2004
Annual Report

YKK CORPORATION

April 2003 – March 2004

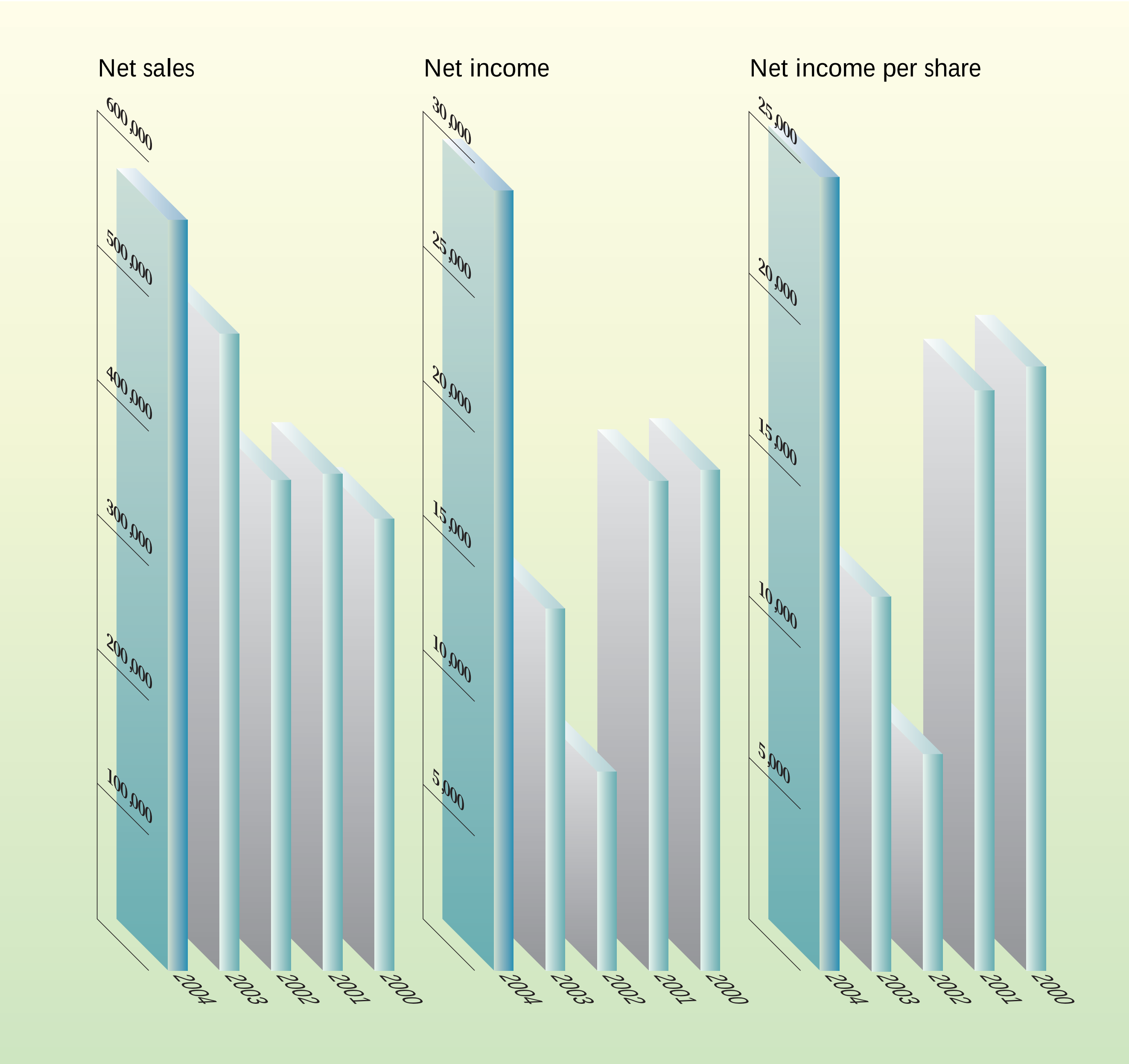
Contents

Financial Highlights

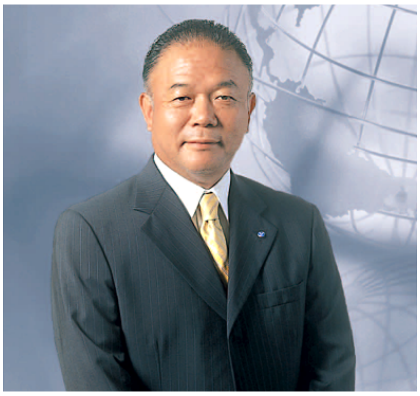
YKK Corporation and Consolidated Subsidiaries

Years ended 31st March	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars 2004
Net sales	¥557,852	¥473,307	$5,262,755
Net income	28,984	13,452	273,434
	yen	yen	U.S. dollars
Net income per share	¥ 24,571	¥ 11,611	$ 231.80

Note:U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥106=U.S.$1.



Message from the President



Looking back at the economic conditions in 2003, we see that the world economy, led by the United States, showed signs of a moderate recovery, despite the war in Iraq and the SARS outbreak in the first half of the year. Japan's recovery also gained momentum, but continuing deflationary trends and the sudden appreciation of the yen are fueling economic uncertainty.

The YKK Group increased both sales and profits on a consolidated basis. Sales increased with the addition of sales figures from our subsidiary, YKK AP Inc.; this amount was consolidated into the group figures for the first time. Profitability also benefited from favorable conditions in the Fastening Products Business, which posted increases in both sales and profits.

In the Fastening Products Business, multiple zipper use per garment led to growth trends that boosted both sales and profits. By region, the North and Central Americas and the ASAO (Asean, South Asia, and Oceania) Groups were sluggish; but Japan, East Asia and EMEA(Europe-Middle East-Africa) Groups enjoyed excellent results.

In the Architectural Products Business, the Residential Architectural Products Division moved into high gear, but the Building Architectural Products Division decreased compared to the year before. The combination resulted in overall sales at about the same level as the previous year, and we expect profits to be slightly less than in 2002.

The Machinery and Engineering Group increased sales and profit due to increasing the investment demand of overseas fastening products business and domestic architectural products business.

Economic conditions surrounding the YKK Group will feature increasing globalization and more rapid changes. Facing such change and aiming to consolidate and establish a viable foundation for our businesses, we began the first phase of our business restructuring in 2001. In 2003, we have continued the effort with the second phase.

Fiscal 2004 should be the year in which we will enjoy the fruits of our recent restructuring.

Specifically, in the Fastening Products Business, we will work to:

- Create new demand through the restructuring of our domestic sales organization
- Strengthen sales in China by concentrating on developing the domestic market
- Move toward a more profitable position by management restructuring in North and Central America
- Pursue the business restructuring of the ASAO Group.

And in the Architectural Products Business, we will pursue:

- Results from the unification of our architectural products businesses in YKK Group
- Strengthening and broadening the foundation for the architectural products business in China.

Cerkezkoy Manufacturing Plant of YKK Turkey

To compete and ensure healthy growth in the 21st century, we must pursue the restructuring of these businesses. We need to be proactive to accommodate expanding demand. To achieve the goal of each business, we must promote growth in each business unit and make aggressive investments in management resources where and when they are merited. On the other hand, if a market forecast is to shrink, then we must reduce our operations in that market to the appropriate size. In other words, quick, accurate decisions and the ability to act decisively will be indispensable.

I have always been strongly aware that within our current management and business policies, we must meet changes in the business environment by keeping what must be kept and changing what must be changed. I firmly believe it is a matter of self-transformation and business reformation.

For 2004, we have key words —“Meet the Challenge of Re-engineering Ourselves.”

This is the year when we expect to:

- Achieve the results of ongoing business restructuring,
- Increase the value of our brand equity, and
- Prepare the foundation for continued growth and profit in 2005 and beyond.

I ask continuous support of each and every one of you to achieve these goals.

