipment, and manufacturing machinery parts, dies, and machinery. For the elemental technologies that are needed to further strengthen our business competitiveness, we are promoting the introduction of external technologies through cooperation with companies and universities while at the same time seeking to cultivate our own in-house development.

#### Fifth Mid-Term Management Plan Execution Policy

The Machinery & Engineering Group, which supports the integrated production system of the Fastening business and AP business, has adopted “Reinforcement and evolution of foundational elemental technology” as the Fifth Mid-Term Management Plan execution policy, and aims to challenge for “high function” and “low price” in the Standard category.

##### Key Measures

- Second stage of machinery and equipment development suitable for production sites
- Technology development with a mid- to long-term vision (strengthening robot utilization technological capabilities, etc.)

#### FY2020 Business Policy

We will carry out priority measures aimed at developing line, machinery, and equipment for the Standard category by developing dedicated zipper production equipment and lines; achieving further efficiency improvements and labor savings on vinyl window and aluminum-vinyl composite window manufacturing lines by developing dedicated AP production equipment and lines; enhancing our robot

utilization technological capabilities and developing materials for the Standard category by using elemental technologies; and cultivating and strengthening our coloring technological capabilities. Furthermore, we will promote shorter lead times and lower costs by enhancing our production control functions and order volume change responsiveness in machinery manufacturing.

#### Main Topics for FY2019

##### Human resource development — Taking on the challenges of the WorldSkills Competition

While *monozukuri* is becoming increasingly automated, it is essential that we develop engineers with accurate understandings of principles and rules and who can put them into practice. In order to raise the technical level of our engineers, we have participated

in the WorldSkills Competition\* since FY2012.

In FY2019, our employees won bronze medals in both the machinery assembly and milling categories. We will continue to polish our *monozukuri* by skilled personnel, contributing to both business areas.

\* The WorldSkills Competition is a technical level competition for young engineers aged 23 and below.





# Research and Development Activities

As with business development, R&D activities in our Group (this company and affiliated subsidiaries) are undertaken across the six-region global structure comprised of North and Central America, South America, EMEA (Europe, the Middle East, and Africa), China, Asia, and, at the center, Japan. For this consolidated fiscal year total R&D expenditures across the Group amounted to 22.709 billion yen.

The main R&D results for this consolidated fiscal year are described below.

## Fastening Products Group

The Fastening Products Group established a Fifth Mid-term Business Policy to “aim for further quantitative growth,” and committed itself to strengthening new product development and development organizations in order to meet diverse customer needs in the standard market, which is positioned as the most important category, as well as high value-added markets and domestic consumer markets in each country.

Major results included improved competitiveness due to expanded color choices for aluminum products, the use of magnets and innovative form factors in developing easy-to-close zippers, and, as part of our sustainability efforts, the development of zippers made from plant-derived materials. In the field of snap buttons, we worked to roll out variations and develop

needle detection-compatible stainless products for the standard market. As well, we engaged in joint development to create a non-tape zipper that reduces sewing time with the use of specialized sewing machines.

Going forward, in order to provide new products and value tailored for customers and markets in each region, we will continue to develop human resources and organizations within domestic and overseas development centers so as to improve speed, cost and sustainability capabilities. At the same time, we shall aim to further strengthen our one-to-one development capacity by utilizing digital customer collaboration systems and other techniques. The R&D expenditure for this business was 9.225 billion yen.

## AP Group

In FY2019, in order to achieve the Fifth Mid-Term Business Policy of “sustainable growth of the AP business through high added-value and demand creation,” we deployed front-loading development processes and introduced PLM construction initiatives, boosted quality in four areas—product, worksite, usage, and information—and developed and introduced high-value-added products from the user’s perspective, all aimed at maintaining demand creation.

Major results included the development and deployment of our Episode NEO aluminum-vinyl composite windows series for homes and office buildings, which meet diverse demands in both new construction and renovations. We also worked on strengthening our product lineups. In the remodeling field we expanded our reach with the Door Remo and Mado Remo series, and developed product ranges in the exteriors field with improved looks and ease-of-installation.

As well, we improved collaboration between three technology facilities—the Partners Support Studio completed in March 2019, the YKK AP R&D Center, and the Value Verification Center—to focus efforts simultaneously on development, evaluation and verification, and technology proposals/information sharing.

