2008
Annual Report

YKK CORPORATION

April 2007–March 2008

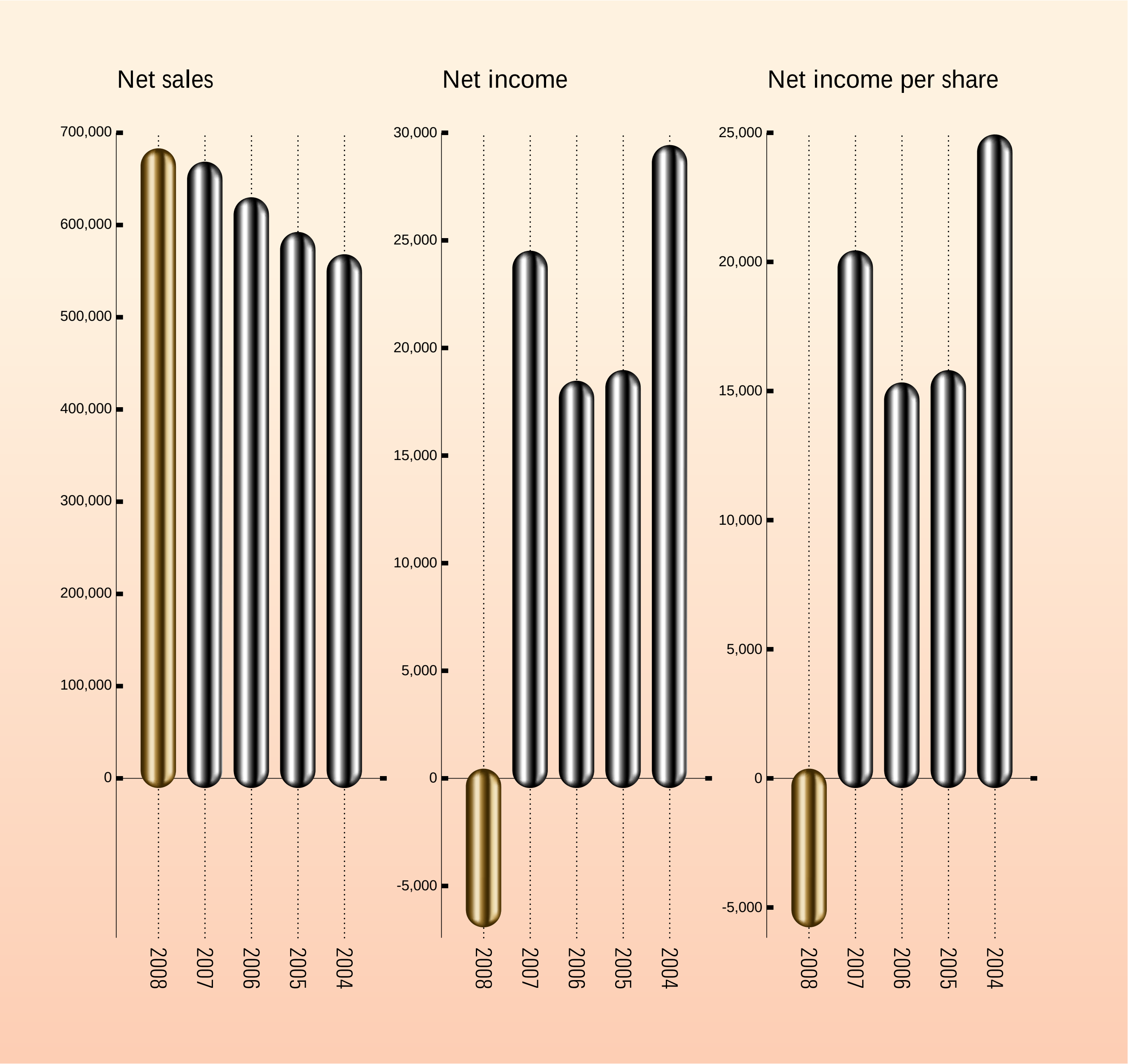
Contents

Financial Highlights

YKK Corporation and Consolidated Subsidiaries

Years ended March 31	Millions of yen 2008	2007	Thousands of U.S. dollars 2008
Net sales	¥672,644	¥658,228	$6,726,440
Net income (loss)	(6,925)	24,072	(69,250)
	yen		U.S. dollars
Net income (loss) per share	¥ (5,775)	¥ 20,074	$ (57.75)

Note:U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥100=U.S.$1.



Message from the President

The global economy continued to remain strong thanks to economic expansion in 2007, but since late in the year, a credit crisis, inspired by the issue of the United States subprime housing loans has taken a gradual toll on the economy. 2007 was a year of uncertainty about the deceleration of worldwide economic growth and concerns over the high price of crude oil.

2008 marks two major milestones for YKK Group – the 75th anniversary of our founding and our 50th year in the Architectural Products business – as well as the final year of a mid-term management plan started in FY2005. In order to ensure its completion, the group positioned the first two years of the plan, from FY2005 to FY2008 as the "Years of developing a foundation," and the second two years as the "Years of creating the foundation." FY2007 was the first year of creating the foundation and we have made great strides in enhancing our business.

FY2008 will be the final year of the mid-term management plan that we have pushed forward since FY2005. We are 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 the 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).

Looking at our progress by segment from FY2005 to 2007, the Fastening Products Group has introduced higher value added products in Japan, the U.S., and Europe, where markets will be downsizing, while proactively reinforcing production and sales structures in the growing Asian markets, particularly China. This relates to our mid-term business policies of further challenging to meet the growing markets.

FY2008 brings the prospect of a slowdown in the Chinese market. We will work to pioneer demand by further increasing product value in China and other markets, to further strengthen our business toward the future.

Speaking of our approaches in the Architectural Products Group, we started up the window business's category brand APW to help us evolve from Sash Manufacturer to Window Manufacturer (Enhancement of Window Business), and stepped up infrastructure development to reinforce our window business. In 2008, we will improve the design and quality of APW products and develop a guarantee structure/system to further increase recognition of YKK AP as a player in the window business.

To establish our architectural products business model in China, we established a system to collect proceeds from sales mainly by cash on delivery (COD) in 2006, and solidified our business foundation. In 2007, integrated manufacturing and sales operations began at Dalian YKK AP Co., Ltd. in northern China and YKK AP (Shenzhen) Co., Ltd. in southern China. In 2008, we will establish YKK AP (Shanghai) Co., Ltd. as a core company in eastern China to organize the operational structure of our regional business in China.

Manufacturing Plant of YKK VIETNAM

For entry into the U.S. residential market, we organized the YKK AP Residential Division in January 2007, and officially entered the residential vinyl window market. The processing and assembly line of the Machinery and Engineering Group started in April 2007. In 2008, we will work to further increase product competitiveness.

The Machinery and Engineering Business Group has helped strengthen both the Fastening Products Group and the Architectural Products Group, in line with the mid-term business plan to create value by enhancing our engineering development capabilities. For the Machinery and Engineering to become an even more integral part of the YKK Group, I think it must develop not only appropriate plant and equipment lines of course, but also develop lines that will maximize competitiveness under any circumstances.

We will face some difficulty to reach the YKK AP mid-term management target of 5% ROA in 2008, due to major changes in the business climate surrounding our business, such as soaring prices for raw materials, since the beginning of the plan.

We need to increase earnings significantly, particularly in the Architectural Products Group, to increase ROA as a whole.

We position FY2008 as the final year of the mid-term management plan and as the year to set forth the mid-term management plan starting in 2009. We will make every effort to further increase the value of our business by challenging ourselves to change and innovate, and to enhance the brand value.

Tadahiro Yoshida,
President
YKK Corporation

Corporate Governance

(1) *Basic Ideas on Corporate Governance*

The YKK Group (YKK Corporation and its affiliated companies) standardizes the spirit of "Cycle of Goodness," which means "No one prospers unless he or she renders benefit to others." In this spirit, our commitment to being fair consistently fair is the foundation for our various management activities. The YKK Group seeks a corporate value of higher significance, a value that represents the commitment, direction, and consistency of management. As part of this spirit, the Group always strives to improve its corporate governance practices for enhanced corporate value. YKK Corporation has established several management bodies to implement the corporate governance practices. The Board of Directors shall function as an executive decision-making and monitoring body, while the Board of Corporate Auditors provides accounting oversight. To promote operations and businesses, YKK Corporation appoints operating officers and secures their commitment to fulfill all obligations arising towards their duties.

(2) *Matters Regarding the Corporate Governance of Filing Companies*

1. Details of Company Bodies

YKK has adopted the corporate auditor system and implemented a structural reform of its management. As a result, a reform of corporate board was performed and the Operating Officer system was adopted in June 1999. These initiatives were aimed at ensuring faster decision-making and operational execution by segregating management and business operations.

(a) Directors and Board of Directors

- The Board of Directors sets forth management policies, allocates management resources, and oversees the execution of operations by operating officers, in addition to performing 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 by appointing the Executive Vice Presidents from YKK AP Inc., the Fastening Products Group, and the Machinery & Engineering Group, and YKK Corporation as members of the Board of Directors. In the interest of stronger corporate governance, two outside directors are also appointed to further improve corporate governance practices.

