2005
Annual Report

YKK CORPORATION

April 2004 – March 2005

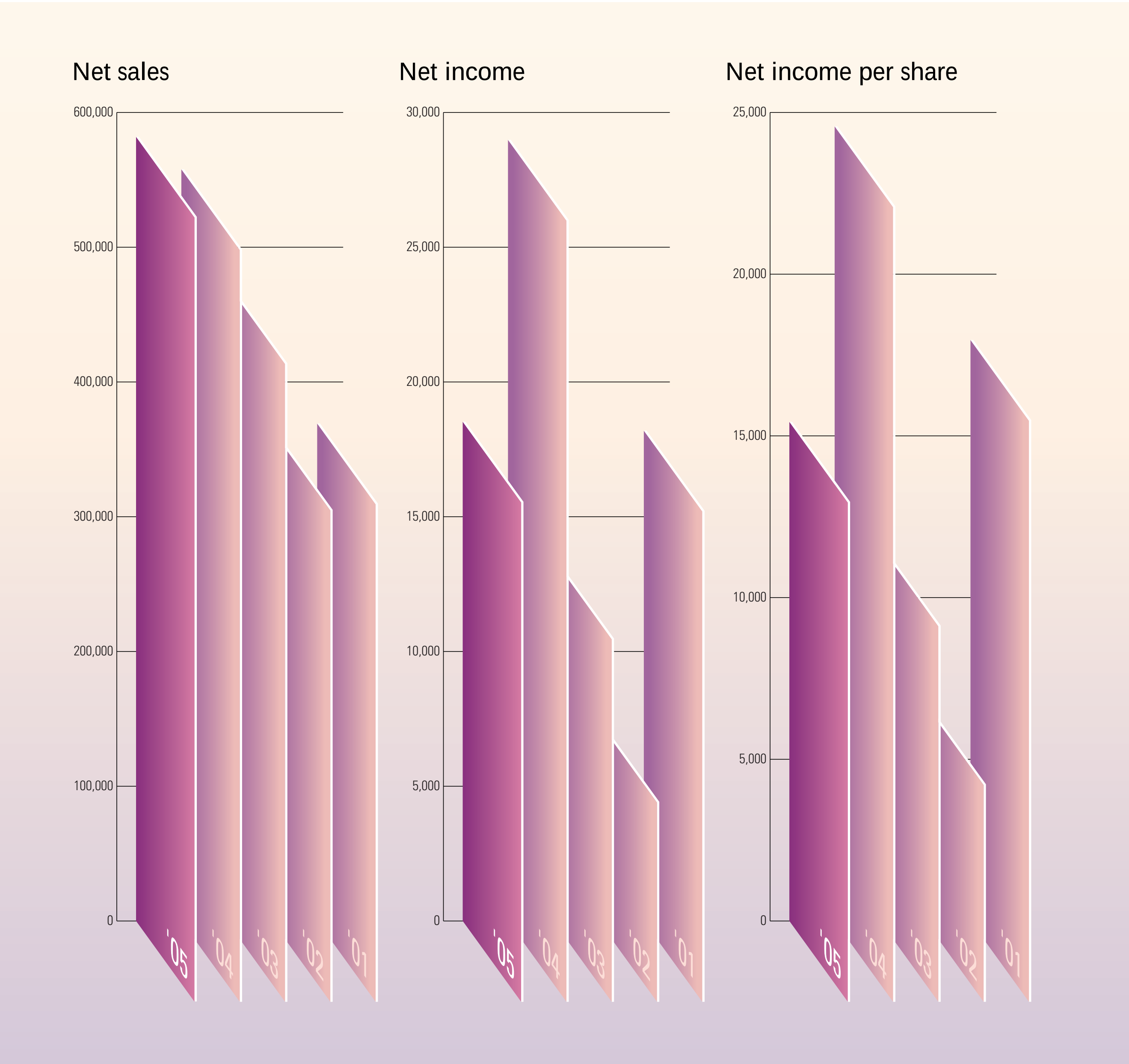
Contents

Financial Highlights

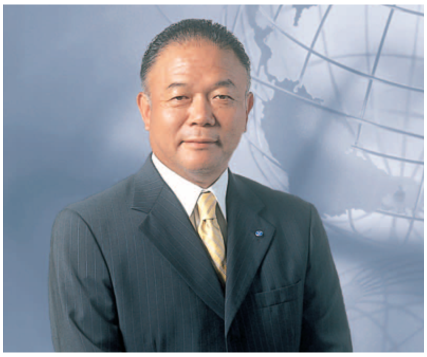
YKK Corporation and Consolidated Subsidiaries

Years ended 31st March	**2005**	2004	**2005**
		Millions of yen	*Thousands of U.S. dollars*
Net sales	¥581,973	¥557,852	$5,542,600
Net income	18,526	28,984	176,438
		yen	*U.S. dollars*
Net income per share	¥ 15,435	¥ 24,571	$ 147.00

Note:U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥105=U.S.$1.



Message from the President



Looking back at the economic conditions in 2004, we see that the world economy, led by the United States and China, continued to grow. Japan's recovery also continued, but the high price of crude oil and the dollar-yen exchange rate in the second half of the year cast doubt on the future.

In 2004, we set the year 2005 as our deadline to achieve the results of our ongoing business restructuring, which has been under way since 2001, and pursued our business with the intent of steadily increasing profits.

Consequently, the Company's rating from Moody's was upgraded from A3 to A2, effective October 18, 2004.

Moody's cited the following reasons for the upgrade:

- As a result of business restructuring implemented over the past several years, profits of the Architectural Products Business recovered and YKK has maintained its strong position in the world fastening products market. The YKK Group's business performance will continue to improve in the future.

I consider evaluations by rating companies to be a standard for setting future management goals. I believe that the Moody's evaluation of our business restructuring is very encouraging to our efforts to increase our corporate value.

I believe 2005 will mark the end of our business restructuring. Now I want to look ahead to 2008, the year we reach the 75th anniversary of the Fastening Products Business and the 50th anniversary of Architectural Products Business. FY2008 is also the final year of our mid-term management plan, in which I am committed to increasing our corporate value.

To achieve that, we proposed efforts to enhance the value of our business and our brand. The business environment is changing drastically, and to strengthen our business from mid- and long-term viewpoints, it is necessary to increase the value of different products at different times. Clearly, we have a lot of work ahead of us in enhancing the value of our business.

To put it concretely, meeting the challenge of creating growing demand is a key policy for the Fastening Products Business. Specifically, we will work to expand our business by aggressively allocating management resources to the Chinese market, where we expect ongoing expansion.

As a result, while we work to strengthen sales under ArcFastening brand launched as our second brand in China's domestic market, we must also develop a strategy to increase the value of the YKK brand.

Chitila Manufacturing Plant of YKK Romania

In the Architectural Products Business, we will keep working to establish YKK AP as the top window manufacturer in Japan, China, and the United States by:

- Diversifying from sash windows to all types of windows.
- Establishing our architectural products business model in China
- Participating in the U.S. housing market (developing our U.S. plastic resin window business).

In the Machinery and Engineering Business, we will continue efforts to strengthen the operations of the Fastening Products Business and Architectural Products Business, by improving our technology development capabilities.

Tadahiro Yoshida
President and CEO
YKK Corporation

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 introducing a 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 operating officers, in addition to duties specified by the Commercial Law. To help directors fulfill their responsibilities, their number was reduced to no more than 15 (changed to 10 in June 2005), a number conducive to active and adequate discussions 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, operating officers' 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 responsibility 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 responsibility of the Operating Officer system, and that decision-making on significant corporate matters such as management policies and oversight of the entire operation are done by the Board of Directors, and a Board of Auditors to do the corporate audit.

