2007
Annual Report

YKK CORPORATION

April 2006–March 2007

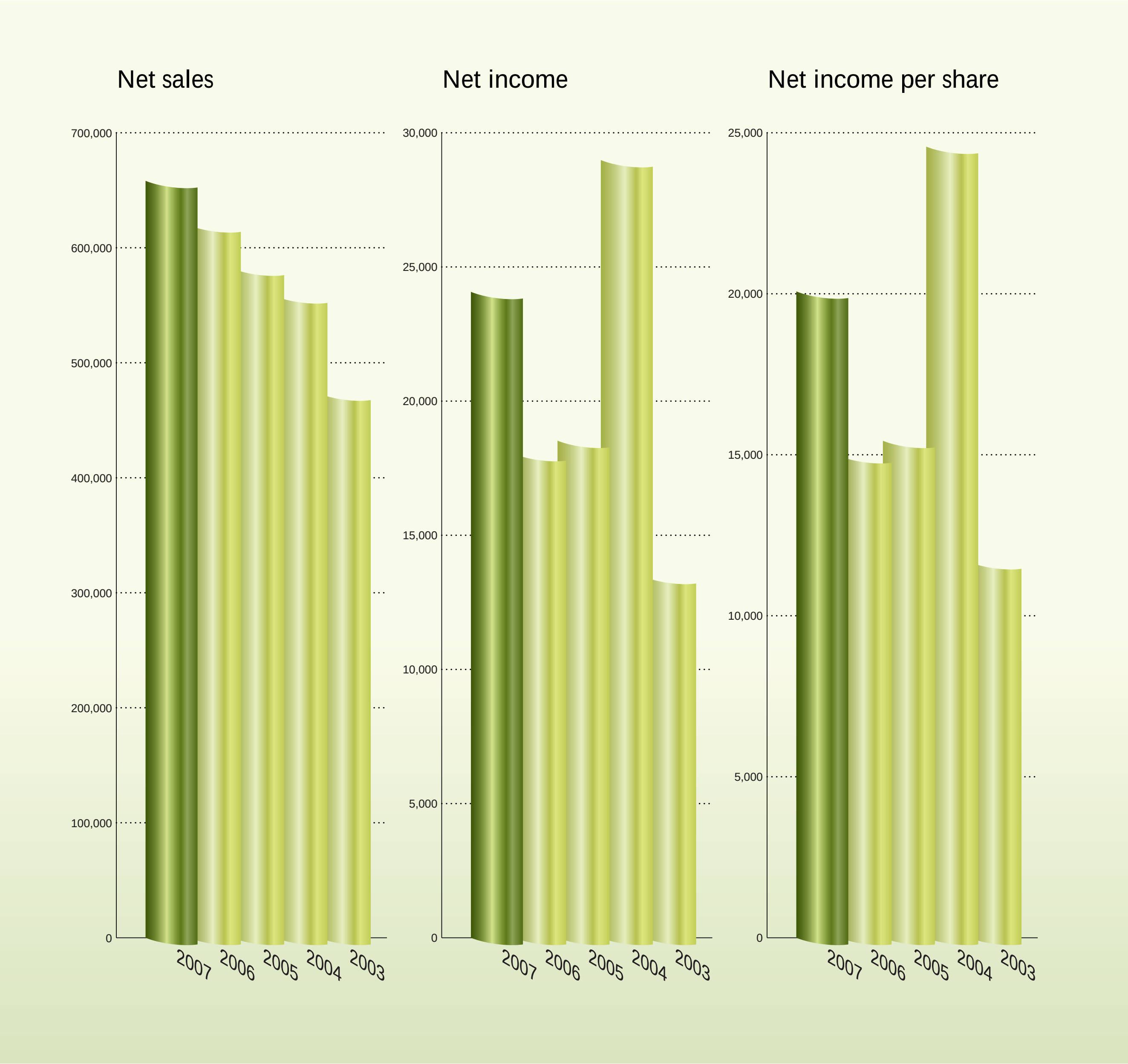
Contents

Financial Highlights

YKK Corporation and Consolidated Subsidiaries

Years ended March 31	2007	2006	2007
	Millions of yen		*Thousands of U.S. dollars*
Net sales	¥658,228	¥619,612	$5,578,203
Net income	24,072	18,030	204,000
	yen		*U.S. dollars*
Net income per share	¥ 20,074	¥ 14,959	$ 170.12

Note:U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥118=U.S.$1.



Message from the President

The world economy in 2006 continued to expand thanks to robust U.S. economic growth. Japanese economy remained strong with a sustainable expansion, but uncertainties about the future held over from the previous year – specifically, worries about a slowdown in the United States, and continuing high prices for crude oil and raw materials.

The YKK Group positions fiscal year 2008 as the final year of the mid-term management plan, and is focusing on the goals of continuing to increase business value and establishing the brand value in order to increase corporate value. This focus began in fiscal year 2005.

The goal of mid-term management plan is to achieve 5% of return-on-assets (ROA) on a YKK Group consolidated basis, improving our group's position as a global blue-chip company, and aiming to earn a Moody's corporate rating of A1 (currently A2).

To ensure achievement of the mid-term management plan, we divided the four years from fiscal year 2005 to 2008 into two two-year terms. We positioned the first two years for developing the foundation, and the second two years for building upon and solidifying that foundation. Our development of the foundation for the first two years by fiscal 2006 is now complete, and we will begin the next phase in fiscal 2007.

The mid-term management plan that will be completed in FY2008 does not focus only on financial and numerical targets. As I mentioned, it also includes efforts to develop and build upon our foundation and continue to enhance corporate value with the goal of becoming a global blue-chip company.

To further grow and develop the YKK Group from our 75th anniversary up to our centennial, we will develop a new mid-term management plan that will

Manufacturing Plant of Dalian YKK AP

start in FY2009. My current plan is to set forth clear, specific numerical targets by business segment and YKK Group consolidated net sales and profits.

During the four fiscal years from 2009 to 2012, we will select the next generation of leaders in various businesses and functions as we proceed with the new mid-term management plan.

We position FY2007 as the year to reach the FY2008 goals in our mid-term management plan, and further as the year to solidify our foundation toward the YKK Group's centennial anniversary. We will continue working to increase the value of our business and our brand, by challenging ourselves to innovate and change

Tadahiro Yoshida
President and CEO
YKK Corporation

Corporate Governance

(1) Basic Ideas on Corporate Governance

The YKK Group standardizes the spirit of "Cycle of Goodness," which means "No one prospers unless he or she renders benefit to others." Under this spirit, being consistently fair is the foundation for various management activities. YKK seeks corporate value of higher significance that expresses the 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. The Board of Directors serves as a decision-making and monitoring body for important issues such as management policies. The Board of Auditors provides accounting oversight.

(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 Corporate Law.
- To further strengthen consolidated management of our company Group, the Board of Directors, was restructured in June 2003, naming as directors the Executive Vice Presidents of YKK AP Inc., the Fastening Products Group, the Machinery and Engineering Group, and YKK Corporation. In the interest of stronger corporate governance, two outside directors were added.
- The number of directors shall be limited to 10 or fewer and the term of office shall be one year in the articles of incorporation, 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 by 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 our company 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) Introduction of Group Operating Officer System
Addition to the Global Business Management through the three Business Groups of Fastening Products, Architectural Products and Machinery & Engineering, our company Group practices its Regional Management in each of six major geographical regions including Japan. To further increase the corporate value of our company Group under this consolidated management structure, Group Operating Officers were newly appointed effective April 1 2004, from among the Operating Officers of each Regional Headquarters.

(c) 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

Resolution regarding to preparation of the internal control system at the board held on May 24, 2006 was changed to the followings:

(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 appro priate operations based on their division of duties.
- A director responsible for compliance is assigned to prepare our corporate Group compliance system. The director reports preparation and conformity sta tus of compliance structure to directors and auditors. (The compliance system and its director were re solved at the board in April 2006.)
- Directors regularly take compliance training pro grams 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 o Retention period of important documents (including electronic records) is stipulated based on document control rules and in ternal rules of such confidential information control guidelines to implement appropriate document con trol.