  In a bid to further improve the group consolidated management, YKK Corporation elected inside directors in June 2008 with the approval at the general meeting of shareholders and made them responsible for global management in each of six major geographical regions. The company also appointed two outside directors on the same date, to leverage their deep insight, experiences, and knowledge for the improvement of management.
- The Articles of Incorporation prescribe that the number of directors shall be 10 or less, and that the term of office of directors' shall be one year, in order to ensure accurate decisions based on active and thorough discussions.
- While directors devote themselves to achieving optimum performance results for the entire Group, Operating Officers are committed to playing the crucial 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 in charge of risk management was appointed to develop a system to appropriately address exposures to product liability (PL) risks, information technology (IT) risks, risks relating to the protection of personal information, and hazard risks such as accidents and natural disasters.
- In April 2004, YKK Corporation recognized that the maintenance of an appropriate annual pension fund by the parent company was an important management issue and appointed an Annual Pension Policy Director after affirming.
- In April 2005, the Chief Financial Officer (CFO) and Chief Risk Management Officer (CRO) were assigned to further enhance consolidated management.

  On April 1, 2008, YKK Corporation formed a secretariat for the Board of Directors to improve the process for submitting agenda to directors, including a system to provide outside directors with advance narrative explanations of agenda, to ensure that the deliberations and discussions at the Board of Directors are carried out efficiently and proactively.
- The Articles of Incorporation require that a third or more of shareholders who have voting rights in an election of directors must attend the general meeting

of shareholders, and that the a majority of the shareholders present at the meeting must vote for the election. The Articles of Incorporation also provide that resolutions on the election of directions shall not be made by cumulative votes.

(b) Introduction of the 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 the YKK Group under this consolidated management structure, Group Operating Officers were newly appointed effective as of April 1 2004, from among the Operating Officers of core companies as well as each regional headquarters.

(c) Establishment of Advisory Board
The Advisory Board has been in place since July 2001 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. Development and Improvement Status of Internal Control System and Risk Management System

On March 23, 2007, the Board of Directors resolved to amend the decisions on the development and improvement of internal control practices reached on May 24, 2006, as follows:

(a) Development and improvement of the system to ensure that the performance of directors complies with laws, regulations, and ordinances, the articles of incorporation, and other systems prescribed in the ordinances of the Justice Ministry Law to be required for the assurance of the fair operation of joint stock companies

- Directors strictly comply with the board rules and rules for the execution of business and conduct appropriate operations based on the segregation of duties.
- A director responsible for compliance is assigned to improve our corporate Group compliance system. This director reports the preparation and conformity status of the compliance structure to the other directors and auditors. (The compliance system and its director were resolved at the Board of Directors in April 2006.)
- Directors regularly take compliance training programs presented by lawyers, etc., and submit to the company a written oath to comply with laws and regulations in executing their duties as directors. (The programs have been implemented since March 2006.)

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

- The maintenance period for important documents (including electronic records) is determined based on internal rules such as document control requirements and confidential information control requirements, to implement appropriate document control.
- The competent departments prepare and maintain minutes of important meetings such as meetings of the Board of Directors and management strategy meetings, to provide accurate descriptions of the gist of the proceedings, deliberation results, important statements, etc. in accordance with rules applied to each meeting.

(c) Regulations and other system to address any risk of loss

- A Chief Risk Management Officer (CRO) has been assigned, and the PL Committee, IT Security Committee, Security Trade Control Committee, Risk Management Committee, Confidential Information Control Committee, and Coordinating Committee for Technology Protection have been established, to manage the risks our company is exposed to. (A director was assigned to implement risk management in June 2003 and a CRO was assigned in April 2005.)
- In April 2005, the Chief Financial Officer (CFO) was assigned to control financial risks based on our company Group’s basic policies on the management of financial risks. An investment council chaired by the CFO was established in February 2006 as a body to appropriately cope with the investment risks to which our Group is exposed. The CFO also launched and promoted a project to improve internal control practices on financial reporting. This initiative commenced in February 2006 and has progressed since then.
- Internal rules provide that the emergency task force should lead the development of the Guidelines for Hazard Risks and take measures to address any ex-

posures to hazard risks promptly and appropriately whenever necessary (effective in April 2005).

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

- In June 1999 the Operating Officer System was introduced to enable a faster execution of business and operations by separating management and execution. This allows directors to devote themselves to the realization of the optimum results of the entire Group. Operating Officers execute individual businesses and operations with responsibility and authority in accordance with the policies determined at the Board of Directors.
- In July 2007 the Management Strategy Meeting was established to increase efficiency of the discussion in the Board of Directors. The directors at the meeting thoroughly discuss group management philosophies, policies, and strategies, and important matters to be resolved at the Board of Directors. .
- In April 2003, the China Business Policy Committee, Environmental Policy Committee, and New Business Committee were established under the Board of Directors. Each committee has considered and made proposals with regard to important policies of our Group from a professional perspective. The committees established under the Board of Directors were dissolved on March 31, 2007, whereupon the policies and agendas determined in these committees were to be implemented in each business operation. In April 2007, for the Environmental Policy Committee, we newly established an Environmental Policy Promotion Committee under the Management Strategy Meeting to implement further enhanced supervision of the progress of our environment policy.

(e) Systems to ensure that the employees comply with laws, regulations, and the articles of incorporations in executing their duties

- The Compliance Group established under the operating officer responsible for compliance develops a compliance structure in cooperation with the outside compliance advisors. YKK Group:

1. strives to improve awareness of employees on compliance by holding regular workshops for employees;
2. develops and improves a reporting and consultation system;
3. establishes and operates Disciplinary Committees; and
4. develops and improves monitoring functions.

- The YKK Group Internal reporting system was established (January 2006) to prevent violations of laws, regulations, and internal rules, and to protect those who report such violations.
- In April 2003 the Office of Internal Auditing was established as the internal audit division. The members in the office implement the internal audit in cooperation with staff in other divisions.

(f) Systems to ensure appropriate business operations of corporation and the corporate group consisting of its parent company and subsidiaries.

- With Group Operating Officers appointed from core companies and regional headquarters in six major geographical regions, each regional headquarter functions as a branch of the group head office to oversee the business operations of subsidiaries under the consolidated management structure of the Group.
- The important matters in relation to operations executed by subsidiaries are resolved at the corporate board based on the requirements of the Board of Directors.
- YKK Corporation monitors the business performances and financial positions of subsidiaries by receiving a monthly report on consolidated performance results from the director in charge, at the board meeting.

(g) Matters regarding the support personnel required by the auditors and their independence from the auditors

- The Auditor Secretariat Office was organized, effective as of April 1, 2007, and staff members are assigned to exclusively assist auditors in fulfilling their duties.
- Transfer and appraisal of the personnel in the Auditor Secretariat Office require the approval of the auditor.

(h) System for directors and employees to report to the auditors, system with regard to other matters related to the reporting to the auditors, and system to ensure that the auditors effectively implement the audit

- When critical violations of laws and regulations are detected through the internal reporting system, the "Japan YKK Group Whistleblower Protection Office" will report the details of the report and the result of the investigation to the auditors.
- Auditors attend the Board of Directors and Operating Officers Meeting to comprehend the situation of the operations of the company.

- From May 2006, the president has regularly held a meeting with the auditors to exchange opinions.
- The auditors of YKK Corporation concurrently hold additional positions as auditors in significant subsidiaries in Japan, and auditors of other subsidiaries in Japan perform their audits in cooperation with the auditors of YKK Corporation. This ensures the effective auditing of group companies in Japan. In addition, the auditors of YKK Corporation visit major foreign subsidiaries to implement periodic audits.

3. Details of compensation paid to directors

Directors' compensation at the company consists of short-term (monthly) compensation, bonus allowances to directors in consideration of consistency with the basic dividend policy of continuing to provide stable dividends, and a retirement allowance as a long-term compensation. The following chart shows the amount of compensation paid to directors for the current fiscal year.

Classification	No. of persons	Amount of compensation paid		Abstract
		(in ¥ million)	(in US$ thousand)	(Notes)
Directors	10	306	3,060	1,2,3
Auditors	4	33	330	1,2,3
Total	14	340	3,400	

(Note) 1. The limit amount of compensation decided by the resolution of the annual general meeting of shareholders is ¥30 million per month for directors (including the adequate compensation of operating officer's salary for directors when they also hold a post as an operating officer) (resolved at the 70th annual general meeting of shareholders held on June 29, 2005). Auditors' monthly compensation is ¥4 million (resolved at the 61st annual general shareholders' meeting held on June 27, 1996).

2. Among the above amounts, ¥14 million (US$140 thousand) was paid to two outside directors, and ¥17 million (US$170 thousand) was paid to three outside auditors.

3. The above amounts include ¥66 million (US$ 660 thousand) charged to the provision for retirement allowances and accounted for as expense.

4. Details of compensation for auditors

(a) Fees paid to Ernst & Young ShinNihon, based on the firm operations prescribed in Article 2, Paragraph 1 of the Certified Public Accountant Law: ¥30 million (US$ 300 thousand).

(b) Fees other than the above: ¥9 million (US$ 90 thousand).

5. Status of internal audits and auditor's audit

(a) Auditor's audit

- Three of the four corporate auditors are outside auditors.
- Each auditor complies with standards for the auditor's audit set forth by the Board of Corporate Auditors; complies with the audit policy and segregation of duties; attends important meetings such as the meetings of the Board of Directors; holds regular meetings with the President to exchange views and opinions; collects information and improves the audit environment through liaisons with the internal audit division; and thereby audits the execution of duties by directors.
- The Office of Internal Auditing has been established as an exclusive staff for auditors in order to improve the effectiveness of the auditors' audit.
- The auditors are required to hold additional posts as auditors for significant subsidiaries in Japan (core companies). The auditors or internal audit divisions of subsidiaries in and out of Japan are required to report to the auditors of YKK Corporation periodically or from time to time upon the request of the auditors. This process ensures the effective auditing in all subsidiaries.
- The auditors hold regular meetings with accounting auditors to receive reports on their execution of duties and to mutually exchange views and opinions.