As we move forward in a difficult business environment in which economic activity is expected to contract, we shall aim to be the Number 1 company in customer satisfaction by responding to changes, rapidly developing and introducing products to market that are directly connected to customer needs, strengthening product variety and cost competitiveness, and, finally, raising our technology capabilities, product strength, and earnings strength through human resource development that prepares for the next generation. The R&D expenditure for this business was 8.889 billion yen.

## Other Businesses

The Machinery & Engineering Group is committed to further strengthening the business competitiveness of the Fastening and AP Businesses during the Fifth Mid-Term period by taking on the standard market with advanced functionality and low cost, based on the reinforcement and evolution of foundational elemental technology.

With regard to the main development themes for FY2019, we developed facilities for the Fastening Business that can handle peak seasonal demand in production, and differentiated production lines with a focus on shorter manufacturing lead times and cost reductions. In developing equipment for the AP Business, the Group worked to extend manpower savings through the use of robots on vinyl window and aluminum-vinyl composite window production

lines. With regard to robots, we developed prototype machines using elemental technology that can handle zippers and parts.

In addition to the above, in FY2020 we are aiming to further strengthen business competitiveness by working on the digitization, increased intelligence, and in-house production of robot technology for zipper finishing machinery, the development of aluminum decoration techniques, and the in-house production of brass plating solutions.

Regarding the elemental technologies required for this work, we shall lay the groundwork for in-house development while collaborating with companies and universities to introduce external technology and actively engage in co-development. The R&D expenditure for this Group was 4.594 billion yen.

# Measures Around the World

As a member of the countries and regions in which it does business, the YKK Group provides various types of value through its business activities, including helping solve social, environmental, and community issues. Below are some of the measures taken in each region in FY2019.

## NORTH & CENTRAL AMERICA

### Aiming to Reduce Construction Times and Address Shortages of Skilled Workers in the Construction Market

In December 2019, Canadian high-performance curtain wall\* manufacturer Erie Architectural Products Group (Erie AP) joined the YKK AP Group. The company's unit curtain wall technologies have become a new strength for the YKK Group, and this acquisition has made it possible to broaden the provision of services that address the U.S. construction market issues of construction time reductions and shortages of skilled workers. Erie AP and YKK AP America Inc. have a strong relationship of over 10 years, and the acquisition will enable the companies to leverage synergy to provide further value to customers and society.

\* Curtain walls are walls used purely to separate spaces in buildings, without providing structural support.



Unit curtain wall performance verification by Erie AP

## SOUTH AMERICA

### Coffee Beans Contributing to the Development of Local Economies

In 1972, when YKK entered Brazil with its zipper business, inflation was rising sharply following the first oil crisis and poverty was rapidly increasing. Given this situation, Agro Pecuaría YKK LTDA was established in 1985 to launch a coffee business by reinvesting profit earned locally. Underpinning this is the belief of YKK's founder Tadao Yoshida, who proposed that advancement into the fields of clothing, housing, and food is the foundation of business management. Coffee production worksites, which have become firmly established as local industries, contributed to local economic development by employing local residents and nurturing human resources through vocational training and the transfer of skills. Café Bonfino, which serves in-house roasted coffee, has opened branches in Japan as well, offering YKK's high-quality, aromatic coffee to everyone.



Local employees with harvested coffee beans

## EMEA

### Contributing to Sustainable Society Through Manufacturing

YKK Italia S.p.A., in collaboration with the Il Girasole social cooperative in Florence, is a partner in "Let's Work," a *monozukuri*-based social support project. This project provides job training and social integration opportunities to people with physical or mental health disorders through the manufacture of leather products such as bags and pouches made from reused materials. YKK Italia provides zipper and button materials using its sample inventory, as well as providing support for the purchasing of processing equipment. In FY2019, the YKK booths at international exhibitions in Paris and Milan passed out small leather goods made by this project, sharing information with society about the social significance of these activities.



## CHINA

## COVID-19 Pandemic Response Measure Support

The YKK China Group has been providing support to those working with COVID-19 victims and those involved in the prevention of mass infections. In order to assist with the activities in China's Hubei Province, the Group donated 1 million yuan (roughly 16 million yen) to the Shanghai Charity Foundation.

