2011 Annual Report

YKK GROUP

for the year ended March 31, 2011

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Message from the Chairman

Meeting the Challenge of Technological Development

Pressing on to Further Increase Our Corporate Value and Contributing to Social Development

The YKK Group established the management principle "YKK Seeks Corporate Value of Higher Significance" under the corporate philosophy "Cycle of Goodness." Accordingly, we have always made "fairness" a cornerstone of our business operations and management activities. All of our employees share this philosophy and principle as a spiritual pillar as they work to develop our core businesses–fastening products and architectural products–in about 70 countries/regions worldwide including Japan.

The YKK Group is pressing ahead with global management, with a focus on developing business by creating new values. Market requirements change every year, so the Fastening Products Group must meet individual, diversified needs, and the Architectural Products Group faces demands for more advanced technologies in fields such as windows and high-rise building façades. Our technological capabilities are the core of YKK Group business. We meet the challenge of creating products that lead to new value by transforming ourselves and constantly reinforcing our technological expertise.

We are also moving ahead with a comprehensive approach to reduce the impact of our products and business activities on the natural environment and all living things. Concern for the environment is at the foundation of YKK Group management. We pledge to continue our efforts to foster a sustainable society.

Tadahiro Yoshida
Chairman & CEO
YKK Corporation

Chairman & CEO
YKK AP Inc.

Message from the President

Message from YKK Corporation President Masayuki Sarumaru

I was appointed president of YKK Corporation at the last shareholders' meeting, and I am aiming for further growth of YKK Group using my past experience in the company and my own personal initiative.

Being "customer-focused" is the most important theme in YKK business activities. We must always be conscious of the functions and added values our customers demand, in addition to high quality, and strive to provide new value, affordable prices, timely delivery, and of course, complete, solid trust. And we believe technological capabilities are the key element in providing products that meet our customers' diverse needs. Within the YKK Group, we conduct research and development on new products, new manufacturing methods, new machinery/equipment, and new materials. In the future, we will further reinforce our technological development capabilities.

The world today faces one wave of change after another. It is essential for the YKK Group to focus on "execution" and "speed" backed by an effective strategy to respond to these intensifying market changes. Our driving force is the power of individual employees. All employees share the same core values: 1) Do not fear failure, experience builds success. Create opportunities for employees; 2) Insist on quality in everything; and 3) Build trust, transparency and respect. We approach our day-to-day tasks with a spirit that welcomes any challenge, draws on both "independence and coexistence," and presses ahead to continually increase the value of our business through our efforts to deliver new value to our customers.

Masayuki Sarumaru
President
YKK Corporation

Message from YKK AP President Hidemitsu Hori

II was appointed president of YKK AP at the last shareholders' meeting, and now I have the full responsibility of steering our operations at such a critical time as the company heads into the second half of its third medium-term management plan. I pledge to continue the policies set forth by Chairman Yoshida and to achieve the goals set out in the plan by the end of FY2012.

Saving energy has become a vital issue for society in terms of reducing CO2 emissions and conserving resources. Thus the role of windows, which has an immense impact on residential energy efficiency, becomes more important than ever. We will continue to set the pace in the window business.

In our overseas operations, our basic principle is to promote local production for local consumption. We will carefully build up every one of our overseas operations, recognizing the crucial need for businesses to take root in their host communities and to generate sustainable profits on their own.

As a manufacturer that insists on quality in everything, we will make continued efforts to create new value for all of you. I look forward to your support and cooperation.

Hidemitsu Hori
President
YKK AP Inc.

Our Business: Fastening Products

Competing with excellent products and innovative technology

The Fastening Products Group does exactly what the name implies. It produces and markets fasteners. This business is where YKK started, and we have produced and marketed fastening products for over 75 years. Now the world's fashion industry is seeing even greater diversification in consumer needs and shorter product cycles, which means we must work even harder to speed up product development and further rationalize production costs. All of us in marketing, sales, product development, and manufacturing are united in serving the world's most renowned brands and meeting various needs, addressing trends such as high-function products and fast fashion, and responding to demands in emerging nations including China. Today, with YKK brand fastening products used around the world, we will continue to develop new innovations to further increase the value of our brand and create new demand for our products.

Reinforcing Asian Supply Capacity Expanding Plant Facilities in Dacca and Building a 2nd Plant in Wuxi

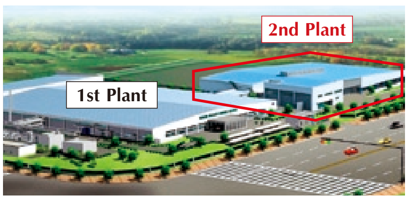
One of our key issues is a reinforcement of the supply capacity in Asia. We have a total investment of 26.1 billion yen for FY2011, and out of that we plan to spend 14.2 billion on Asia. Of the 14.2 billion yen, we will spend 8.8 billion on East Asia and 5.4 billion on ASAO*.

An essential element of this expansion effort is the construction of a second plant for YKK Snap Fasteners Wuxi Co., Ltd. The new plant will ensure sufficient capacity to meet Asian-based sewing customers' demands for safety-related products including small snaps for baby clothes for the U.S. market, which are regulated by the Toxic Substances Control Act.

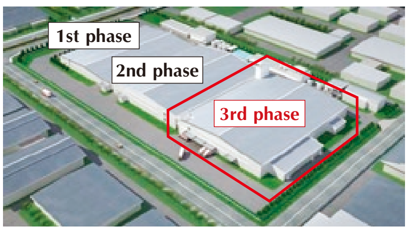
The investment plan also includes the third-phase expansion of the YKK Bangladesh Plant in Dacca. The expansion will enable the plant to improve throughput in Bangladesh to catch up with the shift from China to Southeast Asia in the processing and export of sewn products bound for North America and Europe.

* ASEAN, South Asia, and Oceania.

YKK Snap Fasteners Wuxi Co., Ltd.
(Plan to Operate during FY2011)



YKK Bangladesh Plant in Dacca
(Plan to Operate during FY2011)



ez-Trak® (Easy Track)

The ez-Trak® zipper has a feature that allows for alternative horizontal insertion as well as conventional vertical insertion. The extraordinary two-way insertion mechanism will create new possibilities in a range of applications. In addition to winning the 2009 Good Design Award for its visual appeal, it is a revolutionary zipper that provides excellence in both functionality and design.

YKK Fastening Creation for 2011

YKK Fastening Creation is a full-line exhibition featuring new products for the year. It is held by the YKK Fastening Products Group consisting of YKK Corporation, YKK Fastening Products Sales Inc., and YKK Snap Fasteners Inc. The 2010 YKK Fastening Creation was the 15th annual show, which took place over two months in October and November at four sites including Osaka, Tokyo, Okayama and Gifu, showcasing fastening products for conventional apparel use as well as a variety of innovative fastening solutions for other industrial sectors.

YKK Fastening Award

The YKK Fastening Award is a unique fashion contest for students with a focus on fastening products including zippers, hook & loop tapes, buckles and snap & button fasteners. The awards ceremony for the 2010 contest, which was the 10th annual event, was held on October 20th at the Laforet Museum Roppongi in Tokyo. Thirty prize winners selected from 5,637 entries were shown with the best of the best selected for the Grand Prix and other top honors.


Grand Prix winners in the apparel division (left) and the fashion goods division (right)

Our Business: Architectural Products

Introducing YKK AP Operations

YKK AP is the architectural products division of YKK Group. It strives to be a company that provides advanced comforts for living and urban spaces through a variety of architectural products. For example, its windows and doors create comfortable living spaces, while its building facades produce beautiful cityscapes. Today, the housing industry must develop energy-saving solutions to accomplish the social mission of minimizing greenhouse gas emissions and power consumption. Among all housing components, the window is the largest pathway for heat flow. Its heat insulating and shielding will play a key role in creating more energy-efficient houses.

Establishing a Foundation for the Window Business

In June of 2010, the first phase construction of YKK AP's Saitama Window Plant, began in Kuki City, Saitama Prefecture. The new plant will produce APW series windows, and it will allow for the windows to be delivered promptly to any geographical zone within the Kanto-Koshinetsu region, including the Tokyo metropolitan area.
Additionally, in November of 2010, YKK AP launched its APW310 window, a new high-quality window featuring a combined aluminum and plastic structure. This window, along with the APW330, which offers optimum energy saving performance, is part of YKK AP's APW300 product line — the foundation for future window construction designed to help improve window performance and improve living comfort in Japan.