(2) Status of Corporate Governance Policy Implementation

1. Board 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 Corporation who were appointed directors. In addition, in the interest of stronger corporate governance, one outside director was added.
   - In April 2003, the following teams were clearly defined as Management Committees within the board and given responsibility 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 to devise a system to assess all sorts of risks, such as those related to product liability, 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.
   - In April 2005, the Chief Financial Officer (CFO) and Chief Risk Officer (CRO) were assigned to further enhance consolidated management.

2. Board of Auditors
   - As the revised Commercial Law pertaining to the Board of Audits system [revised Shoho Tokureiho (Law for Special Exceptions to the Commercial Law by Law No.149 of 2001)] specifies, the board has included two (2) outside auditors (one (1) in the past) since June 2004. While these outside is to appoint these outside auditors were to be appointed at the General Shareholders of Meeting in June 2006, that has already been done.
   - Internal audits by the Office of Internal Auditing, such as operational audits and compliance audits, in addition to legal auditing by four (4) corporate auditors, were executed to ensure a more effective auditing system.

3. Introduction of Group Operating Officer System

YKK Group uses independent management in each of six major geographical regions, including Japan. Its worldwide organization includes three global business operations, Fastening Products, Architectural Products 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.

4. Advisory Board created

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

(3) Status of accounting audits

Certified Public Accountants (CPAs) Shigeo Taguchi, Yoshiyuki Matsumoto, and Takenori Watanuki (serving 16 consecutive years) provided the company's accounting service. They belong to Ernst & Young ShinNihon. They also conduct timely audits at the interim, year-end, and during the year. In all, 11 CPA assistants are involved in the company's accounting services.

(4) Relationships among YKK and outside directors and outside auditors

Outside Director Yukio Yanagida is the representative of Yanagida-Nomura Law Office, which provides legal services to the company. These are routine, typical services. It does not mean the Outside Director directly has an individual interest with the company.

In addition, there is no business connection between Outside Auditor and the company.

(5) Details of directors' compensation

Directors' compensation at the company consists of short-term (monthly) compensation; bonus allowances to directors that is considered consistent with the basic dividend policy that takes stable dividends into consideration; and a retirement allowance as a long-term compensation.

The amount of compensation for the fiscal year is as follows:

	Board of Directors			Board of Auditors			Total			Abstract
Classification	No. of granters	Amount of allowance		No. of granters	Amount of allowance		No. of granters	Amount of allowance		
	persons	¥ millions	US$ thousand	persons	¥ millions	US$ thousand	persons	¥ millions	US$ thousand	
Allowance based on article of incorporation or resolution of annual general shareholders' meeting	10	217	2,067	4	39	371	14	256	2,438	
Directors' bonus by distribution of net profit	9	37	352	3	3	29	12	40	381	
Retirement allowance based on resolution of annual general shareholders' meeting	1	44	419	–	–	–	1	44	419	
Total		299	2,848		42	400		341	3,248	

Notes:
1. The limited amounts of compensation by resolution of the annual general shareholders' meeting shall be ¥40 million (US$381 thousand) per month for directors and ¥4 million (US$38 thousand) for auditors.
2. Among compensations by resolution of annual general shareholders' meeting, the number of granter from outside directors shall be one (1), its amount of ¥6 million (US$57 thousand); and two (2) from outside auditors, its amount of ¥10 million (US$95 thousand).
3. The current number of personnel as of end of the fiscal year are: Nine (9) directors Four (4) auditors
4. The number of granters above includes one (1) director who retired during the year.

(6) Details of auditors' compensation

(1) Compensation to the Ernst & Young ShinNihon, based on the company operations prescribed in the Certified Public Accountant Law (Law No. 103 of 1948) Article 2 Clause 1: ¥27 million (US$257 thousand).

(2) Compensations other than above: None

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 fiscal year 2004 from April 1, 2004 to March 31, 2005.

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 ¥779,803 million (US$7,427 million), an increase of 2.8% over last fiscal year (hereinafter called "last term"), along with current assets of ¥375,606 million (US$3,577 million), representing growth of 5.5%, and fixed assets worth ¥404,197 million (US$3,849 million), an increase of 0.4%.

The primary factors in the growth of current assets were increases in cash and case cash equivalents, notes and accounts receivable, and short-term investments in securities.

Within fixed assets, tangible fixed assets came to ¥306,985 million (US$2,924 million), a 1.3% decrease from the last term. The investment in securities amounted ¥30,690 million (US$292 million), an increase of 11.7% over the last term. The major factor in this increase was reflected in gains in current stock values resulting from the recovery in share prices.

The total liabilities at the end of this fiscal year was ¥348,807 million (US$3,322 million), a 0.7% increase from last term, together with current liabilities of ¥213,078 million (US$2,029 million), almost the same as last term, and long-term liabilities of ¥135,728 million (US$1,293 million), a 1.6% increase.

Within current liabilities, notes and accounts payable increased by 9.1% from the last term to ¥83,315 million (US$793 million). However, interest-bearing debts (consisting of short-term borrowings, the current portion of long-term debt, the current portion of bonds, employees' savings deposits, corporate bonds, and long-term debt) decreased by 8.9% from the last term to ¥104,780 million (US$998 million). Thus, the total current liabilities remained the same as the last term. Note that, of all the interest-bearing debts, short-term borrowings decreased by 13.3%, the current portion of long- term debt decreased by 49.3%, the current portion of bonds decreased by 18.0%, other corporate bonds decreased by 1.3%, and long-term debt decreased by 42.4%.

Consolidated total shareholders' equity at the end of this fiscal year came to ¥420,277 million (US$4,003 million), a 4.5% increase compared to the last term. The main factors were retained earnings and unrealized holding gain on other securities. Retained earnings increased by 4.1% from the last term to ¥407,099 million (US$3,877 million), owing to greater net income for the term. Unrealized holding gains on other securities totaled ¥6,261 million (US$60 million). These figures brought our shareholders' equity to total assets ratio to 53.9%, compared to the last term's 53.0%. Shareholders' equity per share increased to ¥352,418 (US$3,356) from ¥337,169 (US$3,181).

(2) Analysis of Operating Results

During this fiscal year (hereinafter called "this term"), we aggressively developed business operations to reap the benefits of a business restructuring initiative started in 2001. We defined this term as the time to set a course toward sustainable profitability. Thus consolidated results showed ¥581,973 million (US$5,543 million) in net sales, a 4.3% increase over the last term, ¥38,849 million (US$370 million) in operating income, a 2.1% increase, and ¥32,554 million (US$310million) in ordinary income, a 5.5% increase. Our operations have now shown increases in both sales and profits for three consecutive terms. These figures were chiefly because of the strong performance of the Fastening Products Group and Machinery and Engineering Group, bolstered by demand for equipment from the Fastening Products Group, in spite of skyrocketing raw material costs, costs for infrastructure development, and expenses related to the launch of overseas architectural products.

In addition, this term's net income amounted to ¥18,526 million (US$176 million), a decrease of 36.1%, because of revaluation losses on fixed assets of certain foreign subsidiaries in addition to the special factor during the previous fiscal year (hereinafter called the "previous term") – 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 Inc. and help assure its growth in the future.

Net income per share for this term reached ¥15,435 (US$147.00) compared to ¥24,571 (US$231.80) last term.