- Minutes of important meetings such as Board of Di rectors 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 as signed, and the PL Committee, IT Security Commit tee, Security Trade Control Committee, Risk Manage ment Committee, Confidential Information Control Committee, and Coordinating Committee for Tech nology Protection were established to manage risks facing our Group. Related rules have been adopted. (A director was assigned to overview risk manage ment in June 2003, and a CRO was assigned in April 2005.)
- The Chief Financial Officer (CFO) was assigned in April 2005 to control financial risks based on our company 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 appro priately manage investment risks facing our Group. The CFO also built and enhanced an internal control system related to financial reporting. This project started in February 2006, and progress is continuing.
- 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 execu ted effectively

- The Operating Officer system was introduced in June 1999 to ensure faster decision-making and opera tional execution by separating management and op erations. This allows directors to devote them selves 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.
- The Management Strategy Meeting was established in July 2003 to conduct more efficient deliberations about our company Group management philoso phies, management policies, management strategies, and important matters to be resolved at the board by through its deliberations.
- In April 2003, the China Business Policy Committee, Environmental Policy Committee, New Business Committee were established under the Board of Di rectors. Each committee examines and had made plans of our company Group's important policies from each standpoint as an expert. Strategies and tasks stipulated at these committees shall be imple mented in the operations of each business group, and committees established under the Board of Di rectors were withdrawn effective March 31, 2007. However, we established a new Environmental Pol icy Promotion Committee to succeed the Environ mental Policy Committee, under the Management Strategy Meeting in April 2007. This will reinforce oversight of environmental policies in our business operations.

(e) Systems to ensure that execution of employees' du ties complies with laws and provisions and articles of incorporation

- The Compliance Group was established under the director responsible for compliance, and provides our company Group compliance structure by cooperating with outside compliance advisors. Specifically, our company 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 violations. (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 Officers from the Operating Officers of the core companies and Regional Headquarters. Each core company and Regional Headquarters functions as a branch of the Group Head Office to oversee the business operations of subsidiaries under the Group's consolidated management structure.
- 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

- The Auditor Secretariat Office was organized effective April 1, 2007, and staff exclusive for supporting audit duties will be allocated.
- Transfer and evaluation of the support personnel in the Audit Secretariat Office require 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 the 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	No. of persons	Amount of allowance, etc.		Abstract
Directors	persons 9	¥ millions 397	US$ thousand 3,364	(Notes) 1, 2, 3, 4
Auditors	4	51	432	(Notes) 1, 2, 3, 4
Total	13	448	3,797	

Notes: 1. The limited amounts of compensation by resolution of the annual general shareholders' meeting shall be ¥30 million (US$254 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 for directors holding additional post of operating officer). Auditors shall be compensated ¥4 million (US$34 thousand) (resolved at the 61st annual general shareholders' meeting held on June 27, 1996.

2. Among the above amounts, the number of granters from outside directors shall be one (1), its amount of ¥9 million (US$76 thousand); and two (2) from outside auditors, its amount of ¥13 million (US$110 thousand).

3. The above amounts include ¥75 million (US$636 thousand) as an allowance for directors' bonuses during this fiscal year.

4. The above amounts include ¥76 million (US$644 thousand) as an allowance of directors' retirement bonuses during this fiscal year.

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: ¥28 million (US%237 thousand)
2. Compensations other than above: None

5. Status of internal audits and auditors' audits

(a) Auditor's audits

- Three (3) 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 our entire company Group in Japan. 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 five (5).
- 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 the Yanagida and Nomura, which provides legal services to the company. These are routine, typical services. It does not mean the Outside Director has a direct individual interest in 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, six (6) CPAs, one (1) accountant, and three (3) other persons are involved in the company's accounting services as assistants.

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 2006 from April 1, 2006 to March 31, 2007.

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 ¥850,558 million (US$7,208million), an increase of 5.0% over last fiscal year (hereinafter called "last term"), along with current assets of ¥422,591 million (US$3.581 million), representing growth of 9.8%, and fixed assets worth ¥427,967 million (US$3,627 million), an increase of 0.6%.

The primary factors in the growth of current assets were increases in notes and accounts receivable and inventories, associated with an increase in sales.

Within fixed assets, tangible fixed assets totaled ¥333,457 million (US$2,826 million), a 3.8% increase from the last term, by continual capital investment mainly overseas. Investment in securities amounted to ¥32,654 million (US$277 million), a decrease of 23.3% over the last term. The major factor in this decrease was reflected from decline of fair value of marketable securities at the end of fiscal year.

Consolidated total liabilities at the end of this fiscal year were ¥343,348 million (US$2,910 million), a 3.1% increase from last term, together with current liabilities of ¥207,801 million (US$1,761 million), a 3.2% increase from last term, and long-term liabilities of ¥135,547 million (US$1,149 million), a 3.1% increase.

Within current liabilities, interest-bearing debt (consisting of short-term borrowings, the current portion of long-term debt, commercial paper, the current portion of bonds, and employees' savings deposits) decreased by 11.4% from the previous term to ¥64,941 million (US$550 million), due to a ¥10,000 million (US$85 million) redemption of corporate bonds. However, notes and accounts payable increased by 15.6% from the last term to ¥81,287 million (US$689 million). Thus, the total current liabilities increased by 3.2% from the last term. Liability for employee's severance indemnities decreased by 5.1% from the previous term to ¥92,617 million (US$785 million) due to a special contribution to corporate pensionplan. However, corporate bonds increased by 50.0% from the previous term to ¥30,000 million (US$254 million), associated with the issue of new bonds. Thus, total long-term liabilities increased by 3.1% from the pervious term to ¥135,547 million (US$1,149 million).

Consolidated total net assets at the end of this fiscal year was ¥507,210 million (US$4,298 million), an 8.5% increase compared to the last term. The main factors were inclusion of minority interests (¥10,069 million) (US$85 million) in the net assets due to new accounting standards for classification of net assets (Accounting Standard No. 5) and related practical guidelines (Practical Guidelines for Accounting Standards No. 8), adopted starting with this fiscal term, an increase in retained earnings, and a decrease in transaction adjustments (¥11,760 million) (US$100 million) due to the weakness of the yen by exchange conversion rate.

As a result, these figures brought our net assets to total assets ratio to 58.4%, compared to the last term's 57.7%. net assets per share amounted to ¥414 thousand (US$4 thousand) from ¥389 thousand (US$3 thousand).

(2) Analysis of Operating Results

Consolidated results totaled ¥658,228 million (US$5,578 million) in net sales, a 6.2% increase over the previous term due to stronger performance of all business segments. This term's net income amounted to ¥24,072 million (US$204 million), an increase of 33.5% from the previous term, because of a large decrease in the last term's loss from revaluation of the fixed assets (loss due to impairment). Net income per share for this term resulted ¥20,074 (US$170.12) compared to ¥14,959 (US$126.77) last term.

(3) Analysis of Cash Flow

Cash flows from operating activities decreased by 10.2% from the previous term to ¥46,383 million (US$393 million). This was due mainly to an increase in notes and ac counts receivable and a decrease in inventories, in spite of the increase in accounts payable, which decreased last term. The amount, combined with income before income taxes, minority interests, and depreciation and amortiza tion, was ¥80,668 million (US$684 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 ¥47,449 million (US$402 million), a decrease of ¥2,926 million (US$25 million) from the last term. This was due mainly to acquisition of tangible assets of ¥50,384 million (US$427 million), which was almost the same as the pre vious term, to reinforce production facilities mainly in Asia including Shanghai and Shenzhen. However, earn-ings from the sale of securities increased by a ¥5,089 mil lion (US$43 million) from the previous term.

Cash flows from financial activities totaled ¥3,832 million (US$32 million), a decrease of ¥1,0541 million (US$89 million) from the previous term. This was due mainly to the issue of ¥10,000 million (US$85 million) in corporate bonds. In order to return our profits to shareholders – one of our most important management policies – we paid to tal dividends of ¥2,394 million (US$20 million), the same as the previous term,

Cash and cash equivalents at end of year decreased by ¥2,968 million (US$25 million) from the previous term to ¥77,254million (US$655 million).

Research & Development

In our quest to build a technology-driven company creat ing new values, research and development (R&D) activi ties are conducted through the YKK Group’s global struc ture consisting of six regional bases, including Japan as the core operation, North and Central America, Europe, Middle East and Africa (EMEA), and East Asia. The R&D budget of the entire Group during the last fiscal year was ¥20,922 million (US$177 million). Our Group’s major ac complishments during the last fiscal year can be summa rized as follows.

(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 are enhancing creativity in product devel opment, environment-friendly product design, expansion to new fields, and speeding up business development.

The group faced severe situations such as continued sky rocketing raw material costs from last year, mainly in met als, and the shift of sewing production on a global basis during fiscal year 2006. In the face of this business cli mate, we recognized the need to respond more quickly to changes, and focused on product development by always maintaining one-step-ahead technological superiority.