Saitama Window Plant
Site Area: 86,716 square meters
Phase-one construction: Began in July of 2011 (with an investment of approximately 11 billion yen including the site acquisition cost)
Production item: Windows, multi-layer glazing etc.
Phase-two construction: Starting in October of 2012 (with an investment of approximately 4 billion yen)
Production item: Low-E Glass

APW300 Series

Reinforcing the Window Remodeling Business

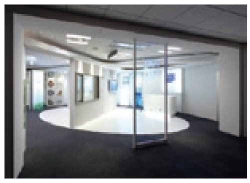
With the eco-point system as a driving factor, YKK AP is focusing on creating a new shop brand and new construction methods for developing its window remodeling business.
In April of 2010, the company launched its new 'MADO Shop,' offering customers a comfortable environment where they can select windows for their home remodeling projects. Since then, the MADO Shop network has expanded nationwide in cooperation with architectural product retailers, providing easily understandable choices through window diagnostic services. The MADO Shop now offers exclusively the Smart Cover Method, a newly developed construction method that allows for faster replacement of exterior windows. It is the industry's first technique for replacing windows from the inside without having to have wall repairs. The company will continue to expand the use of high-performance windows and thereby contribute to a stronger home resale market.

Smart Cover Method

MADO Shop

TOTO, DAIKEN and YKK AP's Collaboration Showroom Opened in Osaka

YKK AP's Collaboration showroom was set up in the central part of the Umeda Terminal in Osaka in July of 2010. It highlights the advantages and uniqueness of Toto, Daiken, and YKK AP, and it provides the latest information on space design and remodeling.



Non-welded Method Developed for Reinforced Concrete Buildings

The company has developed a new method for attaching sashes to reinforced concrete buildings without using the conventional arc welding process. This industry-first technique, which uses high-strength plastic adhesives instead of welding, is safe and simplifies process control. (Patent pending)

Arc welding

Non-welded method

YKK AP Was Honored with the METI Minister Award for Best Contributor to Product Safety

YKK AP's corporate initiatives for assuring product safety include product development based on a good understanding of users' lifestyles, risk examinations through product tests in real-life conditions, and raising awareness among contractors to prevent accidents. These initiatives earned the company the METI Minister Award for Best Contributor to Product Safety, sponsored by Japan's Ministry of Economy, Trade and Industry.

Product Safety
2010
製品安全対策優良企業

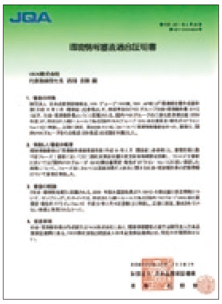
CSR Activities

Environmental Activities

We established the YKK Group Environmental Charter in September, 1994. Group companies are united in our attempt to effectively address environmental issues. The goal of the Charter is to ensure health and prosperity for mankind while achieving harmony with the environment. We advocate protecting and improving the environment in every phase of our operations.

Third-Party Audit of the Volume of CO_2 Emissions

With the aim of measuring our CO_2 emissions more accurately, we asked JQA* to conduct third-party audits at 300 of our sites in FY2009 and 293 of our sites in FY2010.
Then we calculated the volume of our CO_2 emissions based on standardized rules for all sites in Japan and produced a written report.
We received a certificate of assurance for environmental information from JQA which screened the report and the sites.



This third-party audit provided us with not only the screening of the total volume of our CO_2 emissions but also with the volume of the emission source and the type of fuel and businesses so we can use these results for the establishment of future CO_2 emission reduction plans.

* JQA: The Japan Quality Assurance Organization

YKK AP's Kyushu Plant Receives a METI Minister Award for Factories Making Outstanding Contributions to the Environment

In September of 2010, YKK AP's Kyushu Plant received a METI Minister Award for factories that make outstanding contributions to the environment.
This award was granted to the Kyushu Plant for its efforts in proactively greening its site, while significantly contributing to the development of the environment both inside and outside the plant.
With the concept of "a plant in a park," the Kyushu Plant conducted various environmental activities, including greening activities on the premises of the plant, as well as offering environmental education in local communities.
Such efforts were evaluated and resulted in this award.

Working with the community

Aside from our business activities, and based on our philosophy called the Cycle of Goodness, YKK has been assisting our many local communities in the areas of education and community activities. One example is our international exchange program. To be a good corporate citizen and to be continuously admired by our communities and society, YKK will diligently support activities that contribute to cultural growth.

YKK Group Support for the Great East Japan Earthquake

We would like to express our deepest sympathy and condolences to the victims of the recent earthquake. YKK Group has donated 100 million yen through the Japanese Red Cross Society for the relief and recovery of the disaster-stricken areas and is providing air tents and other emergency items to support on-site medical activities. We will remain in contact with the headquarters of each affected region and continue to provide assistance by supplying relief materials where needed and assisting evacuation centers running short of daily essentials such as water, food, and toiletries.
We sincerely hope for the earliest possible recovery of the affected areas.

Primary Relief Items:
Emergency Unit
(emergency air tent made by YKK AP, Inc.)
Delivered to: Minami-sanriku-cho town office, Motoyoshi-gun, Miyagi Prefecture
Used as: infirmary tent

Emergency unit installed
(Footprint: approximately 90 square meters)

QS72
(Temporary shelter unit made by Daiichikensetsu)
Delivered to: Ishinomaki JRC Hospital
Used as: temporary infirmary

QS72 installed
(Footprint: 2.8 square meters

Emergency Unit

This is an emergency air tent unit developed by YKK AP, combining technologies fostered by both the fastening and architectural product operations of the YKK Group. It assists victims and rescuers during natural disasters such as earthquakes, as well as during armed conflicts. It is air- and water-tight thanks to a double structure that reinforces the long-time proven waterproof zipper with an internal waterproof barrier at each seam.

Handling of Chemical Substances

New Lead Standards of CPSIA Met: Declaration of Safety

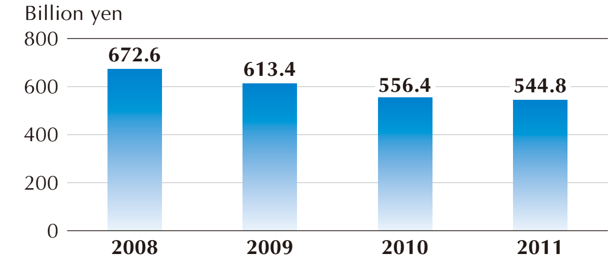
The American Consumer Product Safety Improvement Act of 2008 (CPSIA) was enacted in August of 2008 following the lead-poisoning death of a 4-year-old boy. It is a legally binding federal regulation restricting the content of lead and other hazardous substances in products designed for children 12 years old and younger.
The CPSIA sets forth restrictions on several substances. Lead is currently limited to 100 ppm for substrates and 90 ppm for surface coatings (such as paint). YKK currently has a presence in 71 countries and regions around the world. Beginning with orders received in January of 2010, all fastening products manufactured by the Group had a lead content of 90ppm or less except for a limited number of special purpose items. In addition to our integrated control of materials, the YKK Group has installed new inspection machines and established an internal inspection system to strengthen services we provide to customers supplying products to the US market.