Furthermore, Dalian YKK Zipper Co., Ltd., Shanghai YKK Zipper Co., Ltd., and YKK Zipper (Shenzhen) Co., Ltd. specially manufactured zippers for the protective gowns worn by medical workers. The three companies donated a combined total of 1 million zippers.



Dalian YKK Zipper Co., Ltd. staff

## ASIA

## Continuing Local Contributions to Become an Essential Company

In April 2019, PT. YKK AP Indonesia received a CSR award from the Tangerang Regency Government. This award was presented to 15 companies in Tangerang City, where YKK AP Indonesia is headquartered, in recognition of superb CSR activities. YKK AP Indonesia was selected due to its environmental conservation efforts.

For over 30 years, the company has engaged in business activities in Indonesia and it will continue its activities in order to expand the range of its contributions from Tangerang City to all of Indonesia and become an essential company in the region.



Protecting precious mangrove trees

## JAPAN

## Environmental Education Using YKK Center Park's Furusato-No-Mori

Since 2008, YKK Center Park has been maintaining and improving Furusato-No-Mori (local recreation forests) with the aim of restoring the original appearance of Kurobe. Roughly 300 species have been observed in these growing forests, and we are applying ourselves to leveraging this environment to conduct environmental education. Since 2018, we have held night-time insect observation events for parents and children during the school summer vacation in conjunction with a local science museum to allow children to develop a closer connection with nature. Participants can observe Japanese Fruit Beetles, dragonflies, and the emergence of cicada, having fun while learning about nature.

The contributions of these measures, which leverage green areas, to local communities and the environment were recognized by the Organization for Landscape and Urban Green Infrastructure, which presented us with the 2019 Green Social Contribution Award.



Children observe insects caught in a light trap

# Aiming to Instill the YKK Group Management Principle

The YKK Group, whose business extends to countries and regions throughout the world, has employees from diverse cultural backgrounds who hold different values. Consequently, the permeation of the YKK Management Principle and Core Values is an important topic for management. Through long-standing initiatives to share the Management Principle and Philosophy, we focus on nurturing people and creating a corporate culture which enhance our corporate value.

## Each Employee Understands and Practices the Principle

The YKK Philosophy of the “Cycle of Goodness” has always served as the foundation for business activities and supported the Group’s expansion since the founding of the company. In 1994, developing the Philosophy in keeping with the times, we announced the new Management Principle, “YKK seeks

corporate value of higher significance.” Since then, we have been promoting the YKK Group’s Management Principle and Philosophy throughout the entire YKK Group organization so that each employee understands and inherits them in order to ensure their succession down the generations.

## Round-Table Meeting with the Chairman and President

The Round-Table Meeting is a Management Principle promotion activity in which the chairman, president, and employees can meet and talk. In these meetings, employees speak with the chairman and president, and through lively dialogue they learn more about the origins of the Management Principle and share the issues they face and their thoughts regarding the implementation of the Management Principle in their day-to-day work. This initiative, which began in 2008, is being conducted both in Japan and overseas.

## Visits by Presidents to Manufacturing Sites

Each year, the presidents of YKK and YKK AP visit manufacturing sites and speak with employees about how to put the Management Principle and Core Values into practice, as well as the future of the manufacturing sites and *monozukuri*, and help bring about improvements to day-to-day business activities.



Chat session (Kurobe Manufacturing Center)



Manufacturing site visit (Kurobe Makino Plant)

## Chat Sessions with Officers and Organization Heads

Chat sessions enable employees to learn from the experiences of senior employees about examples of practical implementation of the Management Principle and Core Values. They provide opportunities for employees to deepen their understanding through dialogue with senior employees

so that they can use what they learn in their actual work. Various improvements have been made to the chat sessions, such as holding them for individual businesses and in individual regions to enable even more employees to participate. Employees have told us that these sessions have been helpful in their own problem-solving, and that they have contributed to improved motivation. Furthermore, since FY2018, these activities have been led by worksites, creating greater recognition of the importance of increasing the number of opportunities to think about the Management Principle and to pass it on to future generations.

## YKK Group Management Principle Study Group

The Management Principle Study Group is made up of members selected from each business every year and carries out research on the nature of the YKK Group's Principle and Philosophy to enable them to be passed on. In FY2019, the theme was "The Management Principle and Sustainable Development Goal (SDGs)." We discussed the links between the Management Principle and the SDGs, which are globally-shared goals, and deepened participants' understanding of them to foster closer connections to the Management Principle and make it easier to implement.



