2006
Annual Report

YKK CORPORATION

April 2005– March 2006

Contents

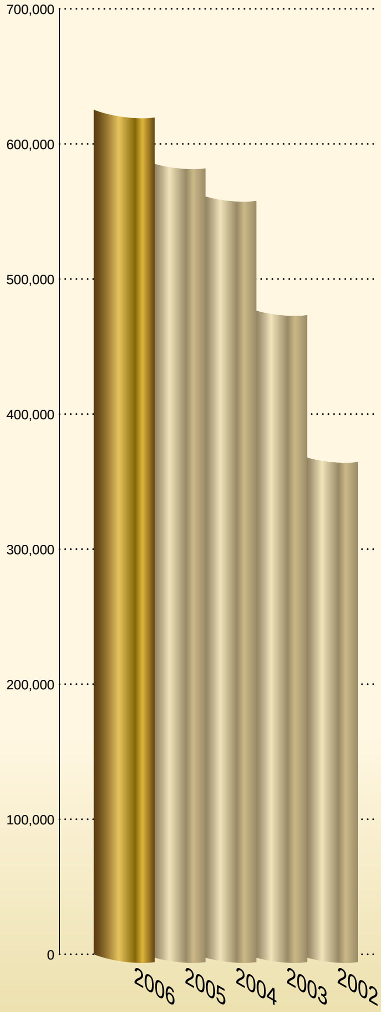
Financial Highlights

YKK Corporation and Consolidated Subsidiaries

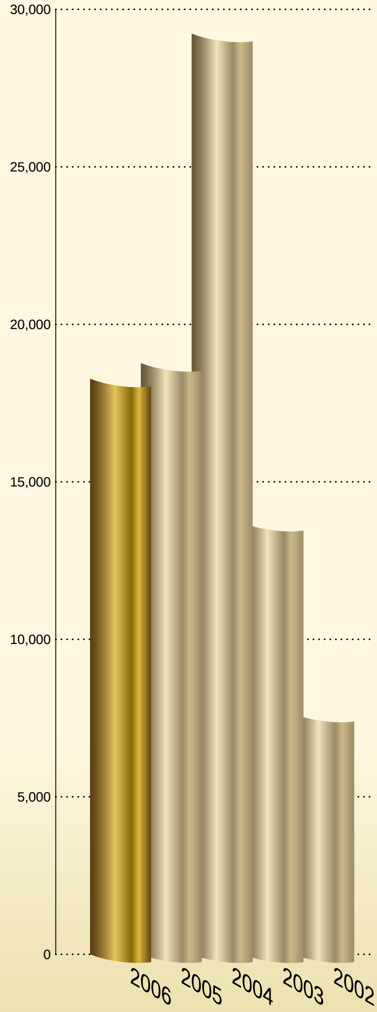
Years ended 31st March	**2006** (*Millions of yen*)	2005 (*Millions of yen*)	**2006** (*Thousands of U.S. dollars*)
Net sales	¥619,612	¥581,973	$5,295,829
Net income	18,030	18,526	154,103
		yen	*U.S. dollars*
Net income per share	¥ 14,959	¥ 15,435	$ 127.85

Note:U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥117=U.S.$1.

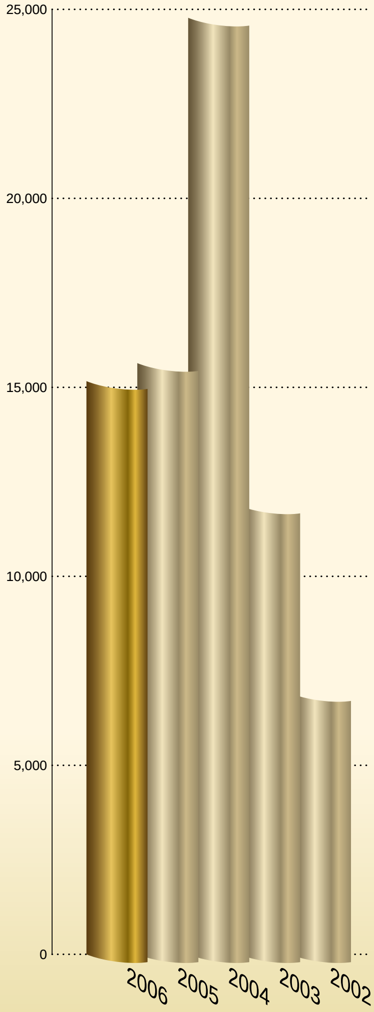
Net sales



Net income



Net income per share



Message from the President

The global economy continued to show an upward trend in 2005, especially in the United States and China, but steep rises in the prices of oil and raw materials cre ated uncertainties about the future business climate.

During 2005,we launched the first phase of our mid-term business plan, slated for completion in fiscal year 2008 to coincide with two major events-the 75th anni versary of our founding and our 50th year in the Architectural Products business. Inspired by these historic milestones, we will continue pushing to further strength en our operations.

The YKK Group is focusing on a mid-term plan that ends in 2008 – the 75th anni versary of our founding and the 50th year since the launch of the architectural products business – to further strengthen our corporate value and brand presence. Throughout the last fiscal year, each group created its own mid-term strategy in line with this corporate policy, and worked to develop a base structure upon which to accomplish the objectives of the mid-term management plan.

Looking at our progress at of the end of 2005, the Fastening Products Group set out to meet the challenges of growing markets as its mid-term strategy while focus ing on this theme. The Group has not yet achieved its goal in this regard, due to the more intense need to respond to shrinking conventional markets. They are pre paring more aggressive approaches to new markets for fiscal year 2006.

The Architectural Products Group, meanwhile, focused on the three points below in preparing to develop its business bases.

- Evolve from an architectural products manufacturer to a maker and marketer of complete (finished) windows
- Establish business models for Chinese architectural products
- Enter the U.S. housing market (and develop the U.S. residential vinyl window business)

We realize that 2006 will be an important year in which to build a solid foundation for each of these programs.

The Machinery and Engineering Group is pursuing the creation of greater value by working to enhance its techno logical development capabilities. And it is clear that both the Fastening Products Group and the Architectural Prod ucts Group need greater contributions from Machinery and Engineering if they are to achieve their mid-term plans. Accordingly, the Machinery and Engineering Group is setting higher goals to meet these demands.We have defined the year 2006 as the second phase of building the business foundation required to meet the objectives of our cor porate mid-term plan in 2008. So we will strive to develop innovative approaches to improve our business opera tions and enhance the value of our brands.

Tadahiro Yoshida,
President
YKK Corporation

Manufacturing Plant of Shanghai YKK

Corporate Governance

(1) Basic Ideas on Corporate Governance

YKK Group standardizes the spirit of "Cycle of Goodness," which means "No one prospers unless he renders benefit to others." Under this spirit, being consistently fair is the foundation for various management activities in the corporate philosophy "YKK seeks Corporate Value of Higher Significance" that express commitment, direction, and consistency of management. As part of this philosophy, our Group works to reinforce its corporate governance structure to enhance corporate value. The basic idea is that the Group establishes a system to conduct business operations led by Operating Officers, with the Board of Directors as a decision-making and monitoring body for important issues such as management policies, and on the Board of Auditors as an auditing body.

(2) Matters Regarding Corporate Governance of Subsidiaries

1. Details of Company Bodies

YKK has adopted the auditor system, and implemented a structural reform of its management with a reformed corporate board and introduced the Operating Officer system in June 1999. These moves were aimed at ensuring faster decision-making and operational execution.

(a) Directors and Board of Directors

- The Board of Directors sets forth management policies, allocates management resources, and oversees operational execution by Operating Offers, in addition to the roles stipulated in the former Commercial Law.
- To further strengthen consolidated management of the YKK Group, the Board of Directors, in June 2003, was restructured to include the Executive Vice Presidents 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.
- The number of directors is limited to 10 or fewer and the term of office is one year in order to ensure accurate decisions based on active and thorough discussion.
- While directors devote themselves to achieving optimum results for the entire Group, Operating Officers play the most important role of achieving division targets by executing each business operation with responsibility and authority based on the policies determined at the board.
- 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 YKK Group's product liability (PL), information technology, protection of personal information, and hazards such as accidents and natural disasters.
- 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 Management Officer (CRO) were assigned to further enhance consolidated management.