(b) Internal audit

- In April 2003 the Office of Internal Auditing was established as an internal audit section with 6 members.
- In addition to the statutory audit by four (4) auditors, the Office of Internal Auditing implements internal audits such as operational audits and compliance audits, and thereby achieves more effective auditing practices.
- Internal auditing can be more effectively conducted not only by the Office of Internal Auditing, but also in cooperation with staff members of other divisions.

6. Relationship among YKK and outside directors and outside auditors

The outside director Mr. Yukio Yanagida is the representative of Yanagida and Nomura. The firm provides legal services to YKK Corporation, but only services of a strictly routine nature. The individual outside director has no direct interest in the company. In addition, there are no business relationships between the outside director Mr. Katsuyuki Ono and the company.
Outside auditor Mr. Satoshi Kawai is a partner lawyer at

law in Mori Hamada & Matsumoto. The firm provides legal services to YKK Corporation, but only services of a strictly routine nature. The individual outside auditor has no direct interest in the company. The outside auditor Mr. Hiroshi Akiyama is a partner lawyer of Yanagida and Nomura. The firm provides legal services to YKK Corporation, but only services of a strictly routine nature. The individual outside auditor has no direct interest in the company. In addition, there are no business relationships between the outside director Mr. Yoshio Osawa and the company.

7. Status of accounting audits

Yoshiyuki Matsumoto, Masakazu Nakamura, and Yoshiomi Horikoshi, Certified Public Accountants (CPAs) from Ernst and Young ShinNihon LLC, provide the company's accounting auditing services. They also conduct timely audits at the interim, at the year-end, and during the year. In all, seven CPAs, five accountants, and two assistants are engaged in the accounting auditing services for the company.

8. Indemnification from liability of directors and auditors

Pursuant to Article 426, Paragraph 1 of the Corporate Law, the Articles of Incorporation of YKK Company provide that any directors and auditors who fail to fulfill their duties may be indemnified from liability, to the extent of the limits prescribed by the same law. The objective of this provision is to enable directors and auditors to fulfill their duties at the level at which they purport to be fulfilling their duties.

9. Requirement for the special resolution at the general meetings of shareholders

The Articles of Incorporation of YKK Corporation provide that the resolution prescribed in Article 309, Paragraph 2 of the Corporate Law shall be approved by the votes of two-thirds or more of shareholders present at a general meeting of shareholders attended by shareholders holding one-third or more of voting rights. The objective of the requirements is to achieve smooth operation of the general meeting of shareholders by lowering the quorum required for the special resolutions.

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 2007 from April 1, 2007 to March 31, 2008.
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 ¥854,694 million (US$8,547 million), an increase of 0.5% over last fiscal year (hereinafter called "previous year end"). Current assets decreased by 4.6% to ¥403,240 million (US$4,032 million), while fixed assets increased by 5.5% to ¥451,454 million (US$4,515 million).

The primary factors in the decrease in current assets were decrease in notes and bills receivable and accounts receivable. Because the previous year end coincided with a holiday for financial institutions, the notes and bills receivable with maturities on the previous year end date were included in the outstanding balances of the notes and bills receivable and trade accounts receivable, resulting in the decrease.

Property, plant and equipment of the fixed assets increased to ¥337,401 million (US$3,374 million), a 1.2% increase compared to the previous year end, as capital expenditures continued to be made mainly overseas. Due to the decrease of gains on market valuation of listed stocks and other factors, investment securities decreased to ¥20,428 million (US$204 million) by 37.4% compared to the previous year end.

Consolidated total liabilities at the end of this fiscal year were ¥362,270 million (US$3,623 million), a 5.5% increase from the previous year end with current liabilities of ¥196,077 million (US$1,961 million), a 5.6% decrease from the previous year and non-current liabilities of ¥166,193 million (UA$1,662 million), a 22.6% increase from the same period.

The decrease in current liabilities mainly resulted from the decrease in notes and bills payable and trade accounts payable. The primary factors of increase in non-current liabilities were the issuance of corporate bonds of ¥9,993 million (US$100 million) and the recognition of the provision of ¥24,912 million (US$249 million) for the penalties imposed by the EU Commission on the alleged contravention of the European Competition Law.

Consolidated total net assets at the end of this fiscal year were ¥492,424 million, a 2.9% decrease compared to the previous year end. Shareholders' equity decreased by 2.5% to ¥477,683 million (US$4,777 million), mainly as a result of the decrease in the retained earnings arising from the net loss for the current period. Foreign currency translation adjustments turned from negative to positive. Unrealized holding gains on other securities decreased due to the decrease in the market valuation of listed stocks held. As a result, the total of valuation and translation adjustments decreased to ¥4,933 million (US$49 million), marking a 29.3% decrease compared to the previous year end.

As a result, equity capital ratio decreased to 56.5%, down from 58.4% in the previous year. Net assets per share decreased to ¥402,000 (US$4,000) from ¥414,000 at the previous year end.

(2) ***Analysis of operating results***

Consolidated sales results in fiscal 2007 totaled at ¥672,644 million (US$6,726 million), a 2.2% increase over the previous term, mainly because sales in the fastening products exceeded those in the previous year. Final profit and loss recorded a net loss of ¥6,925 million (US$69 million) for the current period, as the amount of ¥24,567 million (US$246 million) was provided for the penalties imposed by the EU Commission on the alleged contravention of the European Competition Law, which was accounted for as an extraordinary loss. As a result, the net loss per share for this term was ¥5,775 (US$57.75).

(3) ***Analysis of cash flows***

Cash flows from operating activities

Cash flows from the operating activities increased ¥2,100 million (US$21 million) to ¥48,484 million (US$485 million) compared to the previous term. The payment of ¥24,402 million (US$244 million) of penalties imposed by the EU Commission on the alleged contravention of the European Competition Law and a decrease of account payables to ¥9,983 (US$100 million) for the current period while the previous year recorded the increase of ¥10,524 certainly affected the cash flows from operating activities. This increase, however, was mainly because trade accounts receivable decreased by ¥19,792 million (US$198 million) for the current term, though a ¥20,496 million increase was recorded for the previous year and the increase in inventories decreased by ¥7,549 million (US$75 million) compared to the previous year. The total of the current net income before tax, etc. and depreciation expenses added by the amount provided for in relation to the Competition Law was ¥78,705 million (US$787 million), and stable cash flows have been acquired continuously from the previous year.

Cash flows from investing activities

Cash flows for investing activities for the current period were ¥53,347 million (US$533 million), an increase of 5,897 million (US$59 million) from the previous term. This was mainly because the proceeds on the sales of investment securities decreased by ¥5,148 million (US$51 million) compared to the previous year, and because the expenditures on the acquisition of property, plant and equipment, most of which went to reinforcing production facilities in China, increased by ¥2,556 million (US$26 million) to ¥52,940 million (US$529 million).

Cash flows from financial activities

Cash flows from financial activities resulted in ¥5,571 million (US$56 million) in-flow while those for the previous year were ¥3,832 million out-flow. The commercial paper decreased by ¥5,000 million (US$ 50 million), however, the cash flows increased mainly as the consequence of an issue of corporate bonds in ¥9,993 million (US$100 million). In order to return our profits to shareholder – one of our most important management policies – we increased the dividend amount per share ¥200 (US$2) with the total dividends of ¥2,630 million (US$26 million) paid for the current period, marking an increase by ¥236 million (US$2 million) compared to the previous term.

As a result of these activities, the outstanding balance of cash and cash equivalents decreased by ¥88 million (US$1 million) from the previous term to ¥77,166 million (US$772 million).

Research & Development

In our quest to build a technology-driven company creating new values, YKK Group conducts research and development (R&D) activities in 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 ¥22,449 million (US$ 224 million).

Our Group's major accomplishments during the last fiscal year can be summarized as follows.

(1) *Fastening Products Group*

We aim to be the dominant No. 1 in the global fastening products industry. In keeping with our slogan, "Design that drives the demand", we are enhancing creativity in product development, environment-friendly product design, expansion to new fields, and generating new demand in consuming countries.

The group still faces the following difficult challenges: continued skyrocketing raw material costs from last year, mostly metals; the 'China-plus-one' movement in the sewing industry; and the increases in the price of thread materials due to the ever rising price of crude oil. In the face of this business climate, we recognized the need to respond more quickly to changes, and focused on product development by always maintaining one-step-ahead technological superiority.

Our major accomplishments have included the following. In zippers, we have introduced a remodeled product range of coil zippers and injection zippers; commercialized various new environment-friendly products; continued to supply items for the domestic market in China; extended our waterproof zipper items as added-value items; and offered a new lineup of longitudinal stretch zippers. In textile and plastic products, where we focused on product development for a wide variety of customers, we have developed a product line of middle-range buckles and have developed universal design buckles. In snaps and buttons, we have developed solutions such as a surface treatment technology (hairline type and others), larger buttons, and a pearl prong automatic assembly machine. The Group works to reinforce its lineups of products, machinery, and equipment in pursuit of higher 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 is proceeding the development exclusively for the automotive market, including a new line of car seat zippers.