Tadahiro Yoshida
President

Corporate Governance

(1) Basic Thinking on Corporate Governance

YKK undertook structural reform of its management in June 1999, by making changes in the board of directors and intro ducing an Vice President (=Operating Officer) system. This separation of management from operations had the goal of quicker execution of both business and operations.

The role of the new board includes decision-making on management policies, allocation of management resources, and overseeing execution of operations by the Vice President, in addition to duties specified by the Commercial Law. To help direc tors fulfill their responsibilities, their number was reduced to no more than 15, a number conducive to active and adequate dis cussions that lead to appropriate decision-making. At the same time, a director's term of appointment was set at one year.

While the board of directors is dedicated to realizing total optimization, Vice President's biggest role is conducting their business and operations in accordance with policies set by the board. At the same time, operating officers are given both the re sponsibility and the authority to achieve their divisions' goals.

Therefore in our group, corporate governance is based on the philosophy that businesses and operations are the responsi bility of the Vice President system, and that decision-making on significant corporate matters such as management policies and oversight of the entire operation is done by the Board of Directors and a Board of Auditors to do the corporate audit.

(2) Status of Corporate Governance Policy Implementation

①Board of Directors

- To further strengthen consolidated management of the YKK Group, the corporate board, in June 2003, was restructured to include Vice President of YKK AP Inc., Fastening Products Group, Machinery and Engineering Group and YKK Cor poration who were appointed directors. In addition, in the interest of stronger corporate governance, one outside direc tor was added.
- In April 2003, the following teams were clearly defined as Management Committees within the board and given respon sibility for planning and reviewing YKK Group strategies.
  » China Business Policy Committee
  » Environmental Policy Committee
  » New Business Committee
  » Community Policy Committee (Abolished and replaced by a Director in charge of Community Policy)
- In June 2003, a director was assigned to overview risk management and devise a system to assess all sorts of risks, such as those related to profit & loss, information technology, and environmental issues and hazards.
- In April 2004, the board recognized the important management issue of the parent company maintaining an appropriate annual pension fund and assigned an Annual Pension Policy Director.

②Board of Auditors

As the revised Commercial Law specifies, the board has included two (2) outside auditors (one (1) in the past) since June 2004. While General Shareholders' Meeting in June 2006 is to appoint these outside auditors, that has already been done.

③Group Officers System Introduction

YKK Group uses independent management in each of six major geographical regions, including Japan. Its worldwide or ganization includes three global business operations, Fastening Products, Architectural Products Manufacturing Group, and Machinery and Engineering.

To further increase the corporate value of YKK Group under such consolidated management structure, Group Officers were newly appointed effective April 1 2004, from among the operating officers responsible for those core business units and regional operations.

④Advisory Board created

To bring together the wisdom from key figures outside for the president and other related directors on general manage ment issues and specific matters of significance, an advisory board has been set up since July 2001.

Management's Discussion and Analysis

Reported below is an analysis of the Group's consolidated financial position and the year's results of operation for the fiscal year 2003 from April 1, 2003 to March 31, 2004.

Note that all the remarks in relation to the future forecasts are based upon assessment as of the submission date of the financial statements.

(1) Analysis on Financial Position

Our total consolidated assets at the end of this fiscal year amounted to ¥758,643 million (US$7,157 million), an increase of 0.5% over last fiscal year (hereinafter called “last term”), along with current assets of ¥355,952 million (US$3,358 million), representing growth of 1.8%, and non-current assets worth ¥402,690 million (US$3,798 million), a decrease of 0.7%. The primary factors in the growth of current assets were increases in cash and deferred tax assets.

Within non-current assets, tangible fixed assets came to ¥311,075 million (US$2,934 million), a 6.0% decrease from the last term. The major factor in this decrease was foreign exchange loss. Investment in securities increased by 40.6% over the last term to ¥27,482 million (US$259 million), reflecting gains in current stock values resulting from a stock price recovery in the market.

The total consolidated liabilities at the end of the fiscal year was ¥346,485 million (US$3,268 million), a 5.1% decrease from last term, together with current liabilities of ¥212,884 million (US$2,008 million), a 6.5% decrease, and long-term liabilities of ¥133,600 million (US$1,260 million), a 2.8% decrease.

Interest-bearing debts (consisting of short-term borrowing, current portion of long-term debts, current portion of bonds, corporate bonds, and long-term debts) decreased by 19.8% from last term to ¥82,247 million (US$776 million). Note that, of all the interest-bearing debts, short-term borrowing decreased by 26.0%, the current portion of long- term debts decreased by 60.6%, the current portion of bonds increased by 26.8%, other corporate bonds decreased by 9.3%, and long-term debts decreased by 43.1%.

Consolidated total shareholders' equity at the end of this fiscal year came to ¥402,062 million (US$3,793 million), a 5.9% increase compared to the previous year. The main factors were Retained earnings and Unrealized holding gain on other securities. Retained earnings increased by 7.4% from the last term to ¥391,037 million (US$3,689 million), owing to greater net profit for the term. Unrealized holding gain on other securities increased by ¥4,420 million (US$41 million) and resulted in ¥4,467 million (US$42 million). This figure came from the gains in the market value of owned shocks.

These figures brought capital adequacy ratio 53%, compared to last term's 50.3%. Shareholders' equity per share increased to ¥337,000 (US$3,181) from ¥323,000 (US$3,049).

(2) Analysis of Operating Results

During this fiscal year (hereinafter called “this term”), we aggressively developed business operations by defining this term as the time to set the course to sustainable profitability instead of being content with the single-year recovery in earnings we realized last term. Also, to make the revenue base of our architectural products business more stable and our consolidated management structure stronger, the Architectural Products Manufacturing Group of YKK Corporation was spun off as YKK AP Inc., effective October 1, 2003. Thus consolidated results showed ¥557,852 million (US$5,262 million) in net sales, a 17.9% growth over last term, and ¥25,475 million (US$240 million) in income before income taxes and minority interests, a 6.1% increase. Our operations have now shown increases in both sales and profits for two consecutive terms. These figures were chiefly because of YKK AP, which became a consolidated subsidiary and contributed to the Group throughout the term, and because of the constant business performance of Fastening Products Group.

In addition, this term's net income amounted to ¥28,984 million (US$273 million), an increase of 115.5%, more than double last term's figure, because a lighter tax burden due to deferred tax assets being reported all at once on the books so as to stabilize the revenue base of YKK AP and help assure its growth in the future. Net income per share for this term reached ¥24,571 (US$231.80) compared to ¥11,611 (US$96.76) last term.

(3) Analysis of Cash Flow

Cash flows of ¥67,619 million (US$ 637 million), an increase of 21.6% over last term, remained in hand from operating activities. Our cash flow once worsened as the logistics functions of YKK AP, which became a consolidated subsidiary ef fective October 1 2002, were transferred to YKK Corporation in February 2002 and accounts receivable accordingly in creased, which influenced last term's figures. As there was nothing similar to offset our gains in net income this term, we saw considerable improvement in cash flow.

Cash flows from investing activities showed an outflow of ¥39,212 million (US$369 million), a 70.6% increase from the last term. The outflow with an increase in tangible assets as we built a fully automated surface processing plant in Japan and streamlined production and supply systems at East Asian subsidiaries. YKK AP repaid a short-term loan made to it before the company became a consolidated subsidiary, which improved the cash flow during last term, but no similar occurrence this year offset the expense.

Cash flows from financing activities totaled ¥20,709 million (US$195 million), a 7.6% decrease from last term. Subse quent to the previous term, we spent cash primarily to refund interest-bearing debts to strengthen our financial base during this term. Also, we paid total dividends of ¥2,065 million (US$19 million), almost the same amount as last term, to continue our steady contribution to our shareholders.

Cash and cash equivalents at end of year increased from last term's ¥6,240 million (US$58 million) to ¥71,405 million (US$673 million), resulting from our fiscal activities and from exchange rates that influenced the Yen values of cash and equivalents owned by overseas subsidiaries.