(b) Management Committee

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

(c) Introduction of Group Operating Officer System

Addition to the Global Business Management through the 3 Business Groups of Fastening Products, Architectural Products and Machinery & Engineering, YKK Group practices its Regional Management in each of 6 major geographical regions including Japan. To further increase the corporate value of the YKK Group under this consolidated management structure, Group Operating Officer were newly appointed effective April 1 2004, from among the Operating Officers of each Regional Headquarters.

(d) Advisory Board created

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

2. Preparation Status of Internal Control System and Risk Management System

Preparation of the internal control system was resolved with details as below at the board held on May 24, 2006.

(a) Preparation of the system to ensure that the performance of directors conforms to laws, ordinances, articles of incorporation, and other systems stipulated by the Justice Ministry Law as a necessity to ensure appropriate corporate operations.

- Directors strictly comply with the board rules and rules for execution of business, and conduct appropriate operations based on their division of duties.
- A director responsible for compliance is assigned to prepare YKK Group compliance system. The director reports preparation and conformity status of compliance structure to directors and auditors. (The compliance system and its director were resolved at the board in April 2006.)
- Directors regularly take compliance training programs presented by lawyers, etc., and submit to the company a written pledge to comply with laws and provisions on executing their duties as directors. (Executed beginning in March 2006.)

(b) System to store and control information related to work performance of directors

- Retention period of important documents (including electronic records) is stipulated based on document control rules and internal rules of such confidential information control guidelines to implement appropriate document control.
- Minutes of important meetings such as Board of Directors and management strategy meetings, points of parliamentary proceedings, the results, important statements, etc. are accurately recorded, stored, and controlled by presiding divisions, based on rules of each meeting.

(c) Rules and other systems regarding risk management of loss

- A Chief Risk Management Officer (CRO) was assigned, and the PL Committee, IT Committee, Security Trade Control Committee, Coordinating Committee for Privacy Protection, Coordinating Committee for Technology Protection were established to manage risks facing the YKK Group, and these rules have been provided and adopted. (A director was assigned to overview risk management in June 2003, and CRO was assigned in April 2005.)
- The Chief Financial Officer (CFO) was assigned in April 2005 to control financial risks based on the YKK Group's financial risk management basic policies. An investment council was established to review investment risks with the CFO as a chairman in February 2006 to establish a structure to appropriately manage investment risks facing the YKK Group. The CFO also became a project leader to build an internal control system related to financial reporting, and started the project in February 2006. Progress is continuing on this effort.
- To ensure a speedy, appropriate response in the event of a risk, the emergency task force plays a main role in providing "Hazard Risk Guidelines."(Instituted in April 2005)

(d) System to ensure that duties of directors are executed effectively

- The Operating Officer system was introduced in June 1999 to ensure faster decision-making and operational execution by separating management and operations. While this allows directors to devote themselves to achieving optimum results for the entire Group, Operating Officers follow the policies determined by the board and have responsibility and authority for individual businesses.
- In April 2003, the China Business Policy Committee, Environmental Policy Committee, New Business Committee were established under the Board of Directors. Each committee examines and makes plans of YKK Group's important policies from each standpoint as an expert.
- The Management Strategy Meeting was established in July 2003 to conduct more efficient deliberations about YKK Group management philosophies, management policies, management strategies, and important matters to be resolved at the board by through its deliberations.

(e) Systems to ensure that duty execution of employees comply with laws and provisions and articles of incorporation

- The Corporate Planning Office Compliance Group was established under the director responsible for compliance, and provides the YKK Group compliance structure by cooperating with outside compliance advisors. Specifically, the Group:
  1. works on awareness-raising by implementing regular workshops for employees
  2. prepares reporting and advisory systems
  3. establishes and operates Disciplinary Committees
  4. prepares monitoring functions
- The YKK Group internal reporting system was established to prevent violations of laws and internal regulations and protecting those who report such viola-

tions. (Established in January 2006)

- The Office of Internal Auditing was established as the internal audit division in April 2003, to maintain an appropriate system for implementing internal audits, by cooperating with staff in other divisions.

(f) System to ensure appropriate business operation of corporation and corporate group consisting of its parent company and subsidiaries.

- Appointing Group Operating Officer from the Operating Officers of the core companies and Regional Headquarters, each core company and Regional Headquarters functions as a branch of Group Head Office to oversight the appropriate business operations of subsidiaries under the consolidated management structure of YKK Group.
  (Group Operating Officers : Assigned in April 2004)
- Important matters among operations executed by subsidiaries were resolved at the corporate board based on rules of the Board of Directors.
- The company monitors the business performance and financial positions of subsidiaries by receiving monthly consolidated financial reports from responsible directors at the board meeting.

(g) Matters regarding support personnel required by auditors and the support personnel's independence from directors

- In the event the auditor requires a person for support work, the employee in the Audit Office and at divisions at the Group Head Office will support the implementation of the auditors' duty accordingly under the his or her supervision and direction.
- Transfer and evaluation of the employee's supporting operations during the implementation period are required agreement of the auditor.

(h) Systems for directors and employees to report to auditors, systems to report to other auditors, and systems to ensure that other auditors effectively implement auditing

- The "Japan YKK Group Whistleblower Protection Office" reports details of the report and survey results to the auditor, in case a serious legal violation is uncovered by the internal reporting system.
- The auditor attends the Board of Directors and Operating Officers Meeting in order to determine the status of operational execution.
- President periodically executes the auditor report meeting in order to exchange opinions with the auditors. (From May 2006)
- The auditor holds the additional post of auditor for major subsidiaries in Japan, and auditors of other companies in Japan execute auditing by cooperating with the auditors of the company. This ensures that a system effectively executes YKK Group-wide auditing. Auditors also visit major overseas subsidiaries to implement periodic auditing.

3. Details of Directors' Compensation

Directors' compensation at the company consists of short-term (monthly) compensation; bonus allowances to directors that are 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:

Classification	Board of Directors		Board of Auditors		Total		Abstract
	No. of granters	Amount of allowance	No. of granters	Amount of allowance	No. of granters	Amount of allowance	
Allowance based on articles of incorporation or resolution of annual general shareholders' meeting	persons 9	¥ millions 256	persons 4	¥ millions 41	persons 13	¥ millions 297	(Notes) 1, 2
Directors' bonus by distribution of net profit	9	51	4	3	13	55	
Total		308		44		352	

Classification	Board of Directors		Board of Auditors		Total		Abstract
	No. of granters	Amount of allowance	No. of granters	Amount of allowance	No. of granters	Amount of allowance	
Allowance based on articles of incorporation or resolution of annual general shareholders' meeting	persons 9	US$ thousand 2,188	persons 4	US$ thousand 360	persons 13	US$ thousand 2,538	(Notes) 1, 2
Directors' bonus by distribution of net profit	9	436	4	26	13	470	
Total		2,632		376		3,009	

Notes: 1. The limited amounts of compensation by resolution of the annual general shareholders' meeting (compensation of Commercial Law No.269 Article 1 Clause 1 for directors, Commercial Law No.279 for auditors) shall be ¥30 million (US$256 thousand) per month (resolved at the 70th annual general shareholders' meeting held on June 29, 2005) for directors (including adequate compensation of operating officer's salary of the director who holds additional post of operating officer) and ¥4 million (US$34 thousand) (resolved at the 61st annual general shareholders' meeting held on June 27, 1996) for auditors.

2. Among compensation by resolution of annual general shareholders' meeting, the number of granters from outside directors shall be one (1), its amount of ¥7 million (US$60 thousand); and three (3) from outside auditors, its amount of ¥26 million (US$222 thousand).

3. The current number of personnel as of end of the fiscal year is: Nine (9) directors Four (4) auditors

4. Details of compensation for auditors

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%231 thousand)
2. Compensations other than above: None

5. Status of internal audits and auditors' audits

(a) Auditor's audits

- More than two (2) of the four (4) corporate auditors are outside auditor.
- Auditors periodically conduct the Auditor Liaison Meeting in order to exchange opinions with the President.
- Auditors hold additional posts as auditors for major domestic subsidiaries, and those for other companies periodically conduct audits by cooperating with corporate auditors. This ensures a structure for effective auditing of the entire YKK Group. In addition, they personally visit overseas major subsidiaries to conduct regular audits.
- Employees from the Office of Internal Auditing will support operational execution accordingly under supervision and direction of the auditors, in the event the auditor requires support personnel.

