Annual Report 2002

YKK CORPORATION

April 2001–March 2002

Contents

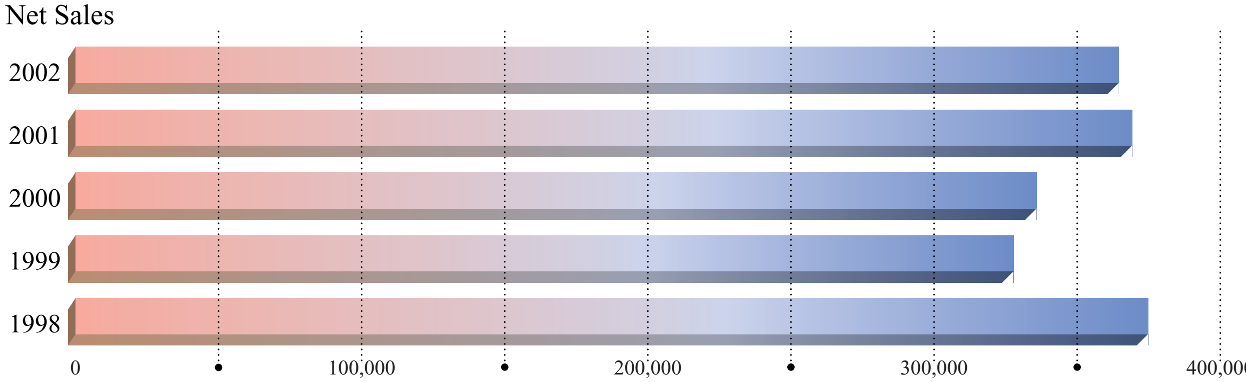
Financial Highlights

YKK Corporation and Consolidated Subsidiaries

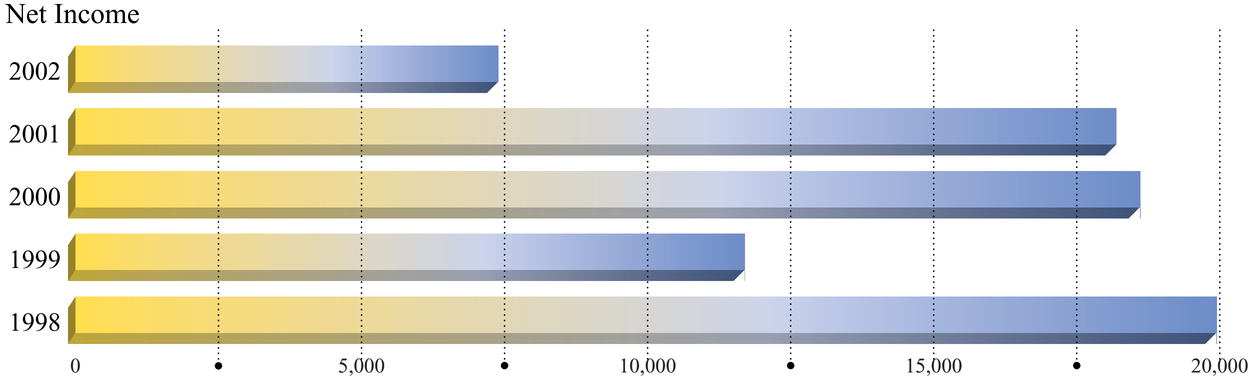
Years ended 31st March	*Millions of yen* 2002	2001	*Thousands of U.S. dollars* 2002
Net sales	¥364,554	¥369,190	$2,741,008
Net income	7,393	18,194	55,586
		yen	*U.S. dollars*
Net income per share	¥ 6,704	¥ 17,965	$ 50.41

Note:U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥133=U.S.$1.

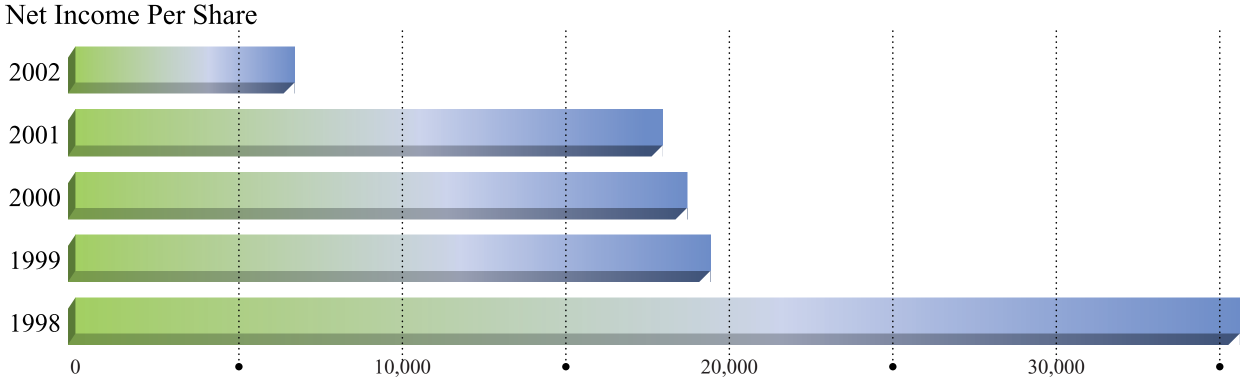
Net Sales



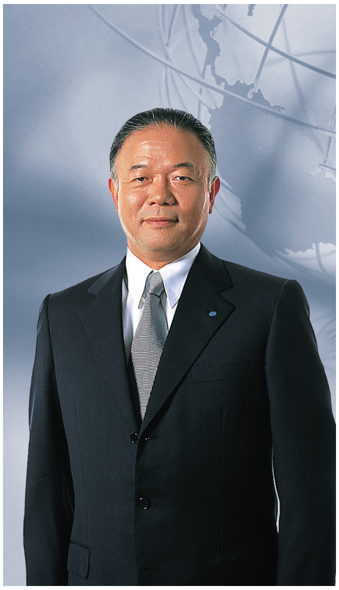
Net Income



Net Income Per Share



Message from the President



Last year 2001, marked the start of the 21st century and saw terrorist attacks on the United States, a continued decline in Japan's domestic economy, and other changes that made the global economy more chaotic than ever.

Looking to the future, we expect the U.S. economy to continue making adjustments in the corporate sector and to move ahead with a slow recovery. We also forecast that European and Asian economies will also shift toward a recovery, but we expect the pace of growth to remain slow. The Japanese economy, meanwhile, still requires significant adjustments, but we believe it has hit bottom.

In the Fastening Products Division, domestic clients tended toward more local procurement as their overseas production increased. The division took steps to strengthen customer relations, quality, delivery service, and new product development. It also established a supply network encompassing Asia to meet changes in the worldwide market structure. In addition, the division continues to boost production efficiency and increase overall cost competitiveness.

The Architectural Products Division is working to develop new business not only in new housing construction, but also in the remodeling of existing homes. In overseas markets, the division will enhance its quality control systems to improve customer satisfaction, and continue to reduce costs. At the same time, the division is strengthening its management base in the Chinese market to firmly establish the YKK brand there.