Research & Development

The YKK Group, consisting of YKK and our consolidated subsidiaries, conducts R&D activities at six regional bases, in cluding the core operation in Japan. Our global organization spreads across North and Latin America, Europe, Africa and East Asia. With this international nature, we aim to become a “company that uses technological Innovations to create new value.” Consolidated investment in R&D for the Group during the fiscal year was ¥19,882 million (US$188 million). Major accomplish ments during the period were:

(1) Fastening Products Division

We aim to be “Super No.1 in the global fastening products industry.” New accelerated programs have four goals: creativ ity in product development, environment-friendly product design, faster work processes and more competitive cost struc ture. We look to our creativity to keep us a step ahead of our competitors, to encourage innovation and differentiate the YKK brand, and to fully consider the environment and people's lifestyles from a global point-of-view, which will enable us to create environment-friendly products.

Major accomplishments in this area include continued improvement in customer satisfaction, achieved by strengthening our product lineup with innovations such as Knitted Concealed Fasteners, Anti-Puckering Tapes in the Hook and Loop Fas teners category, newly designed silent soft-touch products for backpacks, and enamel-coated Snap & Button products for sheer cloth.

Meanwhile, we placed top priority on efforts to preserve our advantages over Asian competitors. For example, we intro duced injected plastic Vislon products this year, resulting from our project to provide solutions for low-priced product de mands, primarily in China. The project will continue to develop new items to meet future requirements.

The R&D expense related to this business amounted to ¥6,469 million (US$61 million).

(2) Architectural Products Division

In Architectural Products Division, we look at product launches as a single process that stretches from development and manufacturing to marketing, because we always share our viewpoints with our consumers. In addition, we have always approached fundamental innovation and technology, which involves materials, parts and systems that compose products, as part of the entire process. We incorporated all those factors into the goods we sell. Those attitudes reinforce our strength in the marketplace with improved product quality and features.

Other major accomplishments include renewals of window products, which were redesigned to the industry's new dimensional standards. Another focus was on burglarproof features, because of recent surges in crime. We scrutinized architectural products for crime prevention features and led the industry by rearranging our product lineup to offer central home security plans such as “Eyes System,” an alarm system that checks door locks, along with “DLA,” a reinforced stainless window grid component. Furthermore, we launched Reformwindow and Remodelwindow, products developed for the household remodeling market. Other products included Wealthy, an exterior window shutter to be installed on the house wall and “New Plamado U (PUH-2),” a plastic interior window. In addition, technological development techniques were applied to components and finished products for housing apertures. Also, as a part of manufacturing rationalization, we began R&D in China, aiming to apply extrusion technology to plastic architectural products for the local market and to pioneer plastic materials to be applied to products for global markets. This was part of our drive towards “Flexible Volume and Mix” production and business globalization. We invested ¥9,042 million (US$85 million) in R&D expenses into this business operation.

(3) Machinery and Engineering Division

In our Group, Machinery and Engineering Division supports production. M&E is dedicated to creating machinery and systems related to Fastening Products and Architectural Products. M&E is dedication to excellent cost-performance enables it to maintain its leading position, stay ahead of the competition, and create a greater storehouse of core technologies, which generate new value while reinforcing existing value. This dedication forms the foundation for more creative operations in areas such as material & surface reforming, precision molding, high-speed metal processing, microprocessor application, advanced software development, high-speed precision positioning control, and electronic components.

To name some major accomplishments in this area, we engineered a series of production facilities related to Fastening Products, which was in the midst of difficult business circumstances related to changing market trends, low prices, and short-term deliveries. The series included a finisher, weaver and molding machine for low-end coil fasteners for the local Chinese market, in addition to fully automated machines such as making for two-way fasteners and assemblers for new-type jeans sliders.

In Architectural Products Division, our engineering work provided facilities for fully automated surface processing in the Kurobe Factory. The facilities were designed to meet multi-color needs and environmental protection requirements. Other products included cost-competitive Renewal Sashes in response to build-to-order production, NC Processors for cell production of short-term delivery of heatproof products, plastic sashes at the Dalian YKK AP and component manufacturing at the YKK AP Suzhou Factory.

Molding Tools contributed to the group's competitive strength by developing tools for internal use and for external sales. The tools used in-house include a variety of injection molds for low-cost fasteners and sliders, molds for renewal sashes, the plastic injection molds and progressive transfer press molds installed at YKK AP Ekko and Suzhou Factory. R&D investment related to this business totaled ¥3,570 million (US$34 million).

(4) The Group in Perspective

Our Research and Development Center works for all the business units within the Group in common. It focuses on broadening and strengthening the elemental technologies of our primary business sectors, Fastening Products and Architectural Products Division. During this term, R&D achieved major accomplishments for Fastening Products by developing new types of adhesives and super-powerful adhesive compounds that facilitated new applications of Hook & Loop fasteners and creating a “Silent Tape Fastener” with a much lower zipping noise. This silent fastener is for special applications in the U.S. market. For Architectural Products Division, R&D contributed to business by analyzing the strength of automotive-related products made from formed metal materials. In addition, as part of exploration into next-generation metal materials, R&D did a study on metallic glasses and new methods of metal casting through participation in a project of “Casting Technology for High-functioning, High-precision, Energy-saving Processing Metallic Material (Metallic Glass)” at New Energy and Industrial Technology Development Organization (NEDO). ¥800 million (US$8 million) was invested in this operation.

Consolidated Financial Review

Looking at the world economy during fiscal 2003, U.S. economic stimulus programs such as financial deregulation and large tax cuts are producing a mild recovery, despite the war in Iraq and the uproar over SARS in the first half of the year. In Europe, low levels of investment and sluggish exports led to a lackluster economy in the first half, but expectations of continued low interest rates and low inflation boosted consumer confidence, which brought signs of economic recovery. In Asia, China saw continued high rates of capital investment that brought burgeoning growth rates. Other Asian nations experienced increased consumer activity and greater export volumes that helped bring their economies further toward full recovery.

Japan's economy also showed stronger trends toward a modest recovery. However, a number of worrisome issues remained, such as a stronger deflationary spiral, continued bad asset write-off problems, and sudden appreciation of the yen, which made it all the more difficult to forecast the future of the economy.

Working in this economic environment, the YKK Group (YKK and consolidated subsidiaries) set fiscal 2003 as the year in which we would set our group on the path to improved and sustainable profit growth by restructuring our business segment organizations. In the domestic fastening products business, YKK Fastening Products Sales Inc. and four domestic sales companies merged on April 1, 2003. In the domestic architectural products segment, YKK's Architectural Products Manufacturing Group was spun off as YKK AP Inc. on October 1, 2003. Overseas, we reorganized and restructured our organizations to put them in step with increasing trends toward globalization and to give them the capabilities to adjust to changing local markets. Consequently, net sales by division were as follows:

Fastening Products Division (including sales within the segment) :	¥202,189 million	(US$1,907 million)
Architectural Products Division (including sales within the segment) :	¥350,748 million	(US$3,308 million)
Machinery and Engineering Division (including sales within the segment) :	¥ 29,396 million	(US$ 277 million)
Other Divisions (including sales within the segment) :	¥ 29,335 million	(US$ 276 million)
Elimination or Corporate :	(¥ 53,818 million)	(US$ 507 million)
Total Sales :	¥557,852 million	(US$5,262 million)

Total sales increased by 17.9% compared to the previous fiscal year's sales of ¥473,307 million (US$3,944 million), which in turn was a 29.8% increase over the previous year.

The Fastening Products Division spent the year in a world economy that showed greater trends toward globalization and even faster changes in market conditions. In Europe and the Americas, the market saw clear divisions between apparel consuming regions and apparel producing areas. YKK reorganized and strengthened supply capabilities and improved client services to help meet increased demand in East Asia, especially in China, which is fast becoming the factory to the world. As a result, sales (including sales within the segment) increased by 4.7% compared to last fiscal year.