Maintaining competitiveness against other Asian manufactures is our most important task. We entered the second stage of our plan to provide low-priced products mainly for the Chinese domestic market, and we now aim to bring costs further down in order to expand sales. The Fastener Renovation Project was launched to further reinforce our business structure for the prospective future in pursuit of improved competitiveness. In anticipation of a possible slowdown of the Chinese economy, YKK will also aim to create demand in markets outside of China by improving the value of its products. Research and development costs related to this business stood at ¥7,823 million (US$78 million).

(2) *Architectural Products Group*

In the Architectural Products Group, we aim to become the No.1 brand in its field by closely considering social trends such as the longer operating life of housing, the strengthening demands for safety and reliability, and global warming prevention. We produce and improve products from the end users' point of view. Our efforts focus closely on products to generate value for users (including safety and reliability, environmental performance, comfort, and universal design) by pursuing elemental technologies for materials, components/parts, and systems. We are also establishing an installation technology, after-sale maintenance technologies, and supply technologies to enhance the final quality of our products.

One of our major accomplishments has been the launch of “Green Breeze,” the concept of a new type of comfort able house with less impact on the environment. The Ar chitectural Products Group has already produced a series of new products under the Green Breeze concept. Promi nent among them are a “Green Brick,” a brick that uses vaporization heat to lower surface temperature when wind passes through a “Screen Partition” that ventilates even when the door is closed, and a “Double Hung Venti lation Window” that allows effective ventilation with only one window. We have also developed “Leon Port,” a car port with the highest level of wind resistance ever ach ieved, and SYSTEMA9201c, a highly functional curtain wall product designed to respond to the latest trends in building architecture, “transparent façade designs,” and “energy saving” demands. We will continue to provide safe and comfortable living environments for our custom ers.

Our main tasks for the future will be to strengthen our de velopment and technological capabilities and to continue our global expansion.

To strengthen our development and technological capa bilities, we opened the Value Verification Center (VVC) in May to verify various product values from consumers’ viewpoint. Through product development processes such as usability verification, actual usage environments, and installation, we pursue high product quality by creating technologies that generate new customer value through improved customer satisfaction.

Looking at the global expansion, we will focus on R&D to achieve globally competitive quality and cost of raw ma terials and components/parts, the development and stan dardization of global functional parts, and technological development to enrich our product lineups. Eventually we will put these R&D accomplishments into manufacturing, and introduce more competitive products. We invested ¥9,039 million (US$90 million) in these operations.

(3) *Machinery and Engineering Group*

The Machinery and Engineering (M&E) Group supports YKK Group production processes. To create advantages in market competition, M&E is dedicated to developing cost-efficient machinery, molds, and systems for fastening and architectural products, and to pursuing fundamental mate rials and technologies for the machinery, molds, and sys tems developed by the group.

Our main achievements include the completion of the de velopment of the new “i-series” related to YKK’s fastening products. Sales of the products are already underway in Asia. In the architectural products business we have de veloped a production system to enhance the window business, and we have established a new set of plastic window manufacturing facilities to move into the U.S. housing market. These reinforced the competitiveness of our group business. Research and development invest ment related to this business totaled ¥4,442 million (US$ 44 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 improvement of technological advanta ges, and on developing elemental technology for both material and processing techniques, which is one of the research themes supporting our primary business units, Fastening Products and Architectural Products.

In the fastening business, the center has established an elemental technology in relation to cold-forging and the improvement of mold surfaces. It has also supported new developments for products and production methods for metal fasteners, as well as solutions for each business unit to speed up product development and quality improve ment through strength analyses by computer simulation, and analyses for surfaces and materials.

To support product development in the architectural busi ness, the center has used Kansei engineering methods to establish a quantitative valuation method for the opening and shutting of the entrance doors.

A new field of interest has been bulk metallic glass(BMG) expected to emerge as a next-generation metal with high flexibility (low Young’s modulus), high strength, and high transcription(for die casting). To exploit these properties in practical use, the center has been working with YKK’s Ma chinery Division to develop production machinery for mass production and establish high-precision processing technologies. Research and development cost for the business was ¥1,144 million (US$ 11 million).

Consolidated Financial Review

During fiscal year 2007 from April 1, 2007 to March 31, 2008, the Japanese economy continued to grow modestly, sustained by improvements in corporate performance. However, the overall growth appeared to be slowing down as the economic momentum ebbs with skyrocketing prices for oil and raw materials. The Architectural Products Group faced particularly harsh challenges, mostly as a consequence of the large decline in new housing starts in response to the enforcement of the revised Construction Standard Law. The US economy, meanwhile, contended with the slowdown arising from the sub-prime loan debacle and related issues. The economies of Europe and Asia, on the other hand, continued to grow steadily, particularly the Chinese economy.

Amidst these economic conditions, the YKK group has defined fiscal 2008 as the final year of the medium-term management plan commenced in 2005. The first two years of the plan were positioned as the "years for the preparation of fundamental infrastructure," and the latter two were defined as "years for the completion of the creation of fundamental infrastructure." In accordance with these business concepts, the YKK group has proactively promoted its businesses by making fiscal 2007 the first year for the completion of the creation of fundamental infrastructure.

Consolidated net sales by segment were as follows:

Fastening Products Group (including sales within the segment):	¥279,780 million	(US$2,798 million)
Architectural Products Group (including sales within the segment):	¥384,891 million	(US$3,849 million)
Machinery and Engineering Group (including sales within the segment):	¥ 35,193million	(US$ 352 million)
Others (including sales within the segment):	¥ 37,287 million	(US$ 373 million)
Elimination or Corporate:	(¥ 64,508million)	(US$ 645 million)
Total net sales:	¥672,644 million	(US$6,726 million)

Total sales increased by 2.2% compared to the previous fiscal year.

In 2007, the Fastening Products Group strove to focus on the launch of high-value-added products in the high-consumption economies of Japan, the US, and Europe. The Group continued to refine their systems for supply and services, including larger capital investments, with respect to the transfer of sewing businesses to Asian countries (mainly to China), and to comprehend customer needs in the respective regions in which they operate. Through these efforts, the net sales of YKK's Fastening Products Group grew by 8.2% compared to the previous year (including intersegment sales).

The Architectural Products Group was scarcely affected by the sub-prime issues in 2007 and grew robustly in both revenue and earnings at overseas. Japan faced a significant challenge, however, with the large drop-off in new housing starts resulting from the enforcement of the revised Construction Standard Law in June 2007. As a result, the net sales in this group decreased by 1.6% compared to the previous year (including intersegment sales).

The 2007 revenue for the Machinery and Engineering Group decreased by 1.1% on a year-on-year basis, mainly due to smaller capital investments in the Fastening Products Group (including intersegment sales).

In other divisions, net sales (including intersegment sales) decreased by 8.0% compared to the previous year mainly as a result of two factors: first, the adoption of a 15-month closing by some companies to switch over to the new accounting period determined in the previous year; second, the withdrawal of the aluminum refining business from the US market at the end of the first half of 2007.

As a percentage of sales, our cost of sales was 67.7%, an increase of 0.8 percentage points compared to the previous year. Further, selling, general, and administrative expenses were 26.4% of sales, an increase of 0.2 percentage points over the last year's percentage.

Overall, net loss was ¥6,925 million (US$69 million).

Net loss per share was ¥5,775 (US$57.75) for the year, versus net income per share ¥20,074 (US$200.74) for the previous year.

The dividend per share was ¥2,200 (US$22).

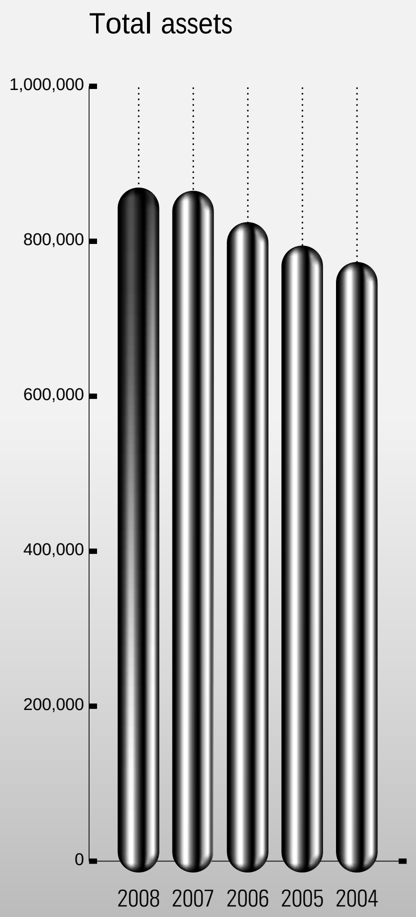
Five-Year Summary

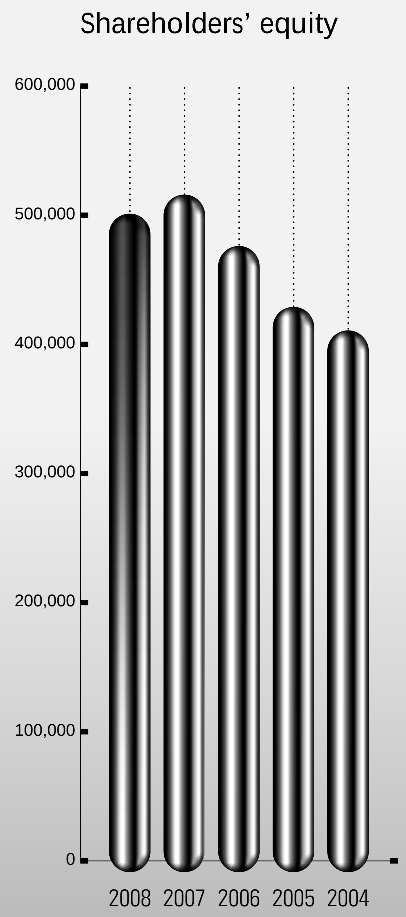
YKK Corporation and Consolidated Subsidiaries