(b) Internal audits

- The Office of Internal Auditing was established as an internal audit section, and the number of auditors is three (3).
- 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.
- Internal auditing is more effectively conducted not only by the Office of Internal Auditing, but also in cooperation with other division staff.

6. Relationships among YKK and Outside Director and Outside Auditors

Outside Director Yukio Yanagida is the representative of Yanagida-Nomura Law Office, which provides legal services to the company. There are routine, typical services. It does not mean the Outside Director has a direct individual interest with the company. In addition, there is no business connection between Outside Auditors and the company.

7. Status of accounting audits

Certified Public Accountants (CPAs) Yoshiyuki Matsumoto, Takenori Watanuki (serving 17 consecutive years), and Masakazu Nakamura provide the company's accounting service. They are employed by Ernst & Young ShinNihon. They also conduct timely audits at the interim, year-end, and during the year. In all, 10 CPA assistants are involved in the company's accounting services.

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 2005 from April 1, 2005 to March 31, 2006.

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 of Financial Position

Our total consolidated assets at the end of this fiscal year amounted to ¥810,070 million (US$6,924million), an increase of 3.9% over last fiscal year (hereinafter called "last term"), along with current assets of ¥384,786 million (US$3,289 million), representing growth of 2.4%, and fixed assets worth ¥425,284 million (US$3,635 million), an increase of 5.2%.

The primary factors in the growth of current assets were increases in notes and accounts receivable and inventories.

Within fixed assets, tangible fixed assets came to ¥321,382 million (US$2,747 million), a 4.7% increase from the last term. The investment in securities amounted ¥42,573 million (US$364 million), an increase of 38.7% 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 consolidated total liabilities at the end of this fiscal year was ¥332,947 million (US$2,846 million), a 4.5% decrease from last term, together with current liabilities of ¥201,425 million (US$1,722 million), a 5.5% decrease from last term, and long-term liabilities of ¥131,521 million (US$1,124 million), a 3.1% decrease.

Within current liabilities, interest-bearing debts (consisting of short-term borrowings, the current portion of long-term debt, the current portion of bonds, employees' savings deposits) increased by 2.2% from the last term to ¥73,306 million (US$627 million). However, notes and accounts payable decreased by 15.6% from the last term to ¥70,290 million (US$601 million). Thus, the total current liabilities greatly reduced from the last term. Liability for officers' severance indemnities increased by 6.2% from the previous term to ¥97,627 million (US$834 million). However, corporate bonds decreased by 33.3% from the previous term to ¥20,000 million (US$171 million). Thus, the total long-term liabilities decreased by 3.1% from the pervious term to ¥131,521 million (US$1,124 million).

Consolidated total shareholders' equity at the end of this fiscal year came to ¥467,391 million (US$3,995 million), an 11.2% increase compared to the last term. The main factors were increase in retained earnings and unrealized holding gain on other securities, and decrease in transaction adjustments due to the depreciation of yen by exchange conversion rate. These figures brought our shareholders' equity to total assets ratio to 57.7%, compared to the last term's 53.9%. Shareholders' equity per share increased to ¥389,684 (US$3,330.63) from ¥352,148 (US$3,012.12).

(2) Analysis of Operating Results

During this fiscal year (hereinafter called "this term"), we aggressively developed business operations to achieve mid-term management goals for FY2008, the turning point of the 75th anniversary of YKK Corporation and the 50th anniversary of architectural products business. Consolida ted results totaled ¥619,612 million (US$5,296 million) in net sales, a 6.5% increase over the previous term thanks to stronger performance of the Fastening Products and Ar chitectural Products and, Machinery and Engineering groups than these previous term. On the other hand, op erating income decreased to ¥38,162 million (US$326 million), a 1.8% decline from the previous term because of skyrocketing raw material costs (mainly copper and aluminum ingot) in spite of cost reduction efforts includ ing rationalization. Ordinary income increased to ¥33,826 million (US$289 million), a 3.9% increase over the previous term thanks increased exchange gains result ing from the weaker yen. This term's net income amoun ted to ¥18,030 million (US$154 million), a decrease of 2.7% from the previous term, because of an impairment loss on fixed assets (property, plant, and equipment) of ¥3,229 million yen (US$28 million) as an extraordinary loss due to a requirement to apply the "impairment ac counting of fixed assets."

Net income per share for this term reached ¥14,959 (US$127.85) compared to ¥15,435 (US$131.92) last term.

(3) Analysis of Cash Flow

Cash flows from operating activities decreased by 19.3% from the previous term to ¥51,678 million (US$442 mil lion). 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 ac counts payable from the previous term. The amount, com bined with income before income taxes, and minority interests, and depreciation and amortization, which are non-cash items, was ¥70,988 million (US$607 million). Thus, we saw continued strong improvement in our cash flows from operating activities compared to the previous term.

Cash flows for investing activities showed an outflow of ¥50,376 million (US$431 million), an increase of ¥17,679 million (US$151 million) from the last term. This was due mainly to facility investments for overseas busi ness expansion, rationalization, energy-saving, and IT of ¥54,314 million (US$464 million), an increase of ¥12,585 million (US$108 million) from the previous term. For the Fastening Products Group, the company rein forced production facilities in Shanghai, Shenzhen, and India to enhance supply capabilities in Asia, and invested in curtain wall facilities in Suzhou for the Architectural Products Group.

Cash flows from financial activities totaled ¥14,374 mil lion (US$123 million), a slight increase of ¥979 million (US$8 million) from the previous term. This was due mainly to cash expenditures on a par with the previous term to pay down interest-bearing debts and strengthen our financial position. In order to return our profits to shareholders – one of our most important management policies – we paid total dividends of ¥2,386 million (US$20 million), the same as the previous term, reflecting our strong consolidated performance.

Cash and cash equivalents at end of year decreased by ¥8,985 million (US$77 million) from the previous term to ¥80,223 million (US$686 million).

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 ¥20,021 million (US$171 million). Major active accomplishments during the period were:

(1) Fastening Products Group

We aim to be the dominant No. 1 in the global fastening products industry. And with the slogan “Design that drives demand,” we enhance: “creativity in product development,” “environment-friendly product design,” “expansion to new fields,” and “speeding up business development.”

The group faced a very severe situation such as skyrocketing raw material costs, mainly in metals and shifting sewing production on a global basis during fiscal year 2005. In the face of this business climate, we concluded that it is indispensable to speed up to meet changes, and struggled the product development by always maintaining one-step-ahead technological superiority.

Major accomplishments in this segment include continued improvement in customer satisfaction, achieved by increasing our product sizes for the Chinese domestic market, waterproof zippers as added-value products, a lineup of aluminum Excella multicolor products, and chemical recycled zippers as environment-friendly products. We developed antihydrolytic continuous injection products and power hook sleeve buttons in hook-and-loop fasteners, a series of lightweight buckles and sewing-fit type waist adjusters in plastic products, a series of stainless ring snaps products in the non-apparel field as well as apparel products in snaps and buttons, and a new surface treatment method for snaps and buttons.

Also during this fiscal year, as part of our effort to expand into new fields under the key words “Creating Innovation,” we decided to enter the automotive market, we formed the Transportation Fastening Material (TFM) project promotion team. Among our accomplishments, we developed and launched a new continuous injection type beading chain product. Meanwhile, we placed top priority on efforts to preserve our advantages over Asian competitors. We continued the project team to meet the low price products, especially in China’s domestic market. We introduced MF open products this year, following our plastic Vislon products and coil products launched last year and the year before. We also continue our project targeting the domestic low price products in ASEAN and South Asian markets, expanding to other regions as well, especially China. In the future, we will look at expansion to North, Central, and South America into view. R&D expenses related to this business totaled ¥6,858 million (US$59 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 – R&D for 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 technology, after-sale maintenance technologies, and supply technologies to assure the final quality.

Other major accomplishments include R&D to meet various customer needs a with wide array of product lines by developing the first flagship models in the window business, the “APW700” window that can freely control light and wind, and have visual lines to match seasons and climates and the “APW500” window that create any interior space desired by freely combining windows. We also developed a slim, simple interior and exterior crescent sash lock, the new double-hung window, and steel shutter for windows that feature light weight, smooth opening and closing, and reduced rattling noise. The Chiaro ventilating door improves ventilation with a parallel top-hinged swing-out mechanism and helps eliminate grease buildup in the kitchen while ensuring privacy and security. We developed a new material that combines “REWOOD” (recycled wood) and an aluminum profile, and adopted it in the “Rexa” hybrid modern exterior product series.