(3) Analysis of Cash Flow

Cash flows from operating activities decreased by 5.3% from last term to ¥64,056 million (US$ 610 million). This was mainly because the increase in notes and accounts receivable was greater than its increase during the previous term. In addition, there was a decrease in accounts payable from the previous term. The amount, combined with income before income taxes, and minority interests, and depreciation and amortization, which are non-cash items, was ¥69,533 million (US$662 million). Thus, we saw continued strong improvement in our cash flow compared to the previous term.

Cash flows for investing activities showed an outflow of ¥32,697 million (US$311 million), a decrease of ¥6,515 million (US$62 million) from the previous term. This was mainly because earnings from refunded time deposits increased from the previous term, and because we made no expenditures for purchase of investments in securities during this term. In addition, the company spent ¥39,385 million (US$375 million) for acquisition of property, plants and equipment, focusing on enhancing and rationalizing the supply system, mainly in the Fastening Products and Architectural Products groups.

Cash flows from financial activities totaled ¥13,395 million (US$128 million), a decrease of ¥7,314 million (US$70 million) from the previous term. This was due mainly to a decrease in net short-term borrowings compared to the previous term, and a decrease in proceeds from long-term debt. Thus, diminution of interest-bearing debts decreased compared to the previous term. We spent cash primarily to pay down interest-bearing debts to strengthen our financial base during this term. In order to return our profits to shareholders – one of our most important management policies – we paid total dividends of ¥2,386 million (US$23 million), reflecting our strong consolidated performance.

Cash and cash equivalents at end of year increased by ¥17,803 million (US$170 million) from last term to ¥89,208 million (US$850 million), resulting from our fiscal activities and from exchange rates that influenced the effect of exchange rate changes on 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, including the core operation in Japan. Our global organization spreads across North and Central America, Europe the Middle East and Africa (EMEA), and East Asia etc. With this international nature, we aim to become a "technology-driven companies that create new value". Consolidated investment in R&D for the Group during the fiscal year was ¥19,037 million (US$181 million). Major active accomplishments during the period were:

(1) Fastening Products Group

We aim to be "Super No. 1 in the global fastening products industry." New accelerated programs have four goals: creativity in product development, environment-friendly product design, faster work processes, and more competitive cost structure. 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 product lifecycles 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 and equipment lineup for improved customer satisfaction with innovations in zippers. These included size No.10 Vislon waterproof zipper closed end products, concealed zipper open-end products, and size No.5 Vislon biodegradable zippers. In hook-and-loop fasteners, we launched a product that can be applied on piece-dyed work and one for reusable rental diapers. Other innovations included plastic buckles with improved impact resistance and stainless steel ring snaps products, and a low-priced snap assembly machine for the Chinese market.

Meanwhile, we placed top priority on efforts to preserve our advantages over Asian competitors. We formed a project team for that purpose. For example, we introduced coil products developed by the project this year, following the plastic Vislon products launched last year, in an effort to provide solutions for low-priced products, primarily in China. Also, we introduced products targeting the domestic demand for low-priced items in ASEAN and South Asian markets. With the key words "Creating innovation" for FY2005, the project will continue to develop new items to meet future requirements. R&D expenses related to this business totaled ¥6,390 million (US$61 million).

(2) Architectural Products Group

In the Architectural Products Group, we aim to become the industry's No.1 brand by strengthening the appeal of our products to customers – creating products from the customers' viewpoint and improving final quality. Specifically, we are focusing on elemental technologies such as materials, components/parts, and systems that compose the products, and enhancing R&D to create products that respond to customer values such as safety and reliability, environmental concerns, comfort, universal design, and so on. At the same time, we are establishing installation technologies, after-sale maintenance technologies, and supply technologies to assure the final quality.

Other major accomplishments include development of coordinated products for use throughout the home, such as the high-security Exe front door, which can hold off an intruder's attempts to enter for 10 minutes, which meets Europe's anti-crime standards. Another exciting product is the economical, thermally efficient "TERMOA PS" window, "Laforesta Trad" interior wood architectural products, and the exterior space design system "Relarea". We also developed the "R's" series of attractive, functional architectural products for housing complexes, and introduced the "CYLINDER BREATH" natural ventilation windows for commercial buildings.

In "value creation" technologies, we continue to improve the environmental comfort of buildings with an energy-saving double skin air-flow window system, and simulation technology for different temperature environments.

Looking at our efforts to supply finished products and streamline manufacturing, we made progress on developing a build-to-order production line, and the flexible volume mixed production line, to establish a more competitive system of product creation. In overseas business, we developed plastic and aluminum architectural products, resulting from our efforts to respond to globalization in the Chinese and U.S. markets. We invested ¥7,699million (US$73 million) in R&D for these operations.

(3) Machinery and Engineering Group

In our Group, the Machinery and Engineering (M&E) Group supports production. M&E is dedicated to creating machinery and systems related to Fastening Products and Architectural Products. M&E's 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 and 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. The series included a loom and coil molding machine that meets domestic demands in China, a finisher to ensure low prices and short-term delivery of products, a flexible volume and mixed production module type finisher for two-way zippers, and a slider assembler. In the Architectural Products Group, we focused on equipment that responds to needs for build-to-order and flexible volume and mixed production to rationalize manufacturing. Specifically, we engineered an order-receiving production line, mainly for "EPISODE" and "TERMOA" insulated products. In addition, we developed a double-glazed glass production line and aluminum and plastic window fabrication lines.

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 zipper teeth molds, molds for fastening products such as slider bodies, and the plastic injection molds and progressive transfer press molds installed at YKK AP Inc. and YKK AP (Suzhou) Co., Ltd. R&D investment related to this business totaled ¥4,001 million (US$38 million).

(4) Research and Development Center

Our Research and Development Center works for all the business units within the Group. It focuses on investigating deeply and strengthening the elemental technologies of our primary business unit, the Fastening Products and Architectural Products groups. During this term, R&D aimed to achieve major accomplishments for Fastening Products by developing new types of heat-resistant pressure sensitive adhesives that facilitated new applications of hook-and-loop fasteners and design support for plastic products with computer aided engineer. For the Architectural Products Group, R&D efforts included proposal of a design tool for universal design of entrance sliding doors, using the kansei engineering assessment method. In addition, as part of our exploration into next-generation metal materials, R&D did a study on bulk metallic glasses (BMG) and new methods of metal casting through participation in a project called "Program to Create an Innovative Components Industry ~New developments through the fusion of base material and forming technologies (Processing Technology for BMG)" at the New Energy and Industrial Technology Development Organization (NEDO). We invested ¥946 million (US$9 million) in this operation.

Consolidated Financial Review

During fiscal 2004, worldwide economic expansion was driven mainly by the United States and China. Japan's economy also continued its recovery as the employment picture brightened and corporate profits increased. On the other hand, worrisome issues remained, such as rising oil prices and the 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 out on a path to improved and sustainable profit growth by continuing the restructuring of business segment organizations that began in fiscal 2001. We expected to reap the benefits of these efforts during fiscal 2004. Consequently, net sales by division were as follows:

Fastening Products Group (including sales within the segment) :	¥211,978 million	(US$2,019 million)
Architectural Products Group (including sales within the segment) :	¥364,093 million	(US$3,468 million)
Machinery and Engineering Group (including sales within the segment) :	¥ 32,903 million	(US$ 313 million)
Others (including sales within the segment) :	¥ 31,992 million	(US$ 305 million)
Elimination or Corporate :	(¥ 58,994 million)	(US$ 562 million)
Total Sales :	¥581,973 million	(US$5,543 million)

Total sales increased by 4.3% compared to the previous fiscal year.