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

Years ended March 31	**2008**	2007	2006	2005	2004	**2008**
For the Fiscal Year:						
Net sales	¥672,644	¥658,228	¥619,612	¥581,973	¥557,852	$6,726,440
Income before income taxes, minority interests, equity in earnings and translation adjustments	6,561	38,146	28,235	28,655	25,475	65,610
Income taxes	12,474	13,345	9,402	8,872	(4,100)	124,740
Net income (loss)	(6,925)	24,072	18,030	18,526	28,984	(69,250)
Per Share Data:						
Net income	¥ (5,775)	¥ 20,074	¥ 14,959	¥ 15,435	¥ 24,571	$ (57.75)
Cash dividends	2,200	2,200	2,000	2,000	2,000	22.00
At Year End:						
Total assets	¥854,694	¥850,558	¥810,070	¥779,803	¥758,643	$8,546,940
Shareholders' equity	492,424	507,210	467,391	420,277	402,062	4,924,240

Notes: (1) U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥100=U.S.$1.
(2) The computation of the above amounts per share has been based on the average number of shares outstanding during each period.
(3) Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective period.





Consolidated Balance Sheets

YKK Corporation and Consolidated Subsidiaries

For the Years ended March 31, 2008 and 2007	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 3) 2008
ASSETS			
Current assets:			
Cash and cash equivalents (Note 15)	¥ 78,654	¥ 79,204	$ 786,540
Time deposits and short-term investments in securities (Note 5)	4,732	4,061	47,320
Notes and accounts receivable (Note 6) :			
Trade	152,710	172,730	1,527,100
Unconsolidated subsidiaries and affiliated companies	123	121	1,230
Allowance for doubtful accounts	(3,743)	(5,033)	(37,430)
	149,090	167,818	1,490,900
Inventories (Notes 4 and 6)	147,525	146,591	1,475,250
Deferred tax assets (Note 8)	10,655	9,153	106,550
Other current assets	12,581	15,761	125,810
Total current assets	403,240	422,591	4,032,400
Investments:			
Investments in unconsolidated subsidiaries and affiliated companies	761	1,279	7,610
Investments in other securities (Note 5)	19,667	31,374	196,670
Total investments	20,428	32,654	204.280
Property, plant and equipment (Notes 6 and 11) :			
Land	63,284	64,183	632,840
Buildings and structures	358,509	353,722	3,585,090
Machinery and equipment	563,265	548,305	5,632,650
Construction in progress	14,929	6,980	149,290
	999,989	973,191	9,999,890
Accumulated depreciation	(662,587)	(639,733)	(6,625,870)
Property, plant and equipment, net	337,401	333,457	3,374,010
Other assets:			
Deferred tax assets (Note 8)	40,445	39,434	404,450
Other	53,178	22,421	531,780
Total other assets	93,624	61,855	936,240
Total assets	¥854,694	¥850,558	$8,546,940

For the Years ended March 31, 2008 and 2007	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 3) 2008
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Note 6)	¥ 29,153	¥ 30,314	$ 291,530
Current portion of long-term debt (Note 6)	2,201	693	22,010
Notes and accounts payable: Trade	71,166	81,287	711,660
Construction	6,275	5,831	62,750
	77,441	87,118	774,410
Employees' savings deposits	33,503	33,933	335,030
Accrued income taxes (Note 8)	4,675	6,021	46,750
Deferred tax liabilities (Note 8)	127	142	1,270
Other current liabilities	48,974	49,576	489,740
Total current liabilities	196,077	207,801	1,960,770
Long-term liabilities:			
Long-term debt (Note 6)	40,331	32,271	403,310
Liability for employees' severance indemnities (Note 7)	89,779	92,617	897,790
Liability for officers' severance indemnities	1,249	1,221	12,490
Reserve for various competition-law-related expenses	24,912	–	249,120
Deferred tax liabilities (Note 8)	3,511	3,910	35,110
Other long-term liabilities	6,409	5,525	64,090
Total long-term liabilities	166,193	135,547	1,661,930
Contingent liabilities (Note 12)			
Net assets (Note 9) **:**			
Shareholders' equity			
Common stock: Authorized: 4,260,000 shares			
Issued: 1,199,240.05 shares	11,992	11,992	119,920
Capital surplus	34,938	34,938	349,380
Retained earnings	430,757	443,230	4,307,570
Treasury stock, at cost: 2008-111.69 shares			
2007-98.59 shares	(4)	(3)	(40)
Total shareholders' equity	477,683	490,157	4,776,830
Valuation and translation adjustments			
Unrealized holding gains on other securities, net	3,906	9,497	39,060
Unrealized gains on hedge transactions	(454)	21	(4,540)
Foreign currency translation adjustments	1,481	(2,535)	14,810
Total valuation and translation adjustments	4,933	6,983	49,330
Minority interests			
Minority interests in consolidated subsidiaries	9,807	10,069	98,070
Total net assets	492,424	507,210	4,924,240
Total liabilities and net assets	¥854,694	¥850,558	$8,546,940

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

YKK Corporation and Consolidated Subsidiaries

For the Years ended March 31, 2008 and 2007	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 3) 2008
Sales and other income:			
Net sales	¥672,644	¥658,228	$6,726,440
Exchange gain, net	–	138	–
Interest and other	9,765	8,505	97,650
	682,410	666,871	6,824,100
Costs and expenses:			
Cost of sales (Note 10)	455,573	440,036	4,555,730
Selling, general and administrative expenses (Note10)	177,428	172,578	1,774,280
Interest expense	2,422	2,141	24,220
Exchange loss, net	3,105	–	31,050
Loss on disposal of inventories	1,379	3,536	13,790
Loss on sales or disposal of property, plant and equipment	2,220	2,368	22,200
Loss on reserve for various competition-law-related expenses	24,567	–	245,670
Donation made to Yoshida Scholarship Foundation	2,700	–	27,000
Other	6,451	8,063	64,510
	675,848	628,725	6,758,480
Income before income taxes and minority interests	6,561	38,146	65,610
Income taxes (Note 8) **:**			
Current	11,616	12,359	116,160
Deferred	858	985	8,580
	12,474	13,345	124,740
Income (loss) before minority interests	(5,912)	24,801	(59,120)
Minority interests in net income of consolidated subsidiaries	(1,012)	(728)	(10,120)
Net income (loss)	¥ (6,925)	¥ 24,072	$ (69,250)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

YKK Corporation and Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
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
Purchases 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
Changes:					
Dividends			(2,638)		(2,638)
Bonuses paid to officers					
net loss			(6,925)		(6,925)
Purchase of treasury stock				(0)	(0)
Other			(2,910)		(2,910)
Items other than shareholders' equity, net					
Total changes	–	–	(12,473)	(0)	(12,473)
Balance as of March 31, 2008	¥11,992	¥34,938	¥430,757	¥(4)	¥477,683

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of March 31, 2007	$119,920	$349,380	$4,432,300	$(30)	$4,901,570
Changes:					
Dividends			(26,380)		(26,380)
Bonuses paid to officers					(69,250)
Net loss			(69,250)		(69,250)
Purchases of treasury stock				(0)	(0)
Other			(29,100)		(29,100)
Items other than shareholders' equity, net					
Total changes	–	–	(124,730)	(0)	(124,730)
Balance as of March 31, 2008	$119,920	$349,380	$4,307,570	$(40)	$4,776,830

See accompanying notes to consolidated financial statements.

						Millions of yen
	Valuation and transaction adjustments					
	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	¥13,038	¥ –	¥(14,296)	¥(1,258)	¥ 9,732	¥477,123
Changes in:						
Dividends						(2,398)
Bonuses paid to officers						(105)
Net income						24,072
Purchases 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
Changes in:						
Dividends						(2,638)
Bonuses paid to officers						(0)
Net loss						(6,925)
Purchase of treasury stock						(0)
Other						(2,910)
Items other than shareholders' equity, net	(5,590)	(475)	4,017	(2,049)	(262)	(2,311)
Total changes	(5,590)	(475)	4,017	(2,049)	(262)	(14,785)
Balance as of March 31, 2008	¥ 3,906	¥(454)	¥ 1,481	¥ 4,933	¥ 9,807	¥492,424

						Thousands of U.S. dollars
	Valuation and transaction adjustments					
	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, 2007	$94,970	$ 210	$(25,350)	$69,830	$100,690	$5,072,100
Changes :						
Dividends						(26,380)
Bonuses paid to officers						(0)
Net loss						(69,250)
Purchases of treasury stock						(0)
Other						(29,100)
Items other than shareholders' equity, net	(55,900)	(4,750)	40,170	(20,490)	(2,260)	(23,110)
Total changes	(55,900)	(4,750)	40,170	(20,490)	(2,620)	(147,850)
Balance as of March 31, 2008	$39,060	$4,540	$ 14,810	$49,330	$ 98,070	$4,924,240

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YKK Corporation and Consolidated Subsidiaries