We recognize that our main tasks for the future are strengthening development and technological capabilities as a “window business” and continued global expansion.

To strengthen development and technological capabilities, product development teams consisting of various technical staff consider, from the design stage, how people typically use windows, and strive to add value to our products. Furthermore, in order to ensure overall satisfaction in our final products, we started the "Value Verification Center" to assess product values such as usability for people, the actual usage environment, and installation, in the product development process.

Looking at global expansion, we will focus on R&D to achieve globally competitive quality and cost of raw materials and components/parts, develop and standardize global function components/parts, and fill out our product lines.

Eventually, we put these R&D accomplishments into manufacturing, establish the finished product manufacturing system, and introduce competitive products as a manufacturer of windows. We invested ¥7,856 million (US$67 million) for these operations.

(3) Machinery and Engineering Group

The Machinery and Engineering (M&E) Group supports YKK Group production process. M&E is dedicated to creating machinery and systems related to Fastening Products and Architectural Products groups. M&E 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, high-precision molding, high-speed metal processing, information technology (IT) applications, advanced software development, high- precision positioning control, and electronic components.

To name some major accomplishments in this segment, we engineered a series of production facilities related to Fastening Products. The series included a loom and coil molding machine that meets domestic demand in China, a finisher to ensure low prices and short-term delivery of products, and other series of machinery and equipment in response to market changes. In the Architectural Products Group, we developed build-to-order production lines to develop finished products and rationalize manufacturing. And we developed a curtain wall manufacturing line and product lines for a components/parts plant in YKK AP (Suzhou) Co., Ltd., which will establish our Chinese business model. Molding Tools proactively developed technologies for high-speed press molds and high-cycle injection molds, and accelerated development of molds for products that meet the twin needs of the fastening market and molds that meet higher functions of architectural products. R&D investment related to this business totaled ¥4,345 million (US$37 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 units, the Fastening Products and Architectural Products groups.

For the Fastening Products Group, the Center proposed use of a special aluminum alloy for brass and zinc parts of snaps and buttons, verified the product performance, and created products that are lighter in weight. The Center also provided a sales support tool manual which categorizes users' comfort and application of products based on their sense of "itchiness of hook-and-loop fastener," as determined by the Kansei Engineering system.

R&D for the Architectural Products Group included thermal rating simulation for a double-skin air flow window system that saves energy in buildings to support the system evaluation/design guidelines. And in the IT housing project, the Center conducted a demonstration experiment using a ventilation and light shielding control system to support advanced technology development such as window functions in the living space of the future. This aims at development of IT architectural products and systems for the fully computerized society of tomorrow.

In addition, the Center enhanced the mass production technology of 2.4mm diameter micro gear motors by applying new metal casting methods on bulk metallic glass (BMG) 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) (RIMCOF). We will continue to push the limits of micro scales in the future and enhance its practical use in BMG application development. We invested ¥960 million (US$8 million) in this operation.

Consolidated Financial Review

During fiscal 2005, worldwide economic expansion was driven mainly by the United States and China. Japan's economy also showed clear signs of recovery. On the other hand, uncertainty remains over the future business climate due to skyrocketing costs for oil and raw materials.

Working in this economic climate, the YKK Group (YKK, consolidated subsidiaries, and equity method affiliates) positioned this fiscal year as the start toward achieving the mid-term management plan in fiscal 2008, a turning point marking the 75th anniversary of YKK and the 50th anniversary of the architectural products business. Consolidated net sales by division were as follows:

Fastening Products Group (including sales within the segment):	¥235,937 million	(US$2,017 million)
Architectural Products Group (including sales within the segment):	¥376,523 million	(US$3,218 million)
Machinery and Engineering Group (including sales within the segment):	¥ 35,193 million	(US$ 301 million)
Others (including sales within the segment):	¥ 36,629 million	(US$ 313 million)
Elimination or Corporate:	(¥ 64,671 million)	(US$ 553 million)
Total net sales	¥619,612 million	(US$5,296 million)

Total sales increased by 6.5% compared to the previous fiscal year.

Looking at our results by segment, the Fastening Products Group further reinforced its supply capabilities and improved client services in an expeditious way due to economic globalization, meeting the shift of apparel production areas from consumer markets Europe, Japan, and the United States to Asia, especially China. As a result, sales (including sales within the segment) increased by 11.3% compared to the previous term, thanks to favorable sales in Japan, East Asia, and ASAO regions (ASEAN, South Asia, Oceania).

The Architectural Products Group sustained strong performance in Japan, thanks to improvement of added value by the launch of new products in the residential architectural products although orders of architectural products for commercial buildings were slumping. Overseas, orders received in the U.S. market continued increase strongly over the previous fiscal year. As a result, sales (including sales within the segment) increased by 3.4% 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 Asia. The result of our efforts (including sales within the segment) was an increase of 7.0% in sales compared to the previous fiscal year.

In other divisions, sales (including sales within the segment) increased by 14.5% from the previous year's figure, thanks to steady growth of aluminium refining operations in the United States and Australia.

As a percentage of sales, our cost of sales was 66.2%, an increase of 1 percentage point compared to the previous year. Further, selling, general, and administrative expenses were 27.6% of sales, a decline of 0.5 percentage points over the last year's percentage.

Overall, net income was ¥18,030 million (US$154 million), a decrease of 2.7% over last year.

Net income per share was ¥14,959 (US$127.85) compared to ¥15,435 (US$131.92).

The dividend per share was ¥2,000 (US$17.09).

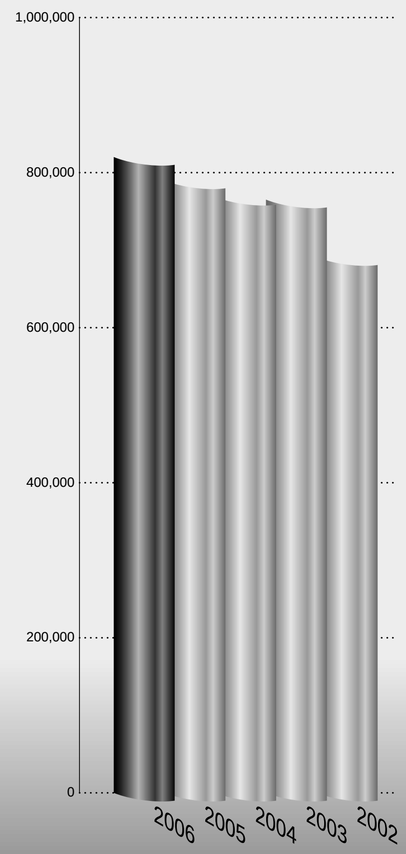
Five-Year Summary

YKK Corporation and Consolidated Subsidiaries

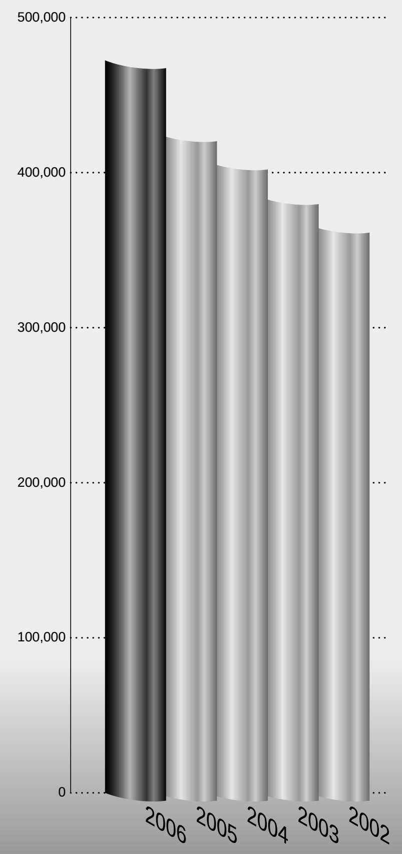
Years ended 31st March	**2006**	2005	2004	2003	2002	**2006**
	Millions of yen and thousands of U.S. dollars except per share figures					
For the Fiscal Year:						
Net sales	¥619,612	¥581,973	¥557,852	¥473,307	¥364,554	$5,295,829
Income before income taxes, minority interests, equity in earnings and translation adjustments	28,235	28,655	25,475	24,009	15,918	241,325
Income taxes	9,402	8,872	(4,100)	9,717	5,706	80,359
Net income	18,030	18,526	28,984	13,452	7,393	154,103
Per Share Data:						
Net income	¥ 14,959	¥ 15,435	¥ 24,571	¥ 11,611	¥ 6,704	$ 127.85
Cash dividends	2,000	2,000	2,000	1,800	1,800	19.05
At Year End:						
Total assets	¥810,070	¥779,803	¥758,643	¥755,137	¥680,852	$6,923,675
Shareholders' equity	467,391	420,277	402,062	379,724	361,306	3,994,795

Notes: (1) U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥117=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.