The Architectural Products Division saw increases in domestic construction of new wooden homes as consumers hurried to get under the deadline for soon-to-expire tax incentives on home loan interest. Price competition became even more severe. Sales of materials for high-rise buildings declined compared to last year as demand in metropolitan areas slumped even further, marking the end of the recent building boom. Results were also affected by the spin-off of YKK AP Inc. and its inclusion in consolidated results. The final results were 28.3% above sales for last year.

The Machinery and Engineering Division saw increases in architectural products machinery, molds and door engines, and other construction-related work, along with burgeoning demand for fastening factory machinery, mostly in East Asia. The result of our efforts (including sales within the segment) was 10.8% above that of last fiscal year.

Other divisions saw YKK Business Support Inc. founded and continued productivity in the aluminum refining segment which brought sales up to 17.1% above last year's figure.

As a percentage of sales, our cost of sales was 65.4%, a decline of 1.9 percentage points compared with last year. Further, selling, general, and administrative expenses were 27.8% of sales, an increase of 1.0 percentage points over last year's percentage.

Overall, net income was ¥28,984 million (US$273 million), an increase of 115.5% over last year.

Net income per share was ¥24,571 (US$231.80) compared to ¥11,611 (US$96.76) last fiscal year.

The dividend per share was ¥2,000 (US$18.87) or 20% 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	**2004**	2003	2002	2001	2000	**2004**
For the Fiscal Year:						
Net sales	¥557,852	¥473,307	¥364,554	¥369,190	¥335,816	$5,262,755
Income before income taxes, minority interests, equity in earnings and translation adjustments	25,475	24,009	15,918	42,838	32,435	240,330
Income taxes	(4,100)	9,717	5,706	18,076	11,803	(38,679)
Net income	28,984	13,452	7,393	18,194	18,606	273,434
Per Share Data:						
Net income	¥ 24,571	¥ 11,611	¥ 6,704	¥ 17,965	¥ 18,705	$ 231.80
Cash dividends	2,000	1,800	1,800	1,800	1,800	18.87
At Year End:						
Total assets	¥758,643	¥755,137	¥680,852	¥660,254	¥660,180	$7,157,009
Shareholders' equity	402,062	379,724	361,306	329,548	340,487	3,793,038

Notes: (1) U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥106=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, 2004 and 2003	Millions of yen 2004	2003	Thousands of U.S. dollars (Note 2) 2004
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 5 and 14)	¥ 71,661	¥ 65,305	$ 676,047
Time deposits and short-term investments in securities (Note 4)	5,759	6,614	54,330
Notes and accounts receivable (Note 5) :			
Trade	136,893	137,910	1,291,443
Unconsolidated subsidiaries and affiliated companies (Note 12)	312	430	2,943
Allowance for doubtful accounts	(5,076)	(5,297)	(47,887)
	132,129	133,043	1,246,500
Inventories (Notes 3 and 5)	125,206	127,812	1,181,189
Deferred tax assets (Note 7)	9,146	6,844	86,283
Other current assets	12,048	10,034	113,660
Total current assets	355,952	349,654	3,358,038
Investments:			
Investments in unconsolidated subsidiaries and affiliated companies	2,456	2,763	23,170
Investments in other securities (Notes 4 and 5)	25,025	16,783	236,085
Total investments	27,482	19,547	259,264
Property, plant and equipment (Notes 5 and 10) **:**			
Land	67,957	70,266	641,104
Buildings and structures	326,985	329,961	3,084,764
Machinery and equipment	487,572	492,408	4,599,736
Construction in progress	5,661	5,062	53,406
	888,177	897,698	8,379,028
Accumulated depreciation	(577,102)	(566,866)	(5,444,358)
Property, plant and equipment, net	311,075	330,831	2,934,670
Other assets:			
Deferred tax assets (Note 7)	31,969	23,510	301,594
Other	32,163	31,592	303,425
Total other assets	64,133	55,103	605,028
Total assets	¥758,643	¥755,137	$7,157,009

For the Years ended 31st March, 2004 and 2003	Millions of yen 2004	2003	Thousands of U.S. dollars (Note 2) 2004
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 5)	¥ 30,575	¥ 41,328	$ 288,443
Current portion of long-term debt (Note 5)	15,993	18,417	150,877
Notes and accounts payable: Trade	76,357	68,507	720,349
Construction	1,408	4,698	13,283
	77,766	73,205	733,642
Employees' savings deposits	32,736	32,244	308,830
Accrued income taxes (Note 7)	6,113	6,657	57,670
Deferred tax liabilities (Note 7)	246	172	2,321
Other current liabilities	49,451	55,686	466,519
Total current liabilities	212,884	227,711	2,008,340
Long-term liabilities:			
Long-term debt (Note 5)	35,677	42,790	336,575
Liability for employees' severance indemnities (Note 6)	86,659	82,318	817,538
Liability for officers' severance indemnities	974	1,566	9,189
Deferred tax liabilities (Note 7)	4,956	5,322	46,755
Other long-term liabilities	5,333	5,499	50,311
Total long-term liabilities	133,600	137,498	1,260,377
Minority interests in consolidated subsidiaries	10,095	10,202	95,236
Contingent liabilities (Note 11)			
Shareholders' equity (Note 8) **:**			
Common stock:			
Authorized: 4,260,000 shares in 2004 and 2003			
Issued: 1,192,271.70 shares in 2004 and 2003	11,922	11,922	112,472
Capital surplus	33,081	32,922	312,085
Retained earnings (Note 16)	391,037	364,171	3,689,028
Unrealized holding gain on other securities, net	4,467	46	42,142
Translation adjustments	(38,444)	(29,022)	(362,679)
Treasury common stock, at cost: 2004 – 39.44 shares			
2003 – 17,295.10 shares	(1)	(316)	(9)
Total shareholders' equity	402,062	379,724	3,793,038
Total liabilities, minority interests and shareholders' equity	¥758,643	¥755,137	$7,157,009

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2004 and 2003	Millions of yen 2004	2003	Thousands of U.S. dollars (Note 2) 2004
Sales and other income:			
Net sales	¥557,852	¥473,307	$5,262,755
Gain on exemption from obligation for benefits related to future employees' services under substitutional portion of severance benefit plan	–	8,509	–
Interest and other	5,743	6,313	54,179
	563,595	488,131	5,316,934
Costs and expenses:			
Cost of sales (Note 9)	365,057	318,738	3,443,934
Selling, general and administrative expenses (Note 9)	154,748	126,831	1,459,887
Interest expense	2,646	3,643	24,962
Exchange loss, net	1,632	178	15,396
Loss on disposal of inventories	3,529	2,505	33,292
Loss on sales or disposal of property, plant and equipment	3,060	2,778	28,868
Restructuring charges of subsidiaries	2,416	–	22,792
Loss on investments in other securities	–	2,090	–
Amortization of unrecognized severance benefit obligation of subsidiaries merged in the current year	–	942	–
Other	5,029	6,411	47,443
	538,120	464,121	5,076,604
Income before income taxes and minority interests	25,475	24,009	240,330
Income taxes (Note 7) **:**			
Current	10,238	11,023	96,585
Deferred	(14,339)	(1,306)	(135,274)
	(4,100)	9,717	(38,679)
Income before minority interests	29,576	14,292	279,019
Minority interests in net income of consolidated subsidiaries	(592)	(839)	(5,585)
Net income	¥ 28,984	¥ 13,452	$ 273,434