Major accomplishments in this segment include, in zip pers, the sales launch of fully-remodeled coil and injec tion zippers, development of a new type of thin plastic slider associated with these zippers, new items for China’s domestic market, extension of waterproof zipper items as added-value products, and silver zippers requested by customers. In textile and plastic products, where we fo cused on product development for a wide variety of cus tomers, milestones included non-halogen flame retardant products as environment-friendly products and a safer ser ies of lightweight buckles. Highlights in snaps and buttons were the development of aluminum alloy button backs, the launch of SNAPET heavy-duty products, and the intro duction a new method for PERMEX cap Thus, the group works to reinforce its lineup of products, machinery, and equipment, to increase customer satisfaction.

Another effort under the key words “Establishing Brand Value by Creating Innovation,” which is the theme of our mid-term management plan, the newly organized Transportation Fastening Material (TFM) Development Office moved ahead preliminary surveys and development exclusively for the automotive market, targeting development in this new field.

Maintaining competitiveness against other Asian manufacturers is our most important task. We entered in the second stage of the project to provide low priced products, especially in China’s domestic market. And we are aiming at further cost reductions to continue our sales expansion. We are also pressing ahead with our project targeting low priced products in ASEAN and South Asian domestic markets, expanding to other regions as well, especially China. In the future, we will look at expansion to North, Central, and South America. R&D expenses related to this business totaled ¥7,100 million (US$60 million).

(2) Architectural Products Group

In the Architectural Products Group, we aim to become the No.1 brand by strengthening the appeal of our products to end users – R&D to create 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 meet user needs 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 enhance final quality.

Other major accomplishments include the launch of the new concept APW230 window, which was manufactured by plastic molding, a method different from the conventional one, which used extrusion material, and the APW501 terrace window, which offers a superior view thanks to its frameless structure. And we developed the APIA J thermal insulated sash window, which promises improved comfort, beauty, ease of use, and security, as well as the ingeniously simple SYSTEMA single sliding window without a crescent lock for offices and commercial buildings. Interior product innovations included a folding door that opens wider thanks to a modern screen partition finished with an aluminum frame and acrylic panel. The REWOOD DECK II recycled wood, offers exemplary performance and safety, is easy to coordinate with other materials, and boasts superior for durability resistance to rot. These are just a few of the ways we meet various customer needs with a wide range of products.

We recognize that our main tasks for the future are strengthening development and technological capabilities and continuing our global expansion.

To strengthen our development and technological capabilities, we started full-scale operation of the Value Verification Center, which assesses product values such as usability, the actual usage environment, and installation – all at the product development process. We enhanced research and development to improve customer satisfaction and pursue comprehensive product quality, with the goals of creating new product value.

Looking at global expansion, we will focus on R&D to achieve globally competitive quality and cost of raw materials and components/parts, and develop and establish a global standard for functional components. Eventually, we will put these R&D accomplishments into manufacturing, and introduce more competitive products. We invested ¥8,099 million (US$69 million) in these operations.

(3) Machinery and Engineering Group

The Machinery and Engineering (M&E) Group supports YKK Group production processes. M&E is dedicated to creating machinery and systems related to Fastening Products and Architectural Products groups. M&E’s dedication to excellent cost-performance enables it to 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 line and high-per formance assembly machinery related to Fastening Prod ucts. In the Architectural Products Group, we developed rationalized manufacturing systems including production lines for the window business, manufacturing lines for multi-layer glass, and plastic window manufacturing fa cilities for our entry into the U.S. housing market. We swiftly enhanced metal mold development for new prod ucts in cooperation with product development divisions in Fastening Products and Architectural Products. This re inforced the competitiveness of our group business. R&D investment related to this business totaled ¥4,712 million (US$40 million).

(4) Research and Development Center

Our Research and Development Center, the YKK Group's cross-organizational business unit, carries out R&D activi ties focusing on developing elemental technology, which is one of the research themes supporting our primary busi ness units, Fastening Products and Architectural Products. In transferring the built-up elemental technologies busi ness units, the Center cooperates closely with each busi ness unit through regular progress reports to ensure smooth implementation of feasibility studies (FS), re search, and development.

At the end of the last fiscal year, the research theme of resin windows using the injection molding method was transferred to the Architectural Products business unit with the Center's staff. This is the Center's first major ach ievement. In addition, the research themes of smart win dows for IT-housing development, as well as the double-skinned curtain wall system were transferred to the Archi tectural Products business unit.

On the other hand, the Center has conducted research on bulk metallic glass (BMG), which is not directly related to the aforementioned business units. Even though the BMG forming technology project sponsored by New Energy and Industrial Technology Development Organization (NEDO) was completed in March 2007, the Center continues to tie up with related firms and universities, and has been pur suing practical uses for the Center's newly-developed BMG. The Center is also promoting applied development of the micro-geared motor's and pressure sensor's parts with diameter of 2.4mm or even 1.5mm.
In the Architectural Products business unit, we have im plemented the thermal rating simulation for the double-skinned and air- flowed window system, which promises considerable energy savings for building. We also suppor ted the Architectural Products business unit in efforts to evaluate the system, create design guide, and apply the system to actual projects. Furthermore, we support devel opment of prior art in the IT-housing project, e.g. what kind of functions that windows should be equipped with to fulfill demands in a future-oriented housing environ ment, by conducting demonstration test using a ventila tion-and-light-shielding control system. This aims at de velopment of IT architectural products and systems for the coming Ubiquitous information society.
Further goals include more active exchange of relevant in formation with the Fastening Products and Architectural Products business unit, and implementation of ways to discover and develop technology for each business unit in the next several years. R&D expenditures related to our business totaled ¥1,010 million (US$9 million).

Consolidated Financial Review

(1) Business Performance

During fiscal year 2006 from April 1, 2006 to March 31, 2007, the world economy in general enjoyed a smooth expansion, as it saw steady consumer spending and capital investment in America and Europe, and continued growth in Asia, most notably China. Japan's economy also saw ongoing slow expansion mainly in capital investment, backed by favorable corporate performance.

Working within this economic condition, the YKK Group (YKK, consolidated subsidiaries, and equity method affiliates) pressed ahead toward achieving its mid-term management plan in FY2008, a turning point marking the 75th anniversary of YKK and 50th anniversary of the architectural products business. Our group positioned this fiscal year as the second year of the mid-term management plan and stepped up efforts to strengthen our basement.

Consolidated net sales by segment were as follows:

Fastening Products Group (including sales within the segment):	¥258,623 million	(US$2,192 million)
Architectural Products Group (including sales within the segment):	¥391,140 million	(US$3,315 million)
Machinery and Engineering Group (including sales within the segment):	¥ 35,571 million	(US$ 301 million)
Others (including sales within the segment):	¥ 40,511 million	(US$ 343 million)
Elimination or Corporate:	(¥ 67,618 million)	(US$ 573 million)
Total net sales:	¥658,228 million	(US$5,578 million)

Total sales increased by 6.2% compared to the previous fiscal year.

Looking at our results by segment, the Fastening Products Group strengthened its position as a supplier of higher value added products to consumer nations. It beefed up supply capabilities and improved client services in Asia, while responding to an accelerating shift of apparel production areas from Japan, U.S., and European consumer markets to Asia, particularly China. As a result, Japan, EMEA (Europe, Middle East, Africa), and East Asia and ASAO (ASEAN, South Asia, Atlantic Ocean) sustained strong performance. Net sales (including sales within the segment) increased by 9.6% compared to the previous fiscal year.

The Architectural Products Group sustained its strong performance due to the launch of high-value added products in Japan and ongoing strong performance in the United States since last year. The group also benefited from a firmer wood construction market in Japan. As a result, net sales (including sales within the segment) increased by 3.9% from the previous year.

The Machinery and Engineering Group saw a 1.1% increase in net sales (including sales within the segment), due to demand for fastening factory machinery, mainly in China.

In other divisions, sales (including sales within the segment) increased by 10.6% compared to the previous year, due to strong performance of an aluminum refining project the company participates in Australia, and a 15-month account settlement due to a change in the accounting period of domestic subsidiaries.

As a percentage of sales, our cost of sales was 66.9%, an increase of 0.7 percentage points compared to the previous year. Further, selling, general, and administrative expenses were 26.2% of sales, a decline of 1.4 percentage points over the last year's percentage.

Overall, net income was ¥24,072 million (US$204 million), an increase of 25.1% over last year.

Net income per share was ¥20,074 (US$170.12) compared to ¥14,959 (US$126.77).

The dividend per share was ¥2,200 (US$18.64).