Looking at our results by segment, the Fastening Products Group faced a world economy that showed greater trends toward globalization. YKK strengthened supply capabilities and improved client services in an expeditious way to meet the shift of apparel production areas from consuming regions of Europe, Japan, and the United States to East Asia, especially China. As a result, sales (including sales within the segment) increased by 4.8% compared to the last term. This was due to increasing sales in overseas markets, mainly in East Asia.

The Architectural Products Group showed strong results thanks the launch of new residential architectural products and efforts to win new business in the remodeling market. Sales of architectural products for commercial buildings, however, saw sluggish growth. Overseas, orders received in the U.S. market were strong, offsetting sluggish results in Hong Kong and Singapore. As a result, sales (including sales within the segment) increased by 3.8% compared to the previous fiscal year.

The Machinery and Engineering Group saw increases both in sales and operating income thanks to burgeoning demand for fastening factory machinery, especially in East Asia. The result of our efforts (including sales within the segment) was an increase of 11.9% in sales compared to the previous fiscal year.

In other divisions, sales (including sales within the segment) increased by 9.1% above the previous year's figure, thanks to steady growth of the aluminum refining operations in the United States and Australia.

As a percentage of sales, our cost of sales was 65.2%, a decline of 0.2 percentage points compared to the previous year. Further, selling, general, and administrative expenses were 28.1% of sales, an increase of 0.3 percentage points over last year's percentage.

Overall, net income was ¥18,526 million (US$176 million), a decrease of 36.1% over last year.

Net income per share was ¥15,435 (US$147.00) compared to ¥24,571 (US$231.80) last fiscal year.

The dividend per share was ¥2,000 (US$19.05) or 20% per annum.

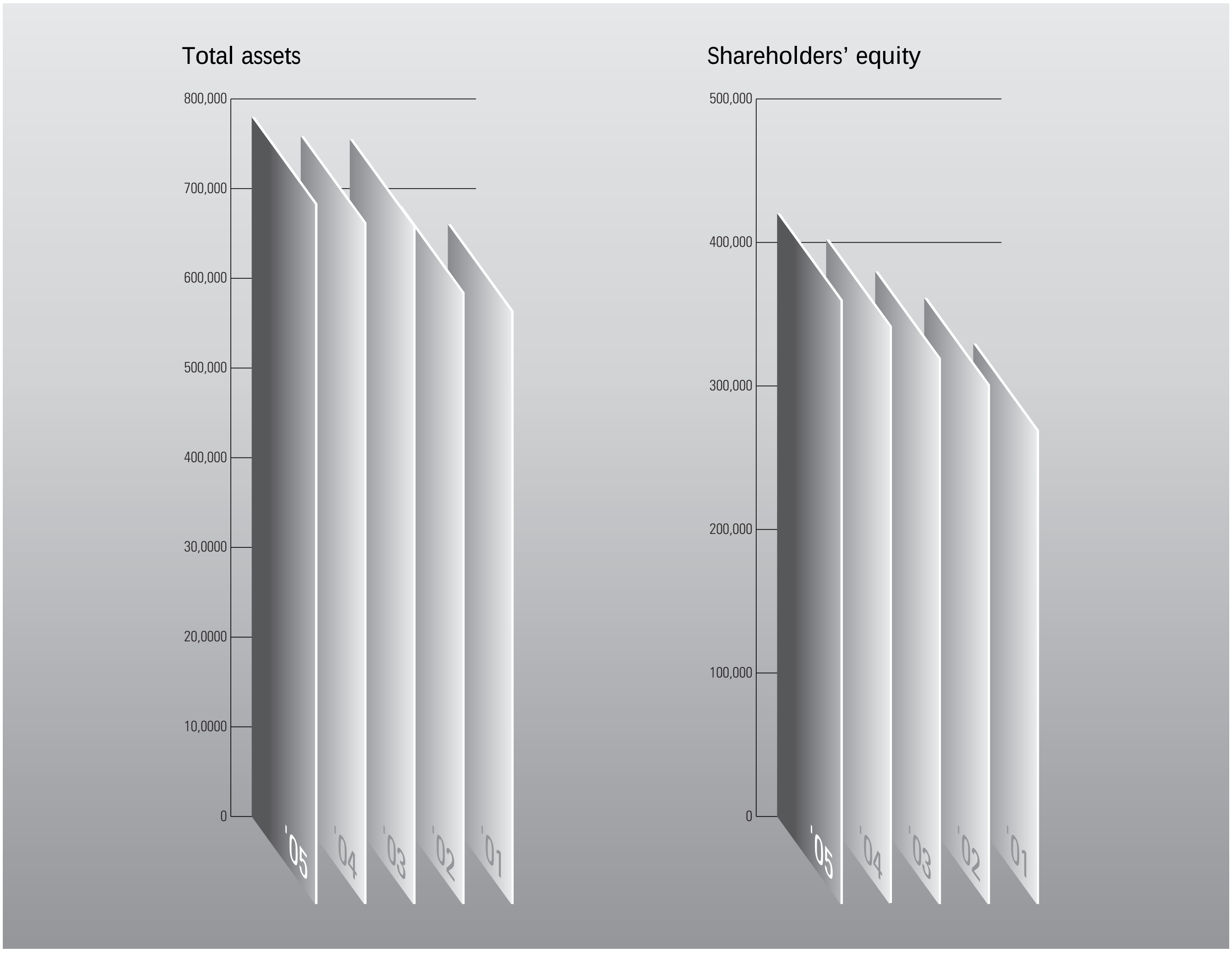
Five-Year Summary

YKK Corporation and Consolidated Subsidiaries

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

Years ended 31st March	**2005**	2004	2003	2002	2001	**2005**
For the Fiscal Year:						
Net sales	¥581,973	¥557,852	¥473,307	¥364,554	¥369,190	$5,542,600
Income before income taxes, minority interests, equity in earnings and translation adjustments	28,655	25,475	24,009	15,918	42,838	272,905
Income taxes	8,872	(4,100)	9,717	5,706	18,076	84,495
Net income	18,526	28,984	13,452	7,393	18,194	176,438
Per Share Data:						
Net income	¥ 15,435	¥ 24,571	¥ 11,611	¥ 6,704	¥ 17,965	$ 147.00
Cash dividends	2,000	2,000	1,800	1,800	1,800	19.05
At Year End:						
Total assets	¥779,803	¥758,643	¥755,137	¥680,852	¥660,254	$7,426,695
Shareholders' equity	420,277	402,062	379,724	361,306	329,548	4,002,638