The Machinery and Engineering Division has continued its efforts to reduce costs and ensure a more timely response to customer needs. The division is adapting the latest information technology to improve overall efficiency. Concrete measures include promoting "intelligent" production, linking IT and manufacturing technology to reduce costs and more effectively meet customer needs, and promoting labor-saving technology. These measures will result in further improvement in our business structure.

To ensure mid- and long-term growth for the YKK Group in an increasingly difficult business environment, we must focus on specific goals that reflect the overall mission of our group activities.

In fiscal 2002, we will determine the restructuring required to meet those goals, then move ahead quickly and boldly. We look forward to your continued support and cooperation.

Tadahiro Yoshida
President

YKK ZIPPER (SHENZHEN) CO.,LTD.

Consolidated Financial Review

During fiscal year 2001, the U.S. economy, hampered by the September 11 terrorist attacks, appeared to bottom out, with progress in inventory adjustment and recovery of production. In contrast, European and Asian economies both showed signs of deceleration.

The Japanese economy started to reflect a bottoming out of the export and ore production sectors. However, trends in unemployment and facility investment continued downward. In addition, corporate profitability and consumer income and spending continue to hamper growth in domestic demand.

In these difficult business conditions, the consolidated YKK Group (YKK and consolidated subsidiaries) remained focused on fortifying its corporate structure and achieving profitability through continued improvements in extensive cost-cutting measures. Accordingly, the Group introduced new products and strengthened its customer response system and improved level of customer satisfaction. Consequently, net sales by division were as follows:

Fastening Products Division:	¥198,113 million	(US$1,490 million)
Architectural Products Division:	¥157,992 million	(US$1,188 million)
Other Divisions:	¥ 8,448 million	(US$ 64 million)
Total sales:	¥364,554 million	(US$2,741 million)

Total sales decreased by 1.3% from the FY2000 level of ¥369,190 million (US$ 2,977 million), a 9.9% increase over the previous term.

The Fastening Products Division worked to improve customer satisfaction and service, including delivery dates in spite of a severe market economy, resulting from the economic slowdown in the United States, which in turn reduced production in Asia, and a worldwide slowdown in the fashion industry, a major market for fastening products. As a result of these efforts, sales of the Fastening Products Division showed a slight increase, rising 1.4% from the previous term.

The Architectural Products Division introduced new insulation and environmental protection products, and implemented measures to reduce costs and improve profitability in a domestic market suffering from declining housing demand resulting from Japan's ongoing recession and severe price competition due to a surplus in the building supply market.

Focusing on the domestic market, the Residential Construction Materials Section released a variety of new products offering improved performance and quality, including aluminum and composite window sashes, doors designed to improve heat insulation, sliding doors, exterior construction materials, and wood construction materials. The division also introduced a new gray color in a series of window sashes, providing a full lineup for all types of housing exteriors.

Due to the recession, the Commercial Construction Material Section was unable to increase overall sales, although it benefited from a boost in condominium construction projects, mainly in the Tokyo metropolitan area. As a result, the Architectural Products Division showed 3.9% decrease in sales from the previous term.

The Machinery and Engineering Division showed 10.0% decrease in sales due to a worldwide stagnation in the introduction of fastening product facilities.

For the Group as a whole, cost of sales increased to 70.5% of net sales during fiscal 2001, up 3.6 persentage points from the previous year. Selling, general, and administrative expenses were 24.1% of net sales, up 1.5 persentage points from the previous term.

Overall, net income decreased to ¥7,393 million (US$ 56 million), which represented a decrease of 59.4% from fiscal 2000.

Net income per share decreased to ¥6,704 (US$50.41) from the Fiscal 2000 figure of ¥17,965 (US$144.88).

The dividend per share was ¥1,800 (US$13.53), or 18% per annum.

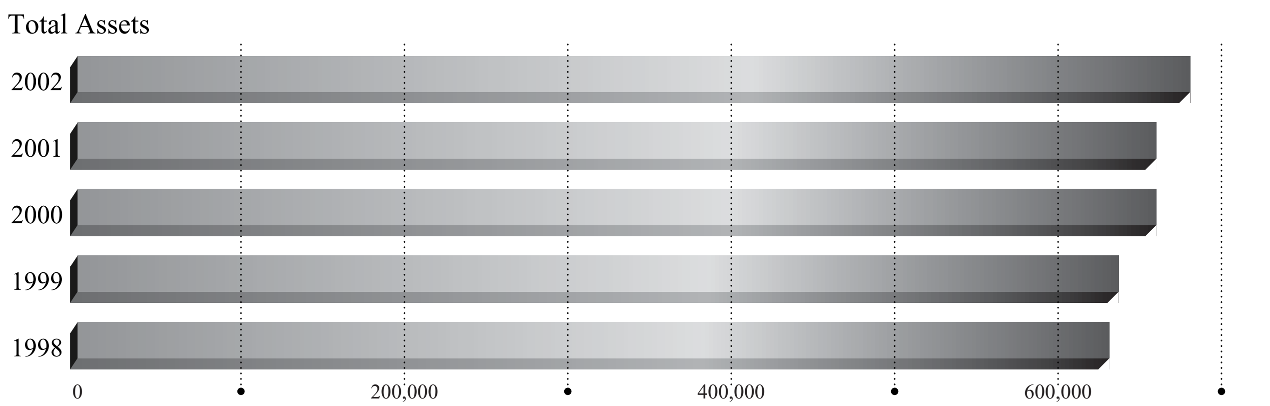
Five-Year Summary

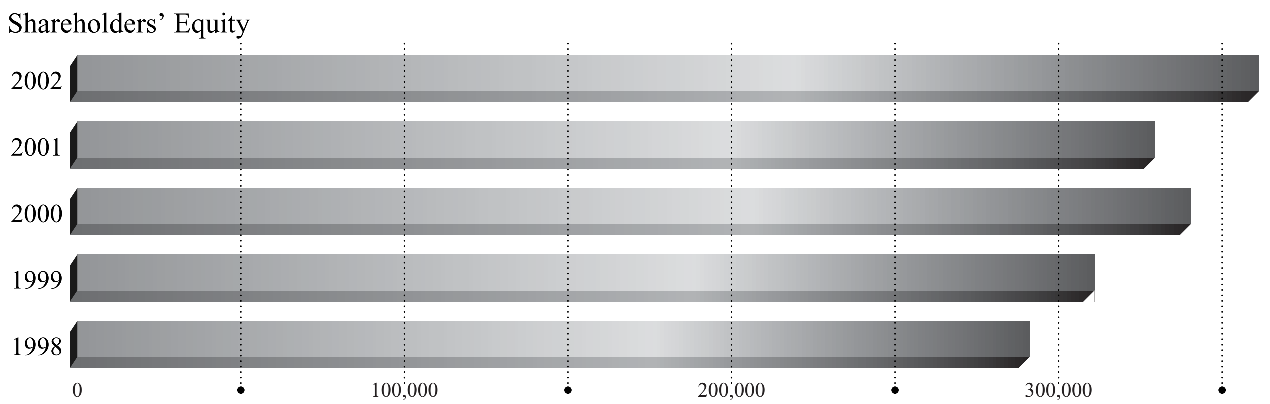
YKK Corporation and Consolidated Subsidiaries