Five-Year Summary

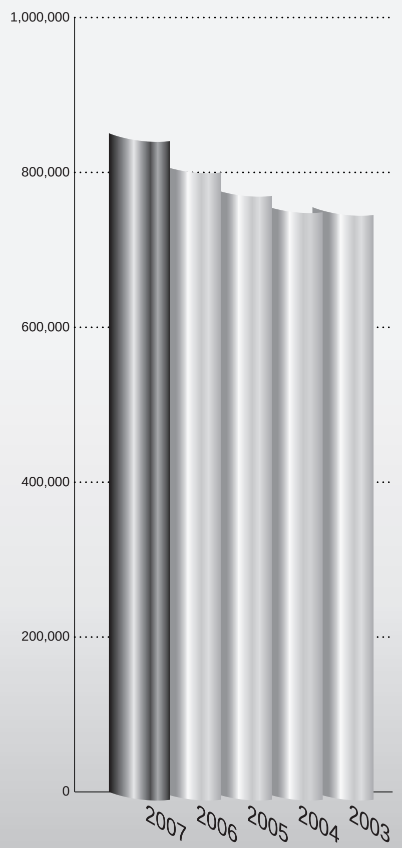
YKK Corporation and Consolidated Subsidiaries

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

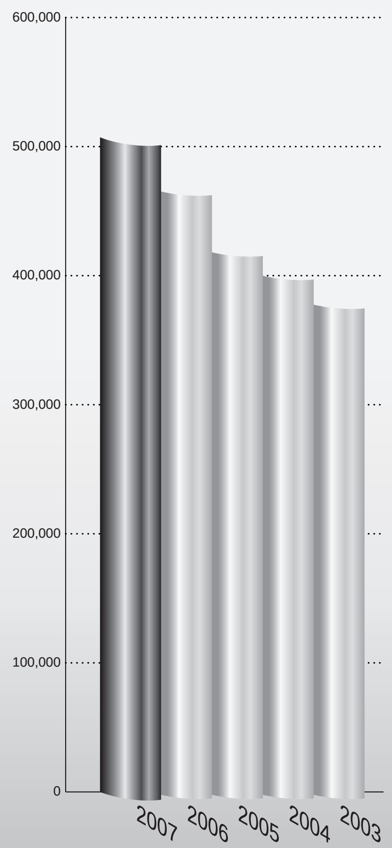
Years ended March 31	**2007**	2006	2005	2004	2003	**2007**
For the Fiscal Year:						
Net sales	¥658,228	¥619,612	¥581,973	¥557,852	¥473,307	$5,578,203
Income before income taxes, minority interests, equity in earnings and translation adjustments	38,146	28,235	28,655	25,475	24,009	323,271
Income taxes	13,345	9,402	8,872	(4,100)	9,717	113,093
Net income	24,072	18,030	18,526	28,984	13,452	204,000
Per Share Data:						
Net income	¥ 20,074	¥ 14,959	¥ 15,435	¥ 24,571	¥ 11,611	$ 170.12
Cash dividends	2,200	2,000	2,000	2,000	1,800	18.64
At Year End:						
Total assets	¥850,558	¥810,070	¥779,803	¥758,643	¥755,137	$7,208,119
Shareholders' equity	507,210	467,391	420,277	402,062	379,724	4,298,390

Notes: (1) U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥118=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 March 31, 2007 and 2006	*Millions of yen* 2007	2006	*Thousands of U.S. dollars (Note 3)* 2007
ASSETS			
Current assets:			
Cash and cash equivalents *(Notes 15)*	¥ 79,204	¥ 80,574	$ 671,220
Time deposits and short-term investments in securities *(Note 5)*	4,061	1,859	34,415
Notes and accounts receivable *(Note 6)* :			
Trade	172,730	150,351	1,463,814
Unconsolidated subsidiaries and affiliated companies	121	108	1,025
Allowance for doubtful accounts	(5,033)	(4,215)	(42,653)
	167,818	146,244	1,422,186
Inventories *(Notes 4 and 6)*	146,591	135,366	1,242,297
Deferred tax assets *(Note 8)*	9,153	9,994	77,568
Other current assets	15,761	10,746	113,568
Total current assets	422,591	384,786	3,581,280
Investments:			
Investments in unconsolidated subsidiaries and affiliated companies	1,279	1,852	10,839
Investments in other securities *(Notes 5)*	31,374	40,720	265,881
Total investments	32,654	42,573	276,729
Property, plant and equipment *(Notes 6 and 11)* :			
Land	64,183	63,549	543,924
Buildings and structures	353,722	338,304	2,997,644
Machinery and equipment	548,305	525,189	4,646,653
Construction in progress	6,980	7,616	59,153
	973,191	934,659	8,247,381
Accumulated depreciation	(639,733)	(613,277)	(5,421,466)
Property, plant and equipment, net	333,457	321,382	2,825,907
Other assets:			
Deferred tax assets *(Note 8)*	39,434	37,893	334,186
Other	22,421	23,435	190,008
Total other assets	61,855	61,329	524,195
Total assets	¥850,558	¥810,070	$7,208,119

For the Years ended March 31, 2007 and 2006	*Millions of yen* 2007	2006	*Thousands of U.S. dollars (Note 3)* 2007
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings *(Note 6)*	¥ 30,314	¥ 29,021	$ 256,898
Current portion of long-term debt *(Note 6)*	693	10,372	5,873
Notes and accounts payable: Trade	81,287	70,290	688,873
Construction	5,831	5,385	49,415
	87,118	75,676	738,288
Employees' savings deposits	33,933	33,912	287,568
Accrued income taxes *(Note 8)*	6,021	7,472	51,025
Deferred tax liabilities *(Note 8)*	142	158	1,203
Other current liabilities	49,576	44,812	420,136
Total current liabilities	207,801	201,425	1,761,025
Long-term liabilities:			
Long-term debt *(Note 6)*	32,271	22,706	273,483
Liability for employees' severance indemnities *(Note 7)*	92,617	97,627	784,890
Liability for officers' severance indemnities	1,221	1,135	10,347
Deferred tax liabilities *(Note 8)*	3,910	4,389	33,136
Other long-term liabilities	5,525	5,662	46,822
Total long-term liabilities	135,547	131,521	1,148,703
Net assets *(Note 12)*			
Shareholders' equity			
Common stock: Authorized: 4,260,000 shares			
Issued: 1,199,240.05 shares	11,992	11,992	101,627
Capital surplus	34,938	34,938	296,085
Retained earnings	443,230	421,722	3,756,186
Treasury stock, at cost: 2007-98.59 shares			
2006-85.33 shares	(3)	(2)	(25)
Total shareholders' equity	490,157	468,650	4,153,873
Valuation and translation adjustments			
Unrealized holding gains on other securities, net	9,497	13,038	80,483
Unrealized gains on hedge transactions	21	–	178
Foreign currency translation adjustments	(2,535)	(14,296)	(21,483)
Total valuation and translation adjustments	6,983	(1,258)	59,178
Minority interests			
Minority interests in consolidated subsidiaries	10,069	9,732	85,331
Total net assets	507,210	477,123	4,298,390
Total liabilities and net assets	¥850,558	¥810,070	$7,208,119

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

YKK Corporation and Consolidated Subsidiaries

Millions of yen

For the Years ended March 31, 2007 and 2006	Shareholders' equity Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2005	¥11,922	¥33,081	¥407,099	¥(2)	¥452,100
Changes:					
Dividends			(2,384)		(2,384)
Bonuses paid to officers			(125)		(125)
Net income			18,030		18,030
Purchases of treasury stock				(0)	(0)
Other	69	1,856	(896)		1,029
Items other than shareholders' equity, net					
Total changes	69	1,856	14,625	(0)	16,550
Balance as of March 31, 2006	¥11,992	¥34,938	¥421,722	¥(2)	¥468,650
Changes:					
Dividends			(2,398)		(2,398)
Bonuses paid to officers			(105)		(105)
Net income			24,072		24,072
Purchase of treasury stock				(0)	(0)
Other			(61)		(61)
Items other than shareholders' equity, net					
Total changes	–	–	21,507	(0)	21,507
Balance as of March 31, 2007	¥11,992	¥34,938	¥443,230	¥(3)	¥490,157

Thousands of U.S. dollars

For the Years ended March 31, 2007 and 2006	Shareholders' equity Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2006	$101,627	$296,085	$3,573,915	$(17)	$3,971,610
Changes:					
Dividends			(20,322)		(20,322)
Bonuses paid to officers			(890)		(890)
Net income			204,000		204,000
Purchases of treasury stock				(0)	(0)
Other			(517)		(517)
Items other than shareholders' equity, net					
Total changes	–	–	182,263	(0)	182,263
Balance as of March 31, 2007	$101,627	$296,085	$3,756,186	$(25)	$4,153,873

See accompanying notes to consolidated financial statements.