In September of 2011, the Analysis Office in the Analysis Technology Center, Machinery and Engineering Group was accredited by the US Consumer Product Safety Commission (CPSC) as a firewalled laboratory that can conduct lead content assessments.
A firewalled laboratory is a CPSC accredited third-party assessment body that is owned, managed or controlled by a product manufacturer.
Prior to the CPSC accreditation, in March of 2011, the Analysis Office was accredited by the Japan Accreditation Board (JAB) as a third-party testing laboratory for lead content analysis in accordance with ISO/IEC17025 International Standards. (Accreditation No.: RTL03300)

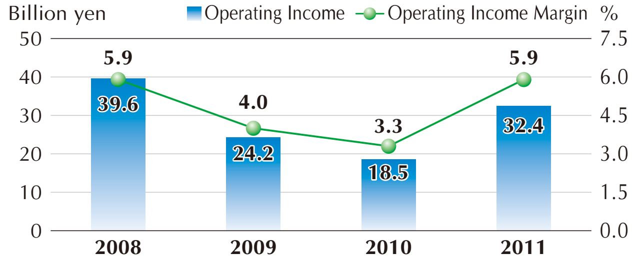
Financial Highlights

for years ended March 31

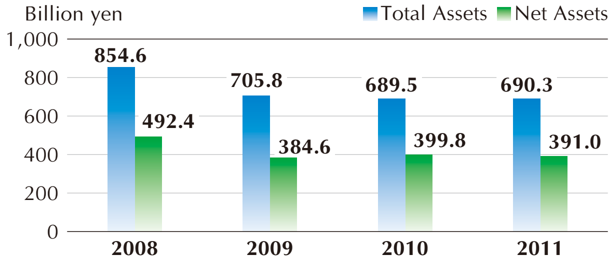
Net Sales



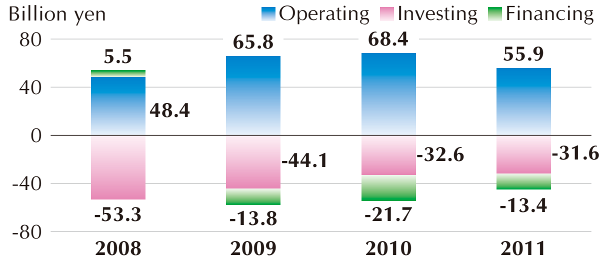
Operating Income/Operating Income Margin



Total Assets/Net Assets

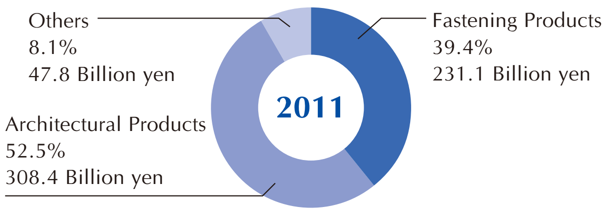


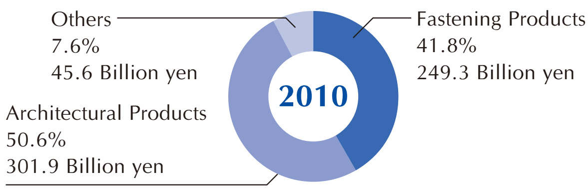
Cash Flows



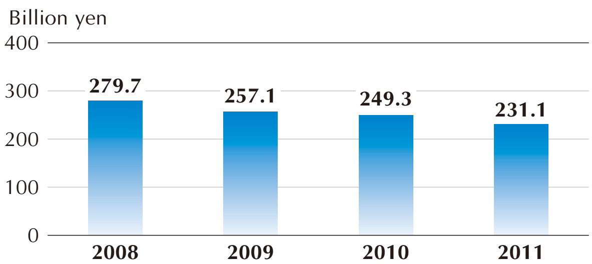
Segment Information

Sales Breakdown

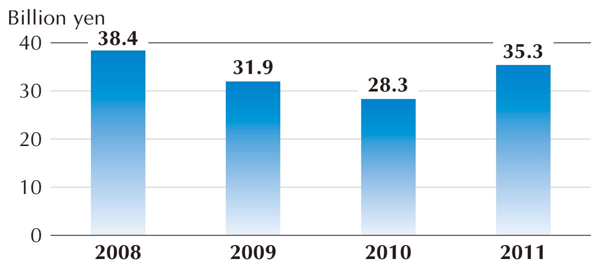




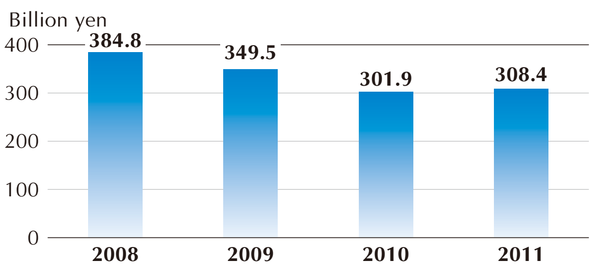
Sales of Fastening Products



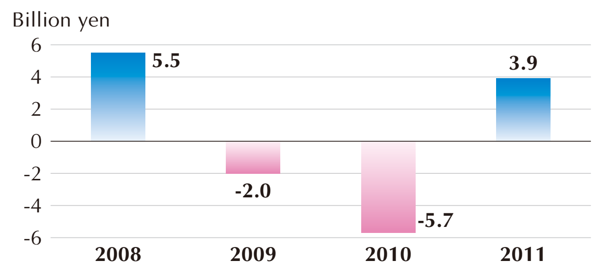
Operating Income of Fastening Products



Sales of Architectural Products



Operating Income of Architectural Products



Key Financial Data and Trends

(1) Consolidated financial data

Fiscal year		2007	2008	2009	2010	2011
Year ended		March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011
Net sales	Millions of yen	658,228	672,644	613,446	556,439	544,896
Ordinary income	Millions of yen	40,547	34,251	15,862	16,572	30,976
Net income (loss)	Millions of yen	24,072	(6,925)	(42,785)	3,828	10,136
Comprehensive income	Millions of yen	–	–	–	–	(6,090)
Net assets	Millions of yen	507,210	492,424	384,695	399,866	391,095
Total assets	Millions of yen	850,558	854,694	705,886	689,593	690,322
Net assets per share	Yen	414,580	402,473	314,223	326,352	318,900
Basic net income (loss) per share	Yen	20,074	(5,775)	(35,681)	3,192	8,453
Diluted net income per share	Yen	–	–	–	–	–
Equity ratio	%	58.4	56.5	53.4	56.7	55.4
Return on equity	%	5.0	(1.4)	(10.0)	1.0	2.6
Price earnings ratio	Times	–	–	–	–	–
Cash flows from operating activities	Millions of yen	46,383	48,484	65,867	68,431	55,955
Cash flows from investing activities	Millions of yen	(47,449)	(53,347)	(44,114)	(32,636)	(31,635)
Cash flows from financing activities	Millions of yen	(3,832)	5,571	(13,809)	(21,795)	(13,465)
Cash and cash equivalents at end of year	Millions of yen	77,254	77,166	74,571	90,429	98,201
Employees The numbers in square brackets represent the average number of part-time employees not included in the numbers of regular employees.	Number	39,496 [–]	38,399 [7,806]	38,530 [7,531]	37,597 [5,595]	38,080 [7,031]

Notes:

1. Net sales are presented exclusive of consumption tax.
2. Diluted net income per share for the years ended March 31, 2008 and 2009 is not presented because net loss per share was recorded, and the Company had no dilutive securities. Diluted net income per share for the years ended March 31, 2007, 2010 and 2011 is not presented because the Company had no dilutive securities.
3. Price earnings ratio is not presented because stock is not listed.
4. The annual average number of part-time employees (part-timers and contract employees, etc.) is presented in square brackets because the number of part-time employees exceeded 10% of the total number of employees along with a revision of employee classification from the year ended March 31, 2008.
5. For the year ended March 31, 2010, 43 foreign consolidated subsidiaries were consolidated by using their financial statements as of the parent fiscal year end (a 15-month period), prepared solely for consolidation purposes. The fiscal year end of a total of 47 foreign consolidated subsidiaries was changed from December 31 to March 31. Therefore, their fiscal year included 15 months of operating results.

*This document includes excerpts translated from the Yukashoken-Houkokusho filed with the Ministry of Finance Japan, on which Ernst & Young ShinNihon LLC expressed an unqualified audit opinion.

Overview of Business Results

(1) Operating results

(Economic environment)
The world economy entered a moderate recovery trend over the current fiscal year with a recovery in demand in China and emerging countries in Asia, although uncertainty remained in Western countries. The Japanese economy showed signs of recovery influenced by the improvement of the world economy and various policy effects. However, due to the Great East Japan Earthquake, the on-going sharp appreciation of the yen and sluggish individual spending, domestic business prospects remained unclear.