Millions of yen and thousands of U.S. dollars except per share figures

Years ended 31st March	**2002**	2001	2000	1999	1998	**2002**
For the Fiscal Year:						
Net sales	¥364,554	¥369,190	¥335,816	¥327,750	¥374,740	$2,741,008
Income before income taxes, minority interests, equity in earnings and translation adjustments	15,918	42,838	32,435	27,593	38,409	119,684
Income taxes	5,706	18,076	11,803	14,401	17,488	61,624
Net income	7,393	18,194	18,606	11,697	19,943	55,586
Per Share Data:						
Net income	¥ 6,704	¥ 17,965	¥ 18,705	¥ 19,424	¥ 35,613	$ 50.41
Cash dividends	1,800	1,800	1,800	1,950	1,800	13.53
At Year End:						
Total assets	¥680,852	¥660,254	¥660,180	¥637,133	¥631,469	$5,119,188
Shareholders' equity	361,306	329,548	340,487	311,009	291,194	2,716,586

Notes: (1) U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥133=U.S.$1.
(2) The computation of the above amounts per share has been based on the average number of shares outstanding during each period.
(3) Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective period.





Consolidated Balance Sheets

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2002 and 2001	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	**2002**
ASSETS			
Current assets:			
Cash and cash equivalents *(Notes 5 and 14)*	¥ 49,930	¥ 48,102	$ 375,414
Time deposits and short-term investments in securities *(Note 4)*	3,636	4,807	27,338
Notes and accounts receivable *(Note 5)*:			
Trade	55,231	49,215	415,271
Unconsolidated subsidiaries and affiliated companies *(Note 12)*	27,241	48,403	204,820
Allowance for doubtful accounts	(2,396)	(1,721)	(18,015)
	80,076	95,897	602,075
Inventories *(Notes 3 and 5)*	107,448	86,474	807,880
Short-term loans receivable *(Note 12)*	16,943	26,351	127,391
Deferred tax assets *(Note 7)*	3,847	4,169	28,925
Other current assets	14,073	7,358	105,812
Total current assets	275,955	273,162	2,074,850
Investments and advances:			
Investments in unconsolidated subsidiaries and affiliated companies	6,188	6,421	46,526
Investments in other securities *(Notes 4 and 5)*	18,502	21,739	139,113
Total investments and advances	24,691	28,160	185,647
Property, plant and equipment *(Notes 5 and 10)*:			
Land	65,365	67,584	491,466
Buildings and structures	321,016	302,353	2,413,654
Machinery and equipment	479,006	440,640	3,601,549
Construction in progress	4,497	8,883	33,812
	869,887	819,460	6,540,504
Accumulated depreciation	(538,370)	(501,311)	(4,047,895)
Property, plant and equipment, net	331,516	318,149	2,492,602
Other assets:			
Deferred tax assets *(Note 7)*	23,716	19,679	178,316
Other	24,971	21,101	187,752
Total other assets	48,688	40,780	366,075
Total assets	¥680,852	¥660,254	$5,119,188

	2002	2001	2002
	Millions of yen		*Thousands of U.S. dollars (Note 2)*
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings *(Note 5)*	¥ 51,538	¥ 42,147	$ 387,504
Current portion of long-term debt *(Note 5)*	20,259	8,773	152,323
Notes and accounts payable:			
Trade	49,244	49,636	370,256
Construction	4,733	6,213	35,586
	53,978	55,849	405,850
Employees' savings deposits	23,757	23,103	178,624
Accrued income taxes *(Note 7)*	1,194	9,757	8,977
Deferred tax liabilities *(Note 7)*	449	132	3,376
Other current liabilities	26,146	25,699	196,586
Total current liabilities	177,325	165,463	1,333,271
Long-term liabilities:			
Long-term debt *(Note 5)*	65,064	80,851	489,203
Liability for employees' severance indemnities *(Note 6)*	58,379	55,108	438,940
Liability for officers' severance indemnities	777	738	5,842
Deferred tax liabilities *(Note 7)*	5,059	4,998	38,038
Other long-term liabilities	3,158	3,038	23,744
Total long-term liabilities	132,437	144,735	995,767
Minority interests in consolidated subsidiaries	9,782	20,506	73,549
Contingent liabilities *(Note 11)*			
Shareholders' equity *(Note 8)***:**			
Common stock:			
Authorized: 4,260,000 shares in 2002 and 2001			
Issued: 2002 — 1,138,746 shares			
2001 — 1,066,746 shares	11,387	10,667	85,617
Additional paid-in capital	14,451	4,088	108,654
Retained earnings *(Note 16)*	352,715	347,204	2,651,992
Unrealized holding gain on other securities	438	1,830	3,293
Translation adjustments	(17,685)	(32,940)	(132,970)
Treasury common stock, at cost: 18,000 shares in 2001	—	(1,301)	—
Total shareholders' equity	361,306	329,548	2,716,586
Total liabilities and shareholders' equity	¥680,852	¥660,254	$5,119,188

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income and Retained Earnings

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2002 and 2001	*Millions of yen* **2002**	2001	*Thousands of U.S. dollars (Note 2)* **2002**
Sales and other income:			
Net sales	¥364,554	¥369,190	$2,741,008
Gain on sales of treasury stock	2,478	7,434	18,632
Exchange gain, net	28	—	211
Interest and other	10,918	10,980	82,090
	377,979	387,604	2,841,947
Costs and expenses:			
Cost of sales *(Note 9)*	256,858	246,992	1,931,263
Selling, general and administrative expenses *(Note 9)*	88,088	83,563	662,316
Interest expense	4,827	4,973	36,293
Exchange loss, net	—	510	—
Loss on disposal of inventories	978	1,174	7,353
Loss on sales or disposal of property, plant and equipment	3,223	1,502	24,233
Loss on investments in other securities	2,000	144	15,037
Other	6,083	5,908	45,736
	362,060	344,766	2,722,256
Income before income taxes and minority interests	15,918	42,838	119,684
Income taxes *(Note 7)*:			
Current	8,196	18,957	61,624
Deferred	(2,489)	(881)	(18,714)
	5,706	18,076	42,902
Income before minority interests	10,211	24,762	76,774
Minority interests in net income of consolidated subsidiaries	(2,818)	(6,567)	(21,188)
Net income	7,393	18,194	55,586
Retained earnings at beginning of year	347,204	330,939	2,610,556
Increase resulting from inclusion of merged companies previously accounted for by equity method	134	—	1,008
Increase resulting from revaluation of fixed assets of certain foreign subsidiaries	—	6	—
Decrease resulting from decrease in number of consolidated subsidiaries	(20)	—	(150)
Decrease resulting from decrease in number of unconsolidated subsidiaries and affiliated companies accounted for by equity method	—	(12)	—
Cash dividends paid	(1,887)	(1,790)	(14,188)
Bonuses paid to directors and corporate auditors	(108)	(132)	(812)
Retained earnings at end of year	¥352,715	¥347,204	$2,651,992

		yen	*U.S. dollars (Note 2)*
Per share of common stock:			
Net income:			
Basic	¥ 6,704	¥ 17,965	$ 50.41
Diluted	—	—	—
Cash dividends	1,800	1,800	13.53
Net assets	317,284	325,400	2,385.59