For the Years ended March 31, 2007 and 2006	Valuationand adjustments					*Millions of yen*
	Unrealized holding gains on other securities, net	Net unrealized gains on hedges transactions	Foreign currency translation adjustments	Total valuation, and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2005	¥6,261	¥ –	¥(38,084)	¥(31,823)	¥ 9,732	¥430,009
Changes in:						
Dividends						
Bonuses paid to officers						
Net income						
Purchases of treasury stock						
Other						
Items other than shareholders' equity, net	6,777		23,788	30.565		30,565
Total changes	6,777		23,788	30,565		47,115
Balance as of March 31, 2006	¥13,038	¥ –	¥(14,296)	¥(1,258)	¥ 9,732	¥477,123
Changes in:						
Dividends						(2,398)
Bonuses paid to officers						(105)
Net income						24,072
Purchase of treasury stock						(0)
Other						(61)
Items other than shareholders' equity, net	(3,540)	21	11,760	8,241	337	8,579
Total changes	(3,540)	21	11,760	8,241	337	30,086
Balance as of March 31, 2007	¥9,497	¥21	¥(2,535)	¥6,983	¥10,069	¥507,210

For the Years ended March 31, 2007 and 2006	Valuation, transaction adjustments and other					*Thousands of U.S. dollars*
	Unrealized holding gains on other securities, net	Net unrealized gains on hedges transactions	Foreign currency translation adjustments	Total valuation, and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2006	$110,492	$ –	$(121,153)	$(10,661)	$82,475	$4,043,415
Changes:						
Dividends						(20,322)
Bonuses paid to officers						(890)
Net income						204,000
Purchases of treasury stock						(0)
Other						(517)
Items other than shareholders' equity, net	(30,000)	178	99,661	69,839	2,856	72,703
Total changes	(30,000)	178	99,661	69,839	2,856	254,966
Balance as of March 31, 2007	$ 80,483	$178	$ (21,483)	$59,178	$85,331	$4,298,390

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

YKK Corporation and Consolidated Subsidiaries

For the Years ended March 31, 2007 and 2006	2007 (*Millions of yen*)	2006 (*Millions of yen*)	2007 (*Thousands of U.S. dollars (Note 3)*)
Sales and other income:			
Net sales	¥658,228	¥619,612	$5,578,203
Exchange gain, net	138	998	1,169
Interest and other	8,505	7,447	72,076
	666,871	628,058	5,651,449
Costs and expenses:			
Cost of sales *(Note 10)*	440,036	410,032	3,729,119
Selling, general and administrative expenses *(Note10)*	172,578	171,417	1,462,525
Interest expense	2,141	2,180	18,144
Loss on disposal of inventories	3,536	3,075	29,966
Loss on sales or disposal of property, plant and equipment	2,368	2,017	20,068
Impairment loss on fixed assets	–	3,229	–
Restructuring charges	–	1,143	–
Other	8,063	6,726	68,331
	628,725	599,822	5,328,178
Income before income taxes and minority interests	38,146	28,235	323,271
Income taxes *(Note 8)* **:**			
Current	12,359	15,901	104,737
Deferred	985	(6,499)	8,347
	13,345	9,402	113,093
Income before minority interests	24,801	18,833	210,178
Minority interests in net income of consolidated subsidiaries	(728)	(803)	(6,169)
Net income	¥ 24,072	¥ 18,030	$ 204,000

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YKK Corporation and Consolidated Subsidiaries

For the Years ended March 31, 2007 and 2006	*Millions of yen*		*Thousands of U.S. dollars (Note 3)*
	2007	2006	**2007**
Cash flows from operating activities			
Income before income taxes and minority interests	¥38,146	¥28,235	$323,271
Depreciation and amortization	42,521	43,677	360,347
Impairment loss on fixed assets	–	3,229	–
Amortization of goodwill	520	–	4,407
Increase (decrease) in allowance for doubtful accounts	596	(2,128)	5,051
Increase (decrease) in liability for employees' severance indemnities	(4,689)	4,110	(39,737)
Interest and dividend income	(2,099)	(1,365)	(17,788)
Interest expense	2,141	2,180	18,144
Loss on investments in other securities	–	9	–
Loss on sales or disposal of property, plant and equipment	2,368	2,017	20,068
Gain on sales of property, plant and equipment	(644)	(1,660)	(5,458)
Increase in notes and accounts receivable	(20,496)	(5,255)	(173,695)
(Increase) decrease in inventories	(8,187)	495	(69,381)
Increase (decrease) in accounts payable	10,524	(4,858)	89,186
Other, net	4,385	2,032	37,161
Subtotal	65,088	70,719	551,593
Interest and dividends received	2,101	1,357	17,805
Interest paid	(2,116)	(2,208)	(17,932)
Income taxes paid	(18,689)	(18,189)	(158,381)
Net cash provided by operating activities	46,383	51,678	393,076
Cash flows from investing activities			
(Increase) decrease in short-term loans receivable	181	(313)	1,534
Purchases of time deposits and short-term investments in securities	(3,141)	(676)	(26,619)
Proceeds from maturity of time deposits and short-term investments in securities	1,022	1,320	8,661
Acquisition of property, plant and equipment	(50,384)	(51,859)	(426,983)
Proceeds from sales of property, plant and equipment	2,531	4,962	21,449
Acquisition of intangible assets	(3,299)	(2,454)	(27,958)
Purchases of investments in securities	(196)	(1,161)	(1,661)
Purchases of additional investments in consolidated subsidiaries	(50)	(435)	(424)
Proceeds from sales of shares of subsidiaries resulting in changes in the scope of consolidation	641	–	5,432
Other, net	5,243	241	44,432
Net cash used in investing activities	(47,449)	(50,376)	(402,110)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net	(494)	619	(4,186)
Repayments of lease obligation	(69)	–	(585)
Proceeds from issuance of bonds	10,045	40	85,127
Redemption of bonds	(10,391)	(12,156)	(88,060)
Purchases of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	–	61	–
Cash dividends paid	(2,394)	(2,386)	(20,288)
Other	(528)	(551)	(4,475)
Net cash used in financing activities	(3,832)	(14,374)	(32,475)
Effect of exchange rate changes on cash and cash equivalents	1,930	4,086	16,356
Decrease in cash and cash equivalents	(2,968)	(8,985)	(25,153)
Cash and cash equivalents at beginning of year	80,223	89,208	679,856
Cash and cash equivalents at end of year (Note 15)	¥77,254	¥80,223	$654,695

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 Corporation Law 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 con formity with those of their respective countries of domi cile. The accompanying consolidated financial statements have been compiled from the consolidated financial state ments prepared by the Company as required by the Securi ties and Exchange Law of Japan, and incorporate certain reclassifications to make them more meaningful to readers outside Japan.

The notes to the accompanying consolidated financial statements include certain information which is not required under accounting principles and practices gener ally 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 accompa nying 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 pre sentation.

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 Compa ny. The accounts of the consolidated subsidiaries are included on the basis of financial periods which end on or three months prior to March 31. All significant intercom pany 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 state ments 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 respective dates of acquisition are amortized on a straight-line basis over a period of 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 cur rent rates of exchange and the resulting translation gain or loss is included in the accompanying consolidated state ments of income.

All asset and liability accounts of the overseas consolida ted 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 average exchange rate during the year. The components of net assets excluding minority interests in consolidated subsidiaries are translated into yen at their historical exchange rates. The effects of these translation adjustments are accumulated and included in translation adjustments and minority interests in consolidated subsi diaries in the accompanying consolidated balance sheets.

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 con solidated 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 secur ities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. 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 April 1, 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.

Prior service cost is being amortized as incurred by the straight-line method over a period of 10 to 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 to 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 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 severance indemnities for those officers has been made at an estimated amount.

Income taxes

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

Research and development expenses

Research and development expenses 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 consolidated 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, net of the applicable income taxes, is included directly in net assets. 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

Accounting Standard for Impairment of Fixed Assets

Effective the fiscal year ended March 31, 2006, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for 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 amount of an assets may not be recoverable. The Company and its domestic consolidated subsidiaries are required to recognize an impairment loss in the statement income or if certain indicators of asset 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 ¥3,229million for the year ended March 31, 2006.