(Consolidated performance in the current fiscal year)
Amidst these conditions, the Group worked on decreasing the break-even point by conducting cost reductions to improve the profitability structures in both of the fastening products business and the architectural products business.

As a result, in terms of consolidated performance in the current fiscal year, though net sales decreased to 544,896 million yen, a decline of 2.1% compared to the prior fiscal year related to the change in the year end of consolidated subsidiaries (the prior fiscal year included domestic operating results for a 12-month period and overseas operating results for a 15-month period), operating income increased by 74.9% to 32,407 million yen, and ordinary income increased by 86.9% to 30,976 million yen from the prior fiscal year as a result of measures to improve profitability structures. As we will explain later, 2,022 million yen was allocated as an extraordinary loss related to the Great East Japan Earthquake, and 3,900 million yen was allocated as an extraordinary loss for an issue regarding nonconformity with fire protection equipment specifications certified by the Minister of Land, Infrastructure, Transport and Tourism. However, due to a significant increase in our operating income and ordinary income, our net income for fiscal year 2010 totaled 10,136 million yen, which was an increase of 6,308 million yen from the prior fiscal year.

(Great East Japan Earthquake)
The Great East Japan Earthquake occurred in March 2011, causing the suspension of operations at the Tohoku manufacturing center and the Miyagi manufacturing factory (production bases of YKK AP Inc., a core company for the architectural products business). It also damaged buildings including sales bases in the Tohoku area. Though the Company continues to work on full restoration, an extraordinary loss was recorded, which included a recognized loss for expenses already incurred and estimated future expenses.

The Company continues to provide physical support and relief supplies for the assistance and recovery of the victims and the affected areas. In addition, it also conducts further electricity saving in response to the electricity shortage issue.

(A response to a non-conformity issue with specifications certified by the Minister of Land, Infrastructure, Transport and Tourism related to fire protection equipment <alminium, vinyl and composite residential sliding fire windows>)
YKK AP's "Episode" alminium, vinyl and composite residential sliding fire windows were assessed by the Curtainwall Fire Window Association under the jurisdiction of the Ministry of Land, Infrastructure, Transport and Tourism, and certified as conforming to fire protection equipment (EB-9112) standards enforced by the ministry under the Building Standards Act. Since the assessment, the company has been manufacturing and selling the products. However, on March 9, 2011, the ministry officially announced that windows from 3 sash window manufacturers including YKK AP were different from the specifications certified by the minister as a result of a performance test conducted by the Curtainwall Fire Window Association under the ministry's direction. The ministry ordered the association and 5 sash window manufacturers (including 2 announced earlier) to recall their products.

YKK AP now has a consumer protection recall policy, and has allocated the cost of the recall in its financial statement. Meanwhile, the Curtainwall Fire Window Association acknowledged flaws in its assessment process.

Net sales and operating income by segment in the current fiscal year were as follows:

1) Fastening Products Group

The performance of the fastening products group was strong during the entire fiscal year as individual consumption in Western countries, which had been slowly recovering since the last half of the fiscal year 2009, and inventory adjustments for apparel items, contributed to a positive performance in the current fiscal year.
In the regions of Central and North America, the automobile market saw a recovery in demand, which contributed to an overall good business performance, including that for jeans and jackets as main products. In South America, demand for jeans, shoes and women's and children's clothing came back, and in Europe, the Middle East and Africa (EMEA), demand for apparel and sales of luxury brand products recovered. Especially in Asia (except Japan), the volume of exports of processed products to Western countries increased as apparel brands tried to secure the supply capabilities of sewing manufactures in advance due to the recovery of individual consumption in Western countries. In addition, sales increased steadily along with the growth of domestic demand in emerging countries such as China, India and Indonesia. However, related to the change in the

consolidated fiscal period for the prior year (the prior fiscal year included domestic operating results for a 12-month period and overseas operating results for 15-month period due to a change in fiscal year end), net sales including intersegment sales decreased by 7.3% from the prior fiscal year to 231,158 million yen. For comparative purposes, based on a 12-month period for the prior fiscal year, there would have been a 12% increase year on year.

On the other hand, operating income increased by 7,088 million yen from the prior fiscal year to 35,396 million yen though there was a sharp increase of material prices in the last half of the current fiscal year. This positive result was because of continuous efforts on lowering the break-even point mainly through fixed cost reductions after the recession caused by the Lehman Shock in September 2008.

2) Architectural Products Group

In the current fiscal year, the environment surrounding the architectural products group moved on a recovery trend as the number of new housing starts in Japan, which dramatically decreased after the Lehman Shock in September 2008, increased to 819,000 (6% increase from the prior fiscal year) during the period from April 1, 2010 to March 31, 2011. A breakdown of the type of housing for new construction is wooden housing in the amount of 450,000 (6% increase), prefabricated housing in the amount of 125,000 (1% increase) and non-wooden housing in the amount of 244,000 (6% increase).

Under this environment, the Company launched an initiative for a window replacement project corresponding with Housing Eco-points that was introduced by the Japanese government and expanded by way of specialized stores for window replacement, "MADO shops," which consistently support customers through analysis, proposal, construction and maintenance for windows in order to make easily understandable proposals related to improvements in housing windows to customers along with building product distributors. As environmental awareness increases, the Company also promotes sales of super heat insulation products that can contribute to CO_2 reductions. As a result, net sales (including intersegment sales) increased by 2.1% compared to the prior fiscal year to 308,406 million yen even with the impact of the Great East Japan Earthquake as mentioned above.

On the other hand, operating income increased by 9,714 million yen from the prior fiscal year to 3,991 million yen. This was mainly because of systems to maintain steady profitability that were established overseas, and all group entities achieved positive figures. In Japan, a recovery of fixed costs due to an increase in sales volumes and improvements in productivity contributed to an increase in profit. Profitability was also supported by the reduction in production costs and selling and administrative expenses through the reformation of manufacturing and supply bases to establish supply systems by areas, the restructuring sales processes to strengthen the operational functions by greater integration, and the restructuring of logistics to re-establish shipping systems as stated in the mid-term business strategy the "Second Business Structural Reform in Japan" for the domestic architectural products business.

3) Other businesses

In the domestic real estate business, sales of real estate held for sale moved forward while there were cancellations of rental property agreements. In the domestic equipment related business, intergroup orders for equipment construction increased over the last half of the current fiscal year. On the other hand, in the aluminium smelting business, there was a significant impact from the sharp increase in raw material prices while sales moved steadily. As a result, net sales in other businesses increased by 4.8% from the prior fiscal year to 47,846 million yen. Operating income or loss improved by 1,520 million yen from the prior fiscal year and resulted in a 703 million yen operating loss.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased by 7,772 million yen from the balance at the end of the prior fiscal year to 98,201 million yen. Cash flows from each activity are summarized as follows:

(Cash flows from operating activities)
Cash and cash equivalents provided by operating activities decreased by 12,475 million yen from the prior fiscal year to 55,955 million yen in the current fiscal year. This was mainly due to a 6,754 million yen increase in inventories in the current fiscal year versus a 29,645 million yen decrease in inventories in the prior fiscal year.

(Cash flows from investing activities)
Cash and cash equivalents used in investing activities decreased by 1,001 million yen from the prior fiscal year to 31,635 million yen in the current fiscal year. This was mainly caused by a 3,225 million yen decrease from the prior fiscal year in expenditures for purchases of property, plant and equipment, which totaled 27,616 million yen in the current fiscal year, due to reduced capital investment.

(Cash flows from financing activities)
Cash and cash equivalents used in financing activities decreased by 8,330 million yen from the prior fiscal year to 13,465 million yen in the current fiscal year. This was mainly due to a net decrease of short-term loans amounting to 514 million yen in the current fiscal year versus 9,955 million yen in the prior fiscal year.

Issues and Outlook for the Fiscal Year Ahead

The Company believes that the recovery of the domestic economy will suddenly slow due to the impact of the Great East Japan Earthquake. Furthermore, in the world economy, the future business environment is even more unclear as there are many factors causing uncertainty, such as the financial crisis in Europe and the sharp increase in prices of raw materials.