Total assets



Shareholders' equity



Consolidated Balance Sheets

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2006 and 2005	*Millions of yen* 2006	2005	*Thousands of U.S. dollars (Note 3)* 2006
ASSETS			
Current assets:			
Cash and cash equivalents *(Notes 6 and 15)*	¥ 80,574	¥ 89,634	$ 688,667
Time deposits and short-term investments in securities *(Note 5)*	1,859	2,038	15,889
Notes and accounts receivable *(Note 6)* :			
Trade	150,351	140,825	1,285,051
Unconsolidated subsidiaries and affiliated companies *(Note 13)*	108	412	923
Allowance for doubtful accounts	(4,215)	(4,546)	(36,026)
	146,244	136,691	1,249,949
Inventories *(Notes 4 and 6)*	135,366	126,668	1,156,974
Deferred tax assets *(Note 8)*	9,994	10,195	85,419
Other current assets	10,746	10,377	91,846
Total current assets	384,786	375,606	3,288,769
Investments:			
Investments in unconsolidated subsidiaries and affiliated companies	1,852	1,859	15,829
Investments in other securities *(Notes 5 and 6)*	40,720	28,831	348,034
Total investments	42,573	30,690	363,872
Property, plant and equipment *(Notes 6 and 11)* :			
Land	63,549	66,411	543,154
Buildings and structures	338,304	326,444	2,891,487
Machinery and equipment	525,189	495,928	4,488,795
Construction in progress	7,616	7,793	65,094
	934,659	896,578	7,988,538
Accumulated depreciation	(613,277)	(589,592)	(5,241,684)
Property, plant and equipment, net	321,382	306,985	2,746,855
Other assets:			
Deferred tax assets *(Note 8)*	37,893	35,345	323,872
Other	23,435	31,175	200,299
Total other assets	61,329	66,521	524,179
Total assets	¥810,070	¥779,803	$6,923,675

For the Years ended 31st March, 2006 and 2005	*Millions of yen* 2006	2005	*Thousands of U.S. dollars (Note 3)* 2006
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings *(Note 6)*	¥ 29,021	¥ 26,499	$ 248,043
Current portion of long-term debt *(Note 6)*	10,372	12,073	88,650
Notes and accounts payable: Trade	70,290	83,315	600,769
Construction	5,385	6,450	46,026
	75,676	89,766	646,803
Employees' savings deposits	33,912	33,164	289,846
Accrued income taxes *(Note 8)*	7,472	8,102	63,863
Deferred tax liabilities *(Note 8)*	158	271	1,350
Other current liabilities	44,812	43,200	383,009
Total current liabilities	201,425	213,078	1,721,581
Long-term liabilities:			
Long-term debt *(Note 6)*	22,706	33,043	194,068
Liability for employees' severance indemnities *(Note 7)*	97,627	91,900	834,419
Liability for officers' severance indemnities	1,135	1,004	9,701
Deferred tax liabilities *(Note 8)*	4,389	4,419	37,513
Other long-term liabilities	5,662	5,360	48,393
Total long-term liabilities	131,521	135,728	1,124,111
Minority interests in consolidated subsidiaries	9,732	10,719	83,179
Contingent liabilities *(Note 12)*			
Shareholders' equity *(Note 9)* **:**			
Common stock:			
Authorized: 4,260,000 shares in 2006 and 2005			
Issued: 2006-1,199,240.05 shares			
2005-1,192,271.70 shares	11,992	11,922	102,496
Capital surplus	34,938	33,081	298,615
Retained earnings *(Note 18)*	421,722	407,099	3,604,462
Unrealized holding gain on other securities, net	13,038	6,261	111,436
Translation adjustments	(14,296)	(38,084)	(122,188)
Treasury common stock, at cost: 2006-85.33 shares			
2005-70.94 shares	(2)	(2)	(17)
Total shareholders' equity	467,391	420,277	3,994,795
Total liabilities, minority interests and shareholders' equity	¥810,070	¥779,803	$6,923,675

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2006 and 2005	*Millions of yen* **2006**	2005	*Thousands of U.S. dollars (Note 3)* **2006**
Sales and other income:			
Net sales	¥619,612	¥581,973	$5,295,829
Exchange gain, net	998	–	8,530
Interest and other	7,447	5,882	63,650
	628,058	587,856	5,368,017
Costs and expenses:			
Cost of sales *(Note 10)*	410,032	379,424	3,504,547
Selling, general and administrative expenses *(Note10)*	171,417	163,699	1,465,103
Interest expense	2,180	2,147	18,632
Exchange loss, net	–	114	–
Loss on disposal of inventories	3,075	3,730	26,282
Loss on sales or disposal of property, plant and equipment	2,017	3,656	17,239
Impairment loss for fixed assets *(Note 2 and 17)*	3,229	2,056	27,598
Restructuring charge	1,143	–	9,769
Other	6,726	4,371	57,487
	599,822	559,200	5,126,684
Income before income taxes and minority interests	28,235	28,655	241,325
Income taxes *(Note 8)* **:**			
Current	15,901	14,993	135,906
Deferred	(6,499)	(6,120)	(55,547)
	9,402	8,872	80,359
Income before minority interests	18,833	19,782	160,966
Minority interests in net income of consolidated subsidiaries	(803)	(1,255)	(6,863)
Net income	¥ 18,030	¥ 18,526	$ 154,103

See accompanying notes to consolidated financial statements

Consolidated Statements of Shareholders' Equity

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2006 and 2005	*Millions of yen* **2006**	2005	*Thousands of U.S. dollars (Note 3)* **2006**
Common stock			
Beginning of year	¥ 11,922	¥ 11,922	$ 101,897
Add: Issuance of shares in exchange for shares of YKK FASTENING PRODUCTS SALES INC. and KUROBE SEIKAN	69	–	590
End of year	11,992	11,922	102,496
Capital surplus			
Beginning of year	33,081	33,081	282,744
Add: Gain on disposal of treasury stock	19	–	162
Increase upon issuance of shares in exchange for shares of YKK FASTENING PRODUCTS SALES INC. and KUROBE SEIKAN	1,837	–	15,701
End of year	34,938	33,081	298,615
Retained earnings			
Beginning of year	407,099	391,037	3,479,479
Add:			
Net income	18,030	18,526	154,103
Revaluation of fixed assets of certain foreign subsidiaries	–	10	–
Deduct:			
Cash dividends paid	(2,384)	(2,384)	(20,376)
Bonuses paid to directors and corporate auditors	(125)	(91)	(1,068)
Increase in the pension liabilities of foreign subsidiary	(896)	–	(7,658)
End of year	421,722	407,099	3,604,462
Unrealized holding gain on securities			
Balance at beginning of the year	6,261	4,467	53,513
Net change during the year	6,777	1,793	57,923
Balance at end of the year	13,038	6,261	111,436
Translation adjustments			
Balance at beginning of the year	(38,084)	(38,444)	(325,504)
Net change during the year	23,788	360	203,316
Balance at end of the year	(14,296)	(38,084)	(122,188)
Treasury common stock			
Balance at beginning of the year	(2)	(1)	(17)
Net change during the year	–	(1)	–
Balance at end of the year	¥ (2)	¥ (2)	$ (17)