Notes: (1) U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥105=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, 2005 and 2004	*Millions of yen* 2005	2004	*Thousands of U.S. dollars (Note 2)* 2005
ASSETS			
Current assets:			
Cash and cash equivalents *(Notes 5 and 14)*	¥ 89,634	¥ 71,661	$ 853,657
Time deposits and short-term investments in securities *(Note 4)*	2,038	5,759	19,410
Notes and accounts receivable *(Note 5)* :			
Trade	140,825	136,893	1,341,190
Unconsolidated subsidiaries and affiliated companies *(Note 12)*	412	312	3,924
Allowance for doubtful accounts	(4,546)	(5,076)	(43,295)
	136,691	132,129	1,301,819
Inventories *(Notes 3 and 5)*	126,668	125,206	1,206,362
Deferred tax assets *(Note 7)*	10,195	9,146	97,095
Other current assets	10,377	12,048	98,829
Total current assets	375,606	355,952	3,,577,200
Investments:			
Investments in unconsolidated subsidiaries and affiliated companies	1,859	2,456	17,705
Investments in other securities *(Notes 4 and 5)*	28,831	25,025	274,581
Total investments	30,690	27,482	292,286
Property, plant and equipment *(Notes 5 and 10)* **:**			
Land	66,411	67,957	632,486
Buildings and structures	326,444	326,985	3,108,990
Machinery and equipment	495,928	487,572	4,723,124
Construction in progress	7,793	5,661	74,219
	896,578	888,177	8,538,838
Accumulated depreciation	(589,592)	(577,102)	(5,615,162)
Property, plant and equipment, net	306,985	311,075	2,923,667
Other assets:			
Deferred tax assets *(Note 7)*	35,345	31,969	336,619
Other	31,175	32,163	296,905
Total other assets	66,521	64,133	633,533
Total assets	¥779,803	¥758,643	$7,426,695

For the Years ended 31st March, 2005 and 2004	*Millions of yen* **2005**	2004	*Thousands of U.S. dollars (Note 2)* **2005**
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings *(Note 5)*	¥ 26,499	¥ 30,575	$ 252,371
Current portion of long-term debt *(Note 5)*	12,073	15,993	114,981
Notes and accounts payable: Trade	83,315	76,357	793,476
Construction	6,450	1,408	61,429
	89,766	77,766	854,914
Employees' savings deposits	33,164	32,736	315,848
Accrued income taxes *(Note 7)*	8,102	6,113	77,162
Deferred tax liabilities *(Note 7)*	271	246	2,581
Other current liabilities	43,200	49,451	411,429
Total current liabilities	213,078	212,884	2,029,314
Long-term liabilities:			
Long-term debt *(Note 5)*	33,043	35,677	314,695
Liability for employees' severance indemnities *(Note 6)*	91,900	86,659	875,238
Liability for officers' severance indemnities	1,004	974	9,562
Deferred tax liabilities *(Note 7)*	4,419	4,956	42,086
Other long-term liabilities	5,360	5,333	51,048
Total long-term liabilities	135,728	133,600	1,292,648
Minority interests in consolidated subsidiaries	10,719	10,095	102,086
Contingent liabilities *(Note 11)*			
Shareholders' equity *(Note 8)* **:**			
Common stock:			
Authorized: 4,260,000 shares in 2005 and 2004			
Issued: 1,192,271.70 shares in 2005 and 2004	11,922	11,922	112,472
Capital surplus	33,081	33,081	312,085
Retained earnings *(Note 16)*	407,099	391,037	3,877,133
Unrealized holding gain on other securities, net	6,261	4,467	59,629
Translation adjustments	(38,084)	(38,444)	(362,705)
Treasury common stock, at cost: 2005 – 70.94 shares			
2004 – 39.44 shares	(2)	(1)	(19)
Total shareholders' equity	420,277	402,062	4,002,638
Total liabilities, minority interests and shareholders' equity	¥779,803	¥758,643	$7,426,695

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2005 and 2004	*Millions of yen* 2005	2004	*Thousands of U.S. dollars (Note 2)* 2005
Sales and other income:			
Net sales	¥581,973	¥557,852	$5,542,600
Interest and other	5,882	5,743	56,019
	587,856	563,595	5,598629
Costs and expenses:			
Cost of sales *(Note 9)*	379,424	365,057	3,613,562
Selling, general and administrative expenses *(Note 9)*	163,699	154,748	1,559,038
Interest expense	2,147	2,646	20,448
Exchange loss, net	114	1,632	1,086
Loss on disposal of inventories	3,730	3,529	35,524
Loss on sales or disposal of property, plant and equipment	3,656	3,060	34,819
Restructuring charges of subsidiaries	–	2,416	–
Impairment loss for fixed assets of a foreign subsidiary	2,056	–	19,581
Other	4,371	5,029	41,629
	559,200	538,120	5,325,714
Income before income taxes and minority interests	28,655	25,475	272,905
Income taxes *(Note 7)* **:**			
Current	14,993	10,238	142,790
Deferred	(6,120)	(14,339)	(58,286)
	8,872	(4,100)	84,495
Income before minority interests	19,782	29,576	188,400
Minority interests in net income of consolidated subsidiaries	(1,255)	(592)	(11,952)
Net income	¥ 18,526	¥ 28,984	$ 176,438

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2005 and 2004	*Millions of yen* 2005	2004	*Thousands of U.S. dollars (Note 2)* 2005
Common stock			
Beginning of year	¥ 11,922	¥ 11,922	$ 113,543
End of year	11,922	11,922	113,543
Capital surplus			
Beginning of year	33,081	32,922	315,057
Add:			
Gain on disposal of treasury stock	–	159	–
End of year	33,081	33,081	315,057
Retained earnings			
Beginning of year	391,037	364,171	3,724,162
Add:			
Net income	18,526	28,984	176,438
Decrease in number of consolidated subsidiaries	–	6	–
Revaluation of fixed assets of certain foreign subsidiaries	10	–	95
Deduct:			
Cash dividends paid	(2,384)	(2,066)	(22,705)
Bonuses paid to directors and corporate auditors	(91)	(58)	(867)
End of year	407,099	391,037	3,877,133
Unrealized holding gain on securities			
Balance at beginning of the year	4,467	46	42,543
Net change during the year	1,793	4,420	17,076
Balance at end of the year	6,261	4,467	59,629
Translation adjustments			
Balance at beginning of the year	(38,444)	(29,022)	(366,133)
Net change during the year	360	(9,422)	3,429
Balance at end of the year	(38,084)	(38,444)	(362,705)
Treasury common stock			
Balance at beginning of the year	(1)	(316)	(10)
Net change during the year	(1)	(315)	(10)
Balance at end of the year	¥ (2)	¥ (1)	$ (19)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2005 and 2004	*Millions of yen* **2005**	2004	*Thousands of U.S. dollars (Note 2)* **2005**
Cash flows from operating activities			
Income before income taxes and minority interests	¥28,655	¥25,475	$272,905
Depreciation and amortization	41,988	43,173	399,886
Provision for allowance for doubtful accounts	(1,459)	(2,117)	(13,895)
Provision for (reversal of) accrued severance benefits	5,165	4,477	49,190
Gain on sales of property, plant and equipment	(1,779)	(904)	(16,943)
Loss on sales or disposal of property, plant and equipment	3,650	3,060	34,762
Gain on investments in other securities	–	(346)	–
Interest and dividend income	(937)	(895)	(8,924)
Interest expense	2,147	2,646	20,448
Increase in notes and accounts receivable	(3,026)	(1,377)	(28,819)
(Increase) Decrease in inventories	(95)	162	(905)
Increase in accounts payable	3,652	7,326	34,781
Restructuring charges of subsidiaries	–	2,416	–
Impairment loss for fixed assets of a foreign subsidiary	2,056	–	19,581
Other	(2,564)	(1,532)	(24,419)
Subtotal	77,453	81,563	737,648
Interest and dividends received	1,025	941	9,762
Interest paid	(2,248)	(2,692)	(21,410)
Income taxes paid	(12,173)	(12,193)	(115,933)
Net cash provided by operating activities	64,056	67,619	610,057
Cash flows from investing activities			
Decrease in time deposits and short-term investments in securities	3,975	198	37,857
Acquisition of property, plant and equipment	(39,385)	(41,208)	(375,095)
Proceeds from sales of property, plant and equipment	6,617	4,082	63,019
Acquisition of intangible assets	(2,343)	(2,050)	(22,314)
Increase in investments in securities	(790)	(338)	(7,524)
Increase in additional investments in consolidated subsidiaries	(408)	(4)	(3,886)
Proceeds from sales of shares of subsidiaries resulting in changes in the scope of consolidation	8	–	76
Acquisition of shares of subsidiaries resulting in changes in the scope of consolidation	(553)	–	(5,267)
(Increase) decrease in short-term loans receivable	16	(22)	152
Other	168	130	1,600
Net cash used in investing activities	(32,697)	(39,212)	(311,400)
Cash flows from financing activities			
(Decrease) increase in short-term borrowings, net	(4,949)	(9,086)	(47,133)
Proceeds from long-term debt	1,300	10	12,381
Repayment of long-term debt	(4,301)	(9,522)	(40,962)
Proceeds from issuance of bond	10,000	10,000	95,238
Redemption of bonds	(12,605)	(10,100)	(120,048)
Refundment of shares	67	31	638
Purchases of treasury stock	(1)	–	(10)
Proceeds from sales of treasury stock	–	584	–
Cash dividends paid and other	(2,906)	(2,626)	(27,676)
Net cash used in by financing activities	(13,395)	(20,709)	(127,571)
Effect of exchange rate changes on cash and cash equivalents	(160)	(1,428)	(1,524)
Decrease resulting from excluding consolidation of subsidiaries	–	(28)	–
Increase in cash and cash equivalents	17,803	6,240	169,552
Cash and cash equivalents at beginning of year *(Note 14)*	71,405	65,164	680,048
Cash and cash equivalents at end of year (Note 14)	¥89,208	¥71,405	$849,600