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2004 and 2003	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 2) 2004
Common stock			
Beginning of year	¥ 11,922	¥ 11,387	$ 112,472
Add:Issuance of shares in exchange for shares of YKK ARCHITECTURAL PRODUCTS Inc.	–	535	–
End of year	11,922	11,922	112,472
Capital surplus			
Beginning of year	32,922	14,451	310,585
Add: Gain on disposal of treasury stock	159	–	1,500
Increase upon issuance of shares in exchange for shares of YKK ARCHITECTURAL PRODUCTS Inc.	–	18,471	–
End of year	33,081	32,922	312,085
Retained earnings			
Beginning of year	364,171	352,715	3,435,575
Add: Net income	28,984	13,452	273,434
Increase in number of consolidated subsidiaries	–	79	–
Decrease in number of consolidated subsidiaries	6	–	57
Inclusion of merged companies previously accounted for by equity method	–	1	–
Revaluation of fixed assets of certain foreign subsidiaries	–	2	–
Deduct: Cash dividends paid	(2,066)	(2,049)	(19,491)
Bonuses paid to directors and corporate auditors	(58)	(29)	(547)
End of year	391,037	364,171	3,689,028
Unrealized holding gain on securities			
Balance at beginning of the year	46	438	434
Net change during the year	4,420	(392)	41,698
Balance at end of the year	4,467	46	42,142
Translation adjustments			
Balance at beginning of the year	(29,022)	(17,685)	(273,792)
Net change during the year	(9,422)	(11,337)	(88,887)
Balance at end of the year	(38,444)	(29,022)	(362,679)
Treasury common stock			
Balance at beginning of the year	(316)	–	(2,981)
Net change during the year	(315)	(316)	(2,972)
Balance at end of the year	¥ (1)	¥ (316)	$ (9)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2004 and 2003	Millions of yen 2004	2003	Thousands of U.S. dollars (Note 2) 2004
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 25,475	¥ 24,009	$ 240,330
Depreciation and amortization	43,173	42,678	407,292
Provision for allowance for doubtful accounts	(2,117)	(1,007)	(19,972)
Provision for (reversal of) accrued severance benefits	4,477	(2,463)	42,236
Gain on sales of property, plant and equipment	(904)	(1,044)	(8,528)
Loss on sales or disposal of property, plant and equipment	3,060	2,778	28,868
(Gain) loss on investments in other securities	(346)	2,090	(3,264)
Interest and dividend income	(895)	(1,403)	(8,443)
Interest expense	2,646	3,643	24,962
Increase in notes and accounts receivable	(1,377)	(23,519)	(12,991)
Decrease in inventories	162	13,773	1,528
Increase (decrease) in accounts payable	7,326	(1,361)	69,113
Restructuring charges of subsidiaries	2,416	–	22,792
Other	(1,532)	6,468	(14,453)
Subtotal	81,563	64,643	769,462
Interest and dividends received	941	1,522	8,877
Interest paid	(2,692)	(3,747)	(25,396)
Income taxes paid	(12,193)	(6,788)	(115,028)
Net cash provided by operating activities	67,619	55,629	637,915
Cash flows from investing activities			
Increase (decrease) in time deposits and short-term investments in securities	198	(3,588)	1,868
Acquisition of property, plant and equipment	(41,208)	(37,655)	(388,755)
Proceeds from sales of property, plant and equipment	4,082	2,493	38,509
Acquisition of intangible assets	(2,050)	(3,022)	(19,340)
Increase in investments in securities	(338)	(125)	(3,189)
Increase in additional investments in consolidated subsidiaries	(4)	(34)	(38)
Proceeds from investments in subsidiaries resulting from acquisition of shares (Note 14)	–	1,931	–
Payment on exchange of shares	–	(26)	–
(Increase) decrease in short-term loans receivable	(22)	16,879	(208)
Other	130	159	1,226
Net cash used in investing activities	(39,212)	(22,988)	(369,925)
Cash flows from financing activities			
(Decrease) increase in short-term borrowings, net	(9,086)	10,437	(85,717)
Proceeds from long-term debt	10	768	94
Repayment of long-term debt	(9,522)	(12,644)	(89,830)
Redemption of commercial paper	–	(5,000)	–
Proceeds from issuance of bond	10,000	–	94,340
Redemption of bonds	(10,100)	(13,484)	(95,283)
Refundment of shares	31	–	292
Proceeds from sales of treasury stock	584	–	5,509
Cash dividends paid and other	(2,626)	(2,483)	(24,774)
Net cash used in by financing activities	(20,709)	(22,406)	(195,368)
Effect of exchange rate changes on cash and cash equivalents	(1,428)	(2,257)	(13,472)
Increase resulting from initial consolidation of subsidiaries	–	7,661	–
Increase resulting from a merger of subsidiaries	–	82	–
Decrease resulting from excluding consolidation of subsidiaries	(28)	–	(264)
Increase in cash and cash equivalents	6,240	15,719	58,868
Cash and cash equivalents at beginning of year (Note 14)	65,164	49,444	614,755
Cash and cash equivalents at end of year (Note 14)	¥ 71,405	¥ 65,164	$ 673,632

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 generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and its overseas subsidiaries, in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan, and incorporate certain reclassifications to make them 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, 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.

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 and retained earnings.

All asset and liability accounts of the overseas 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.

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 the overseas consolidated subsidiaries are stated primarily at the lower of cost or market, cost being determined on an average basis.

Securities

Securities, except for investments in unconsolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. 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 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 by the moving average method.

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 estimated useful lives ranging from 3 to 55 years for buildings and structures, and from 2 to 15 years for machinery and equipment except for buildings acquired on or subsequent to 1st April 1998 on which depreciation is calculated by the straight-line method. Depreciation at the overseas 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

Accrued employees' severance indemnities of the Company and its domestic consolidated subsidiaries as of the balance sheet dates 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 the balance sheet dates 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 14–18 years which is within the average remaining years of service of the eligible employees.

Actuarial gain or 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 13–18 years which is within the average remaining years of service of the eligible employees.

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.

See Note 6 for the method of accounting for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under the Welfare Pension Fund Plan.

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 except for software development costs are charged to income as incurred.

Software development costs at the Company and its domestic consolidated subsidiaries are amortized by the straight-line method over an expected useful life of 5 years. Software development costs at the overseas subsidiaries are amortized by the straight-line method.

Derivative financial instruments

The Company and certain consolidated subsidiaries are exposed to risk arising from fluctuation in foreign currency exchange rates and interest rates. In order to manage this risk, the Company and certain consolidated subsidiaries enter into various derivative transactions including forward foreign exchange contracts and interest-rate swaps.

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.

Leases

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.

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 com putation only, at ¥106.00 = U.S.$1.00, the approximate rate of exchange in effect on 31st March 2004. This trans lation 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 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Finished products	¥ 36,421	¥ 40,171	$ 343,594
Work in process	59,637	58,180	562,613
Raw materials and supplies	29,146	29,459	274,962
	¥125,206	¥127,812	$1,181,189

4. SECURITIES

Marketable securities classified as held-to-maturity securities and other securities at 31st March 2004 and 2003 were as follows:

Marketable held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
31st March, **2004**	Carrying value	Fair value	Unrecognized gain	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:						
Government bonds	¥ 72	¥ 77	¥ 5	$ 679	$ 726	$47
Other	179	184	4	1,689	1,736	38
Subtotal	251	262	10	2,368	2,472	94
Securities whose fair value does not exceed their carrying value:						
Government bonds	166	166	–	1,566	1,566	–
Corporate bonds	20	20	–	189	189	–
Other	1,026	1,026	–	9,679	9,679	–
Subtotal	1,212	1,212	–	11,434	11,434	–
Total	¥1,464	¥1,474	¥10	$13,811	$13,906	$94

	Millions of yen		
31st March, **2003**	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 67	¥ 72	¥ 5
Other	180	186	6
Subtotal	247	259	11
Securities whose fair value does not exceed their carrying value:			
Government bonds	4	4	–
Other	41	41	(0)
Subtotal	46	46	(0)
Total	¥294	¥305	¥11