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

YKK Corporation and Consolidated Subsidiaries

For the Years ended 31st March, 2006 and 2005	*Millions of yen* **2006**	2005	*Thousands of U.S. dollars (Note 3)* **2006**
Cash flows from operating activities			
Income before income taxes and minority interests	¥28,235	¥28,655	$241,325
Depreciation and amortization	43,677	41,988	373,308
Provision for allowance for doubtful accounts	(2,128)	(1,459)	(18,188)
Provision for (reversal of) accrued severance benefits	4,110	5,165	35,128
Gain on sales of property, plant and equipment	(1,660)	(1,779)	(14,188)
Loss on sales or disposal of property, plant and equipment	2,016	3,650	17,231
Loss on investments in other securities	9	–	77
Interest and dividend income	(1,365)	(937)	(11,667)
Interest expense	2,180	2,147	18,632
Increase in notes and accounts receivable	(5,255)	(3,026)	(44,915)
(Increase) Decrease in inventories	495	(95)	4,231
Increase (Decrease) in accounts payable	(4,858)	3,652	(41,521)
Impairment loss for fixed assets	3,229	2,056	27,598
Other	2,032	(2,564)	17,368
Subtotal	70,719	77,453	604,436
Interest and dividends received	1,357	1,025	11,598
Interest paid	(2,208)	(2,248)	(18,872)
Income taxes paid	(18,189)	(12,173)	(155,462)
Net cash provided by operating activities	51,678	64,056	441,692
Cash flows from investing activities			
Decrease in time deposits and short-term investments in securities	645	3,975	5,513
Acquisition of property, plant and equipment	(51,859)	(39,385)	(443,239)
Proceeds from sales of property, plant and equipment	4,962	6,617	42,410
Acquisition of intangible assets	(2,454)	(2,343)	(20,974)
Increase in investments in securities	(1,161)	(790)	(9,923)
Increase in additional investments in consolidated subsidiaries	(435)	(408)	(3,718)
Proceeds from sales of shares of subsidiaries resulting in changes in the scope of consolidation	–	8	–
Acquisition of shares of subsidiaries resulting in changes in the scope of consolidation	–	(553)	–
(Increase) decrease in short-term loans receivable	(313)	16	(2,675)
Other	241	168	2,060
Net cash used in investing activities	(50,376)	(32,697)	(430,564)
Cash flows from financing activities			
(Decrease) increase in short-term borrowings, net	619	(4,949)	5,291
Proceeds from long-term debt	40	1,300	342
Repayment of long-term debt	(1,750)	(4,301)	(14,957)
Proceeds from issuance of bond	–	10,000	–
Redemption of bonds	(10,406)	(12,605)	(88,940)
Refundment of shares	–	67	–
Purchases of treasury stock	(0)	(1)	(0)
Proceeds from sales of treasury stock	61	–	521
Cash dividends paid and other	(2,938)	(2,906)	(25,111)
Net cash used in by financing activities	(14,374)	(13,395)	(122,855)
Effect of exchange rate changes on cash and cash equivalents	4,086	(160)	34,923
Increase in cash and cash equivalents	(8,985)	17,803	(76,795)
Cash and cash equivalents at beginning of year *(Note 15)*	89,208	71,405	762,462
Cash and cash equivalents at end of year *(Note 15)*	¥80,223	¥89,208	$685,667

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. 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 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. See Note 2 concerning the adoption of a new accounting standard for the impairment of fixed assets.

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 4 – 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 1 – 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 7 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. CHANGE IN METHOD OF ACCOUNTING

Effective April 1, 2005, the Group adopted a new accounting standard entitled "Impairment of Fixed Assets." This standard requires that tangible and intangible fixed assets be carried at cost less depreciation and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group is required to recognize an impairment loss in the statement of income or if certain indicators of assets impairment exist and if the book value of the fixed assets exceeds the undiscounted sum of their future cash flows.

The effect of the adoption of this standard was to recognize an impairment loss of ¥3,229 million ($27,598 thousand).

3. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at ¥117.00 = U.S.$1.00, the approximate rate of exchange in effect on 31st March 2006. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. INVENTORIES

Inventories at 31st March 2006 and 2005 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2005	**2006**
Finished products	¥ 35,619	¥ 34,004	$ 304,436
Work in process	60,790	57,491	519,573
Raw materials and supplies	39,982	35,172	341,726
Inventory valuation reserves	(1,025)	–	(8,761)
	¥135,366	¥126,668	$1,156,974

5. SECURITIES

Marketable securities classified as held-to-maturity securities and other securities at 31st March 2006 and 2005 were as follows:

Marketable held-to-maturity debt securities

*31st March, **2006***	Millions of yen: Carrying value	Fair value	Unrecognized gain	Thousands of U.S. dollars: Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:						
Government bonds	¥ 85	¥ 88	¥2	$ 726	$ 752	$17
Other	134	140	5	1,145	1,197	43
Subtotal	220	229	8	1,880	1,957	68
Securities whose fair value does not exceed their carrying value:						
Government bonds	146	146	–	1,248	1,248	–
Corporate bonds	20	20	–	171	171	–
Subtotal	167	167	–	1,427	1,427	–
Total	¥388	¥396	¥8	$3,316	$3,385	$68

*31st March, **2005***	Millions of yen: Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 112	¥ 117	¥ 5
Other	175	183	7
Subtotal	288	301	13
Securities whose fair value does not exceed their carrying value:			
Government bonds	140	140	–
Corporate bonds	21	21	–
Other	8,999	8,999	–
Subtotal	9,161	9,161	–
Total	¥9,449	¥9,463	¥13

Marketable securities – other

*31st March, **2006***	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	¥5,496	¥27,352	¥21,855	$46,974	$233,778	$186,795
Debt securities: Government bonds	56	57	1	479	487	9
Others	725	747	21	6,197	6,385	179
Subtotal	6,277	28,156	21,879	53,650	240,650	187,000
Securities whose fair value does not exceed their carrying value:						
Stocks	39	12	(26)	333	103	(222)
Debt securities: Government bonds	235	231	(4)	2,009	1,974	(34)
Others	1,560	1,557	(2)	13,333	13,308	(17)
Subtotal	1,835	1,802	(33)	15,684	15,402	(282)
Total	¥8,113	¥29,959	¥21,845	$69,342	$256,060	$186,709

*31st March, **2005***	Acquisition cost	Carrying value	Unrecognized gain (loss)
			Millions of yen
Securities whose fair value exceeds their carrying value:			
Stocks	¥5,477	¥16,030	¥10,553
Debt securities: Government bonds	105	107	2
Other	111	114	2
Others	300	302	2
Subtotal	5,994	16,554	10,560
Securities whose fair value does not exceed their carrying value:			
Stocks	21	20	(1)
Debt securities: Government bonds	55	55	–
Others	26	24	(1)
Subtotal	103	100	(3)
Total	¥6,098	¥16,654	¥10,556

Non-marketable securities classified as other securities at 31st March 2006 and 2005 were as follows:

Non-marketable securities – other	*Millions of yen*		*Thousands of U.S. dollars*
	2006	2005	**2006**
Unlisted stocks	¥11,514	¥12,003	$98,410

No significant sales of securities classified as other securities were made in the years ended 31st March 2006 and 2005.

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at 31st March 2006 is summarized as follows:

	Millions of yen			*Thousands of U.S. dollars*		
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Debt securities:						
Government bonds	¥140	¥ 86	¥ 5	$1,197	$ 735	$ 43
Corporate bonds	–	21	0	–	179	0
Other	–	134	999	–	1,145	8,538
Total	¥140	¥243	¥1,005	$1,197	$2,077	$8,590

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March 2006 consisted principally of unsecured loans maturing within 365 days, at interest rates ranging from 0.42% to 10.50% per annum (from 0.43% to 25.00% in 2005).