FY2019 Management Principle Study Group members

### Column

## FY2019 Management Principle Study Group Activities

### —Links Between the Management Principle and SDGs—

There are roughly 40,000 employees in the global YKK Group, but their understanding and interpretations of the YKK Philosophy and the Management Principle vary. This study group decided to examine the links between the Management Principle and the SDGs, modern goals and values shared around the world, in order to make employees more familiar with the YKK Philosophy and the Management Principle, and to make it easier to put them into practice. This activity was based on the desire to make each and every employee even more proud to be a member of the YKK Group and to ensure that they can continue working energetically by looking at the YKK Philosophy and the Management Principle from a new perspective.

The study group linked 17 SDGs with the seven key areas in the Management Principle of "YKK seeks corporate value of higher significance" and in the words (collected sayings) of YKK's founder, Tadao Yoshida, who came up with the philosophy of the "Cycle of Goodness." Through this activity, the group explored their fundamental commonalities and found that the collected sayings of Tadao Yoshida and the Management Principle share several goals with the SDGs. The "Cycle of Goodness," which states that "no one prospers without rendering benefit to others," shares a fundamental similarity with the SDG "leave no one behind" in that both aim for the creation of win-win relationships between all parties.

As a result of the study, some of the study group's members said that they learned that the YKK Philosophy and Management Principle were aligned with globally shared goals and values, and that they felt an even greater pride in working for the YKK Group. YKK's president and executive vice presidents listened attentively to the study group's presentation of its results. Members made recommendations, stating that "understanding how the YKK Philosophy and Management Principle relate to the SDGs is effective in putting them into practice in day-to-day operations and reaffirms the wonderful character and importance of our company" and "one potential approach would be to engage in active communications as the YKK Group that link the Management Principle to the SDGs."



Presentation of the study group's results

# Management Foundation and Corporate Social Responsibility Based on the YKK Philosophy

The YKK Group strives to increase its corporate value and provide greater value to stakeholders by strengthening its management foundation and carrying out corporate social responsibility activities.

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## Corporate Governance

### Fundamental Approach

The philosophy of the YKK Group in conducting its corporate activities is based on the spirit of the “Cycle of Goodness,” which means, “No one prospers without rendering benefit to others.” This principle of consistent fairness is the foundation of all our management activities. In accordance with this concept, the YKK Group strives to enhance its corporate governance system in an effort to further enrich its corporate value.

YKK’s basic approach to corporate

governance involves several organizations and systems. The Board of Directors serves to make decisions on important matters, such as the company’s management policy, and serves as an oversight function. The Audit & Supervisory Board, meanwhile, is the company’s auditing organization. The final component of the company’s basic approach is the Officer System, a framework that helps the company promote the execution of business and operations.

### Company Bodies

- To further strengthen its consolidated management, the YKK Group elects directors from YKK’s Fastening Products Group, YKK AP Inc., and other organizations who can make sound decisions and oversee the management of the YKK Group. These directors make up YKK Corporation’s Board of Directors. The company also appoints two outside directors, aiming to bolster corporate governance and draw on the advisory and supervisory skills that their extensive insight and experience provide.
- Under its consolidated management structure, the YKK Group supplements the traditional Officer System by electing Group Officers from among the operating officers at core Group companies, the regional headquarters in the Six-Region Global Management Structure, etc., as a means of further enhancing its corporate value.
- There is an Advisory Board to gather insights from outside experts to help address general management matters and important management issues.

### Internal Control Systems Related to the Execution of Operations

- The company’s directors adhere to the Board of Directors regulations, comply with regulations pertaining to the performance of director duties, and execute operations appropriately in accordance with the principle of the separation of duties.
- The company established its Management Committee to improve the efficiency of deliberations by the Board of Directors. The directors hold thorough discussions on the YKK Group Management Principle, management policies, management strategies, and important matters for resolution by the Board of Directors, etc., before reaching official resolutions.
- The company’s Environmental Policy Board, which operates under the Management Committee, determines the environmental policies and measures for the YKK Group and oversees the promotion of environmental policies across the Group.
- Under its consolidated management structure, the company implements a management and supervision system to ensure appropriate subsidiary operations with the regional headquarters serving as branch offices of the YKK Group Headquarters.