The Group announced the third mid-term management plan for the fiscal years from 2009 to 2012 and set goals as "Establishment of Business Value" and "Establishment of Brand Value" Looking back at the first two years, the Company realizes that directions toward business implementation were appropriate considering the operating environment. The Company continues to work on its most significant tasks, "Establishing a structure to ensure profits even in a business climate where sales remain flat." and "Further reinforcing our technological development capabilities" to achieve the third mid-term management plan for the next two years.

1) **Fastening Products Group**

In the fastening products group, the Company set the mid-term business strategy as "competing with excellent products and innovative technology."

There are three specific tasks set as highest priorities for the fiscal year 2011. The first task is "enhancement of Our Value Chain according to Customer Type," and marketing, sales, development and manufacturing are working together to offer products meeting various customers' needs.
The Company made efforts on enhancing the development capabilities of high functional and high-value added products and the development of manufacturing equipment to strengthen cost competitiveness even further in the commodities market. Along with the product development by customer types, the second task is "enhancing product development capabilities that meet the regions' needs through a regional R&D system." The Company enhances the development systems in East Asia regions and ASEAN, South Asia and Oceania (ASAO) regions in addition to Europe, the Middle East and Africa (EMEA) regions. The third task is "enhancing production capacity in Asia," and the Company conducts positive investments mainly in Asia where future growth is expected in order to enhance the supply capabilities.

2) **Architectural Products Group**

In the architectural products group, in the domestic market, the Company implements necessary measures to stock housing based on the market environment where a large increase in new housing starts is not expected. In particular, as window replacement market is expected to expand based on the new governmental growth strategy, "doubling in used and remodel housing," the Company set "contribution in reducing environmental burden" as its vision toward window replacement and continues to put more efforts on its products, construction methods and services by expanding window replacement specialized stores "MADO shops" and conducting positive proposals through new channels. In the building business, the Company continues to expand orders by strengthening promotions of renovations for earthquake-resistant structures and proposals and cost competitiveness by switchovers to its core product, "EXIMA."

Toward the "Establishment of Window Business foundation," the Company intends to launch the APW300 series nationally in 2011, expanding the line-up of window products. The Company also plans to open a core factory for the window business, the Saitama window factory, to manufacture and supply windows in July 2011. In addition, as "high functional glass" is necessary to improve super heat insulation of windows, the Company plans to start operations of Low-E glass manufacturing factories in October 2012, one year earlier than initially planned, inside the Saitama window factory in order to improve heat insulation capabilities.

With regard to expansion of overseas AP business, for the fiscal year 2011, the Company will establish a new subsidiary in Malaysia and a local office in Vietnam. During the fiscal year 2011, the Company plans to operate overseas businesses in total of 9 countries and regions.

3) **Efforts toward further reinforcing our technological development capabilities**

In the machinery and engineering group, which supports the competitiveness of both the fastening and the architectural products group on a technical level, the Company continues to create greater competitiveness for both product groups with a focus on speed by seeking the development of materials and element technologies and the designing and development of manufacturing machines within a unified organization. Toward the top priority task in the third mid-term management plan, "further reinforcing our technological development capabilities," the Company continues to work on "equipment development accommodated to a manufacturing field" and "further engineering development from a mid-and-long term view" as its important policies.

Business and Other Risks

The significant items that may affect the financial position and operational performance of the YKK Group (YKK Corporation and its affiliated companies) can be grouped under the following risk factors. Any future forecasts included in the following descriptions are based on the estimates or judgment as of the end of the current fiscal year end.

1) Risks involved in international activities and overseas expansion

The Group has businesses in 71 countries and regions of Central and North America, South America, Europe, Middle East, Africa, Asia, and Oceania. In these countries and regions, the Company may be affected by political uncertainty, terrorism, war and other factors. Each of these factors could adversely affect the Group's business performance in case any unfavorable events happen during business expansion.

2) Economic factors

The Group's business may be affected by the economic conditions such as market reduction or price competition in each country or region where competitors do manufacturing or sales. Any sharp increase in the price of raw materials, which are settled by market supply and demand forces, could adversely affect the Group's business performance.

3) Fluctuation in foreign currency exchange rates

As items such as sales, expenses and assets in local currencies are converted to Japanese yen in preparing the consolidated financial statements of the Group, any fluctuation in foreign exchange rates would affect the Group's financial position and results of operations after the conversion.

4) Decline in price of the capital holdings

A sharp decline in price of listed stocks held by the Group could adversely affect the Group's business performance resulting in impairment loss or loss on valuation of investments.

5) Employee retirement benefit expenses and obligations

The amounts of retirement benefit obligations and related expenses of the Group are calculated using various actuarial assumptions. If the actual results differ from those assumptions or if any of the assumptions change, it affects the amount of obligations and expenses to be recognized. Especially in the event of a decrease in the discount rate and the projected rate of return on plan assets, there could be an adverse impact on the Group's business performance and financial position.

6) Loss on business restructuring

The Group continues to improve its profitability by conducting business restructuring such as a withdrawal from unprofitable operations, promoting a horizontal international specialization system, and executing cost reduction measures to increase its business value. Accompanying business restructuring, certain extraordinary losses could be incurred.

7) Defective products

Although the Group manufactures various products that meet its strict quality control standards, in case any defective product is found and significant product liability is incurred, it could adversely affect the Group's business performance and financial position.

8) Government restrictions

The Group has business and investment licenses in countries and regions where it does business and is restricted by their government regulations. The Company is also restricted by trade laws, monopoly prohibitions, intellectual property agreements, and consumer, taxation, and environmental laws, and these regulations could limit its activities. In case of any failure to comply with these regulations, it could adversely affect the Group's business performance and financial position.

9) Natural disasters

If natural disasters, such as earthquakes, damage manufacturing bases and equipment, or if a health epidemic occurs, there would be negative impact on performance due to delays in manufacturing and shipping caused by suspension of operations, and furthermore, unexpected expenses for repair or replacement of the damaged manufacturing bases.

10) IT risks

The Group designs and operates various information systems.

Although the Company analyzes the IT risks and ensures appropriate allocation of authority, establishes a checking and oversight system, and takes measures to protect itself from outside intrusion, it could allow unauthorized access or a computer virus attack could result in a leak of customer information, or loss or falsification of data could occur.

Any leak, loss or falsification of important information, could adversely affect the Group's business performance.

Research and Development Activities

As with the YKK Group's business development, its activities to promote research and development (R&D) also focus on six regional bases: Japan (the core operation) North and Central America; South America; Europe, Middle East and Africa (EMEA); ASEAN, Southern Asia and Oceania (ASAO); and East Asia. The R&D costs of the entire Group for the current fiscal year were 21,404 million yen.

The Group's major accomplishments during the current fiscal year can be summarized as follows.

(1) Fastening Products Group

In fiscal 2009, the fastening products group was committed to the mid-term business strategy of "competing with excellent products and innovative technology" and decided to focus on "business development tailored to individual categories of customers" and "thorough pursuit of cost effectiveness." The Company aims to enhance product development and accelerate the restructuring of business in consuming regions (Japan, the U.S., and Europe) and to enhance cost competitiveness and promote product development optimized for fast fashion in producer regions such as Asia. In keeping with its slogan, "Bring joy through products, bring sensation through technologies," the Company aims to further enhance product values for customers.

A difficult operating environment, impacted by the worldwide recession set off by the Lehman Shock in September 2008, has shown a recovery trend, and inventory replenishment demand has continued from last year. However, there are still fear factors for the future such as an uncertain economic environment in Japan, the U.S. and Europe, and issues of increasing costs in China, etc. Working within this harsh business climate, the Company recognized the need to respond more quickly to changes and focused on product development by maintaining its one-step-ahead technological superiority.

As for major accomplishments, in zippers, the Company has developed new products such as vintage metal zippers, stretchable coil zippers, and metallic injected zippers and has offered new structure detachable tab sliders of various sizes and special specifications for renewed coil/ injected zippers. In plastic products, the Company has launched a range of buckles for bags and has continued to develop various products sufficiently responsive to the needs of customers. In snaps and buttons, the Company has launched a new line of buttons mainly for jeans, developed molds for compact press machines, offered assembly machines and standard attaching machines, and reinforced product and machine lineups. Turning to TFM (Transportation Fastening Material), the Company has continued to develop products exclusively for the automotive market, launched invisible zippers for car seats and POWER HOOK® for seats, and developed products for new uses. These products are already successfully positioned with a growing market presence.