Long-term debt at 31st March 2006 and 2005 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
1.65% unsecured notes due 2005	¥ –	¥10,000	$ –
1.57% unsecured notes due 2006	10,000	10,000	85,470
0.39% unsecured notes due 2009	10,000	10,000	85,470
1.02% unsecured notes due 2010	10,000	10,000	85,470
6.75% unsecured notes due 2005	–	93	–
1.9% secured notes due 2005	–	100	–
2.3% secured notes due 2005	–	200	–
0.00% to 14.0% loans, principally from banks and insurance companies, due from 2005 to 2014:			
Secured	35	2,260	299
Unsecured	3,044	2,462	26,017
	33,079	45,116	282,726
Less: Current portion	10,372	12,073	88,650
	¥22,706	¥33,043	$194,068

Assets pledged as collateral for short-term and long-term loans totaled ¥368 million ($3,145 thousand) and ¥2,903 mil lion at 31st March 2006 and 2005, respectively, and are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Cash and cash equivalents	¥ –	¥ 162	$ –
Notes and accounts receivable	1,727	1,373	14,761
Inventories	176	324	1,504
Investments in other securities	–	1,918	–
Property, plant and equipment	168	3,768	1,436
	¥ 2,072	¥7,547	$ 17,709

The aggregate annual maturities of long-term debt outstanding at 31st March 2006 are summarized as follows:

Year ending 31st March	*Millions of yen*	*Thousands of U.S. dollars*
2007	¥10,372	$ 88,650
2008	446	3,812
2009	2,173	18,573
2010	10,034	86,761
2011	10,033	85,752
2012 and thereafter	17	145
	¥33,079	$282,726

7. 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, 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.

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 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2005	**2006**
Projected benefit obligation	¥(183,649)	¥(171,802)	$(1,569,650)
Plan assets at fair value	68,355	56,321	584,231
Funded status	(115,294)	(115,480)	(985,419)
Net unrecognized employees' severance benefit obligation at transition	–	215	–
Unrecognized actuarial gain or loss	17,254	23,012	147,470
Unrecognized prior service cost	668	351	5,709
Net retirement benefit obligation	(97,372)	¥ (91,900)	(832,239)
Prepaid pension cost	255	–	2,179
Accrued retirement benefits	¥ (97,627)	¥ (91,900)	$ (834,419)

The components of severance benefit expenses for the years ended 31st March 2006 and 2005 are outlined as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2005	**2006**
Service cost	¥ 8,146	¥ 7,779	$ 69,624
Interest cost	5,230	4,932	44,701
Expected return on plan assets	(1,875)	(1,557)	(16,026)
Amortization of net severance benefit obligation at transition	215	(360)	1,838
Amortization of unrecognized actuarial gain or loss	1,960	2,223	16,752
Amortization of prior service cost	64	29	547
Net periodic pension cost	¥13,742	¥13,046	$117,453

The assumptions used in the actuarial calculation for the above plans for the years ended 31st March 2006 and 2005 were as follows:

	2006	2005
Discount rates	3.0 – 6.0% per annum	3.0 – 6.5% per annum
Expected rate of return on plan assets	3.0 – 9.0% per annum	3.0 – 8.0% per annum

8. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rate of approximately 40% for the years ended 31st March 2006. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rate reflected in the consolidated statement of income for the year ended 31st March 2006 differs from the statutory tax rate for the following reasons:

	2006	2005
Statutory tax rate	40.0%	40.0%
Effect of: Income of certain overseas consolidated subsidiaries whose statutory tax rate is lower than that of domestic consolidated subsidiaries	(19.3)	(14.8)
Expenses not deductible for income tax purposes	(10.5)	(8.5)
Dividend income not deductible for income tax purposes	9.9	7.7
Other, net	13.2	6.6
Effective tax rate	33.3%	31.0%

The significant components of deferred tax assets and liabilities at 31st March 2006 and 2005 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2005	**2006**
Deferred tax assets: Accrued severance benefits	¥38,223	¥33,503	$326,692
Accrued bonuses	5,608	6,133	47,932
Unrealized profit	5,483	5,337	46,863
Net operating loss carryforwards	5,023	3,471	42,932
Other	10,614	8,750	90,718
Gross deferred tax assets	64,953	57,197	555,154
Less: Valuation allowance	(6,456)	(5,305)	(55,179)
Total deferred tax assets	58,497	51,892	499,974
Deferred tax liabilities:			
Depreciation	3,534	3,102	30,205
Unrealized holding gain on securities, net	8,756	4,226	74,838
Other	2,866	3,712	24,496
Total deferred tax liabilities	15,157	11,042	129,547
Net deferred tax assets	¥43,339	¥40,850	$370,419

9. 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 consolidated financial statements at 31st March 2006 included the legal reserve of ¥2,666 million ($22,786 thousand).

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in manufacturing costs and in selling, general and administrative expenses for the years ended 31st March 2006 and 2005 totaled ¥20,021 million ($171,120 thousand) and ¥19,037 million, respectively.

11. 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 2006 and 2005, 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

			2006			2005
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 502	¥ 112	¥ 389	–	–	–
Machinery and equipment	2,354	1,384	970	¥2,504	¥1,194	¥1,310
Intangible assets	43	17	25	72	41	30
Total	¥2,900	¥1,515	¥1,385	¥2,577	¥1,236	¥1,340

Thousands of U.S. dollars

			2006
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	$ 4,291	$ 957	$ 3,325
Machinery and equipment	20,120	11,829	8,291
Intangible assets	368	145	214
Total	$24,786	$12,949	$11,838

Lease payments relating to finance leases accounted for as operating leases amounted to ¥595 million ($5,085 thousand) and ¥580 million for the years ended 31st March 2006 and 2005, respectively. Depreciation of the leased assets is cal culated by the straight-line method over the respective lease terms and amounted to ¥595 million ($5,085 thousand) and ¥580 million for the years ended 31st March 2006 and 2005, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to 31st March 2006 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*
2007	¥ 536	$ 4,581
2008 and thereafter	849	7,256
Total	¥1,385	$11,838

The minimum rental payments subsequent to 31st March 2006 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*
2007	¥ 476	$ 4,068
2008 and thereafter	903	7,803
Total	¥1,389	$11,872

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 2006:

	Millions of yen			*Thousands of U.S. dollars*		
			2006			**2006**
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥245	¥145	¥ 99	$2,094	$1,239	$ 846
Intangible assets	311	129	182	2,658	1,103	1,556
Total	¥557	¥275	¥282	$4,761	$2,350	$2,410

Lease income relating to finance leases accounted for as operating leases amounted to ¥315 million ($2,692 thousand) and ¥377 million for the years ended 31st March 2006 and 2005, respectively. Depreciation of the leased assets amoun ted to ¥315 million ($2,692 thousand) and ¥377 million for the years ended 31st March 2006 and 2005, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to 31st March 2006 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*
2007	¥140	$1,197
2008 and thereafter	142	1,214
Total	¥282	$2,410

12. CONTINGENT LIABILITIES

Contingent liabilities at 31st March 2006 and 2005 for notes discounted and guarantees given in the ordinary course of business amounted to approximately ¥342 million ($2,923 thousand) and ¥460 million, including ¥339 million ($2,897 thousand) and ¥456 million, respectively, for loans guaranteed on behalf of certain suppliers.

An obligation for the repayment of a long-term loan amounting to ¥962 million ($8,222 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 subsidiary.

13. 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 2006 and 2005 since neither the Company nor any of the consolidated subsidiaries had potentially dilutive shares of common stock to be issued 31st March 2006 and 2005.

		yen	*U.S. dollars*
	2006	2005	**2006**
Net income per share of common stock	¥14,959	¥15,435	$127.85

The following table sets forth the computation of net income per share of common stock for the years ended 31st March 2006 and 2005:

		Millions of yen	*Thousands of U.S. dollars*
	2006	2005	**2006**
Numerator:			
Net income available to shareholders of common stock			
Net income	¥18,030	¥18,526	$154,103
Less: appropriation of bonuses to directors and statutory auditors	(100)	(124)	(855)
	¥17,929	¥18,402	$153,239

			Thousands of shares
Denominator:			
Weighted-average number of shares of common stock outstanding	1,198	1,192	1,198

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*
	2006	2005	**2006**
Net assets per share	¥389,684	¥352,418	$3,330.63

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 consolidated subsidiaries do not anticipate significant risks resulting from their open derivatives positions which have all been designa ted as hedges. The Company is exposed to credit risk in the event of nonperformance by the counterparties to the deriv atives, but any such loss would not be material because the Company and consolidated subsidiaries 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 2006 and 2005:

Currency Related

	Millions of yen			*Thousands of U.S. dollars*		
*31st March, **2006***	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell: US$	¥2,327	¥2,358	¥ (31)	$19,889	$20,154	$ (265)
Buy: JPY	108	101	(7)	923	863	(60)
US$	1,075	1,096	20	9,188	9,368	171
Currency swap contracts						
Receipt R$,						
Payment US$	170	5	5	1,453	43	43
Total			¥(12)			$(103)

	Millions of yen		
*31st March, **2005***	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell: US$	¥2,701	¥2,699	¥ 2
Currency swap contracts			
Receipt R$,			
Payment US$	157	(14)	(14)
Receipt US$			
Payment S$	1,079	(36)	(36)
Total			¥(48)

Interest rate Related

	Millions of yen			*Thousands of U.S. dollars*		
*31st March, **2006***	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Interest rate swap contracts:						
Receipt fix,						
Payment float	¥329	¥(116)	¥(116)	$2,812	$(991)	$(991)
Receipt float,						
Payment fix	¥170	¥ (0)	¥ (0)	$1,453	$ (0)	$ (0)
Total			¥(116)			$(991)

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 2006 and 2005:

	Millions of yen		*Thousands of U.S. dollars*
	2006	2005	**2006**
Cash and cash equivalents in consolidated balance sheets	¥80,574	¥89,634	$688,667
Bank overdrafts	(351)	(425)	(3,000)
Cash and cash equivalents in consolidated statements of cash flows	¥80,223	¥89,208	$685,667

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 2006 and 2005.