Change in Method of Accounting for Translation of Income and Expense Accounts of Overseas Subsidiaries

Effective the year ended March 31, 2007, the Company has changed its method of accounting for translation of income and expense accounts of overseas subsidiaries to applying average exchange rates during the year from exchange rates prevailing on the balance sheet date.

This change was made following the convergence movement of international accounting standards, in order to translate income and expense accounts based on methods which are generally accepted in terms of international harmonization of accounting standards, and to recognize more accurate profit and loss by eliminating the effect of extraordinary influences such as sharp fluctuations in exchange rate occurring near the balance sheet date, by using annual average rates of exchange that reflect the exchange rates applied throughout the fiscal year.

As a result, the effect of this change in method of accounting was to decrease net sales by ¥10,037 million ($85,059 thousand) and income before income taxes and minority interests by ¥1,753 million ($ 14,856 thousand) from the corresponding amounts which would have been recorded under the previous method.

Change in Treatment of Unrecognized Holding Loss on Other Securities

Until the fiscal year ended March 31, 2006, unrecognized holding loss on marketable securities classified as other securities had been charged to income, while unrecognized holding gain, net of the applicable income taxes, had been included directly in net assets. However, effective the fiscal year ended March 31, 2007, the Company directly includes its unrecognized holding gain and loss, net of the applicable income taxes, in net assets. This change neither had a material impact on the consolidated results of operations nor on financial condition of the Company and its consolidated subsidiaries for the year ended March 31, 2007.

Accounting Standard for Presentation of Net assets in the Balance Sheet

Effective the fiscal year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No.5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8). Total shareholders" equity under the previous method of presentation amounted to ¥497,119 million ($4,212,873 thousand) as of March 31, 2007.

In this connection, the consolidated financial statements for the year ended March 31, 2006 have been restated to conform to the presentation of the financial statements for the year ended March 31, 2007.

Accounting Standard for Directors' Bonuses

Effective the fiscal year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Directors' Bonuses" (ASBJ Statement No.4). Under this standard, directors' bonuses are expensed as incurred.

As a result of the adoption of this standard, income before income taxes and minority interests decreased by ¥112 million ($949 thousand) from the amount which would have been recorded under the previous method..

Accounting Standard for Business Combination

Effective the fiscal year ended March 31, 2007, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Business Combinations" (issued by the Business Accounting Council), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10). These adoptions neither had effect on the consolidated results of operations nor on financial condition of the Company and its consolidated subsidiaries for the year ended March 31, 2007.

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 com putation only, at ¥118.00 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007. 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.

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2007**	2006	**2007**
Finished products	¥ 33,667	¥ 35,619	$ 285,314
Work in process	70,709	60,790	599,229
Raw materials and supplies	43,902	39,982	372,051
Inventory valuation reserves	(1,687)	(1,025)	(14,297)
	¥146,591	¥135,366	$1,242,297

5. SECURITIES

Marketable securities classified as held-to-maturity securities and other securities at March 31, 2007 and 2006 were as follows:

Marketable held-to-maturity debt securities

	Millions of yen			*Thousands of U.S. dollars*		
*March 31, **2007***	Carrying value	Fair value	Unrecognized gain	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:						
Government bonds	¥ 56	¥ 57	¥0	$ 475	$ 483	$ 0
Corporate bonds	22	23	0	186	195	0
Other	107	111	3	907	941	25
Subtotal	186	191	5	1,576	1,619	42
Securities whose fair value does not exceed their carrying value:						
Government bonds	44	44	–	373	373	–
Corporate bonds	0	0	–	0	0	–
Other	42	42	–	356	356	
Subtotal	87	87	–	737	737	–
Total	¥274	¥279	¥5	$2,322	$2,364	$42

	Millions of yen		
*March 31, **2006***	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 85	¥ 88	¥ 2
Other	134	140	5
Subtotal	220	229	8
Securities whose fair value does not exceed their carrying value:			
Government bonds	146	146	–
Corporate bonds	20	20	–
Subtotal	167	167	–
Total	¥388	¥396	¥8

Marketable securities – other

*March 31, **2007***	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 carrying value exceeds their acquisition cost:						
Stocks	¥5,490	¥21,447	¥15,956	$46,525	$181,754	$135,220
Others	166	177	10	1,407	1,500	85
Subtotal	5,657	21,624	15,967	47,941	183,254	135,314
Securities whose carrying value does not exceed their acquisition cost:						
Stocks	7	6	(1)	59	51	(8)
Debt securities:						
Government bonds	56	53	(2)	475	449	(17)
Other	1,154	1,151	(2)	9,780	9,754	(17)
Subtotal	1,218	1,211	(6)	10,322	10,263	(51)
Total	¥6,875	¥22,836	¥15,960	$58,263	$193,525	$135,254

*March 31, **2006***	Acquisition cost (Millions of yen)	Carrying value (Millions of yen)	Unrecognized gain (loss) (Millions of yen)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥5,496	¥27,352	¥21,855
Debt securities:			
Government bonds	56	57	1
Other	725	747	21
Subtotal	6,277	28,156	21,879
Securities whose carrying value does not exceed their acquisition cost:			
Stocks	39	12	(26)
Debt securities:			
Government bonds	235	231	(4)
Others	1,560	1,557	(2)
Subtotal	1,835	1,802	(33)
Total	¥8,113	¥29,959	¥21,845

Significant sales of securities classified as other securities

Year ended March 31, 2007	*Millions of yen*	*Thousands of U.S. dollars*
Proceeds from Sales	¥5,425	$45,975
Total gain on sale	1,435	12,161
Total loss on sale	8	68

Non-marketable securities classified as other securities at March 31, 2007 and 2006 were as follows

Non-marketable securities – other

March 31	***Carrying value*** Millions of yen **2007**	Millions of yen 2006	Thousands of U.S. dollars **2007**
Unlisted stocks	¥8,991	¥11,514	$76,195

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at March 31, 2007 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	¥ 56	¥ 39	¥ 4	$ 475	$331	$ 34
Corporate bonds	22	1	–	186	8	–
Other	41	117	–	347	992	–
Total	¥121	¥157	¥4	$1,025	$1,331	$ 34

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 and 2006 consisted principally of unsecured loans maturing within 365 days, at interest rates ranging from 0.43% to 12.50% per annum (from 0.42% to 10.50% in 2006).

Long-term debt at March 31, 2007 and 2006 was as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2007**	2006	**2007**
1.57% unsecured notes due 2006	¥ 0	¥10,000	$ 0
0.39% unsecured notes due 2009	10,000	10,000	84,746
1.02% unsecured notes due 2010	10,000	10,000	84,746
1.69% unsecured notes due 2012	10,000	–	84,746
0.00% to 11.0% loans, principally from banks and insurance companies, due from 2006 to 2015:			
Secured	66	35	559
Unsecured	2,898	3,044	24,559
	32,964	33,079	279,356
Less: Current portion	693	10,372	5,873
	¥32,271	¥22,706	$273,483

Assets pledged as collateral for short-term and long-term loans totaled ¥356 million ($3,017 thousand) and ¥368 million at March 31, 2007 and 2006, respectively, and are summarized as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2007**	2006	**2007**
Notes and accounts receivable	¥1,828	¥1,727	$15,492
Inventories	84	176	712
Property, plant and equipment	79	168	669
	¥1,993	¥ 2,072	$16,890

The aggregate annual maturities of long-term debt outstanding at March 31, 2007 are summarized as follows:

Year ending March 31	*Millions of yen*	*Thousands of U.S. dollars*
2008	¥693	$5,873
2009	2,161	18,314
2010	10,038	85,068
2011	10,031	85,008
2012	3	25
2013 and thereafter	10,038	85,068
	¥32,964	$279,356

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 accompany ing consolidated balance sheets as of March 31, 2007 and 2006 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2007**	2006	**2007**
Projected benefit obligation	¥(197,088)	¥(183,649)	$(1,670,237)
Plan assets at fair value	82,621	68,355	700,178
Funded status	(114,467)	(115,294)	(970,059)
Unrecognized actuarial gain or loss	21,323	17,254	180,703
Unrecognized prior service cost	570	668	4,831
Net retirement benefit obligation	(92,573)	(97,372)	(784,517)
Prepaid pension cost	44	255	373
Accrued retirement benefits	¥ (92,617)	¥ (97,627)	$ (784,890)

The components of severance benefit expenses for the years ended March 31, 2007 and 2006 are outlined as follows:

	Millions of yen		*Thousands of U.S. dollars*
Year ended March 31	**2007**	2006	**2007**
Service cost	¥ 8,096	¥ 8,146	$ 68,610
Interest cost	5,417	5,230	45,907
Expected return on plan assets	(2,166)	(1,875)	(18,356)
Amortization of net severance benefit obligation at transition	–	215	–
Amortization of unrecognized actuarial gain or loss	1,626	1,960	13,780
Amortization of prior service cost	74	64	627
Other(*)	1,736	–	14,712
Net periodic pension cost	¥14,785	¥13,742	$125,297

(*) *For the year ended March 31, 2007, YKK Taiwan Co., Ltd. recognized ¥1,736 million ($14, 712 thousand) of pension expense due to an increase in projected benefit obligation along with the establishment of Implementation Regulations of the Labor Act in Taiwan.*

The assumptions used in the actuarial calculations for the above plans for the years ended March 31, 2007 and 2006 were as follows:

Year ended March 31	**2007**	2006
Discount rates	3.0-6.0% per annum	3.0-6.0% per annum
Expected rates of return on plan assets	3.0-8.0% per annum	3.0-9.0% 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 a statutory tax rate of approximately 40% for the years ended March 31, 2007 and 2006. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their respective countries of incorporation.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 differed from the statutory tax rate for the following reasons:

Year ended March 31	**2007**	2006
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	(14.6)	(19.3)
Expenses not deductible for income tax purposes	(7.6)	(10.5)
Dividend income not deductible for income tax purposes	9.3	9.9
Other, net	7.9	13.2
Effective tax rates	35.0%	33.3%

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2007**	2006	**2007**
Deferred tax assets:			
Accrued severance benefits	¥35,611	¥38,223	$301,788
Accrued bonuses	5,445	5,608	46,144
Unrealized profit	8,204	5,483	69,525
Net operating loss carryforwards	4,689	5,023	39,737
Other	9,595	10,614	81,314
Gross deferred tax assets	63,546	64,953	538,525
Less: Valuation allowance	(4,277)	(6,456)	(36,246)
Total deferred tax assets	59,268	58,497	502,271
Deferred tax liabilities:			
Depreciation	3,281	3,534	27,805
Unrealized holding gains on other securities, net	6,423	8,756	54,432
Other	5,027	2,866	42,602
Total deferred tax liabilities	14,732	15,157	124,847
Net deferred tax assets	¥44,536	¥43,339	$377,424

9. NET ASSET

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006 The Law 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 Law also stipulates that, to the extent that the sum of the additional paid-in cap ital 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 March 31, 2007 included the legal reserve of ¥2,666 million ($22,593 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 March 31, 2007 and 2006 totaled ¥20,922 million ($177,305 thousand) and ¥20,021 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 March 31, 2007 and 2006, which would have been reflected in the accompany ing consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

Millions of yen

	2007			2006		
March 31	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 588	¥ 232	¥ 355	¥ 502	¥ 112	¥ 389
Machinery and equipment	2,686	1,923	762	2,354	1,384	970
Intangible assets	8	5	3	43	17	25
Total	¥3,284	¥2,162	¥1,121	¥2,900	¥1,515	¥1,385

Thousands of U.S. dollars

	2007		
March 31	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	$ 4,983	$ 1,966	$3,008
Machinery and equipment	22,763	16,297	6,458
Intangible assets	68	42	25
Total	$27,831	$18,322	$9,500

Lease payments relating to finance leases accounted for as operating leases amounted to ¥640 million ($5,424 thousand) and ¥595 million for the years ended March 31, 2007 and 2006, respectively. Depreciation of the leased assets is calcu lated by the straight-line method over the respective lease terms and amounted to ¥640 million ($5,424 thousand) and ¥595 million for the years ended March 31, 2007 and 2006, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ending March 31	*Millions of yen*	*Thousands of U.S. dollars*
2008	¥ 448	$3,797
2009 and thereafter	673	5,703
Total	¥1,121	$9,500

The minimum rental payments subsequent to March 31, 2007 for operating leases with noncancelable lease terms in ex cess of one year are summarized as follows:

Year ending March 31	*Millions of yen*	*Thousands of U.S. dollars*
2008	¥ 569	$ 4,822
2009 and thereafter	1,998	16,932
Total	¥2,568	$21,763

Lessors' accounting

The following pro forma amounts represent the acquisition costs accumulated depreciation and net book value of the leased assets for finance leases accounted for as operating leases at March 31, 2007:

	Millions of yen			*Thousands of U.S. dollars*		
	2007			**2007**		
March 31, 2007	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥306	¥165	¥141	$2,593	$1,398	$ 1,195
Intangible assets	174	94	80	1,475	797	678
Total	¥481	¥259	¥222	$4,076	$2,195	$1,881

Lease income relating to finance leases accounted for as operating leases amounted to ¥373 million ($3,161 thousand) and ¥315 million for the years ended March 31, 2007 and 2006, respectively. Depreciation of the leased assets amoun ted to ¥373 million ($3,161 thousand) and ¥315 million for the years ended March 31, 2007 and 2006, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2007 for finance lease transactions accounted for as operating leases is summarized as follows:

Year ending March 31	*Millions of yen*	*Thousands of U.S. dollars*
2008	¥115	$ 975
2009 and thereafter	107	907
Total	¥222	$1,881

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2007 and 2006 for notes discounted and guarantees given in the ordinary course of business amounted to approximately ¥330 million ($2,797 thousand) and ¥342 million, respectively, including ¥328 million ($2,780 thousand) and ¥339 million, respectively, for loans guaranteed on behalf of certain suppliers.

An obligation for the repayment of a long-term loan amounting to ¥563 million ($4,771 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 shareholders 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 March 31, 2007 and 2006 since neither the Company nor any of the consolidated subsidiaries had potentially dilutive shares of common stock in issue at March 31, 2007 and 2006.

		yen	*U.S. dollars*
Year ended March 31	**2007**	2006	**2007**
Net income per share	¥20,074	¥14,959	$170.12

The following table sets forth the computation of net income per share of common stock for the years ended March 31, 2007 and 2006:

		Millions of yen	*Thousands of U.S. dollars*
Year ended March 31	**2007**	2006	**2007**
Numerator:			
Net income available for distribution to shareholders of common stock			
Net income	¥24,072	¥18,030	$204,000
Less: appropriation of bonuses to directors and corporate auditors	–	(100)	–
	¥24,072	¥17,929	$204,000
			Thousands of shares
Denominator:			
Weighted-average number of shares of common stock outstanding	1,199	1,198	1,199

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

		yen	*U.S. dollars*
March 31	**2007**	2006	**2007**
Net assets per share	¥414,580	¥389,684	$3,513.39

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 risk resulting from their open derivatives positions which have all been designa ted as hedges. The Company and consolidated subsidiaries are exposed to credit risk in the event of nonperformance by the counterparties to the derivatives, but any such loss would not be material because the Company and consolidated subsidiaries enter 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 March 31, 2007 and 2006

Currency Related

			Millions of yen			*Thousands of U.S. dollars*
*March 31, **2007***	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell: US$	¥3,682	¥3,688	¥ (5)	$31,203	$31,254	$ (42)
Buy: JPY	20	20	(0)	169	169	(0)
US$	193	186	(7)	1,636	1,576	(59)
Total			¥(13)			$(110)

			Millions of yen
*March 31, **2006***	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell: U.S.$	¥2,327	¥2,358	¥(31)
Buy: JPY	108	101	(7)
U.S.$	1,075	1,096	20
Currency swap contracts			
R$ received			
U.S.$ paid	¥ 170	¥ 5	¥ 5
Total			¥(12)

Interest Rate related

			Millions of yen			*Thousands of U.S. dollars*
*March 31, **2007***	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Interest rate swap contracts:						
Floating / received; fixed / paid,	¥164	¥137	¥1	$1,390	$1,161	$8
Total			¥1			$8

15. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents in the accompanying consolidated statements of cash flows include bank overdrafts in accor dance with "Accounting Standard for Consolidated Statements of Cash Flows."