For the Years ended March 31, 2008 and 2007	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 3) 2008
Cash flows from operating activities			
Income before income taxes and minority interests	¥6,561	¥38,146	$ 65,610
Depreciation and amortization	47,575	42,521	475,750
Amortization of goodwill	563	520	5,630
Increase (decrease) in allowance for doubtful accounts	(1,626)	596	(16,260)
Decrease in liability for employees' severance indemnities	(2,765)	(4,689)	(27,650)
Interest and dividend income	(2,928)	(2,099)	(29,280)
Interest expense	2,422	2,141	24,220
Loss on sales or disposal of property, plant and equipment	2,220	2,368	22,200
Gain on sales of property, plant and equipment	(2,200)	(644)	(22,000)
(Increase) decrease in notes and accounts receivable	19,792	(20,496)	197,920
Increase in inventories	(637)	(8,187)	(6,370)
Increase (decrease) in accounts payable	(9,983)	10,524	(99,830)
Reserve for various competition-law-related expenses	24,567	–	245,670
Donation	2,700	–	27,000
Other, net	(3,683)	4,385	(36,840)
Subtotal	82,578	65,088	825,780
Interest and dividends received	2,947	2,101	29,470
Interest paid	(2,455)	(2,116)	(24,550)
Income taxes paid	(10,183)	(18,689)	(101,830)
Competition-law-related-payment	(24,402)	–	(244,020)
Net cash provided by operating activities	48,484	46,383	484,840
Cash flows from investing activities			
Decrease in short-term loans receivable, net	114	181	1,140
Purchases of time deposits and short-term investments in securities	(2,096)	(3,141)	(20,960)
Proceeds from maturity of time deposits and short-term investments in securities	1,511	1,022	15,110
Acquisition of property, plant and equipment	(52,940)	(50,384)	(529,400)
Proceeds from sales of property, plant and equipment	5,165	2,531	51,650
Acquisition of intangible assets	(5,484)	(3,299)	(54,840)
Purchases of investments in securities	(260)	(196)	(2,600)
Purchases of additional investments in consolidated subsidiaries	(606)	(50)	(6,060)
Proceeds from sales of shares of subsidiaries resulting in changes in the scope of consolidation	–	641	–
Other, net	1,251	5,243	12,510
Net cash used in investing activities	(53,347)	(47,449)	(533,470)
Cash flows from financing activities			
Decrease in short-term borrowings, net	(952)	(494)	(9,520)
Repayments of lease obligation	(97)	(69)	(970)
Proceeds from issuance of bonds	10,051	10,045	100,510
Redemption of bonds	(276)	(10,391)	(2,760)
Purchases of treasury stock	(0)	(0)	(0)
Cash dividends paid	(2,630)	(2,394)	(26,300)
Other	(521)	(528)	(5,210)
Net cash provided by (used in) financing activities	5,571	(3,832)	55,710
Effect of exchange rate changes on cash and cash equivalents	(740)	1,930	(7,400)
Decrease in cash and cash equivalents	(31)	(2,968)	(310)
Cash and cash equivalents at beginning of year	77,254	80,223	772,540
Decrease in cash and cash equivalent due to decrease in subsidiaries	(56)	–	(560)
Cash and cash equivalents at end of year (Note 15)	¥77,166	¥77,254	$771,660

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

YKK Corporation and Consolidated Subsidiaries

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of financial statements

YKK Corporation (the "Company") and consolidated subsidiaries in Japan maintain their records and prepare their financial statements in accordance with the provisions set forth in the 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 conformity with those of their respective countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan, and incorporate certain reclassifications to make them more meaningful to readers outside Japan.

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

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

Basis of consolidation and investments in affiliated companies

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

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

The differences arising from the cost of the companies' investments in subsidiaries and affiliates over the equity in their net assets at the 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 current rates of exchange and the resulting translation gain or loss is included in the accompanying consolidated statements of income.

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

Securities

Securities, except for investments in unconsolidated subsidiaries and affiliates, are classified as held-to-maturity securities or other securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain 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. Deprecia tion at the Company and at its domestic consolidated sub sidiaries 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 build ings 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. Mainte nance and minor repairs are charged to income as incur red; major renewals and improvements are capitalized.

Due to the revision of Corporation Tax Law and the rela ted regulation, the Company and its consolidated domestic subsidiaries have adopted, effective in the current fiscal year, the depreciation method where the residual value of the property, plant and equipment, acquired on or before March 31, 2007 and fully depreciated to the depreciable limit (currently 95% of their acquisition costs) is depreci ated by the straight line method over a period of five years. As a result of the change of method, income before income taxes and minority interests decreased by ¥675 million ($6,750 thousand) from the amount which would have been recorded under the previous method. The effect on segment information is described in Note 16.

Liability for severance indemnities

Accrued employees' severance indemnities of the Compa ny and its domestic consolidated subsidiaries as of the bal ance 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 bal ance sheet dates as adjusted for unrecognized prior service cost and unrecognized actuarial gain or loss. The sever ance 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 eli gible 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 prescri bed 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 con solidated 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 con solidated 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, currency swaps 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 criter ia for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is inclu ded directly in net assets. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange con tract 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

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 move ment of international accounting standards, in order to translate income and expense accounts based on methods which are generally accepted in terms of international har monization 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 account ing was to decrease net sales by ¥10,037 million and income before income taxes and minority interests by ¥1,753 million from the corresponding amounts which would have been recorded under the previous method. The effect on segment information is described in Note 16.

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 unrecog nized holding gain, net of the applicable income taxes, had been included directly in net assets. However, effec tive 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 Com pany 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 amoun ted to ¥497,119 million 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 Com pany 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 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 Com pany 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 Com binations and Accounting Standard for Business Divesti tures” (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.

Accounting Method of Depreciation for Property, Plant and Equipment

The Company and its consolidated domestic subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 due to the revision of Corporation Tax Law and the related regu lation. As a result of the change of method, income before income taxes and minority interests decreased by ¥1,071 million ($10,710 thousand) from the amount which would have been recorded under the previous method. The effect on segment information is described in Note 16.

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 ¥100.00 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2008. 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, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
March 31	**2008**	2007	**2008**
Finished products	¥ 31,968	¥ 33,667	$ 319,680
Work in process	68,572	70,709	685,720
Raw materials and supplies	48,521	43,902	485,210
Inventory valuation reserves	(1,536)	(1,687)	(15,360)
	¥147,525	¥146,591	$1,475,250

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, **2008**	Carrying value	Fair value	Unrecognized gain	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:						
Interest-bearing bank bond	¥ 79	¥ 82	¥3	$ 790	$ 820	$30
Subtotal	79	82	3	790	820	30
Securities whose fair value does not exceed their carrying value:						
Government bonds	45	45	–	450	450	–
Other	45	45	–	450	450	–
Subtotal	90	90	–	900	900	–
Total	¥169	¥172	¥3	$1,690	$1,720	$30

	Millions of yen		
March 31, **2007**	Carrying value	Fair value	Unrecognized gain
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ 56	¥ 57	¥0
Corporate bonds	22	23	0
Other	107	111	3
Subtotal	186	191	5
Securities whose fair value does not exceed their carrying value:			
Government bonds	44	44	–
Corporate bonds	0	0	–
Other	42	42	–
Subtotal	87	87	–
Total	¥274	¥279	¥5

Marketable securities – other

March 31, **2008**	Millions of yen Acquisition cost	Carrying value	Unrecognized gain (loss)	Thousands of U.S. dollars Acquisition cost	Carrying value	Unrecognized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥5,429	¥12,075	¥6,646	$54,290	$120,750	$66,460
Others	167	190	23	1,670	1,900	230
Subtotal	5,596	12,265	6,669	55,960	122,650	66,690
Securities whose carrying value does not exceed their acquisition cost:						
Stocks	74	52	(22)	740	520	(220)
Other	882	879	(2)	8,820	8,790	(20)
Subtotal	957	932	(25)	9,570	9,320	(250)
Total	¥6,553	¥13,198	¥6,644	$65,530	$131,980	$66,440

March 31, **2007**	Millions of yen Acquisition cost	Carrying value	Unrecognized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥5,940	¥21,447	¥15,956
Other	166	177	10
Subtotal	5,657	21,624	15,967
Securities whose carrying value does not exceed their acquisition cost:			
Stocks	7	6	(1)
Debt securities:			
Government bonds	56	53	(2)
Other	1,154	1,151	(2)
Subtotal	1,218	1,211	(6)
Total	¥6,875	¥22,836	¥15,960

Significant sales of securities classified as other securities

Year ended March 31, 2007	Millions of yen
Proceeds from Sales	¥ 5,425
Total gain on sale	1,435
Total loss on sale	8

Gain or loss on sales of securities classified as other securities for the year ended March 31, 2008 was immaterial.

Non-marketable securities classified as other securities at March 31, 2008 and 2007 were as follows:

Non-marketable securities – other	Carrying value		
	Millions of yen		Thousands of U.S. dollars
March 31	**2008**	2007	**2008**
Unlisted stocks	¥6,478	¥8,991	$64,780

The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at March 31, 2008 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	¥ 0	¥ 41	¥3	$ 0	$ 410	$ 30
Corporate bonds	1	–	–	10	–	–
Other	23	100	–	230	1,000	–
Total	¥24	¥142	¥3	$240	$1,420	$ 30

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2008 and 2007 consisted principally of unsecured loans maturing within 365 days, at interest rates ranging from 0. 85% to 14.50% per annum (from 0.43% to 12.50% in 2007).