Business segments

Millions of yen

Year ended or as of 31st March, ***2006***	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	¥235,504	¥376,337	¥ 1,750	¥ 6,019	¥619,612	¥ –	¥619,612
Intergroup sales and transfers	433	185	33,442	30,610	64,671	(64,671)	–
Total sales	235,937	376,523	35,193	36,629	684,284	(64,671)	619,612
Operating expenses	203,245	367,868	31,543	35,422	638,079	(56,629)	581,450
Operating income	¥ 32,692	¥ 8,654	¥ 3,650	¥ 1,206	¥ 46,204	¥ (8,042)	¥ 38,162
II. Assets, depreciation and capital expenditures							
Total assets	¥322,878	¥333,977	¥22,352	¥193,508	¥872,716	¥(62,645)	¥810,070
Depreciation	24,834	15,377	1,385	1,623	43,219	(467)	42,752
Impairment loss	681	–	–	2,547	3,229	–	3,229
Capital expenditures	33,948	18,704	1,695	1,209	55,557	(2,096)	53,461

Thousands of U.S. dollars

Year ended or as of 31st March, ***2006***	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	$2,012,855	$3,216,556	$ 14,957	$ 51,444	$5,295,829	$ –	$5,295,829
Intergroup sales and transfers	3,701	1,581	285,829	261,624	552,744	(552,744)	–
Total sales	2,016,556	3,218,145	300,795	313,068	5,848,581	(552,744)	5,295,829
Operating expenses	1,737,137	3,144,171	269,598	302,752	5,453,667	(484,009)	4,969,658
Operating income	$ 279,419	$ 73,966	$ 31,197	$ 10,308	$ 394,906	$ (68,735)	$ 326,171
II. Assets, depreciation and capital expenditures							
Total assets	$2,759,641	$2,854,504	$191,043	$1,653,915	$7,459,111	$(535,427)	$6,923,675
Depreciation	212,256	131,427	11,838	13,872	369,393	(3,991)	365,402
Impairment loss	5,821	–	–	21,769	27,598	–	27,598
Capital expenditures	290,154	159,863	14,487	10,333	474,846	(17,915)	456,932

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

Geographical areas

Millions of yen

Year ended or as of 31st March, 2006	Japan	North Central America	South America	Europe Mideast Africa	East Asia	South-Asia Oceania	Total	Eliminations or corporate	Consolidated
Sales to third parties	¥395,863	¥53,773	¥ 9,108	¥47,296	¥ 82,404	¥31,165	¥619,612	¥ –	¥619,612
Intergroup sales and transfers	57,906	7,954	125	1,580	10,320	16,939	94,826	(94,826)	–
Total sales	453,769	61,728	9,233	48,877	92,724	48,105	714,439	(94,826)	619,612
Operating expenses	428,656	60,489	7,750	44,225	82,357	43,867	667,346	(85,895)	581,450
Operating income	¥ 25,113	¥ 1,239	¥ 1,483	¥ 4,652	¥ 10,367	¥ 4,237	¥ 47,092	¥ (8,930)	¥ 38,162
Total assets	¥387,594	¥50,736	¥12,536	¥54,682	¥144,099	¥67,794	¥717,445	¥92,625	¥810,070

Thousands of U.S. dollars

Year ended or as of 31st March, 2006	Japan	North Central America	South America	Europe Mideast Africa	East Asia	South-Asia Oceania	Total	Eliminations or corporate	Consolidated
Sales to third parties	$3,383,444	$459,598	$ 77,846	$404,239	$ 704,308	$266,368	$5,295,829	$ –	$5,295,829
Intergroup sales and transfers	494,923	67,983	1,068	13,504	88,205	144,778	810,479	(810,479)	–
Total sales	3,878,368	527,590	78,915	417,752	792,513	411,154	6,106,316	(810,479)	5,295,829
Operating expenses	3,663,726	517,000	66,239	377,991	703,906	374,932	5,703,812	(734,145)	4,969,658
Operating income	$ 214,641	$ 10,590	$ 12,675	$ 39,761	$ 88,607	$ 36,214	$ 402,496	$ (76,325)	$ 326,171
Total assets	$3,312,769	$433,641	$107,145	$467,368	$1,231,615	$579,436	$6,132,009	$791,667	$6,923,675

Millions of yen

*Year ended or as of 31st March, **2005***	Japan	North Central America	South America	Europe Mideast 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

Overseas sales

Millions of yen

*Year ended 31st March, **2006***	North Central America	South America	Europe Mideast	East Asia	South-Asia Oceania	Total
I. Overseas sales	¥53,108	¥9,120	¥45,872	¥85,474	¥32,734	¥226,310
II. Consolidated sales						619,612
III. Overseas sales as a percentage of consolidated sales	8.5%	1.5%	7.4%	13.8%	5.3%	36.5%

Thousands of U.S. dollars

I. Overseas sales	$453,915	$77,949	$392,068	$730,547	$279,778	$1,934,274
II. Consolidated sales						5,295,829
III. Overseas sales as a percentage of consolidated sales	8.5%	1.5%	7.4%	13.8%	5.3%	36.5%

Millions of yen

*Year ended 31st March, **2005***	North Central America	South America	Europe Mideast	East Asia	South-Asia Oceania	Total
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%

17. LOSS ON LMPAIRMENT OF FIXED ASSETS

The Group have recognized impairment losses on the following group of assets in the consolidated statement of operations for the year ended March 31, 2006.

Purpose of assets	Groups of assets	Location
Leased assets	Buildings and structures	Azuma, Gunma
Idle assets	Buildings and structures	Mitsukaido, Ibaragi, ASAO
Operational assets	Buildings	Myanmar
Operational assets, including goodwill	Goodwill	

Operational assets are classified into asset groups by classifications used for managerial accounting. Each leased asset and idle asset is treated as an asset group. Goodwill is classified into asset groups by classifications of business segment, from which it generated.
Operational assets which are expected to be unprofitable, leased asset and idle asset are written down to their recoverable amounts. Consequently, an impairment loss of ¥2,693 million has been recognized as an extraordinary loss in the accompanying consolidated statement of operations for the year ended March 31, 2006. A breakdown of the total loss on impairment of fixed assets is as follows: ¥1,762 million on buildings and structures, ¥927 million on land and ¥3 million on other assets. In addition, ¥535 million of loss on impairment of goodwill has been recognized.

The recoverable amount of each asset is the higher amount of net selling value (fair value less costs to sell) or value in use.
The net selling value of buildings and structures is the residual value amounted to 10% of its historical cost. The net selling value of land is determined based on reasonable estimates made by the Group in accordance with data sources from the Official Road Ratings.
The value in use is calculated by discounting future cash flows at an interest rate of 4.0%.

18. SUBSEQUENT EVENTS

The following appropriations of retained earnings were approved at a general meeting of the shareholders of the Company held on 29th June 2006

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends (¥2,000 = $17.09) per share	¥2,398	$20,496
Bonuses to directors and corporate auditors	50	427

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 2006 and 2005, 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 2006 and 2005, 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.

As described in Note 2 to the consolidated financial statements, the Group adopted new accounting standards for the impairment of fixed assets effective April 1, 2005.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March 2006 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 3.

Ernst & Young ShinNihon

Toyama, Japan
29th June 2006

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.

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