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2002 and 2001	Millions of yen 2002	2001	Thousands of U.S. dollars (Note 2) 2002
Cash flows from operating activities			
Income before income taxes and minority interests	¥15,918	¥42,838	$119,684
Depreciation and amortization	44,230	41,481	332,556
Provision for allowance for doubtful accounts	740	495	5,564
Provision for accrued severance benefits	3,018	1,710	22,692
Gain on sales of property, plant and equipment	(791)	(1,470)	(5,947)
Loss on sales or disposal of property, plant and equipment	3,223	1,502	24,233
Gain on sales of treasury stock	(2,478)	(7,434)	(18,632)
Loss on investments in other securities	2,000	144	15,037
Interest and dividend income	(1,501)	(1,840)	(11,286)
Interest expense	4,827	4,973	36,293
Notes and accounts receivable	18,370	(6,499)	138,120
Inventories	(15,686)	(12,094)	(117,940)
Accounts payable	(1,946)	259	(14,632)
Other	(6,707)	4,014	(50,428)
Subtotal	63,218	68,080	475,323
Interest and dividends received	1,540	1,830	11,579
Interest paid	(4,898)	(4,860)	(36,827)
Income taxes paid	(19,092)	(16,027)	(143,549)
Net cash provided by operating activities	40,767	49,023	306,519
Cash flows from investing activities			
Decrease in time deposits and short-term investments in securities	1,554	5,503	11,609
Acquisition of property, plant and equipment	(50,282)	(58,039)	(378,060)
Proceeds from sales of property, plant and equipment	2,832	4,967	21,293
Acquisition of intangible assets	(2,941)	(1,974)	(22,113)
Increase in investments in securities	(1,124)	(4,211)	(8,451)
Increase in additional investments in consolidated subsidiaries	(2,293)	(2,370)	(17,241)
Increase in investments in subsidiaries with adjustment for inclusion of additional subsidiaries in consolidation	—	(1,142)	—
Increase in short-term loans receivable	9,424	(3,782)	70,857
Other	144	84	1,083
Net cash used in investing activities	(42,685)	(60,964)	(320,940)
Cash flows from financing activities			
Decrease in short-term borrowings	1,958	(8,440)	14,722
Proceeds from long-term debt	6,482	422	48,737
Repayment of long-term debt	(12,426)	(11,117)	(93,429)
Proceeds from issuance of commercial paper	15,000	—	112,782
Redemption of commercial paper	(10,000)	—	(75,188)
Proceeds from issuance of bonds	—	10,000	—
Proceeds from sales of treasury stock	3,780	11,340	28,421
Cash dividends paid and other	(2,689)	(2,663)	(20,218)
Net cash provided by (used in) financing activities	2,103	(458)	15,812
Effect of exchange rate changes on cash and cash equivalents	1,924	1,658	14,466
Adjustment for exclusion of subsidiaries from consolidation	(14)	—	(105)
Increase (decrease) in cash and cash equivalents	2,096	(10,741)	15,759
Cash and cash equivalents at beginning of year *(Note 14)*	47,348	58,089	356,000
Cash and cash equivalents at end of year *(Note 14)*	¥49,444	¥47,348	$371,759

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

YKK Corporation and Consolidated Subsidiaries

1 Summary of Significant Accounting Policies

Preparation of financial statements

YKK Corporation (the "Company") and consolidated subsidiaries in Japan maintain their records and prepare their financial statements in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan, and its foreign subsidiaries, in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Securities and Exchange Law of Japan, and incorporate certain reclassifications in order to make the financial statements more meaningful to readers outside Japan.

The notes to the consolidated financial statements include certain information which is not required under accounting principles and practices generally accepted in Japan but is presented herein as additional information. As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Basis of consolidation and investments in affiliated companies

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. The accounts of the consolidated subsidiaries are included on the basis of financial periods which end on, or three months prior to, 31st March. All significant intercompany balances and transactions have been eliminated in consolidation.

Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

The differences arising from the cost of the companies' investments in subsidiaries and affiliates over the equity in their net assets at the dates of acquisition are amortized on a straight-line basis over 10 years. Minor differences are charged or credited to income in the year of acquisition. Assets and liabilities at the foreign consolidated subsidiaries are revalued at market.

Translation of foreign currencies

Current and non-current monetary accounts denominated in foreign currencies of the Company and its domestic consolidated subsidiaries are translated into yen at the current rates and the resulting translation gain or loss is included in the statements of income.

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, and all income and expense accounts are translated into yen at the appropriate rates as of the balance sheet date. The components of shareholders' equity, except for net income for the year, are translated into yen at their historical exchange rates.

A revised accounting standard for foreign currency translation became effective 1st April, 2000. The effect of the adoption of this revised standard on the consolidated financial statements was immaterial for the year ended 31st March, 2001. Due to a change effective the year ended 31st March, 2001 in the regulations relating to the presentation of translation adjustments, the Company has presented translation adjustments as a component of shareholders' equity and minority interests (rather than as a component of assets or liabilities) in its consolidated financial statements for the year ended 31st March, 2001.

Cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories of the Company and its domestic consolidated subsidiaries are valued primarily at cost determined by the moving average method. Inventories of foreign consolidated subsidiaries are valued primarily at the lower of cost or market, cost being determined on an average basis.

Securities

Until the year ended 31st March, 2000, marketable securities were valued principally at the lower of cost or market, cost being determined by the moving average method, and investment securities other than marketable securities were stated at cost determined by the moving average method.

A new accounting standard for financial instruments which became effective 1st April, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under this standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain, net of the applicable income taxes, included directly in shareholders' equity. Unrealized holding loss for the current year has been charged to income. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving average method.

As of 1st April, 2000, the Company and its consolidated subsidiaries assessed their intentions in holding their investments in securities, classified their investments as "held-to-maturity debt securities" or "other securities," and accounted for their securities at 31st March, 2001 in accordance with the new standard referred to above. The effect of the adoption of this standard for financial statements was immaterial.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost. Depreciation at the Company and at its domestic consolidated subsidiaries is calculated primarily by the declining-balance method at rates based on the estimated useful lives ranging from 3 to 55 years for buildings and structures and from 2 to 15 years for machinery and equipment of the respective assets except for buildings acquired on or subsequent to 1st April, 1998 on which depreciation is calculated by the straight-line method. Depreciation at the foreign consolidated subsidiaries is computed primarily by the straight-line method. Maintenance and minor repairs are charged to income as incurred; major renewals and improvements are capitalized.