The following table represents a reconciliation of cash and cash equivalents at March 31, 2007 and 2006:

	Millions of yen		*Thousands of U.S. dollars*
March 31	**2007**	2006	**2007**
Cash and cash equivalents in consolidated balance sheets	¥79,204	¥80,574	$671,220
Bank overdrafts	(1,950)	(351)	(16,525)
Cash and cash equivalents in consolidated statements of cash flows	¥77,254	¥80,223	$654,695

16. SEGMENT INFORMATION

The following tables summarize the business and geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006:

Business segments

Millions of yen

*Year ended or as of March 31, **2007***	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	¥258,152	¥390,953	¥ 1,856	¥ 7,265	¥658,228	¥ –	¥658,228
Intersegment sales and transfers	470	187	33,714	33,245	67,618	(67,618)	–
Total sales	258,623	391,140	35,571	40,511	725,846	(67,618)	658,228
Operating expenses	219,429	382,144	31,774	37,396	670,744	(58,129)	612,615
Operating income	¥ 39,193	¥ 8,996	¥ 3,796	¥ 3,114	¥ 55,101	¥ (9,488)	¥ 45,613
II. Total assets, depreciation and capital expenditures							
Total assets	¥354,980	¥342,642	¥23,661	¥203,171	¥924,455	¥(73,896)	¥850,558
Depreciation	25,590	15,479	1,376	1,739	44,185	(1,664)	42,521
Capital expenditures	40,047	18,387	1,705	1,177	61,317	(2,985)	58,332

Thousands of U.S. dollars

*Year ended or as of March 31, **2007***	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	$2,187,729	$3,313,161	$ 15,729	$ 61,568	$5,578,203	$ –	$5,578,203
Intersegment sales and transfers	3,983	1,585	285,712	281,737	573,034	(573,034)	–
Total sales	2,191,720	3,314,746	301,449	343,314	6,151,237	(573,034)	5,578,203
Operating expenses	1,859,568	3,238,508	269,271	316,915	5,684,271	(492,619)	5,191,653
Operating income	$ 332,144	$ 76,237	$ 32,169	$ 26,390	$ 466,958	$ (80,407)	$ 386,551
II. Total assets, depreciation and capital expenditures							
Total assets	$3,008,305	$2,903,746	$200,517	$1,721,788	$7,834,364	$(626,237)	$7,208,119
Depreciation	216,864	131,178	11,661	14,737	374,449	(14,102)	360,347
Capital expenditures	339,381	155,822	14,449	9,975	519,636	(25,297)	494,339

The effect of change in method of accounting for translation of income and expense accounts of overseas subsidiaries on business segments was to decrease on the Fasteners net sales by ¥8,784 million ($74,441 thousand) and operating income by ¥1,154 million ($9,780 thousand) , on the Architectural products net sales by ¥1,083 million ($9,178 thou sand) and operating income by ¥17 million ($144 thousand) , on the Machinery net sales by ¥36 million ($305 thousand) and operating income by ¥5 million ($42 thousand) , on the Other net sales by ¥1,439 million ($12,195 thousand) and operating income by ¥97 million ($822 thousand) from the corresponding amounts which would have been recorded under the previous method.

Millions of yen

*Year ended or as of March 31, **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. Total assets, depreciation, impairment loss 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

Geographical areas

Millions of yen

*Year ended or as of March 31, **2007***	Japan	North/Central America	South America	Europe, Middle East, Africa	East Asia	South-Asia, Oceania	Total	Eliminations or corporate	Consolidated
Sales to third parties	¥407,023	¥58,734	¥9,380	¥51,260	¥95,076	¥36,753	¥658,228	¥ –	¥658,228
Intersegment sales and transfers	66,502	8,748	130	1,418	12,837	19,482	109,119	(109,119)	–
Total sales	473,526	67,482	9,510	52,678	107,914	56,235	767,348	(109,119)	658,228
Operating expenses	448,849	65,315	8,654	46,121	92,943	50,171	712,055	(99,440)	612,615
Operating income	¥ 24,677	¥ 2,166	¥ 855	¥ 6,556	¥ 14,971	¥ 6,064	¥ 55,292	¥ (9,679)	¥ 45,613
Total assets	¥415,908	¥51,802	¥14,586	¥62,155	¥166,116	¥75,061	¥785,630	¥ 64,928	¥850,558

Thousands of U.S. dollars

	Japan	North/Central America	South America	Europe, Middle East, Africa	East Asia	South-Asia, Oceania	Total	Eliminations or corporate	Consolidated
Sales to third parties	$3,449,347	$497,746	$ 79,492	$434,407	$ 805,729	$311,466	$5,578,203	$ –	$5,578,203
Intersegment sales and transfers	563,576	74,136	1,102	12,017	108,788	165,102	924,737	(924,737)	–
Total sales	4,012,932	571,881	80,593	446,424	914,525	476,568	6,502,949	(924,737)	5,578,203
Operating expenses	3,803,805	553,517	73,339	390,856	787,653	425,178	6,034,364	(842,712)	5,191,653
Operating income	$ 209,127	$ 18,356	$ 7,246	$ 55,559	$ 126,873	$ 51,390	$ 468,576	$ (82,025)	$ 386,551
Total assets	$3,524,644	$439,000	$123,610	$526,737	$1,407,763	$636,110	$6,657,881	$550,237	$7,208,119

The effect of change in method of accounting for translation of income and expense accounts of overseas subsidiaries on geographical segments was to decrease on the North/Central America net sales by ¥1,573 million ($13,331 thousand) and operating income by ¥47 million ($ 398 thousand) , on the South America net sales by ¥361 million ($3,059 thousand) and operating income by ¥35 million ($297 thousand) , on the Europe, Middle East, Africa net sales by ¥3,075 million ($26,059 thousand) and operating income by ¥341 million ($2,890 thousand) , on the East Asia net sales by ¥3,977 million ($33,703 thousand) and operating income by ¥494 million ($4,186 thousand), on the South-Asia, Oceania net sales by ¥3,051 million ($25,856 thousand) and operating income by ¥360 million ($3,051 thousand) from the corresponding amounts which would have been recorded under the previous method.

Millions of yen

*Year ended or as of March 31, **2006***	Japan	North/Central America	South America	Europe, Middle East, 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

Overseas sales

Millions of yen

*Year ended March 31, **2007***	North/Central America	South America	Europe, Middle East, Africa	East Asia	South- Asia, Oceania	Total
I. Overseas sales	¥58,514	¥9,397	¥49,575	¥99,190	¥38,049	¥254,727
II. Consolidated sales						658,228
III. Overseas sales as a percentage of consolidated sales	8.9%	1.4%	7.5%	15.1%	5.8%	38.7%
						Thousands of U.S. dollars
I. Overseas sales	$495,881	$79,636	$420,127	$840,593	$322,449	$2,158,703
II. Consolidated sales						5,578,203
III. Overseas sales as a percentage of consolidated sales	8.9%	1.4%	7.5%	15.1%	5.8%	38.7%

The effect of change in method of accounting for translation of income and expense accounts of overseas subsidiaries on overseas sales information was to decrease on the North/Central America overseas sales by ¥1,360 million ($11,525 thousand) , on the South America overseas sales by ¥356 million ($3,017 thousand) , on the Europe, Middle East, Africa overseas sales by ¥2,902 million ($24,593 thousand) , on the East Asia overseas sales by ¥3,496 million ($29,627 thousand), on the South-Asia, Oceania overseas sales by ¥1,912 million ($16,203 thousand) from the corresponding amounts which would have been recorded under the previous method.

Millions of yen

*Year ended March 31, **2006***	North/Central America	South America	Europe, Middle East, Africa	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%

17. LOSS ON IMPAIRMENT 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, Ibaraki
Operational assets	Buildings	ASAO, 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

Distribution of Retained Earnings

The following distribution of retained earnings which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2007 was approved at the general meeting of the shareholders of the Company held on June 28, 2007:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends (¥2,200 = $18.64) per share	¥2,638	$22,356

Donation to Yoshida Scholarship Foundation

On May 23, 2007, as a part of the 75th anniversary of a social action project, the Company, YKK Fudosan Co., Ltd. and Yoshida Scholarship Foundation entered into an agreement to donate certain assets in order to support the activities of Yoshida Scholarship Foundation, which marked its 40th anniversary in March, 2007. Under the agreement, the Company donate a total of ¥250 million ($2,119 thousand) of cash and deposits in installments over five years from May 31, 2007 and YKK Fudosan Co., Ltd. donated ¥2,700 million ($22,881 thousand) of investments in securities at May 31, 2007.

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 March 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets, 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 perfom 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 assessin 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 YKX Corporation and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in confomity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note2, Effective the year ended March31, 2007, YKK Corporation and consolidated subsidiaries changed a metbod of accounting for translation of income and expense accounts of overseas subsidiaries to applying average exchange rates during the year from exchange rates prevailing on the balance sheet date.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 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 Shin Nihon

Toyama, Japan
June 28, 2007

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.

2007 Annual Report

YKK CORPORATION

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