## Directors and Audit & Supervisory Board Members

YKK

(as of June 26, 2020)



Chairman

**Masayuki Sarumaru**

Director

**Tetsuo Yazawa**Director<sup>\*1</sup>**Keinosuke Ono**Audit & Supervisory Board  
Member<sup>\*2</sup>**Hiroshi Akiyama**

President

**Hiroaki Otani**

Director

**Jiichi Bamba**Director<sup>\*1</sup>**Yoshio Osawa**Audit & Supervisory Board  
Member<sup>\*2</sup>**Naoki Yanagida**Director  
Executive Vice President**Koichi Matsushima**

Director

**Akira Yoshida**Audit & Supervisory Board  
Member<sup>\*2</sup>**Satoshi Kawai**Director  
Executive Vice President**Fumio Ikeda**Director  
Executive Vice President**Satoshi Honda**Audit & Supervisory Board  
Member**Kiyotaka Nagata**

YKK AP

(as of June 8, 2020)



Chairman

**Akira Yoshida**Director  
Executive Vice President**Kazuo Matsutani**

Director

**Masayuki Sarumaru**Audit & Supervisory Board  
Member<sup>\*2</sup>**Takashi Miyatani**

President

**Hidemitsu Hori**Director  
Executive Vice President**Wataru Otani**Audit & Supervisory Board  
Member<sup>\*2</sup>**Susumu Miyoshi**Director  
Executive Vice President**Fumio Niizeki**Director  
Executive Vice President**Shinichiro Yamaji**Audit & Supervisory Board  
Member**Hisao Miyamura**Director  
Executive Vice President**Kosuke Iwabuchi**Director  
Vice President**Shuichi Mizukami**Audit & Supervisory Board  
Member**Kiyotaka Nagata**

\*1 External director

\*2 External Audit &amp; Supervisory Board member

## Risk Management

### YKK Group Risk Management Policy

To promote risk management Group-wide and enhance corporate value by proactively controlling risk levels, preventing various corporate risks, and reducing or avoiding human, material and other losses of managerial resources, as well as keeping to a minimum the damages and losses incurred during emergencies.

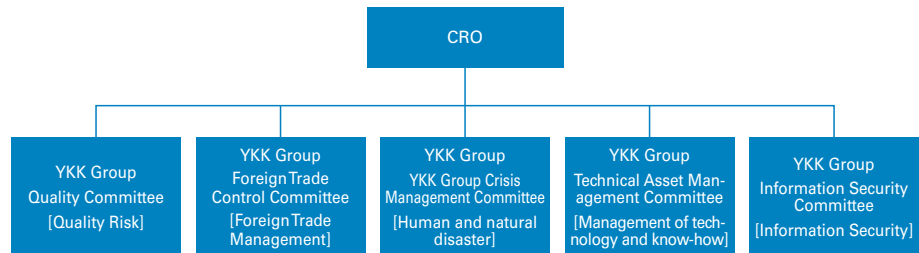
### Fundamental Approach and System

The YKK Group undertakes risk management in accordance with policies it sets. To do this, the Group has appointed a Chief Risk Management Officer (CRO), established a Quality Committee, Foreign Trade Control Committee, Crisis Management Committee, Technical Asset Management Committee and Information Security Committee, and

adopts and enforces regulations on risk management. The Group has also appointed a Chief Financial Officer (CFO) and established a system for appropriately managing financial and investment risk.

To deal with risks, the Group has also created Guidelines for Addressing Risks, which call for swift, appropriate action.

#### ▼ Risk Management Structure



## Compliance

### Fundamental Approach and System

The YKK Group considers compliance to be responding to societal demands, and that in addition to abiding by laws, regulations, and internal rules, compliance represents conforming with social norms required when conducting business activities.