Liability for severance indemnities

Until the year ended 31st March, 2000, the liability for severance indemnities was stated at the amount which would be required to be paid if all employees covered by the plans voluntarily terminated their services with the Company or certain consolidated subsidiaries at the balance sheet date.

In accordance with a new accounting standard for severance indemnities which became effective 1st April, 2000, accrued employees' severance indemnities of the Company and its domestic consolidated subsidiaries at 31st March, 2001 have been provided mainly at an amount calculated based on the severance indemnities obligation and the fair value of the pension plan assets as of 31st March, 2001 as adjusted for unrecognized prior service cost and unrecognized actuarial gain or loss. The severance indemnities obligation is attributed to each period by the straight-line method over the average remaining years of service of the eligible employees. The net severance indemnities obligation at transition is being amortized over a period of five years.

Prior service cost is being amortized as incurred by straight-line method over a period of 14 years which is within the average remaining years of service of the eligible employees.

Actuarial gain on loss is amortized in the year following the year in which the gain or loss is recognized, primarily by the straight-line method over a period of 14 years which is within the average remaining years of service of the eligible employees.

The effect of the adoption of this standard for severance indemnities was to decrease income before income taxes and minority interests by ¥719 million for the year ended 31st March, 2001.

Foreign consolidated subsidiaries, which have their own severance indemnities plans, account for these as prescribed by the accounting principles generally accepted in their respective countries.

In addition, subject to the shareholders' approval, directors and corporate auditors of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded severance indemnities plans. Provision for the indemnity for severance indemnities for those officers has been made at an estimated amount.

Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to be reversed.

Research and development expenses

Research and development expenses are charged to income as incurred.

Derivative financial instruments

The Company is exposed to certain risks arising from fluctuations in foreign currency exchange rates and interest rates. In order to manage those risks, the Company enters into various derivative transactions including forward foreign exchange contracts, foreign currency option contracts and interest-rate swaps.

In accordance with a new accounting standard for financial instruments which became effective 1st April, 2000, derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

Leasing commitments

The Company and certain consolidated subsidiaries lease equipment and software under non-cancelable leases referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the lessee are accounted for as operating leases.

Amounts per share

The computation of net income per share is based on the average number of shares outstanding during each year. No diluted net income per share has been presented for the years ended 31st March, 2002 and 2001 because the Company had not issued any warrants or convertible bonds.

Cash dividends per share represent the cash dividends proposed by the Board of Directors and approved by the shareholders as applicable to the respective years.

Net assets per share are based on the number of shares outstanding at the respective balance sheet dates.

2 U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥133 = U.S.$1.00, the approximate rate of exchange in effect on 31st March, 2002. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3 Inventories

Inventories at 31st March, 2002 and 2001 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2002	2001	**2002**
Finished products	¥41,957	¥22,703	$315,466
Work in process	34,408	34,868	258,707
Raw materials and supplies	31,082	28,904	233,699
	¥107,448	¥86,474	$807,880

4 Securities

Marketable securities classified as held-to-maturity securities and other securities as of 31st March, 2002 and 2001 were as follows:

Marketable held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
*31st March, **2002***	Carrying value	Fair value	Unrecognized gain	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:						
Government bonds	¥ 62	¥ 65	¥2	$ 466	$ 489	$15
Corporate bonds	16	16	—	120	120	—
Other	117	122	5	880	917	38
Subtotal	197	205	7	1,481	1,541	53
Securities whose fair value does not exceed their carrying value:						
Government bonds	4	4	—	30	30	—
Other	50	50	—	376	376	—
Subtotal	55	55	—	414	414	—
Total	¥252	¥260	¥7	$1,895	$1,955	$53

	Millions of yen		
*31st March, **2001***	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 42	¥ 44	¥1
Corporate bonds	15	15	—
Other	372	376	3
Subtotal	430	436	5
Securities whose fair value does not exceed their carrying value:			
Government bonds	4	4	—
Other	222	222	—
Subtotal	227	227	—
Total	¥657	¥663	¥5

Marketable securities – other

	Millions of yen			Thousands of U.S. dollars		
*31st March, **2002***	Acquisition cost	Carrying value	Unrecognized gain (loss)	Acquisition cost	Carrying value	Unrecognized gain (loss)
Securities whose fair value exceeds their carrying value:						
Stocks	¥2,049	¥2,789	¥ 740	$15,406	$20,970	$ 5,564
Debt securities:						
Government bonds	68	69	—	511	519	—
Subtotal	2,117	2,858	740	15,917	21,489	5,564
Securities whose fair value does not exceed their carrying value:						
Stocks	6,129	4,060	(2,068)	46,083	30,526	(15,549)
Debt securities:						
Government bonds	92	91	—	692	684	—
Other	1,111	1,102	(9)	8,353	8,286	(68)
Subtotal	7,333	5,254	(2,078)	55,135	39,504	(15,624)
Total	¥9,451	¥8,113	¥(1,337)	$71,060	$61,000	$(10,053)

*31st March, **2001***	Acquisition cost	Carrying value	Unrecognized gain (loss)
			Millions of yen
Securities whose fair value exceeds their carrying value:			
Stocks	¥6,324	¥ 9,418	¥3,093
Debt securities:			
Government bonds	119	124	4
Other	100	100	—
Subtotal	6,544	9,643	3,098
Securities whose fair value does not exceed their carrying value:			
Stocks	1,771	1,203	(568)
Debt securities:			
Government bonds	13	13	—
Other	100	100	—
Subtotal	1,885	1,317	(568)
Total	¥8,429	¥10,960	¥2,530

Non-marketable securities classified as other securities as of 31st March, 2002 and 2001 were as follows:

Marketable securities – other

	Millions of yen		*Thousands of U.S. dollars*
Carrying value	**2002**	2001	**2002**
Unlisted stocks	¥11,429	¥10,803	$85,932

No significant sales of securities classified as other securities were made in the year ended 31st March, 2002 and 2001.

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at 31st March, 2002 is summarized as follows:

	Millions of yen			*Thousands of U.S. dollars*		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Debt securities:						
Government bonds	¥38	¥ 57	¥42	$286	$ 429	$316
Corporate bonds	—	16	—	—	120	—
Other	35	1,287	42	263	9,677	316
Total	¥73	¥1,362	¥84	$549	$10,241	$632

5 Short-Term Borrowings and Long-Term Debt

Short-term borrowings at 31st March, 2002 consisted mainly of unsecured loans maturing within 365 days, at interest rates ranging from 0.03% to 24.24% per annum (from 0.55% to 22.36% in 2001).