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 subsi diaries 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 Report ing 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 Compa ny 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 state ments do not necessarily agree with the sums of the individ ual amounts.

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

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' invest ments 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 consoli dated 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 appropri ate 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. The effects of these translation adjustments are accumulated and included in a separate component of shareholders' equity.

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 consoli dated 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 subsi diaries 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 ¥105.00 = U.S.$1.00, the approximate rate of exchange in effect on 31st March 2005. 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 2005 and 2004 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Finished products	¥ 34,004	¥ 36,421	$ 323,848
Work in process	57,491	59,637	547,533
Raw materials and supplies	35,172	29,146	334,971
	¥126,668	¥125,206	$1,206,362

4. SECURITIES

Marketable securities classified as held-to-maturity securities and other securities at 31st March 2005 and 2004 were as follows:

Marketable held-to-maturity debt securities

	Millions of yen			*Thousands of U.S. dollars*		
31st March, ***2005***	Carrying value	Fair value	Unrecognized gain	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:						
Government bonds	¥ 112	¥ 117	¥ 5	$ 1,067	$ 1,114	$48
Other	175	183	7	1,667	1,743	67
Subtotal	288	301	13	2,743	2,867	124
Securities whose fair value does not exceed their carrying value:						
Government bonds	140	140	–	1,333	1,333	–
Corporate bonds	21	21	–	200	200	–
Other	8,999	8,999	–	85,705	85,705	–
Subtotal	9,161	9,161		87,248	87,248	–
Total	¥9,449	¥9,463	¥13	$89,990	$90,124	$124

	Millions of yen		
31st March, ***2004***	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 72	¥ 77	¥ 5
Other	179	184	4
Subtotal	251	262	10
Securities whose fair value does not exceed their carrying value:			
Government bonds	166	166	–
Corporate bonds	20	20	–
Other	1,026	1,026	–
Subtotal	1,212	1,212	–
Total	¥1,464	¥1,474	¥10

Marketable securities – other

*31st March, **2005***	Acquisition cost (Millions of yen)	Carrying value (Millions of yen)	Unrecognized gain (loss) (Millions of yen)	Acquisition cost (Thousands of U.S. dollars)	Carrying value (Thousands of U.S. dollars)	Unrecognized gain (loss) (Thousands of U.S. dollars)
Securities whose fair value exceeds their carrying value:						
Stocks	¥5,477	¥16,030	¥10,553	$52,162	$152,667	$100,505
Debt securities: Government bonds	105	107	2	1,000	1,019	19
Other	111	114	2	1,057	1,086	19
Others	300	302	2	2,857	2,876	19
Subtotal	5,994	16,554	10,560	57,086	157,657	100,571
Securities whose fair value does not exceed their carrying value:						
Stocks	21	20	(1)	200	190	(10)
Debt securities: Government bonds	55	55	–	524	524	–
Others	26	24	(1)	248	229	(10)
Subtotal	103	100	(3)	981	952	(29)
Total	¥6,098	¥16,654	¥10,556	$58,076	$158,610	$100,533

*31st March, **2004***	Acquisition cost (Millions of yen)	Carrying value (Millions of yen)	Unrecognized gain (loss) (Millions of yen)
Securities whose fair value exceeds their carrying value:			
Stocks	¥4,863	¥12,389	¥7,525
Debt securities: Government bonds	99	100	1
Other	528	536	8
Subtotal	5,490	13,026	7,535
Securities whose fair value does not exceed their carrying value:			
Stocks	18	13	(5)
Subtotal	18	13	(5)
Total	¥5,509	¥13,040	¥7,530

Non-marketable securities classified as other securities at 31st March 2005 and 2004 were as follows:

Non-marketable securities – other

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Unlisted stocks	¥12,003	¥11,884	$114,314

No significant sales of securities classified as other securities were made in the years ended 31st March 2005 and 2004.

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at 31st March 2005 is summarized as follows:

	Due in one year or less (Millions of yen)	Due after one year through five years (Millions of yen)	Due after five years through ten years (Millions of yen)	Due in one year or less (Thousands of U.S. dollars)	Due after one year through five years (Thousands of U.S. dollars)	Due after five years through ten years (Thousands of U.S. dollars)
Debt securities:						
Government bonds	¥ 25	¥223	¥ 4	$ 238	$2,124	$ 38
Corporate bonds	1	21	–	10	200	–
Other	9,039	125	10	86,086	1,190	95
Total	¥9,065	¥370	¥15	$86,333	$3,524	$143

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March 2005 consisted principally of unsecured loans maturing within 365 days, at interest rates ranging from 0.43% to 25.00% per annum (from 0.41% to 19.00% in 2004).