Marketable securities – other

31st March, **2004**	Millions of yen Acquisition cost	Carrying value	Unrecognized gain (loss)	Thousands of U.S. dollars Acquisition cost	Carrying value	Unrecognized gain (loss)
Securities whose fair value exceeds their carrying value:						
Stocks	¥4,863	¥12,389	¥7,525	$45,877	$116,877	$70,991
Debt securities:						
Government bonds	99	100	1	934	943	9
Other	528	536	8	4,981	5,057	75
Subtotal	5,490	13,026	7,535	51,792	122,887	71,085
Securities whose fair value does not exceed their carrying value:						
Stocks	18	13	(5)	170	123	(47)
Subtotal	18	13	(5)	170	123	(47)
Total	¥5,509	¥13,040	¥7,530	$51,972	$123,019	$71,038

31st March, **2003**	Millions of yen Acquisition cost	Carrying value	Unrecognized gain (loss)
Securities whose fair value exceeds their carrying value:			
Stocks	¥1,089	¥1,191	¥ 102
Debt securities:			
Government bonds	174	180	5
Other	155	163	8
Subtotal	1,418	1,534	115
Securities whose fair value does not exceed their carrying value:			
Stocks	3,804	3,435	(368)
Subtotal	3,804	3,435	(368)
Total	¥5,223	¥4,970	¥(252)

Non-marketable securities classified as other securities at 31st March 2004 and 2003 were as follows:

Non-marketable securities – other

	Millions of yen **2004**	2003	Thousands of U.S. dollars **2004**
Unlisted stocks	¥11,884	¥11,544	$112,113

No significant sales of securities classified as other securities were made in the years ended 31st March 2004 and 2003.

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at 31st March 2004 is summarized as follows:

	Millions of yen Due in one year or less	Due after one year through five years	Due after five years through ten years	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
Debt securities:						
Government bonds	¥ 3	¥298	¥37	$ 28	$2,811	$349
Corporate bonds	–	21	–	–	198	–
Other	1,242	157	–	11,717	1,481	–
Total	¥1,246	¥477	¥37	$11,755	$4,500	$349

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March 2004 consisted principally of unsecured loans maturing within 365 days, at interest rates ranging from 0.41% to 19.00% per annum (from 0.23% to 26.97% in 2003).

Long-term debt at 31st March 2004 and 2003 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
2.375% unsecured notes due 2004	¥ –	¥10,000	$ –
1.7% unsecured notes due 2004	10,000	10,000	94,340
1.65% unsecured notes due 2005	10,000	10,000	94,340
1.57% unsecured notes due 2006	10,000	10,000	94,340
0.39% unsecured notes due 2009	10,000	–	94,340
6.28% unsecured notes due 2004	2,678	2,997	25,264
6.75% unsecured notes due 2005	96	112	906
1.9% secured notes due 2005	100	100	943
1.6% secured notes due 2004	–	100	–
2.3% secured notes due 2005	200	200	1,887
0.89% to 17.0% loans, principally from banks and insurance companies, due from 2004 to 2014: Secured	2,964	4,555	27,962
Unsecured	5,631	13,142	53,123
	51,671	61,208	487,462
Less: Current portion	15,993	18,417	150,877
	¥35,677	¥42,790	$336,575

Assets pledged as collateral for short-term and long-term loans totaled ¥4,480 million ($42,264 thousand) and ¥6,904 million at 31st March 2004 and 2003, respectively, and are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Cash and cash equivalents	¥ 26	¥ 1,751	$ 245
Notes and accounts receivable	1,412	–	13,321
Inventories	300	1,467	2,830
Investments in other securities	2,298	179	21,679
Property, plant and equipment	3,872	27,989	36,528
	¥7,910	¥31,387	$74,623

The aggregate annual maturities of long-term debt outstanding at 31st March 2004 are summarized as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2005	¥15,993	$150,877
2006	11,969	112,915
2007	10,514	99,189
2008	445	4,198
2009	2,394	22,585
2010 and thereafter	10,352	97,660
	¥51,671	$487,462

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 business annuity 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 overseas consolidated subsidiaries have also adopted defined benefit plans.

According to transfer of the substitutional portion of the welfare pension fund plans to Japanese government, business annuity plans have succeeded the welfare pension fund plans since 1st November 2003.

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 2004 and 2003 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Projected benefit obligation	¥(170,981)	¥(161,689)	$(1,613,028)
Plan assets at fair value	54,056	42,378	509,962
Funded status	(116,924)	(119,311)	(1,103,057)
Net unrecognized employees' severance benefit obligation at transition	(144)	(440)	(1,358)
Unrecognized prior service cost	30,028	383	283,283
Unrecognized actuarial gain or loss	380	37,050	3,585
	¥ (86,659)	¥ (82,318)	$ (817,538)

On 1st January 2003, the Company received approval from the Minister of Health, Labor and Welfare with respect to its application for an exemption from the obligation for benefits related to future employees' services under the substitutional portion of the welfare pension fund plans. In accordance with the transitional provision stipulated in "Practical Guidelines for Accounting for Retirement Benefits," the Company accounted for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under its welfare pension fund plans as of the date of approval of its exemption, assuming that the transfer to the Japanese government of the substitutional portion of the benefit obligation and the related pension plan assets had been completed as of that date. As a result of the accounting treatment for the separation, the Company recognized a gain of ¥8,509 million for the year ended 31st March 2003. The pension assets which are to be transferred were calculated at ¥51,791 million at 31st March 2003.

According to enforcement of "Rule of defined benefit business annuity plans", the Company and its domestic consolidated subsidiaries transferred liability reserve to the Japanese government on 8th March 2004. There are no effects on income for the year ended 31st March 2004.

The components of severance benefit expenses for the years ended 31st March 2004 and 2003 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Service cost	¥ 8,050	¥ 7,915	$ 75,943
Interest cost	4,607	5,915	43,462
Expected return on plan assets	(1,235)	(2,714)	(11,651)
Amortization of net severance benefit obligation at transition	(365)	438	(3,443)
Amortization of unrecognized actuarial gain or loss	2,404	1,264	22,679
Amortization of prior service cost	211	(242)	1,991
Amortization of unrecognized severance benefit obligation of subsidiaries merged in the current year	636	942	6,000
Net periodic pension cost	14,309	13,519	134,991
Gain on exemption from obligation for benefits related to future employees' services under substitutional portion of severance benefit plan	–	(8,509)	–
	¥14,309	¥ 5,009	$134,991

The assumptions used in the actuarial calculation for the above plans for the years ended 31st March 2004 and 2003 were as follows:

	2004	2003
Discount rates	3.0% per annum	3.0% per annum
Expected rate of return on plan assets	3.0% per annum	4.0% per annum

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporation tax, inhabitants' taxes and enter prise tax which, in the aggregate, resulted in statutory tax rate of approximately 41% for the years ended 31st March 2004 and 2003. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

New legislation was enacted in March 2003 which will change the aggregate statutory tax rate from 41% to 40% effective fiscal years beginning after 31st March 2004. The effect of this change in the statutory tax rate was to decrease deferred tax assets by ¥323 million and to increase deferred income taxes by ¥324 million for the year ended 31st March 2003.

The effective tax rate reflected in the consolidated statement of income for the year ended 31st March 2004 differs from the statutory tax rate for the following reasons:

	2004
Statutory tax rate	41.0 %
Effect of:	
Income of certain overseas consolidated subsidiaries whose statutory tax rate is lower than that of domestic consolidated subsidiaries	(10.2)
Expenses not deductible for income tax purposes	(8.1)
Dividend income not deductible for income tax purposes	9.0
Changes in valuation allowance	(39.9)
Other, net	(7.9)
Effective tax rate	(16.1)%

A reconciliation of the difference between the statutory tax rate and effective tax rate for the year ended 31st March 2003 has not been presented because this difference was less than 5% and thus was immaterial.