Long-term debt at 31st March, 2002 and 2001 was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2002	2001	**2002**
2.175% unsecured notes due 2002	¥10,000	¥10,000	$ 75,188
2.375% unsecured notes due 2003	10,000	10,000	75,188
1.7% unsecured notes due 2004	10,000	10,000	75,188
1.65% unsecured notes due 2005	10,000	10,000	75,188
1.57% unsecured notes due 2006	10,000	10,000	75,188
6.28% unsecured notes due 2003	3,298	2,868	24,797
6.75% unsecured notes due 2005	3,947	3,440	29,677
1.9% secured notes due 2005	100	100	752
0.43% to 22.36% loans, principally from banks and insurance companies, due from 2001 to 2015:			
Secured	5,122	10,172	38,511
Unsecured	22,855	23,043	171,842
	85,323	89,625	641,526
Less: current portion	20,259	8,773	152,323
	¥65,064	¥80,851	$489,203

Assets pledged as collateral for short-term and long-term loans totaled ¥7,042 million ($52,947 thousand) and ¥12,074 million as of 31st March, 2002and 2001, respectively, and are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2002	2001	**2002**
Cash and cash equivalents	¥ 624	¥ 498	$ 4,692
Notes and accounts receivables	1,313	1,344	9,872
Inventories	1,203	1,739	9,045
Investments in other securities	492	1,360	3,699
Property, plant and equipment	26,429	29,902	198,714
	¥30,063	¥34,845	$ 226,038

The aggregate annual maturities of long-term debt outstanding at 31st March, 2002 are summarized as follows:

Year ending 31st March,	*Millions of yen*	*Thousands of U.S. dollars*
2003	¥20,259	$152,323
2004	22,012	165,504
2005	12,677	95,316
2006	15,762	118,511
2007	10,869	81,722
2008 and thereafter	3,741	28,128
	¥85,323	$641,526

6 Liability for Employees' Severance Indemnities and Pension Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., lump-sum payment plans and welfare pension fund plans or tax-qualified pension plans, covering substantially all employees who are entitled to lump-sum or annuity payments the amounts of which are determined by reference to their basic salary, length of service, and the conditions under which termination occurs. Certain foreign consolidated subsidiaries have also adopted defined benefit plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of 31st March, 2002 and 2001 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
	2002	2001	**2002**
Projected benefit obligation	¥(141,489)	¥(139,459)	$(1,063,827)
Plan assets at fair value	68,481	73,024	514,895
Funded status	(73,007)	(66,435)	(548,925)
Unrecognized net employees' severance indemnities obligation at transition	1,122	1,497	8,436
Unrecognized prior service cost	(3,541)	(1,587)	(26,624)
Unrecognized actuarial gain or loss	17,046	11,416	128,165
	¥ (58,379)	¥ (55,108)	$ (438,940)

The government-sponsored portion of the benefits under the welfare pension plans has been included in the amounts shown in the above table. The Company and certain consolidated subsidiaries made amendments to their welfare pension plans in the year ended 31st March, 2001, with respect to the age of eligibility for annuity payments for the government-sponsored portion of the benefits in accordance with the amendments to the Welfare Pension Insurance Law of Japan in March 2000, and also made amendments to their lump-sum payment plans in the year ended 31st March, 2002. As a result of these amendments, prior service cost was incurred for the years ended 31st March, 2002 and 2001.

The components of retirement benefit expenses for the years ended 31st March, 2002 and 2001 are outlined as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2002	2001	**2002**
Service cost	¥6,606	¥6,213	$49,669
Interest cost	5,184	4,913	38,977
Expected return on plan assets	(2,733)	(2,920)	(20,549)
Amortization of net severance indemnities obligation at transition	374	374	2,812
Amortization of unrecognized actuarial gain or loss	815	—	6,128
Amortization of prior service cost	(300)	(122)	(2,256)
Net periodic pension cost	¥9,946	¥8,458	$74,782

Assumptions used in the actuarial calculation for the above plans for the years ended 31st March, 2002 and 2001 were as follows:

	2002	2001
Discount rate:	4.0% per annum	4.0% per annum
Expected rate of return on plan assets:	4.0% per annum	4.0% per annum

7 Income Taxes

The Company and its domestic consolidated subsidiaries are subject to corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 41% for the years ended 31st March, 2002 and 2001. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rate reflected in the consolidated statement of income and retained earnings for the year ended 31st March, 2002 differs from the statutory tax rate for the following reasons:

		2002
Statutory tax rate		41.0%
Effect of:	Income of certain foreign consolidated subsidiaries whose statutory tax rate is lower than that of domestic consolidated subsidiaries	(14.7)
	Expenses not deductible for income tax purposes	3.2
	Income tax credit	(15.1)
	Dividend income not deductible for income tax purposes	15.3
	Increase in valuation allowance	4.1
	Other, net	2.1
Effective tax rate		35.9%

A reconciliation of the difference between the statutory tax rate and effective tax rate for the year ended 31st March, 2001 has not been presented because this difference was immaterial.

The significant components of deferred tax assets and liabilities as of 31st March, 2002 and 2001 were as follows:

		Millions of yen		*Thousands of U.S. dollars*
		2002	2001	**2002**
Deferred tax assets:	Accrued severance benefits	¥17,597	¥15,812	$132,308
	Unrealized profit	4,485	4,448	33,722
	Net operating loss carryforwards	3,351	2,694	25,195
	Other	5,468	4,529	41,113
Gross deferred tax assets		30,902	27,484	232,346
Less: Valuation allowance		(655)	—	(4,925)
Total deferred tax assets		30,247	27,484	227,421
Deferred tax liabilities:	Depreciation	5,241	5,921	39,406
	Other	2,950	2,844	22,180
Total deferred tax liabilities		8,191	8,766	61,586
Net deferred tax assets		¥22,055	¥18,718	$165,827

8 Shareholders' Equity

On 1st October, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which results in all outstanding shares having no par value as of 1st October, 2001. The Amendment also provides that share issuances after 30th September, 2001 will be of shares with no par value. Prior to the Amendment, the Company's shares of common stock had a par value of ¥10,000 per share.

The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until such reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The retained earnings account in the accompanying consolidated financial statements at 31st March, 2002 included the legal reserve of ¥2,666 million ($20,045 thousand).

9 Research and Development Expenses

Research and development expenses included in manufacturing costs and in selling, general and administrative expenses for the year ended 31st March, 2002 and 2001 totaled ¥17,017 million ($127,947 thousand) and ¥14,710 million, respectively.