Long-term debt at March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2008**	2007	**2008**
0.39% unsecured notes due 2009	¥10,000	¥10,000	$100,000
1.02% unsecured notes due 2010	10,000	10,000	100,000
1.69% unsecured notes due 2012	10,000	10,000	100,000
1.83% unsecured notes due 2017	9,993	–	99,930
0.00% to 13.25% loans, principally from banks and insurance companies, due from 2008 to 2017:			
Secured	84	66	840
Unsecured	2,454	2,898	24,540
	42,532	32,964	425,320
Less: Current portion	2,201	693	22,010
	¥40,331	¥32,271	$403,310

Assets pledged as collateral for short-term and long-term loans totaled ¥329 million ($3,290 thousand) and ¥356 million at March 31, 2008 and 2007, respectively, and are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2008**	2007	**2008**
Notes and accounts receivable	¥1,555	¥1,828	$15,550
Inventories	49	84	490
Property, plant and equipment	139	79	1,390
	¥1,744	¥1,993	$17,440

The aggregate annual maturities of long-term debt outstanding at March 31, 2008 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 2,201	$ 22,010
2010	10,040	100,400
2011	10,035	100,350
2012	6	60
2013	10,006	100,060
2014 and thereafter	10,242	102,420
	¥42,532	$425,320

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 pay ments, the amounts of which are determined by reference to their basic salary, length of service, and the conditions under which termination occurs. Certain overseas con solidated 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, 2008 and 2007 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
March 31	**2008**	2007	**2008**
Projected benefit obligation	¥(197,003)	¥(197,088)	$(1,970,030)
Plan assets at fair value	89,505	82,621	895,050
Funded status	(107,498)	(114,467)	(1,074,980)
Unrecognized actuarial gain or loss	22,350	21,323	223,500
Unrecognized prior service cost	504	570	5,040
Net retirement benefit obligation	(84,633)	(92,573)	(846,330)
Prepaid pension cost	5,136	44	51,360
Accrued retirement benefits	¥ (89,779)	¥ (92,617)	$ (897,790)

The components of severance benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2008**	2007	**2008**
Service cost	¥ 9,426	¥ 8,096	$ 94,260
Interest cost	5,672	5,417	56,720
Expected return on plan assets	(2,607)	(2,166)	(26,070)
Amortization of unrecognized actuarial gain or loss	1,835	1,626	18,350
Amortization of prior service cost	66	74	660
Other(*)	–	1,736	–
Net periodic pension cost	¥14,392	¥14,785	$143,920

(*) For the year ended March 31, 2007, YKK Taiwan Co., Ltd. recognized ¥1,736 million 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, 2008 and 2007 were as follows:

Year ended March 31	**2008**	2007
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	3.0-8.0% per annum

8. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporation tax, inhabitants' taxes and enter prise tax which, in the aggregate, resulted in a statutory tax rate of approximately 40% for the years ended March 31, 2008 and 2007. Income taxes of the overseas consolida ted subsidiaries are based generally on the tax rates appli cable in their respective countries of incorporation.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007 differed from the statutory tax rate for the following reasons:

Year ended March 31	**2008**	2007
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	(83.4)	(14.6)
Expenses not deductible for income tax purposes	(8.4)	(7.6)
Dividend income not deductible for income tax purposes	222.6	9.3
Other, net	19.3	7.9
Effective tax rates	190.1%	35.0%

The significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2008**	2007	**2008**
Deferred tax assets:			
Accrued severance benefits	¥32,461	¥35,611	$324,610
Accrued bonuses	4,937	5,445	49,370
Unrealized profit	8,973	8,204	89,730
Net operating loss carryforwards	5,169	4,689	51,690
Other	10,653	9,595	106,530
Gross deferred tax assets	62,177	63,546	621,770
Less: Valuation allowance	(5,386)	(4,277)	(53,860)
Total deferred tax assets	56,790	59,268	567,900
Deferred tax liabilities:			
Depreciation	2,571	3,281	25,710
Unrealized holding gains on other securities, net	2,639	6,423	26,390
Other	4,118	5,027	41,180
Total deferred tax liabilities	9,329	14,732	93,290
Net deferred tax assets	¥47,461	¥44,536	$474,610

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 capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

The retained earnings account in the accompanying consolidated financial statements at March 31, 2008 included the legal reserve of ¥2,666 million ($26,660 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, 2008 and 2007 totaled ¥22,449 million ($224,490 thousand) and ¥20,922 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, 2008 and 2007, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

Millions of yen

	2008			2007		
March 31	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 626	¥ 317	¥308	¥ 588	¥ 232	¥ 355
Machinery and equipment	1,309	755	554	2,686	1,923	762
Intangible assets	8	7	1	8	5	3
Total	¥1,944	¥1,080	¥864	¥3,284	¥2,162	¥1,121

Thousands of U.S. dollars

	2008		
March 31	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	$ 6,260	$ 3,170	$3,080
Machinery and equipment	13,090	7,550	5,530
Intangible assets	80	70	10
Total	$19,440	$10,800	$8,640

Lease payments relating to finance leases accounted for as operating leases amounted to ¥433 million ($4,330 thousand) and ¥640 million for the years ended March 31, 2008 and 2007, respectively. Depreciation of the leased assets is calculated by the straight-line method over the respective lease terms and amounted to ¥433 million ($54,330 thousand) and ¥640 million for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2008 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
2009	¥347	$3,470
2010 and thereafter	517	5,170
Total	¥864	$8,640

The minimum rental payments subsequent to March 31, 2008 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
2009	¥1,029	$10,290
2010 and thereafter	2,329	23,290
Total	¥3,358	$33,580

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, 2008:

	Millions of yen			Thousands of U.S. dollars		
			2008			**2008**
March 31	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery and equipment	¥283	¥156	¥126	$ 2,830	$1,560	$1,260
Intangible assets	165	61	104	1,650	610	1,040
Total	¥448	¥217	¥230	$4,480	$2,170	$2,300

Lease income relating to finance leases accounted for as operating leases amounted to ¥377 million ($3,770 thou sand) and ¥373 million for the years ended March 31, 2008 and 2007, respectively. Depreciation of the leased assets amounted to ¥63 million ($630 thousand) and ¥373 million for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease income (including the interest portion thereon) subsequent to March 31, 2008 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
2009	¥113	$1,130
2010 and thereafter	117	1,170
Total	¥230	$2,300

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2008 and 2007 for notes discounted and guarantees given in the ordinary course of business amounted to approximately ¥321 million ($3,210 thousand) and ¥330 million, respectively, including ¥321 million ($3,210 thousand) and ¥328 million, respectively, for loans guaranteed on behalf of certain suppliers.

An obligation for the repayment of a long-term loan amounting to ¥173 million ($1,730 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.

On September 19, 2007, the company and its European subsidiaries, YKK Holding Europe B.V., and YKK Stocko Fasteners GmbH received the Decision from the European Commission with an order for these three YKK companies concerned to pay the fines which total ¤150,250 thousand for alleged violations of European competition law with respect to hard haberdashery products (snap and buttons) and Zippers (slide fasteners). After the study of the Decision, the three YKK companies concerned decided not to accept it, and filed an appeal with the European Court of First Instance on December 7, 2007 in Europe time.

Although the judgment has not been rendered by the court, the three YKK companies recorded a reserve for the fines ordered in the Decision and any estimated litigation expenses.

13. AMOUNTS PER SHARE

Basic net income (loss) 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 (loss) per share has not been presented for the years ended March 31, 2008 and 2007 since neither the Company nor any of the consolidated subsidiaries had potentially dilutive shares of common stock in issue at March 31, 2008 and 2007.

	yen		U.S. dollars
Year ended March 31	**2008**	2007	**2008**
Net income (loss) per share	¥(5,775)	¥20,074	$(57.75)

The following table sets forth the computation of net income (loss) per share of common stock for the years ended March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31	**2008**	2007	**2008**
Numerator:			
Net income available for distribution to shareholders of common stock			
Net income (loss)	¥(6,925)	¥24,072	$(69,250)
	Thousands of shares		
Denominator:			
Weighted-average number of shares of common stock outstanding	1,199	1,199	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	**2008**	2007	**2008**
Net assets per share	¥402,473	¥414,580	$4,024,730

14. DERIVATIVES

Various derivatives including forward foreign exchange contracts, currency swaps and interest-rate swaps utilized by the Company and certain of its consolidated subsidiar ies entail a degree of market risk. However, the Company and these consolidated subsidiaries do not anticipate sig nificant risk resulting from their open derivatives positions which have all been designated 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, 2008 and 2007

Currency Related

	Millions of yen			Thousands of U.S. dollars		
March 31, **2008**	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell：U.S.$	¥4,143	¥4,111	¥31	$41,430	$41,110	$(310)
Buy: JPY	–	–	–	–	–	–
U.S.$	–	–	–	–	–	–
Currency swaps						
U.S.$ / received;						
JPY / paid,	697	(28)	(28)	6,970	(280)	(280)
Total	–	–	¥ 2	–	–	$ 20

	Millions of yen		
March 31, **2007**	Contract amount	Estimated fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell：U.S.$	¥3,682	¥3,688	¥ (5)
Buy: JPY	20	20	(0)
U.S.$	193	186	(7)
Total			¥(13)

Interest Rate related

	Millions of yen			Thousands of U.S. dollars		
March 31, **2008**	Contract amount	Estimated fair value	Unrealized gain (loss)	Contract amount	Estimated fair value	Unrealized gain (loss)
Interest rate swap contracts:						
Floating / received; fixed / paid,	¥146	¥(0)	¥(0)	$1,460	$(0)	$(0)
Total			¥(0)			$(0)

15. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents in the accompanying consoli dated statements of cash flows include bank overdrafts in accordance with "Accounting Standard for Consolidated Statements of Cash Flows."