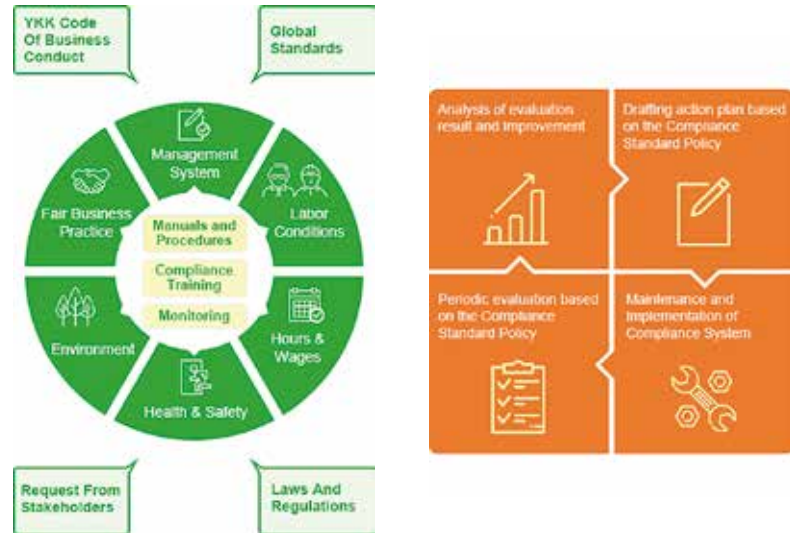
The company has appointed a Compliance Director and established a Corporate Legal and Compliance Group under the Officer in charge of compliance.

These parties work with external advisors to maintain a compliance system for the YKK Group. In addition, a Compliance Committee was established to undertake appropriate compliance promotion measures from the perspective of business management, and to deliberate on the operational status of compliance and responses to issues, and the latest regulatory developments.



## YKK Global Criteria of Compliance (YGCC)

The YKK Group has established the YKK Global Criteria of Compliance (YGCC) to ensure that each YKK Group company deploys and carries out proper and effective compliance programs in order to conduct transparent business activities. Each YKK Group company conducts internal and external audits of human rights, labor practices, the environment, health and safety, and fair business practices, working to strengthen and sustainably improve the Group's compliance system. The YGCC have been updated to version 3.0, and the Group is working to create a more advanced management foundation in order to realize a sustainable business structure.



## Corporate Social Responsibility

### Fundamental Approach and System

Ever since YKK's founding, the spiritual pillar of all YKK Group business operations has been the "Cycle of Goodness" Philosophy, which embodies our belief that no one prospers without rendering benefit to others. All YKK Group companies based in 72 countries/regions around the world share the "Cycle of Goodness" Philosophy and the Management Principle "YKK seeks corporate value of higher significance." Fairness is the standard on which we base our conduct.

We have a responsibility as a corporate citizen, and we take this responsibility seriously in order to practice fair business management. Significant changes are taking place in the environments that

surround the YKK Group.

Whether in Japan or abroad, it is our duty to respect diversity—of cultures, customs, and viewpoints—and play a role in the development of society through our business operations.

Specific activities that contribute to the realization of a sustainable society are being carried out by the Fastening Business and AP Business, linked to their business strategies. The Steering Committee has been reorganized into the YKK Group Sustainability Meeting to provide opportunities for Group-wide coordination. At the regularly held meeting sessions, participants confirm the status of measures and share information.

# YKK Group Companies' Websites

Information on each of the YKK Group companies is disclosed on their respective websites. For details, please see the websites for each country and region below. (as of August 1, 2020)



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## ■ Fastening Products

[https://www.ykk.com/english/corporate/g\\_establishment/fastening.html](https://www.ykk.com/english/corporate/g_establishment/fastening.html)

## ■ Architectural Products

[https://www.ykk.com/english/corporate/g\\_establishment/ap.html](https://www.ykk.com/english/corporate/g_establishment/ap.html)

## ■ Others

[https://www.ykk.com/english/corporate/g\\_establishment/others.html](https://www.ykk.com/english/corporate/g_establishment/others.html)



## YKK Corporation

**Founded** January 1, 1934

**Capital** 11,992,400,500 yen (as of March 31, 2020)

## YKK Group

**Global operations** 72 countries/regions\*<sup>1</sup>

**Companies** 109 companies  
(18 companies in Japan and 91 overseas companies)\*<sup>1</sup>

**Employees** 46,261 employees  
(17,789 employees in Japan and 28,472 overseas employees)\*<sup>1</sup>

**Consolidated net sales** 732.8 billion yen  
(Fastening business: 302.1 billion yen, AP business: 425.8 billion yen)\*<sup>2</sup>

\*<sup>1</sup> As of March 31, 2020

\*<sup>2</sup> Based on FY2019 results

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 YKK CORPORATION

<https://www.ykk.com>