10 Leases

The following pro forma amounts represent the acquisition costs (including the interest portion), accumulated depreciation and net book value of the leased assets as of 31st March, 2002 and 2001, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

			Millions of yen			*Millions of yen*
			2002			2001
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥1,941	¥1,116	¥825	¥1,976	¥1,159	¥816

			Thousands of U.S. dollars
Machinery and equipment	$14,594	$8,391	$6,203

Lease payments relating to finance leases accounted for as operating leases amounted to ¥440 million ($3,308 thousand) and ¥532 million for the years ended 31st March, 2002 and 2001, respectively. Depreciation of the leased assets is calculated by the straight-line method over the respective lease terms and amounted to ¥440 million ($3,308 thousand) and ¥532 million for the years ended 31st March, 2002 and 2001, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to 31st March, 2002 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ending 31st March,	*Millions of yen*	*Thousands of U.S. dollars*
2003	¥359	$2,699
2004 and thereafter	465	3,496
Total	¥825	$6,203

The minimum rental payments subsequent to 31st March, 2002 for operating leases with noncancelable lease terms in excess of one year are summarized as follows:

Year ending 31st March,	*Millions of yen*	*Thousands of U.S. dollars*
2003	¥75	$564
2004 and thereafter	121	910
Total	¥197	$1,481

11 Contingent Liabilities

Contingent liabilities as of 31st March, 2002 and 2001 for notes discounted and guarantees given in the ordinary course of business amounted to approximately ¥1,662 million ($12,496 thousand) and ¥1,982 million, including ¥954 million ($7,173 thousand) and ¥1,060 million for loans guaranteed on behalf of certain suppliers, respectively.

12 Related Party Transactions

The Company entered into transactions with an affiliate which was accounted for by the equity method for the years ended 31st March, 2002 and 2001. These are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2002	2001	**2002**
Sales of architectural products during the year	¥113,318	¥131,632	$852,015
Notes and accounts receivable at end of year	¥ 26,310	¥ 42,797	$197,820
Short-term loans receivable from affiliate at end of year	¥ 16,831	¥ 26,232	$126,549
Rent received from affiliate during the year	¥ 1,960	¥ 2,305	$ 14,737
Purchase of stock	—	¥ 1,704	—

Sales prices of architectural products were negotiated on an arm's-length basis based on the market prices and on the production costs incurred by the Company. Interest rates were determined by reference to the market rates. Rent was determined based on similar transactions in the market. The purchase price of the stock was also determined on an arm's-length basis as a result of the negotiations between both parties.

13 Derivatives

Various derivative transactions including forward foreign exchange contracts, foreign currency option contracts and interest-rate swaps utilized by the Company and certain of its consolidated subsidiaries entail a degree of market risk. However, the Company and these consolidated subsidiaries do not anticipate significant risks resulting from these derivatives which were all designated as hedges. The Company is exposed to credit risk in the event of nonperformance by the counterparties to the derivatives, but any such loss would not be material because the Company enters into such transactions only with financial institutions with high credit ratings.

Summarized below are the contract amounts and the estimated fair value of the derivative positions outstanding at 31st March, 2002 and 2001:

			Millions of yen			*Thousands of U.S. dollars*
*31st March, **2002***	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell: US$	¥1,822	¥1,955	¥(173)	$13,699	$14,699	$(1,301)
Buy: JPY¥	4	4	—	30	30	—
US$	51	52	—	383	391	—
AU$	660	687	26	4,962	5,165	195
Total			¥(145)			$(1,090)

			Millions of yen
*31st March, **2001***	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell: US$	¥3,766	¥4,428	¥(661)
Buy: JPY¥	63	60	(3)
US$	122	122	—
AU$	585	589	3
UK£	169	179	10
Total			¥(651)

Note: The contract amounts of the forward foreign exchange contracts as of 31st March, 2002 and 2001 exclude those entered into in order to hedge receivables and payables denominated in foreign currencies, which have been translated and are reflected at the corresponding contract rates in the accompanying consolidated balance sheets.

14 Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statement of cash flows include bank overdrafts in accordance with "Accounting Standards for Consolidated Statements of Cash Flows."

The following table represents a reconciliation of cash and cash equivalents at 31st March, 2002 and 2001:

		Millions of yen	*Thousands of U.S. dollars*
	2002	2001	**2002**
Cash and cash equivalents in consolidated balance sheets	¥49,930	¥48,102	$375,414
Bank overdrafts	(485)	(753)	(3,647)
Cash and cash equivalents in consolidated statements of cash flows	¥49,444	¥47,348	$371,759

15 Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of products in Japan and foreign countries in three major segments: the fastening products segment, which includes zippers and related parts and materials, the architectural products segment, which includes window sashes and frames, doors and curtain walling, and a segment entitled "other," which includes machinery for the production of zippers.

The business and geographical segment information of the Company and its consolidated subsidiaries for the years ended 31st March, 2002 and 2001 is outlined as follows:

Business segments

Year ended 31st March, ***2002***	Fasteners	Architectural products	Other	Total	Eliminations or corporate	Consolidated
						Millions of yen
I. Sales and operating income						
Sales to third parties	¥198,113	¥157,992	¥ 8,448	¥364,554	¥ —	¥364,554
Intergroup sales and transfers	415	69	36,989	37,474	(37,474)	—
Total sales	198,529	158,061	45,437	402,028	(37,474)	364,554
Operating expenses	177,704	155,136	43,004	375,845	(30,898)	344,947
Operating income	¥ 20,824	¥ 2,925	¥ 2,433	¥ 26,182	¥(6,575)	¥ 19,607
II. Assets, depreciation and capital expenditures						
Total assets	¥283,981	¥207,003	¥171,203	¥662,187	¥18,664	¥680,852
Depreciation	24,916	14,235	3,747	42,900	943	43,843
Capital expenditures	35,242	14,657	3,291	53,191	(811)	52,379

Year ended 31st March, ***2002***	Fasteners	Architectural products	Other	Total	Eliminations or corporate	Consolidated
						Thousands of U.S. dollars
I. Sales and operating income						
Sales to third parties	$1,489,571	$1,187,910	$ 63,519	$2,741,008	$ —	$2,741,008
Intergroup sales and transfers	3,120	519	278,113	281,759	(281,759)	—
Total sales	1,492,699	1,188,429	341,632	3,022,767	(281,759)	2,741,008
Operating expenses	1,336,120	1,166,436	323,338	2,825,902	(232,316)	2,593,586
Operating income	$ 156,571	$ 21,992	$ 18,293	$ 196,857	$(49,436)	$ 147,421
II. Assets, depreciationand capital expenditures						
Total assets	$2,135,195	$1,556,414	$1,287,241	$4,978,850	$140,331	$5,119,188
Depreciation	187,338	107,030	28,173	322,556	7,090	329,647
Capital expenditures	264,977	110,203	24,744	399,932	(6,098)	393,827

Year ended 31st March, ***2001***	Fasteners	Architectural products	Other	Total	Eliminations or corporate	Consolidated
						Millions of yen
I. Sales and operating income						
Sales to third parties	¥195,339	¥164,464	¥ 9,386	¥369,190	¥ —	¥369,190
Intergroup sales and transfers	127	33	45,331	45,493	(45,493)	—
Total sales	195,467	164,497	54,718	414,683	(45,493)	369,190
Operating expenses	160,195	157,989	49,262	367,447	(36,891)	330,556
Operating income	¥ 35,272	¥ 6,508	¥ 5,455	¥ 47,236	¥(8,601)	¥ 38,634
II. Assets, depreciationand capital expenditures						
Total assets	¥253,121	¥192,052	¥169,938	¥615,112	¥45,141	¥660,254
Depreciation	20,964	13,619	3,283	37,866	2,345	40,212
Capital expenditures	39,468	15,584	6,949	62,002	(1,525)	60,477