The following table represents a reconciliation of cash and cash equivalents at March 31, 2008 and 2007:

March 31	Millions of yen 2008	2007	Thousands of U.S. dollars 2008
Cash and cash equivalents in consolidated balance sheets	¥78,654	¥79,204	$786,540
Bank overdrafts	(1,487)	(1,950)	(14,870)
Cash and cash equivalents in consolidated statements of cash flows	¥77,166	¥77,254	$771,660

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, 2008 and 2007:

Business segments

Millions of yen

Year ended or as of March 31, **2008**	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	¥279,249	¥384,811	¥ 1,689	¥ 6,893	¥672,644	¥ –	¥672,644
Intersegment sales and transfers	530	80	33,503	30,393	64,508	(64,508)	–
Total sales	279,780	384,891	35,193	37,287	737,152	(64,508)	672,644
Operating expenses	241,345	379,321	32,544	36,172	689,383	(56,381)	633,001
Operating income	¥ 38,435	¥ 5,570	¥ 2,649	¥ 1,114	¥ 47,769	¥ (8,126)	¥ 39,642
II. Total assets, depreciation and capital expenditures							
Total assets	¥370,537	¥325,138	¥24,762	¥213,116	¥933,554	¥(78,860)	¥854,694
Depreciation	27,209	17,737	1,601	1,393	47,942	(365)	47,575
Capital expenditures	35,712	19,813	3,025	1,022	59,574	(460)	59,113

Thousands of U.S. dollars

Year ended or as of March 31, **2008**	Fasteners	Architectural products	Machinery	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income							
Sales to third parties	$2,792,490	$3,848,110	$ 16,890	$ 68,930	$6,726,440	$ –	$6,726,440
Intersegment sales and transfers	5,300	800	335,030	303,930	645,080	(645,080)	–
Total sales	2,797,800	3,848,910	351,930	372,870	7,371,520	(645,080)	6,726,440
Operating expenses	2,413,450	3,793,210	325,440	361,720	6,893,830	(563,810)	6,330,010
Operating income	$ 384,350	$ 55,700	$ 26,490	$ 11,140	$ 477,690	$ (81,260)	$ 396,420
II. Total assets, depreciation and capital expenditures							
Total assets	$3,705,370	$3,251,380	$247,620	$2,131,160	$9,335,540	$(788,600)	$8,546,940
Depreciation	272,090	177,370	16,010	13,930	479,420	(3,650)	475,750
Capital expenditures	357,120	198,130	30,250	10,220	595,740	(4,600)	(591,130)

As describe in Note 2, the Company and its consolidated domestic subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 due to the revision of Corporation Tax Law and the related regulation. The effect of this change in depreciation method was to increase operating expense of Fasteners, Architectural products, Machinery, Other and Elimination and corporate for the year ended March 31, 2008 by ¥206 million ($2,060 thousand), ¥725 million ($7,250thousand), ¥55 million ($550 thousand), ¥12 mil lion ($120 thousand) and ¥58 million ($580 thousand), respectively.

In addition, due to the revision of Corporation Tax Law and the related regulation, the Company and its consolida ted domestic subsidiaries have adopted, effective in the current fiscal year, the depreciation method where the residual value of the property, plant and equipment, acquired on or before March 31, 2007 and fully depreci ated to the depreciable limit (currently 95% of their acqui sition costs) is depreciated by the straight line method over a period of five years. The effect of the change in treatment of residual value was to increase operating expense of Fas teners, Architectural products, Machinery, Other and Elim ination and corporate for the year ended March 31, 2008 by ¥147 million ($1,470 thousand), ¥371 million ($3,710thousand), ¥35 million ($350 thousand), ¥40 mil lion ($400 thousand) and ¥44 million ($440 thousand), respectively.

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, impairment loss 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

The effect of change in method of accounting for transla tion of income and expense accounts of overseas subsi diaries on business segments was to decrease on the Fas teners net sales by ¥8,784 million and operating income by ¥1,154 million on the Architectural products net sales by ¥1,083 million and operating income by ¥17 million, on the Machinery net sales by ¥36 million and operating income by ¥5 million , on the Other net sales by ¥1,439 million and operating income by ¥97 million from the cor responding amounts which would have been recorded under the previous method.

Geographical areas

Year ended or as of March 31, **2008**	Japan	North/Central America	South America	Europe, Middle East, Africa	East Asia	South-Asia, Oceania	Total	Eliminations or corporate	Consolidated
									Millions of yen
Sales to third parties	¥391,938	¥61,802	¥11,286	¥56,946	¥109,096	¥41,574	¥672,644	¥ –	¥672,644
Intersegment sales and transfers	70,359	7,632	90	1,392	15,527	21,008	116,010	(116,010)	–
Total sales	462,297	69,434	11,376	58,339	124,624	62,582	788,655	(116,010)	672,644
Operating expenses	444,268	65,586	10,519	52,178	109,874	57,309	739,737	(106,735)	633,001
Operating income	¥ 18,029	¥ 3,847	¥ 857	¥ 6,160	¥ 14,749	¥ 5,273	¥ 48,918	¥ (9,275)	¥ 39,642
Total assets	¥409,164	¥50,586	¥17,987	¥69,313	¥176,239	¥76,603	¥799,895	¥ 54,799	¥854,694
									Thousands of U.S. dollars
Sales to third parties	$3,919,380	$618,020	$112,860	$569,460	$1,090,960	$415,740	$6,726,440	$ –	$6,726,440
Intersegment sales and transfers	703,590	76,320	900	13,920	155,270	210,080	1,160,100	(1,160,100)	–
Total sales	4,622,970	694,340	113,760	583,390	1,246,240	625,820	7,886,550	(1,160,100)	6,726,440
Operating expenses	4,442,680	655,860	105,190	521,780	1,098,740	573,090	7,397,370	(1,067,350)	6,330,010
Operating income	$ 180,290	$ 38,470	$ 8,570	$ 61,600	$147,490	52,730	$ 489,180	$ (92,750)	$ 396,420
Total assets	$4,091,640	$505,860	$179,870	$693,130	$1,762,390	$766,030	$7,998,950	$ 547,990	$8,546,940

As describe in Note 2, the Company and its consolidated domestic subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 due to the revision of Corporation Tax Law and the related regulation. The effect of this change in depreciation method was to increase operating expense of Japan and Elimination and corporate for the year ended March 31, 2008 by ¥1,000 million ($10,000 thousand) and ¥58 million ($580 thousand), respectively.

In addition, due to the revision of Corporation Tax Law and the related regulation, the Company and its consolida ted domestic subsidiaries have adopted, effective in the current fiscal year, the depreciation method where the residual value of the property, plant and equipment, acquired on or before March 31, 2007 and fully depreci ated to the depreciable limit (currently 95% of their acqui sition costs) is depreciated by the straight line method over a period of five years. The effect of the change in treat ment of residual value was to increase operating expense of Japan and Eliminate and corporate for the year ended March 31, 2008 by ¥595 million ($5,950 thousand) and ¥44 million ($440 thousand), respectively.

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
									Millions of yen
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

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 and operating income by ¥47 million, on the South America net sales by ¥361 million and operating income by ¥35 million, on the Europe, Middle East, Africa net sales by ¥3,075 million and operating income by ¥341 million ($ 2,890 thousand) , on the East Asia net sales by ¥3,977 million and operating income by ¥494 million, on the South-Asia ,Oceania net sales by ¥3,051 million and operating income by ¥360 million from the corresponding amounts which would have been recorded under the previous method.

Overseas sales

Millions of yen

Year ended March 31, **2008**	North/Central America	South America	Europe, Middle East, Africa	East Asia	South- Asia, Oceania	Total
I. Overseas sales	¥62,486	¥11,330	¥55,596	¥113,381	¥44,743	¥287,538
II. Consolidated sales						672,644
III. Overseas sales as a percentage of consolidated sales	9.3%	1.7%	8.3%	16.8%	6.6%	42.7%

Thousands of U.S. dollars

I. Overseas sales	$624,860	$113,300	$555,960	$1,133,810	$447,430	$2,875,380
II. Consolidated sales						6,726,440
III. Overseas sales as a percentage of consolidated sales	9.3%	1.7%	8.3%	16.8%	6.6%	42.7%

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%

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, on the South America overseas sales by ¥356 million, on the Europe, Middle East, Africa overseas sales by ¥2,902 million, on the East Asia overseas sales by ¥3,496 million, on the South-Asia ,Oceania overseas sales by ¥1,912 million from the corresponding amounts which would have been recorded under the previous method.

17. 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, 2008 was approved at the general meeting of the shareholders of the Company held on June 27, 2008:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥2,200 = $22.00) per share	¥2,638	$26,380

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, 2008 and 2007, and the related consolidated statements of operations, 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 perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of YKK Corporation. and consolidated subsidiaries at March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2, Effective the year ended March 31, 2007, YKK Corporation and consolidated subsidiaries changed a 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.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

June 27, 2008 Ernst & Young ShinNihon

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.

2008 Annual Report

YKK CORPORATION

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