The significant components of deferred tax assets and liabilities at 31st March 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets: Accrued severance benefits	¥29,590	¥25,717	$279,151
Accrued bonuses	5,329	5,722	50,274
Unrealized profit	4,213	5,290	39,745
Net operating loss carryforwards	3,829	3,741	36,123
Other	9,499	8,333	89,613
Gross deferred tax assets	52,461	48,805	494,915
Less: Valuation allowance	(5,690)	(15,696)	(53,679)
Total deferred tax assets	46,771	33,109	441,236
Deferred tax liabilities:			
Depreciation	3,786	4,248	35,717
Unrealized holding gain on securities, net	3,017	–	28,462
Other	4,053	3,999	38,236
Total deferred tax liabilities	10,857	8,248	102,425
Net deferred tax assets	¥35,913	¥24,860	$338,801

8. SHAREHOLDERS' EQUITY

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 the sum of such reserve and capital surplus 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 con solidated financial statements at 31st March 2004 inclu ded the legal reserve of ¥2,666 million ($25,151 thou sand).

9. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in manufac turing costs and in selling, general and administrative expenses for the years ended 31st March 2004 and 2003 totaled ¥19,882 million ($187,566 thousand) and ¥20,188 million, respectively.

10. LEASES

Lessees' accounting

The following pro forma amounts represent the acquisition costs (including the interest portion), accumulated depreciation and net book value of the leased assets at 31st March 2004 and 2003, 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

	2004			2003		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥1,792	¥740	¥1,052	¥3,341	¥1,902	¥1,438
Intangible assets	59	21	37	45	9	35
Total	¥1,852	¥761	¥1,091	¥3,387	¥1,912	¥1,474

Thousands of U.S. dollars

	2004		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	$16,906	$6,981	$ 9,925
Intangible assets	557	198	349
Total	$17,472	$7,179	$10,292

Lease payments relating to finance leases accounted for as operating leases amounted to ¥385 million ($3,632 thou sand) and ¥700 million for the years ended 31st March 2004 and 2003, respectively. Depreciation of the leased assets is calculated by the straight-line method over the respective lease terms and amounted to ¥385 million ($3,632 thousand) and ¥700 million for the years ended 31st March 2004 and 2003, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to 31st March 2004 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
2005	¥ 426	$ 4,019
2006 and thereafter	664	6,264
Total	¥1,091	$10,292

The minimum rental payments subsequent to 31st March 2004 for operating leases with noncancelable lease terms in ex cess of one year are summarized as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2005	¥ 388	$ 3,660
2006 and thereafter	776	7,321
Total	¥1,164	$10,981

Lessors' accounting

The following pro forma amounts represent the acquisition costs accumulated depreciation and net book value of the leased assets to finance leases accounted for as operating leases at 31st March 2004:

	Millions of yen			Thousands of U.S. dollars		
			2004			**2004**
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 761	¥419	¥341	$ 7,179	$3,953	$3,217
Intangible assets	675	372	303	6,368	3,509	2,858
Total	¥1,436	¥792	¥644	$13,547	$7,472	$6,075

Lease income relating to finance leases accounted for as operating leases amounted to ¥394 million ($3,717 thou sand) and ¥213 million for the years ended 31st March 2004 and 2003, respectively. Depreciation of the leased assets amounted to ¥394 million ($3,717 thousand) and ¥35 million for the years ended 31st March 2004 and 2003, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to 31st March 2004 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
2005	¥355	$3,349
2006 and thereafter	289	2,726
Total	¥644	$6,076

11. CONTINGENT LIABILITIES

Contingent liabilities at 31st March 2004 and 2003 for notes discounted and guarantees given in the ordinary course of business amounted to approximately ¥729 mil lion ($6,877 thousand) and ¥907 million, including ¥722 million ($6,811 thousand) and ¥751 million, respectively, for loans guaranteed on behalf of certain suppliers.

An obligation for the repayment of a long-term loan amounting to ¥1,417 million ($13,368 thousand) was transferred to a financial institution which a subsidiary of the Company then paid. However, the obligation to the original creditor for repayment still remains with this subsi diary.

12. AMOUNTS PER SHARE

Basic net income per share has been computed based on the net income available for distribution to stockholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net in come per share has not been presented for the years ended 31st March 2004 and 2003 since neither the Company nor any of the consolidated subsidiaries had potentially dilutive shares of common stock to be issued 31st March 2004 and 2003.

	yen		U.S. dollars
	2004	2003	**2004**
Net income per share of common stock	¥24,571	¥11,611	$231.80

The following table sets forth the computation of net income per share of common stock for the years ended 31st March 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Numerator:			
Net income available to shareholders of common stock			
Net income	¥28,984	¥13,452	$273,434
Less:appropriation of bonuses to directors and statutory auditors	(78)	(31)	(736)
	¥28,906	¥13,420	$272,698

			Thousands of shares
Denominator:			
Weighted-average number of shares of common stock outstanding	1,176	1,155	1,176

Net assets per share have been computed based on the net assets available for distribution to stockholders of common stock and the number of shares of common stock outstanding at each balance sheet date.

	yen		U.S. dollars
	2004	2003	**2004**
Net assets per share	¥337,169	¥323,143	$3,180.84

13. RELATED PARTY TRANSACTIONS

The Company entered into transactions with an affiliate which were accounted for by the equity method for the years ended 31st March 2004 and 2003. These are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Sales of architectural products during the year	¥ –	¥77,930	$ –
Rent received from affiliate during the year	¥ –	¥ 560	$ –

The sales prices of the architectural products were negotiated on an arm's-length basis based on the market prices and on the production costs incurred by the Company. Rent was determined based on similar transactions in the market.

14. DERIVATIVES

Various derivatives including forward foreign exchange 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 consoli dated subsidiaries do not anticipate significant risks result ing from their open derivatives positions which have all been designated as hedges. The Company is exposed to credit risk in the event of nonperformance by the counter parties to the derivatives, but any such loss would not be material because the Company and consolidated subsi diaries 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 derivatives positions outstanding at 31st March 2004 and 2003:

31st March, **2004**	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:	¥2,983	¥2,919	¥ 63	$28,142	$27,538	$ 594
Sell: US$						
Buy: JPY	118	102	(15)	1,113	962	(142)
US$	928	910	(17)	8,755	8,585	(160)
EURO	147	131	(15)	1,387	1,236	(142)
Total			¥ 14			$ 132

31st March, **2003**	Millions of yen		
	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell: US$	¥926	¥919	¥ 6
Buy: US$	96	95	(1)
Total			¥(5)

Note: The contract amounts of the forward foreign exchange contracts at 31st March 2004 and 2003 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.

15. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents in the consolidated statements 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 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Cash and cash equivalents in consolidated balance sheets	¥71,661	¥65,305	$676,047
Bank overdrafts	(256)	(140)	(2,415)
Cash and cash equivalents in consolidated statements of cash flows	¥71,405	¥65,164	$673,632

The following is a summary of assets and liabilities of the consolidated subsidiaries as of 31st January 2003 which, upon acquisition of their shares, were included in consolidation for the year ended 31st March 2003:

	Millions of yen
Current assets	¥8,202
Non-current assets	2,035
Current liabilities	(5,695)
Non-current liabilities	(3,444)
Other	(931)
Acquisition costs	166
Cash and cash equivalents held by subsidiaries at acquisition	2,096
Proceeds from investments in subsidiaries resulting from acquisition of their shares	¥1,931

16. SEGMENT INFORMATION

The following tables summarize the business and geographical segment information of the Company and its consolidated subsidiaries for the years ended 31st March 2004 and 2003.