Product development and marketing to meet the demand specific to each type of customer are its most important tasks. For these purposes, the Company has developed high-grade metal zippers in Italy as the first step to enhance the local R&D structure and strengthen its presence in high fashion by developing products at locations nearer to customers. As the second step, the Company has enhanced the global-basis R&D structure, and continues to strengthen each R&D function in East Asian regions especially for the expanding domestic demand in Chinese market. To pursue cost competitiveness, the Company is proceeding with a project to improve manufacturing technologies in China and maintain competitiveness in the growing Asian market.

Along with the fact that sewing products for export has been shifting from China to ASEAN and Southern Asia regions due to the growing Chinese domestic demand, the Company aims to strengthen development capability and bulk supply by enhancing the coordination with East Asia R&D in these regions. Research and development costs related to this business stood at 9,683 million yen.

(2) Architectural Products Group

In domestic architectural products, the Company produces and improves products from the end users' point of view considering social environment such as the longer operating life of housing, the strengthening demands for safety and security and the prevention of global warming. The Company's efforts focus closely on products to generate value for users (including safety and security, environmental consideration, comfort, and universal design) by pursuing elemental technologies for materials, components/parts, and systems. The Company is also establishing an installation technology, after-sale maintenance technologies, and supply technologies to enhance the final quality of its products.

One of the major accomplishments is recently enhancement of replacement product for renovation. To meet the needs of the growing renovation market, the Company expanded products utilizing its prior year's innovation of the "smart cover method," a new construction method for the replacement of external windows without extensive work on exterior walls, which had been required previously, and also developed plastic internal windows for bathrooms. In addition, as an environmental consideration, the Company invented the “Non-welder method” (patent pending), a first of its kind in the industry, for sash construction in ferroconcrete structures, accomplishing a safe method with no fire risk. In regards with the revision of performance measures in thermal transmittance of windows enforced in April 2011, the Company was able to provide more precise information to end users by grading products according to JIS thermal transmittance examinations. The Company is committed to providing safe and comfortable living environments for its customers.

The Company’s main tasks for the future will be to strengthen its development and technological capabilities and to continue its global expansion.

To strengthen its development and technological capabilities, the Company opened the Value Verification Center (VVC) to confirm the existence of various product values from the consumers’ viewpoint. In the course of the product development processes such as verification of usability, performance and function under actual usage environments, and at product completion, the Company is certain to pursue high product quality by creating technologies that generate new customer value through improved customer satisfaction.

Looking at the global expansion, the Company will focus on R&D to achieve globally competitive quality and cost of raw materials and components/parts, the development and standardization of global functional parts, and technological development to enrich its product lineups. Eventually, the Company will put its R&D accomplishments into manufacturing, and introduce more competitive products. The Company invested 8,454 million yen in these R&D activities.

(3) Other businesses

As part of the effort to further improve YKK Group’s technological development capabilities, the material development function and analysis technology in the Research and Development Center were integrated with the Machinery Group and were newly structured as the “Machinery and Engineering Group” in the fiscal year 2010. The Company identifies the core domains of the Machinery and Engineering Group as machinery and engineering specialized for YKK fasteners production lines and machinery and engineering specialized for AP Windows manufacturing lines. M&E Group also improves each function such as material development, machinery development, designing, parts manufacturing, and assembling. Taking this into account, the Company worked on its important policies of “develop manufacturing facilities adapted to the conditions in the manufacturing lines at each factory” and “technology development from the mid to long-term perspective.”

As its major accomplishment, in developments related to the fastening products business, the Company invented mass-production processing machines to further reduce production cost. The Company will work on machinery development adapted to production of various product types and quantities for the fiscal year 2011. In developments related to the architectural products business, the Company engaged in developing the major lines for AP Windows and standard lines (small and medium volume) for sash and window products to promote further reduction of production cost and rationalization of the production line.

Machinery and Engineering Group work with the fastening products group and architectural products group to develop technologies in material development and manufacturing processes for product differentiation from a mid and long-term perspective. In the analysis division, while it utilizes analysis technologies to optimize product design for the purpose of improving product quality and safety, the Company also acquired third party qualification related to analysis testing for small amounts of lead (ISO/IEC 17025) on March 25, 2011.

As an important mission, the Company aims to introduce external technologies through collaboration with other companies and universities while it continues to work on internal developments in necessary technologies to improve its core domains. The Company will also continue to further reduce development lead-time. Research and development costs for the Machinery and Engineering Group totaled 3,266 million yen.

Corporate Governance

(1) Status of corporate governance

Basic corporate governance policy

The YKK Group (YKK Corporation and its affiliated companies) is based on the spirit of "Cycle of Goodness," which means "No one prospers unless he or she renders benefit to others." Under this spirit, being consistently fair is the foundation for various management activities. 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 philosophy, the Group always strives to improve its corporate governance practices for enhanced corporate value. YKK Corporation has established several management organs 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. For business operations and promotion, YKK Corporation appoints Officers and secures their commitment to fulfill all obligations arising towards their duties.

Matters Regarding the Corporate Governance of Filing Companies

1) Details of Company Organs

YKK has adopted the corporate auditor system and implemented a structural reform of its management. As a result, a reform of the corporate board was performed and the 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 operational execution by Officers, in addition to performing the roles stipulated in the Corporate Law.

- 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.

- To further strengthen consolidated management of the Company Group, the Board of Directors was restructured in June 2003, appointing executive vice presidents of YKK AP Inc., the Fastening Products Group and other groups 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 June 2007.

- In a bid to further improve the group consolidated management, YKK Corporation elected inside directors in June 2008 and made them responsible for global management in six major geographical regions. It also appointed two outside directors on the same date, to leverage their deep insight, experiences, and knowledge for the improvement of management.

- While directors devote themselves to achieving optimum performance results for the entire Group, 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 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 a Director in charge of Annual Pension Policy after affirming.

- In April 2005, the Chief Financial Officer (CFO) and Chief Risk Management Officer (CRO) were appointed to further enhance consolidated management.

- On April 1, 2008, YKK Corporation formed the Directors' Secretariat for the Board of Directors to improve the mechanisms for delivering information 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 quorum of shareholders be formed for a vote on the election of directors to take effect. A third or more of shareholders who have voting rights in an election must attend the shareholders' meeting, and the majority of 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 Officer System
While the YKK Group promotes its Global Business Management centering on Fastening Products and Architectural Products (its core businesses) and Machinery & Engineering (a function to support consistent productions by the core businesses), it practices 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 Officers were newly appointed effective April 2004, from among the 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.

2) Development Status of Internal Control System and Risk Management System

The following is a description of the status of the development and improvement of the internal control system:

(a) Development and improvement of the system to ensure that the performance of directors complies with laws, regulations, ordinances, and the articles of incorporation.

- Directors strictly comply with the board of directors' regulations and regulations pertaining to performance of directors' duties for the execution of business and conduct appropriate operations based on the segregation of duties.

- A director in charge of compliance is assigned to develop the YKK Group compliance system. This director reports the development and conformity status of the compliance structure to the other directors and corporate auditors. Meanwhile the compliance system and director in charge of compliance were resolved at the Board of Directors in April 2006.

- Directors regularly take compliance training programs presented by lawyers, etc., from March 2006 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 execution of duties of directors

- The maintenance period for important documents (including electronic records) is determined based on internal regulations such as document control regulations and confidential information control regulations, 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 proceedings, deliberation results, important statements, etc. in accordance with regulations applied to each meeting.

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

- In April 2005, a Chief Risk Management Officer (CRO) was appointed, and the Quality Control Committee, Trade Control Committee, Risk Management Committee, Confidential Information Control Committee, Committee for Technology Protection, and IT Security Committee were established, to promote the management of risks to which the YKK Group is exposed.