Long-term debt at 31st March 2005 and 2004 was as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
1.7% unsecured notes due 2004	¥ –	¥10,000	$ –
1.65% unsecured notes due 2005	10,000	10,000	95,238
1.57% unsecured notes due 2006	10,000	10,000	95,238
0.39% unsecured notes due 2009	10,000	10,000	95,238
1.02% unsecured notes due 2010	10,000	–	95,238
6.28% unsecured notes due 2004	–	2,678	–
6.75% unsecured notes due 2005	93	96	886
1.9% secured notes due 2005	100	100	952
2.3% secured notes due 2005	200	200	1,905
0.00% to 16.0% loans, principally from banks and insurance companies, due from 2004 to 2014:			
Secured	2,260	2,964	21,524
Unsecured	2,462	5,631	23,448
	45,116	51,671	429,676
Less: Current portion	12,073	15,993	114,981
	¥33,043	¥35,677	$314,695

Assets pledged as collateral for short-term and long-term loans totaled ¥2,903 million ($27,648 thousand) and ¥4,480 million at 31st March 2005 and 2004, respectively, and are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Cash and cash equivalents	¥ 162	¥ 26	$ 1,543
Notes and accounts receivable	1,373	1,412	13,076
Inventories	324	300	3,086
Investments in other securities	1,918	2,298	18,267
Property, plant and equipment	3,768	3,872	35,886
	¥7,547	¥7,910	$71,876

The aggregate annual maturities of long-term debt outstanding at 31st March 2005 are summarized as follows:

Year ending 31st March	*Millions of yen*	*Thousands of U.S. dollars*
2006	¥12,073	$114,981
2007	10,543	100,410
2008	246	2,343
2009	2,141	20,390
2010	10,027	95,495
2011 and thereafter	10,084	96,038
	¥45,116	$429,676

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 ser vice, and the conditions under which termination occurs. Certain overseas consolidated subsidiaries have also adop ted 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 2005 and 2004 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Projected benefit obligation	¥(171,802)	¥(170,981)	$(1,636,210)
Plan assets at fair value	56,321	54,056	536,390
Funded status	(115,480)	(116,924)	(1,099,810)
Net unrecognized employees' severance benefit obligation at transition	215	(144)	2,048
Unrecognized actuarial gain or loss	23,012	30,028	219,162
Unrecognized prior service cost	351	380	3,343
	¥ (91,900)	¥ (86,659)	$ (875,238)

The components of severance benefit expenses for the years ended 31st March 2005 and 2004 are outlined as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Service cost	¥ 7,779	¥ 8,050	$ 74,086
Interest cost	4,932	4,607	46,971
Expected return on plan assets	(1,557)	(1,235)	(14,829)
Amortization of net severance benefit obligation at transition	(360)	(365)	(3,429)
Amortization of unrecognized actuarial gain or loss	2,223	2,404	21,171
Amortization of prior service cost	29	211	276
Amortization of unrecognized severance benefit obligation of subsidiaries merged in the current year	–	636	–
Net periodic pension cost	¥13,046	¥14,309	$124,248

The assumptions used in the actuarial calculation for the above plans for the years ended 31st March 2005 and 2004 were as follows:

	2005	2004
Discount rates	3.0 – 6.5% per annum	3.0% per annum
Expected rate of return on plan assets	3.0 – 8.0% per annum	3.0% 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 40% for the years ended 31st March 2005. Income taxes of the foreign consolidated subsidiar ies are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rate reflected in the consolidated statement of income for the year ended 31st March 2005 differs from the statutory tax rate for the following reasons:

	2005	2004
Statutory tax rate	40.0%	41.0 %
Effect of:		
Income of certain overseas consolidated subsidiaries whose statutory tax rate is lower than that of domestic consolidated subsidiaries	(14.8)	(10.2)
Expenses not deductible for income tax purposes	(8.5)	(8.1)
Dividend income not deductible for income tax purposes	7.7	9.0
Changes in valuation allowance	–	(39.9)
Other, net	6.6	(7.9)
Effective tax rate	31.0%	(16.1)%

The significant components of deferred tax assets and liabilities at 31st March 2005 and 2004 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Deferred tax assets: Accrued severance benefits	¥33,503	¥29,590	$319,076
Accrued bonuses	6,133	5,329	58,410
Unrealized profit	5,337	4,213	50,829
Net operating loss carryforwards	3,471	3,829	33,057
Other	8,750	9,499	83,333
Gross deferred tax assets	57,197	52,461	544,733
Less: Valuation allowance	(5,305)	(5,690)	(50,524)
Total deferred tax assets	51,892	46,771	494,210
Deferred tax liabilities:			
Depreciation	3,102	3,786	29,543
Unrealized holding gain on securities, net	4,226	3,017	40,248
Other	3,712	4,053	35,352
Total deferred tax liabilities	11,048	10,857	105,219
Net deferred tax assets	¥40,850	¥35,913	$389,048

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 2005 inclu ded the legal reserve of ¥2,666 million ($25,390 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 2005 and 2004 totaled ¥19,037 million ($181,305 thousand) and ¥19,882 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 2005 and 2004, 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

	2005			2004		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥2,504	¥1,194	¥1,310	¥1,792	¥740	¥1,052
Intangible assets	72	41	30	59	21	37
Total	¥2,577	¥1,236	¥1,340	¥1,852	¥761	¥1,091

Thousands of U.S. dollars

	2005		
	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	$23,848	$11,371	$12,476
Intangible assets	686	390	286
Total	$24,543	$11,771	$12,762

Lease payments relating to finance leases accounted for as operating leases amounted to ¥580 million ($5,524 thou sand) and ¥385 million for the years ended 31st March 2005 and 2004, respectively. Depreciation of the leased assets is calculated by the straight-line method over the respective lease terms and amounted to ¥580 million ($5,524 thousand) and ¥385 million for the years ended 31st March 2005 and 2004, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to 31st March 2005 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*
2006	¥ 572	$ 5,448
2007 and thereafter	767	7,305
Total	¥1,340	$12,762

The minimum rental payments subsequent to 31st March 2005 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*
2006	¥350	$3,333
2007 and thereafter	547	5,210
Total	¥897	$8,543

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 2005:

	Millions of yen			*Thousands of U.S. dollars*		
	2005			**2005**		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥ 721	¥506	¥214	$ 6,867	$4,819	$2,038
Intangible assets	477	337	139	4,543	3,210	1,324
Total	¥1,198	¥844	¥354	$11,410	$8,038	$3,371

Lease income relating to finance leases accounted for as operating leases amounted to ¥377 million ($3,590 thou sand) and ¥394 million for the years ended 31st March 2005 and 2004, respectively. Depreciation of the leased assets amounted to ¥377 million ($3,590 thousand) and ¥394 million for the years ended 31st March 2005 and 2004, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to 31st March 2005 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*
2006	¥218	$2,076
2007 and thereafter	135	1,286
Total	¥354	$3,371

11. CONTINGENT LIABILITIES

Contingent liabilities at 31st March 2005 and 2004 for notes discounted and guarantees given in the ordinary course of business amounted to approximately ¥460 mil lion ($4,381 thousand) and ¥729 million, including ¥456 million ($4,343 thousand) and ¥722 million, respectively, for loans guaranteed on behalf of certain suppliers.

An obligation for the repayment of a long-term loan amounting to ¥1,072 million ($10,210 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 income per share has not been presented for the years ended 31st March 2005 and 2004 since neither the Company nor any of the consolidated subsidiaries had potentially dilutive shares of common stock to be issued 31st March 2005 and 2004.

	yen		*U.S. dollars*
	2005	2004	**2005**
Net income per share of common stock	¥15,435	¥24,571	$147.00

The following table sets forth the computation of net income per share of common stock for the years ended 31st March 2005 and 2004:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Numerator:			
Net income available to shareholders of common stock			
Net income	¥18,526	¥28,984	$176,438
Less: appropriation of bonuses to directors and statutory auditors	(124)	(78)	(1,181)
	¥18,402	¥28,906	$175,257

			Thousands of shares
Denominator:			
Weighted-average number of shares of common stock outstanding	1,192	1,176	1,192

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*
	2005	2004	**2005**
Net assets per share	¥352,418	¥337,169	$3,356.36

13. 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 2005 and 2004:

Currency Related

	Millions of yen			*Thousands of U.S. dollars*		
31st March, ***2005***	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:	¥2,701	¥2,699	¥ 2	$25,724	$25,705	$ 19
Sell: US						
Currency swap contracts						
Receipt R$,						
Payment US$	157	(14)	(14)	1,495	(133)	(133)
Receipt US$						
Payment S$	1,079	(36)	(36)	10,276	(343)	(343)
Total			¥(48)			$(457)

	Millions of yen		
31st March, ***2004***	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:	¥2,983	¥2,919	¥ 63
Sell: US$			
Buy: JPY	118	102	(15)
US$	928	910	(17)
EURO	147	131	(15)
Total			¥ 14

Interest rate Related

	Millions of yen			*Thousands of U.S. dollars*		
31st March, ***2005***	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Interest rate swap contracts:						
Receipt fix,						
Payment float	¥13,479	¥(109)	¥(109)	$128,371	$(1,038)	$(1,038)
Total			¥(109)			$(1,038)

14. 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 2005 and 2004:

	Millions of yen		*Thousands of U.S. dollars*
	2005	2004	**2005**
Cash and cash equivalents in consolidated balance sheets	¥89,634	¥71,661	$853,657
Bank overdrafts	(425)	(256)	(4,048)
Cash and cash equivalents in consolidated statements of cash flows	¥89,208	¥71,405	$849,600

15. 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 2005 and 2004.