Business segments

Millions of yen

Year ended or as of 31st March, **2004**	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	¥201,864	¥350,654	¥ 1,204	¥ 4,128	¥557,852	¥ –	¥557,852
Intergroup sales and transfers	325	93	28,192	25,207	53,818	(53,818)	–
Total sales	202,189	350,748	29,396	29,335	611,670	(53,818)	557,852
Operating expenses	172,065	341,573	27,400	28,653	569,691	(49,885)	519,806
Operating income	¥ 30,124	¥ 9,175	¥ 1,996	¥ 682	¥ 41,979	¥ (3,933)	¥ 38,045
II. Assets, depreciation and capital expenditures							
Total assets	¥260,245	¥312,219	¥22,385	¥166,268	¥761,119	¥ (2,475)	¥758,643
Depreciation	21,939	16,225	1,292	1,927	41,384	1,007	42,391
Capital expenditures	21,610	16,457	780	1,655	40,502	(67)	40,435

Thousands of U.S. dollars

Year ended or as of 31st March, **2004**	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	$1,904,377	$3,308,057	$ 11,358	$ 38,943	$5,262,755	$ –	$5,262,755
Intergroup sales and transfers	3,066	877	265,962	237,802	507,717	(507,717)	–
Total sales	1,907,443	3,308,943	277,321	276,745	5,770,472	(507,717)	5,262,755
Operating expenses	1,623,255	3,222,387	258,491	270,311	5,374,443	(470,613)	4,903,830
Operating income	$ 284,189	$ 86,557	$ 18,830	$ 6,434	$ 396,028	$ (37,104)	$ 358,915
II. Assets, depreciation and capital expenditures							
Total assets	$2,455,142	$2,945,462	$211,179	$1,568,566	$7,180,368	$ (23,349)	$7,157,009
Depreciation	206,972	153,066	12,189	18,179	390,415	9,500	399,915
Capital expenditures	203,868	155,255	7,358	15,613	382,094	(632)	381,462

Millions of yen

Year ended or as of 31st March, **2003**	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	¥193,036	¥273,270	¥ 1,546	¥ 5,454	¥473,307	¥ –	¥473,307
Intergroup sales and transfers	36	96	24,992	19,586	44,711	(44,711)	–
Total sales	193,072	273,366	26,538	25,041	518,019	(44,711)	473,307
Operating expenses	165,353	270,485	24,648	24,642	485,129	(39,560)	445,569
Operating income	¥ 27,718	¥ 2,881	¥ 1,890	¥ 399	¥ 32,890	¥ (5,151)	¥ 27,738
II. Assets, depreciation and capital expenditures							
Total assets	¥283,176	¥314,682	¥21,379	¥162,947	¥782,185	¥(27,048)	¥755,137
Depreciation	24,079	13,581	1,412	2,443	41,517	836	42,353
Capital expenditures	22,006	17,498	474	1,985	41,964	(1,200)	40,764

Geographical areas

Year ended or as of 31st March, **2004**	Japan	North Central America	South America	Europe Mideast	East Asia	South-Asia Oceania	Total	Eliminations or corporate	Consolidated
	Millions of yen								
Sales to third parties	¥379,515	¥44,569	¥6,399	¥46,850	¥55,937	¥24,579	¥557,852	¥ –	¥557,852
Intergroup sales and transfers	46,768	5,807	67	1,000	3,568	13,191	70,403	(70,403)	–
Total sales	426,283	50,376	6,467	47,850	59,506	37,771	628,255	(70,403)	557,852
Operating expenses	401,863	50,060	5,244	41,389	50,148	35,632	584,340	(64,534)	519,806
Operating income	¥ 24,419	¥ 316	¥1,222	¥ 6,460	¥ 9,357	¥ 2,138	¥ 43,914	¥ (5,869)	¥ 38,045
Total assets	¥410,252	¥49,659	¥7,873	¥50,418	¥96,129	¥67,728	¥682,061	¥76,581	¥758,643

Year ended or as of 31st March, **2004**	Japan	North Central America	South America	Europe Mideast	East Asia	South-Asia Oceania	Total	Eliminations or corporate	Consolidated
	Thousands of U.S. dollars								
Sales to third parties	$3,580,330	$420,462	$60,368	$441,981	$527,708	$231,877	$5,262,755	$ –	$5,262,755
Intergroup sales and transfers	441,208	54,783	632	9,434	33,660	124,443	664,179	(664,179)	–
Total sales	4,021,538	475,245	61,009	451,415	561,377	356,330	5,926,934	(664,179)	5,262,755
Operating expenses	3,791,160	472,264	49,472	390,462	473,094	336,151	5,512,642	(608,811)	4,903,830
Operating income	$ 230,368	$ 2,981	$11,528	$ 60,943	$ 88,274	$ 20,170	$ 414,283	$ (55,368)	$ 358,915
Total assets	$3,870,302	$468,481	$74,274	$475,642	$906,877	$638,943	$6,434,538	$ 722,462	$7,157,009

Year ended or as of 31st March, **2003**	Japan	North Central America	South America	Europe Mideast	East Asia	South-Asia Oceania	Total	Eliminations or corporate	Consolidated
	Millions of yen								
Sales to third parties	¥293,954	¥51,905	¥5,028	¥43,341	¥53,776	¥25,301	¥473,307	¥ –	¥473,307
Intergroup sales and transfers	33,357	4,632	19	620	2,099	12,936	53,666	(53,666)	–
Total sales	327,312	56,537	5,048	43,961	55,876	38,238	526,974	(53,666)	473,307
Operating expenses	317,359	54,204	4,330	38,286	48,304	36,760	499,244	(53,675)	445,569
Operating income	¥ 9,952	¥ 2,333	¥ 718	¥ 5,674	¥ 7,571	¥ 1,478	¥ 27,729	¥ 8	¥ 27,738
Total assets	¥422,036	¥58,001	¥7,189	¥47,915	¥98,795	¥69,239	¥703,177	¥ 51,959	¥755,137

Overseas sales

Year ended 31st March, **2004**	North Central America	South America	Europe Mideast Africa	East Asia	South-Asia Oceania	Total
	Millions of yen					
I. Overseas sales	¥44,625	¥6,234	¥46,013	¥57,381	¥25,218	¥179,474
II. Consolidated sales						557,852
III. Overseas sales as a percentage of consolidated sales	8.0%	1.1%	8.3%	10.3%	4.5%	32.2%
	Thousands of U.S. dollars					
I. Overseas sales	$420,991	$58,811	$434,085	$541,330	$237,906	$1,693,151
II. Consolidated sales						5,262,755
III. Overseas sales as a percentage of consolidated sales	8.0%	1.1%	8.3%	10.3%	4.5%	32.2%

Year ended 31st March, **2003**	North Central America	South America	Europe Mideast Africa	East Asia	South-Asia Oceania	Total
						Millions of yen
I. Overseas sales	¥51,593	¥4,916	¥42,332	¥56,759	¥28,492	¥184,094
II. Consolidated sales						473,307
III. Overseas sales as a percentage of consolidated sales	10.9%	1.1%	8.9%	12.0%	6.0%	38.9%

17. SUBSEQUENT EVENTS

(a) The following appropriations of retained earnings were approved at a general meeting of the shareholders of the Company held on 29th June 2004:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥2,000 = $18.87) per share	¥2,384	$22,491
Bonuses to directors and corporate auditors	40	377

(b) Pursuant to a resolution by the Company’s Board of Directors on 24th March 2004, the Company issued unsecured bond with an aggregate principal amount of ¥10,000 million ($94,340 thousand) bearing interest at ratio of 1.02% annually due 2010 on 25th May 2004.

Report of Independent Auditors

The Board of Directors
YKK Corporation

We have audited the accompanying consolidated balance sheets of YKK Corporation and consolidated subsidiaries as of 31st March 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of YKK Corporation and consolidated subsidiaries at 31st March 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

1. As described in Note 16, the Company issued unsecured bond with an aggregate principal amount of ¥10,000 million ($94,349 thousand) on 25th May 2004.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March 2004 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.

Toyama, Japan
29th June 2004

Shin Nihon & Co.

Outline of YKK Corporation

Founded :	January 1, 1934
Capital :	11,922,717,000 yen
Product Lines :	1) Fastening Products •Zip Fasteners •Snap Fasteners and Buttons •Textile and Plastic Products 2) Machinery for Fastening Products and Architectural Products
Head Office :	1, Kandaizumi-cho, Chiyoda-ku, Tokyo Tel : 03-3864-2045 Fax : 03-3866-5500
Kurobe Manufacturing Center :	200, Yoshida, Kurobe-city, Toyama Pref.

2004 Annual Report

YKK CORPORATION

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