- In April 2005, the Chief Financial Officer (CFO) was appointed to control financial risks based on the YKK Group's basic policies on the management of financial risks. An investment council chaired by the CFO was established in February 2006 as an organ to appropriately manage the investment risks to which the YKK Group is exposed. The CFO also developed and promoted internal control system over the financial reporting since April 2008.

- The Company is committed to addressing risks adequately and promptly in accordance with the Guidelines for Addressing Risks (developed in April 2005 and revised in March 2010).

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

- In June 1999 the 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. Officers execute individual businesses and operations with responsibility and authority in accordance with the policies determined at the Board of Directors.

- In July 2003 the Management Strategy Conference was established to increase efficiency of the discussion in the Board of Directors. The directors at the meeting thoroughly discuss the YKK Group management philosophies, policies, and strategies, and important matters to be resolved at the Board of Directors.

- In April 2007, the Environmental Policy Promotion Committee was established under the Management Strategy Meeting to determine the environmental policies of the YKK Group and monitor whether those policies are actually embodied in business operations.

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

- The Corporate Compliance Group was established under the Officer in charge of compliance, and develops a compliance system in cooperation with the outside compliance advisors. In accordance with the compliance system, the YKK Group,

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

- In January 2006, the YKK Group Internal reporting system was established to prevent violations of laws, regulations, and internal rules, and to protect those who report such violations.

- The Office of Internal Auditing implements the internal audit for the perspectives of legitimacy and reasonability and reports the results to the President, executives and others from time to time.

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

- With Group Officers appointed from significant subsidiaries (core companies) and regional headquarters in six major geographical regions in April 2004, each regional headquarter function as a branch of the group head quarter 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 corporate auditors and their independence from the corporate auditors

- The Corporate Auditors' Secretariat (currently the Board of Corporate Auditors' Secretariat) was organized, effective as of April 1, 2007, and staff members are assigned to exclusively assist corporate auditors in fulfilling their duties.

- Transfer and appraisal of the personnel in the staff of the Board of Corporate Auditors' Secretariat require the approval of the corporate auditor.

(h) System for directors and employees to report to the corporate auditors, system with regard to other matters related to the reporting to the corporate auditors

- The main business operations and the status of the development and improvement of the internal control system shall be reported to corporate auditors on a timely and regular basis. If any significant fact which materially affects the Company arises, the fact shall be promptly reported to the corporate auditors.

- When material violations of laws and regulations are detected through the whistle-blowing system, the "Secretariat of YKK Group's Whistle-blowing System" will report the details of the report and the result of the investigation to the corporate auditors.

(i) System to ensure that other corporate auditors effectively implement the audit

- In addition to the meetings of the Board of Directors, the corporate auditors are permitted to attend all important meetings, such as the meetings of the Officers.

- The President and Director periodically exchange views and opinions with corporate auditors.

- The internal audit department has been enhancing the practicability of the audit by the corporate auditors by reporting the activities of the internal audit department to the corporate auditors from time to time.

- The corporate auditors are also engaged in the audit of (core) subsidiaries in Japan as the corporate auditors of those subsidiaries. The corporate auditors and the internal audit departments of subsidiaries in and outside Japan are required to report to the corporate auditors of the YKK Corporation periodically upon the latter's request. This achieves a system to ensure that the audits of all of the subsidiaries are implemented effectively.

3) Details of compensation paid to directors and corporate auditors

Compensation paid to directors and corporate auditors 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 and corporate auditors for the current fiscal year.

Classification	No. of persons	Amount of compensation paid (Millions of yen)
Directors	13	310
(Outside Directors)	(2)	(18)
Corporate Auditors	4	42
(Outside Corporate Auditors)	(3)	(24)
Total	17	353
(Outside Directors and Corporate Auditors)	(5)	(43)

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

2. "No. of persons" includes 3 directors who retired at the 75th annual shareholders' meeting held on June 29, 2010.
3. The above amounts include 61 million yen of provision of reserve for directors' retirement benefits recognized as expensed for the current fiscal year (including 2 million yen for outside directors and 3 million yen for outside corporate auditors).
4. The above amounts include the following estimated amounts of bonuses to directors and corporate auditors which will be resolved at the 76th annual general shareholders' meeting on June 29, 2011.
   25 million yen for 10 directors (including 2 million yen for 2 outside directors)
   4 million yen for 4 corporate auditors (including 3 million yen for 3 outside corporate auditors)
5. Besides the above amounts, the retirement benefits of 71 million yen paid to 3 directors who retired at the 75th annual shareholders' meeting held on June 29, 2010. This amount includes provision of reserve for directors' retirement benefits disclosed in the business report for the prior fiscal years.

4) Status of internal audit and audit by corporate auditors

(a) Audit by corporate auditors

- The number of corporate auditors is four while that of outside corporate auditors is three.

- Each corporate auditor complies with standards for the audit by corporate auditors 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 corporate auditors strive to improve the efficiency and effectiveness of the audit practices of corporate auditors by receiving a report from the Office of Internal Auditing and risk management committees on the action plan and the implementation results of the internal audit.

- The corporate 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, for which 11 members are currently working.

- In addition to the statutory audit by four corporate auditors, the Office of Internal Auditing implements internal audits such as operational audits, compliance audits and internal control 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.

5) Relationship among YKK and outside directors and outside corporate auditors

One outside director, Mr. Yukio Yanagida, is the founding partner lawyer of Yanagida & Partners. The firm provides legal services to YKK Corporation, however, they are limited to routine, typical services. This does not mean that the outside director has a direct personal interest in the Company. In addition, there are no business relationships between the outside director, Mr. Keinosuke Ono, and the Company.

One outside corporate auditor, Mr. Satoshi Kawai, is a partner lawyer of Mori Hamada & Matsumoto. The firm provides legal services to YKK Corporation, but they are limited to routine, typical services. This does not mean that the outside corporate auditor has a direct personal interest in the Company. Another outside corporate auditor, Mr. Hiroshi Akiyama, is a partner lawyer of Yanagida & Partners. The firm provides legal services to YKK Corporation, but they are limited to routine, typical services. This does not mean that the outside corporate auditor has a direct personal interest in the Company. In addition, there are no business relationships between the outside corporate auditor, Mr. Yoshio Osawa, and the Company.

6) Status of accounting audits

Takenori Watanuki, Masaichi Nakamura, and Osamu Sakanaka, 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, 18 CPAs, 5 accountant assistants and 8 other staff members are engaged in the accounting auditing services for the Company.

7) Indemnification from liability of directors and corporate auditors

Pursuant to Article 426, Paragraph 1 of the Company Law, the Articles of Incorporation of YKK Corporation provides that any directors and corporate 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 corporate auditors to fulfill their duties at the level at which they purport to be fulfilling their duties.

8) Requirement for the special resolution at the shareholders' meeting

The Articles of Incorporation of YKK Corporation provide that the resolution prescribed in Article 309, Paragraph 2 of the Company Law shall be approved by the votes of two-thirds or more of shareholders present at a shareholders' meeting 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.

(2) Fees for audit engagement

1) Fees for auditing by certified public accountants, etc.

Division	For the prior fiscal year		For the current fiscal year	
	Fees for audit and attest engagement (Millions of yen)	Fees for non-audit engagement (Millions of yen)	Fees for audit and attest engagement (Millions of yen)	Fees for non-audit engagement (Millions of yen)
Filing company	68	–	69	6
Consolidated subsidiaries	23	–	18	–
Total	91	–	87	6

2) Other significant fees

For the prior fiscal year

The consolidated subsidiaries of the Company, including YKK Corporation of America and YKK U.S.A., have paid fees of 362 million yen for audit and attest engagements and 48 million yen for non-audit attest engagements to Ernst and Young member firms, companies which are within the same network as the accounting auditor engaged in the services for the Company.

For the current fiscal year

The consolidated subsidiaries of the Company, including YKK Corporation of America and YKK U.S.A., have paid fees of 278 million yen for audit and attest engagements and 39 million yen for non-audit attest engagements to Ernst and Young member firms, companies which are within the same network as the accounting auditor engaged in the services for the Company.

3) Non-audit engagement by auditing certified public accountants to the filing company

For the prior fiscal year

N/A

For the current fiscal year

Advisory service for the group accounting policy

4) Decision-making policy regarding fees for audit engagement

N/A. However fees are determined in consideration of the days of engagement.