Geographical areas

*Year ended 31st March, **2002***	Japan	North America	Europe	Asia	Other regions	Total	Eliminations or corporate	Consoli-dated
								Millions of yen
Sales to third parties	¥177,912	¥53,851	¥32,232	¥ 79,297	¥21,260	¥364,554	¥ —	¥364,554
Intergroup sales and transfers	34,969	5,117	2,488	5,023	8,354	55,953	(55,953)	—
Total sales	212,882	58,969	34,721	84,320	29,614	420,508	(55,953)	364,554
Operating expenses	204,746	59,263	32,917	77,040	23,972	397,941	(52,993)	344,947
Operating income (loss)	¥ 8,135	¥ (294)	¥ 1,803	¥ 7,280	¥ 5,641	¥ 22,567	¥ (2,960)	¥ 19,607
Total assets	¥297,172	¥64,348	¥40,945	¥148,018	¥45,083	¥595,568	¥85,283	¥680,852

*Year ended 31st March, **2002***								*Thousands of U.S. dollars*
Sales to third parties	$1,337,684	$404,895	$242,346	$ 596,218	$159,850	$2,741,008	$ —	$2,741,008
Intergroup sales and transfers	262,925	38,474	18,707	37,767	62,812	420,699	(420,699)	—
Total sales	1,600,617	443,376	261,060	633,985	222,662	3,161,714	(420,699)	2,741,008
Operating expenses	1,539,444	445,586	247,496	579,248	180,241	2,992,038	(398,444)	2,593,586
Operating income (loss)	$ 61,165	$ (2,211)	$ 13,556	$ 54,737	$ 42,414	$ 169,677	$ (22,256)	$ 147,421
Total assets	$2,234,376	$483,820	$307,857	$1,112,917	$338,970	$4,477,955	$641,226	$5,119,188

*Year ended 31st March, **2001***								*Millions of yen*
Sales to third parties	¥201,809	¥51,898	¥29,964	¥ 66,756	¥18,761	¥369,190	¥ —	¥369,190
Intergroup sales and transfers	43,419	7,178	1,731	4,497	7,102	63,929	(63,929)	—
Total sales	245,229	59,076	31,696	71,253	25,864	433,120	(63,929)	369,190
Operating expenses	222,751	53,350	29,163	60,682	21,677	387,626	(57,070)	330,556
Operating income	¥ 22,477	¥ 5,725	¥ 2,533	¥ 10,570	¥ 4,186	¥ 45,493	¥ (6,859)	¥ 38,634
Total assets	¥299,603	¥54,576	¥35,692	¥120,924	¥39,022	¥549,818	¥110,436	¥660,254

Overseas sales

*Year ended 31st March, **2002***	North America	Europe	Asia	Other regions	Total
					Millions of yen
I. Overseas sales	¥52,352	¥31,939	¥87,536	¥22,468	¥194,296
II. Consolidated sales					364,554
III. Overseas sales as a percentage of consolidated sales	14.3%	8.8%	24.0%	6.2%	53.3%

*Year ended 31st March, **2002***					*Thousands of U.S. dollars*
I. Overseas sales	$393,624	$240,143	$658,165	$168,932	$1,460,872
II. Consolidated sales					2,741,008
III. Overseas sales as a percentage of consolidated sales	14.3%	8.8%	24.0%	6.2%	53.3%

*Year ended 31st March, **2001***					*Millions of yen*
I. Overseas sales	¥51,964	¥29,589	¥76,022	¥19,275	¥176,853
II. Consolidated sales					369,190
III. Overseas sales as a percentage of consolidated sales	14.1%	8.0%	20.6%	5.2%	47.9%

16 Subsequent Events

(a) The following appropriations of retained earnings were approved at a general meeting of the shareholders of the Company held on 27th June, 2002:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends (¥1,800 = $13.53) per share	¥2,049	$15,406
Bonuses to directors and corporate auditors	15	113

(b) On 21st May, 2002, the Board of Directors of the Company approved a resolution that the Company exchange its shares for those of YKK ARCHITECTURAL PRODUCTS Inc. ("YKK AP") for the purpose of making YKK AP a wholly-owned subsidiary of the Company. The exchange will be made in a ratio of one share to 0.3 shares and will become effective on 1st October, 2002. In order to deliver the Company's shares to the current shareholders of YKK AP, the Company will issue the new shares on the effective date. In addition to the shares to be delivered, the Company will pay ¥150 ($1.13) per share to the shareholders of YKK AP as a dividend for the period from 1st August, 2002 to 30th September, 2002.

The Company entered into a contract relating to this share exchange arrangement with YKK AP dated 21st May, 2002 and it was approved by the shareholders of the Company at a meeting held on 27th June, 2002.

As a result of the exchange to be made on 1st October, 2002, the Company's shares of common stock in issue will increase by ¥535 million ($4,023 thousand). The surplus amount of net assets of YKK AP over the aggregate amount of the shares and cash delivered to the shareholders of YKK AP will be accounted for as capital surplus.

Information regarding YKK AP as of 31st January, 2002 is summarized as follows:

Name of the Company: YKK ARCHITECTURAL PRODUCTS Inc.
Representative Director: Tadahiro Yoshida
Share Capital: ¥1,012 million ($7,609 thousand)
Major Business: Production, sales and construction of architectural products
Address: Chiyoda-ku, Tokyo, Japan
Financial Summary:

	Millions of yen
Current assets	¥151,905
Non-current assets	17,835
Total	¥169,741

	Millions of yen
Current liabilities	¥132,876
Non-current liabilities	23,692
Shareholders' equity	13,172
Total	¥169,741

Report of Independent Certified Public Accountants

The Board of Directors and the Shareholders
YKK Corporation

We have audited the consolidated balance sheets of YKK Corporation and consolidated subsidiaries as of 31st March, 2002 and 2001, and the related consolidated statements of income and retained earnings and cash flows for each of the two years in the period ended 31st March, 2002, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of YKK Corporation and consolidated subsidiaries at 31st March, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the two years in the period ended 31st March, 2002 in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1, YKK Corporation and consolidated subsidiaries have adopted new accounting standards for employees' retirement benefits, financial instruments and foreign currency translations effective the year ended 31st March, 2001 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Shin Nihon & Co.

Toyama, Japan
27th June, 2002

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of YKK Corporation and consolidated subsidiaries under Japanese accounting principles and practices.

Outline of YKK Corporation

Founded :

January 1, 1934

Capital :

11,387,460,000 yen

Product Lines :

1) Fastening Products

•Zip Fasteners

•Snap Fasteners and Buttons

•Textile and Plastic Products

2) Architectural Products

3) Machinery for Fastening Products and Architectural Products

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Kurobe Manufacturing Center :

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YKK CORPORATION

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