Business segments

Millions of yen

Year ended or as of 31st March, ***2005***	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	¥211,536	¥363,905	¥ 1,678	¥ 4,853	¥581,973	¥ –	¥581,973
Intergroup sales and transfers	441	188	31,224	27,139	58,994	(58,994)	–
Total sales	211,978	364,093	32,903	31,992	640,967	(58,994)	581,973
Operating expenses	179,566	355,567	29,585	30,239	594,959	(51,835)	543,124
Operating income	¥ 32,411	¥ 8,526	¥ 3,317	¥ 1,752	¥ 46,008	¥ (7,158)	¥ 38,849
II. Assets, depreciation and capital expenditures							
Total assets	¥275,407	¥323,474	¥24,062	¥170,370	¥793,314	¥(13,510)	¥779,803
Depreciation	22,389	15,144	1,290	1,706	40,529	349	40,878
Capital expenditures	29,684	16,259	1,429	1,484	48,857	(1,683)	47,173

Thousands of U.S. dollars

Year ended or as of 31st March, ***2005***	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	$2,014,629	$3,465,762	$ 15,981	$ 46,219	$5,542,600	$ –	$5,542,600
Intergroup sales and transfers	4,200	1,790	297,371	258,467	561,848	(561,848)	–
Total sales	2,018,838	3,467,552	313,362	304,686	6,104,448	(561,848)	5,542,600
Operating expenses	1,710,152	3,386,352	281,762	287,990	5,666,276	(493,667)	5,172,610
Operating income	$ 308,676	$ 81,200	$ 31,590	$ 16,686	$ 438,171	$ (68,171)	$ 369,990
II. Assets, depreciation and capital expenditures							
Total assets	$2,622,924	$3,080,705	$229,162	$1,622,571	$7,555,371	$(128,667)	$7,426,695
Depreciation	213,229	144,229	12,286	16,248	385,990	3,324	389,314
Capital expenditures	282,705	154,848	13,610	14,133	465,305	(16,029)	449,267

Year ended or as of 31st March, ***2004***	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
							Millions of yen
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

Geographical areas

Millions of yen

Year ended or as of 31st March, ***2005***	Japan	North Central America	South America	Europe Mid. east Africa	East Asia	South-Asia Oceania	Total	Eliminations or corporate	Consolidated
Sales to third parties	¥388,045	¥45,766	¥8,118	¥48,538	¥ 65,810	¥25,693	¥581,973	¥ –	¥581,973
Intergroup sales and transfers	56,094	6,572	115	1,173	5,778	14,305	84,039	(84,039)	–
Total sales	444,140	52,339	8,234	49,711	71,588	39,999	666,013	(84,039)	581,973
Operating expenses	416,770	51,382	6,217	44,888	62,293	36,784	618,336	(75,212)	543,124
Operating income	¥ 27,370	¥ 956	¥2,016	¥ 4,823	¥ 9,295	¥ 3,215	¥ 47,676	¥ (8,827)	¥ 38,849
Total assets	¥471,900	¥45,884	¥8,959	¥53,256	¥111,924	¥67,404	¥705,332	¥ 74,471	¥779,803

Thousands of U.S. dollars

Year ended or as of 31st March, ***2005***	Japan	North Central America	South America	Europe Mid. east Africa	East Asia	South-Asia Oceania	Total	Eliminations or corporate	Consolidated
Sales to third parties	$3,695,667	$435,867	$77,314	$462,267	$ 626,762	$244,695	$5,542,600	$ –	$5,542,600
Intergroup sales and transfers	534,229	62,590	1,095	11,171	55,029	136,238	800,371	(800,371)	–
Total sales	4,229,905	498,467	78,419	473,438	681,790	380,943	6,342,981	(800,371)	5,542,600
Operating expenses	3,969,238	489,352	59,210	427,505	593,267	350,324	5,888,914	(716,305)	5,172,610
Operating income	$ 260,667	$ 9,105	$19,200	$ 45,933	$ 88,524	$ 30,619	$ 454,057	$ (84,067)	$ 369,990
Total assets	$4,494,286	$436,990	$85,324	$507,200	$1,065,943	$641,943	$6,717,448	$709,248	$7,426,695

Millions of yen

Year ended or as of 31st March, ***2004***	Japan	North Central America	South America	Europe Mid. east Africa	East Asia	South-Asia Oceania	Total	Eliminations or corporate	Consolidated
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

Overseas sales

Year ended 31st March, ***2005***	North Central America	South America	Europe Mideast Africa	East Asia	South-Asia Oceania	Total
						Millions of yen
I. Overseas sales	¥45,809	¥7,989	¥47,408	¥75,108	¥24,129	¥200,445
II. Consolidated sales						581,973
III. Overseas sales as a percentage of consolidated sales	7.9%	1.4%	8.1%	12.9%	4.1%	34.4%
						Thousands of U.S. dollars
I. Overseas sales	$436,276	$76,086	$451,505	$715,314	$229,800	$1,909,000
II. Consolidated sales						5,542,600
III. Overseas sales as a percentage of consolidated sales	7.9%	1.4%	8.1%	12.9%	4.1%	34.4%

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%

16. 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 2005:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends (¥2,000 = $19.05) per share	¥2,384	$22,705
Bonuses to directors and corporate auditors	55	524

(b) Under provision 358-1 of Commercial Code of Japan, the Company executed the simplified share exchange ('Kani-kabushiki-kohkan') in order to make YKK Fastening Products Sales Inc. to a wholly owned subsidiary on April 1, 2005. As a result, issued Stock has increased by 6,406.35 shares, Capital Stock has increased by ¥64 million (US$ 610 thousand), and Capital Surplus has increased by ¥2,179 million (US$ 20,752 thousand).

(c) Under provision 358-1 of Commercial Code of Japan, the Company executed the simplified share exchange ('Kani-kabushiki-kohkan') in order to make Kurobe Seikan to a wholly owned subsidiary on April 1, 2005. As a result, issued Stock has increased by 562 shares, Capital Stock has increased by ¥5 million (US$ 48 thousand), and Capital Surplus has increased by ¥160 million (US$ 1,524 thousand).

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 2005 and 2004, 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 2005 and 2004, 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March 2005 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.

Ernst & Young ShinNihon

Toyama, Japan
29th June 2005

Outline of YKK Corporation

Founded :	January 1, 1934
Capital :	11,992,400,500 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.

2005 Annual Report

YKK CORPORATION

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