

The YKK Group: Fifth Mid-Term Management Plan

The YKK Group has formulated its Fifth Mid-Term Management Plan, for fiscal years 2017 to 2020.

Under the management vision of “Technology Oriented Value Creation,” we are working as a united group with a focus on the key points of “product appeal & proposal capability,” “technology & manufacturing capability,” and “human resource development.” We will promote initiatives to achieve the Mid-Term Management Plan and aim for sustainable growth.

The YKK Group: Fourth Mid-Term Management Plan in Review

In FY2016, the final year of the Fourth Mid-Term Management Plan, consolidated net sales for the YKK Group were 712.7 billion yen (down 3.9% year-on-year), and operating income was 60.2 billion yen (down 12.8% year-on-year). Our performance in the Fastening business was lower than the previous year. However, both the Fastening and AP businesses see the mid-term results as a result of each business properly tackling individual challenges.

In the Fastening business, we expanded sales in the field of luxury goods in Europe and enhanced global marketing activities. As a result, we gained demand from major mass retailers in Japan, the United States, and Europe. Meanwhile in Asia, sales increased significantly from the previous mid-term as a result of capturing demand and increasing production capacity. However, competition in the market intensified due to the slowdown in growth of the Chinese economy.

The AP business has experienced growth in vinyl window sales in Japan, and with the establishment of the YKK AP R&D Center, it has prepared the foundation to offer new products and technology. Overseas, the business has suffered stiff competition in China where the real estate market is stagnating. However, the company has seen growth in sales in the strong U.S. market, and it has been able to attain profitability in Indonesia and Taiwan.

Prerequisites for Formulation

To face the challenges in its external conditions, the Fastening business must focus its attention on further growth in Asia's garment market, and also on changes to the same industry in China. Furthermore, it must advance its business efforts with an awareness of world trends, such as the impact on the apparel supply chain of accelerating development in e-commerce business structures, the spread of uncertainty caused by the impact of new conditions in China, and changes to U.S. trade policies, as well as the rise of protectionism.

In Japan, the AP business is aware of the future drop in the number of new residential developments due to mid- to long-term population and household decline, and of issues in the level of awareness of windows and doors. Overseas, Indonesia and the U.S. remain strong and the Taiwanese market is recovering; however, we anticipate the Chinese real estate market to be stagnating.

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 *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

YKK Corporation: Fifth Mid-Term Management Plan Business Policy

Hiroaki Otani was appointed president of YKK Corporation in April, replacing Masayuki Sarumaru, and will work with a new structure. YKK Corporation is focused on the Fastening business and the Machinery & Engineering Group, which supports both businesses from a technical standpoint. At YKK Corporation, we will adopt “development and innovation in *monozukuri*” for the Fifth Mid-Term Business Policy. In order to realize this, we will actively promote “an endeavor for YKK's *monozukuri* in the “Standard” category.”

Fastening Business: Fifth Mid-Term Management Plan Business Policy

We have adopted “Aim for further quantitative growth” as a business policy, and to achieve this we will strengthen 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 and we will strive for a qualitative growth.

Adopted as key measures are further strengthening development capabilities, increasing product variation, improving on-time delivery performance, and strengthening cost competitiveness. We are challenging ourselves to develop YKK-style products and *monozukuri* for the Standard category. We will invest 154.1 billion yen over the next four years of the Mid-Term as a proactive investment toward quantitative growth. Of this, Asia and China account for approximately 60% of the total investment, with Asia receiving 65.1 billion yen and China

receiving 25.7 billion yen. We will continue to improve our development system, which we have also promoted in our Fourth Mid-Term. We will expand our product development centers from our current 22 locations to 41 locations by 2020. We will also increase the number of development staff by 250 for a total of 1,060 people by 2020. All in all, we will build a system that is able to respond promptly to customer's requests in all regions.

We plan to achieve significant increases, with Fastening business net sales at 314.1 billion yen and an operating income of 53.5 billion yen in FY2017, and 385.3 billion and 69.8 billion yen respectively in FY2020. We aim to sell 9.49 billion zippers in FY2017, and 12.88 billion in FY2020.

Machinery & Engineering Group: Fifth Mid-Term Management Plan Execution Policy

At the Machinery & Engineering Group, which supports the integrated production of the Fastening and AP businesses, we will adopt “reinforcement and evolution of foundational elemental technology” as the Fifth Mid-Term Management Plan execution policy, and aim to challenge for “high function” and “low price” in the Standard category. As priority measures, we will promote the 2nd stage of machinery and equipment development suitable for production sites. At the same time, in further engineering development from a mid- and long-term view, we will strive to deepen elemental technologies and strategically

develop technical human talent.

In terms of technology development, we will strengthen the technological capability for utilization of robots, from a medium- to long-term perspective.

We will build an optimal system with robotics technology at the production sites, for labor-saving through the use of robots. We will advance lines able to meet future changes in products and *monozukuri* through collaboration between humans and robots.

YKK AP Inc.: Fifth Mid-Term Management Plan Business Policy

AP Business: 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.

In our residential business, we will advance high thermal insulation performance for windows and expand our product lineup based on administrative enhancement of energy efficiency standards and the

top-runner system for construction materials. In our renovation business, we will create new demand via window and door remodeling centered on thermal insulation and disaster prevention. In our Overseas AP Business, we aim to reinforce business foundations and expand business in the target market.

The AP business (domestic and international) plans to achieve net sales of 424.1 billion yen and an operating income of 25.4 billion yen in FY2017, and 458.9 billion and 31.3 billion yen respectively in FY2020.

Fifth Mid-Term Management Plan