Consolidated Balance Sheets

(Millions of yen)

	Prior Fiscal Year (As of March 31, 2010)	Current Fiscal Year (As of March 31, 2011)
Assets		
Current assets:		
Cash and deposits	83,955	90,360
Notes and accounts receivable - trade	126,077	132,544
Short-term investment securities	13,480	16,569
Inventories	96,963	100,825
Deferred tax assets	2,504	3,229
Other	13,872	15,300
Allowance for doubtful accounts	(3,238)	(3,099)
Total current assets	333,614	355,730
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	341,927	331,613
Accumulated depreciation	(225,927)	(226,048)
Buildings and structures, net	115,999	105,564
Machinery, equipment and vehicles	444,388	424,144
Accumulated depreciation	(358,118)	(349,351)
Machinery, equipment and vehicles, net	86,270	74,792
Land	62,102	63,690
Construction in progress	3,484	6,944
Other	73,489	71,762
Accumulated depreciation	(62,839)	(61,979)
Other, net	10,650	9,782
Total property, plant and equipment	278,506	260,775
Intangible assets	11,988	11,962
Investments and other assets:		
Investment securities	15,733	15,224
Deferred tax assets	6,908	4,756
Other	46,585	45,414
Allowance for doubtful accounts	(3,742)	(3,541)
Total investments and other assets	65,483	61,854
Total noncurrent assets	355,978	334,592
Total assets	689,593	690,322

(Millions of yen)

	Prior Fiscal Year (As of March 31, 2010)	Current Fiscal Year (As of March 31, 2011)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	53,177	59,825
Short-term loans payable	7,052	7,136
Current portion of long-term loans payable	–	1,073
Current portion of bonds	10,000	–
Income taxes payable	3,363	4,928
Deferred tax liabilities	270	515
Provision for bonuses	8,247	13,284
Deposits received from employees	31,140	30,392
Other	25,934	33,209
Total current liabilities	139,186	150,366
Noncurrent liabilities:		
Bonds payable	19,995	19,995
Long-term loans payable	2,170	1,142
Deferred tax liabilities	2,752	2,388
Provision for retirement benefits	89,839	89,888
Provision for directors' retirement benefits	1,224	1,150
Reserve for various competition-law-related expenses	24,729	24,603
Other	9,828	9,690
Total noncurrent liabilities	150,540	148,860
Total liabilities	289,726	299,226
Net assets		
Shareholders' equity:		
Capital stock	11,992	11,992
Capital surplus	34,938	34,938
Retained earnings	387,098	395,076
Treasury stock	(6)	(7)
Total shareholders' equity	434,023	442,000
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,523	902
Deferred gains or losses on hedges	27	172
Foreign currency translation adjustments	(44,250)	(60,693)
Total accumulated other comprehensive income	(42,699)	(59,618)
Minority interests	8,543	8,714
Total net assets	399,866	391,095
Total liabilities and net assets	689,593	690,322

Consolidated Statements of Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2009 To March 31, 2010)	Current Fiscal Year (From April 1, 2010 To March 31, 2011)
Net sales	556,439	544,896
Cost of sales	378,026	359,500
Gross profit	178,413	185,395
Selling, general and administrative expenses	159,881	152,987
Operating income	18,531	32,407
Non-operating income:		
Interest income	1,139	1,141
Dividends income	270	341
Gain on sales of scraps	550	628
Subsidy income	876	–
Miscellaneous income	2,051	2,148
Total non-operating income	4,889	4,260
Non-operating expenses:		
Interest expenses	1,458	1,047
Compensation expenses	848	754
Foreign exchange losses	1,353	1,630
Miscellaneous loss	3,189	2,258
Total non-operating expenses	6,848	5,691
Ordinary income	16,572	30,976
Extraordinary income:		
Reversal of allowance for doubtful accounts	193	225
Gain on sales of noncurrent assets	2,355	454
Gain on adjustment for changes of accounting standard for construction contracts	1,405	–
Reversal of reserve for various competition-law-related expenses	–	106
Other	644	150
Total extraordinary income	4,598	937
Extraordinary loss:		
Loss on sales of noncurrent assets	383	227
Loss on retirement of noncurrent assets	1,590	1,888
Impairment loss	1,222	1,105
Loss on disaster	–	2,022
Business structure improvement expenses	1,385	–
Loss on provision for product repair	–	3,900
Other	832	555
Total extraordinary loss	5,415	9,700
Income before income taxes and minority interests	15,755	22,213
Income taxes - current	8,957	9,762
Income taxes - deferred	1,864	1,238
Total income taxes	10,821	11,001
Income before minority interests	–	11,212
Minority interests in income	1,105	1,075
Net income	3,828	10,136

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2009 To March 31, 2010)	Current Fiscal Year (From April 1, 2010 To March 31, 2011)
Income before minority interests	–	11,212
Other comprehensive income:		
Valuation difference on available-for-sale securities	–	(621)
Deferred gains or losses on hedges	–	145
Foreign currency translation adjustments	–	(16,798)
Share of other comprehensive income of associates accounted for using equity method	–	(28)
Total other comprehensive income	–	(17,303)
Comprehensive income	–	(6,090)
Comprehensive income attributable to:		
Owners of the parent	–	(6,782)
Minority interests	–	692

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Prior Fiscal Year (From April 1, 2009 To March 31, 2010)	Current Fiscal Year (From April 1, 2010 To March 31, 2011)
Shareholders' equity:		
Capital stock		
Balance at the end of previous period	11,992	11,992
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	11,992	11,992
Capital surplus		
Balance at the end of previous period	34,938	34,938
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	34,938	34,938
Retained earnings		
Balance at the end of previous period	385,428	387,098
Changes of items during the period		
Dividends from surplus	(2,158)	(2,158)
Net income	3,828	10,136
Total changes of items during the period	1,669	7,978
Balance at the end of current period	387,098	395,076
Treasury stock		
Balance at the end of previous period	(5)	(6)
Changes of items during the period		
Purchases of treasury stock	(0)	(1)
Total changes of items during the period	(0)	(1)
Balance at the end of current period	(6)	(7)
Total shareholders' equity		
Balance at the end of previous period	432,353	434,023
Changes of items during the period		
Dividends from surplus	(2,158)	(2,158)
Net income	3,828	10,136
Purchases of treasury stock	(0)	(1)
Total changes of items during the period	1,669	7,977
Balance at the end of current period	434,023	442,000

(Millions of yen)

	Prior Fiscal Year (From April 1, 2009 To March 31, 2010)	Current Fiscal Year (From April 1, 2010 To March 31, 2011)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	779	1,523
Changes of items during the period		
Net changes of items other than shareholders' equity	743	(621)
Total changes of items during the period	743	(621)
Balance at the end of current period	1,523	902
Deferred gains or losses on hedges		
Balance at the end of previous period	(113)	27
Changes of items during the period		
Net changes of items other than shareholders' equity	140	145
Total changes of items during the period	140	145
Balance at the end of current period	27	172
Foreign currency translation adjustments		
Balance at the end of previous period	(56,235)	(44,250)
Changes of items during the period		
Net changes of items other than shareholders' equity	11,984	(16,443)
Total changes of items during the period	11,984	(16,443)
Balance at the end of current period	(44,250)	(60,693)
Total accumulated other comprehensive income		
Balance at the end of previous period	(55,568)	(42,699)
Changes of items during the year		
Net changes of items other than shareholders' equity	12,868	(16,919)
Total changes of items during the period	12,868	(16,919)
Balance at the end of current period	(42,699)	(59,618)
Minority interests:		
Balance at the end of previous period	7,910	8,543
Changes of items during the period		
Net changes of items other than shareholders' equity	633	171
Total changes of items during the period	633	171
Balance at the end of current period	8,543	8,714
Total net assets:		
Balance at the end of previous period	384,695	399,866
Changes of items during the period		
Dividends from surplus	(2,158)	(2,158)
Net income	3,828	10,136
Purchases of treasury stock	(0)	(1)
Net changes of items other than shareholders' equity	13,502	(16,748)
Total changes of items during the period	15,171	(8,771)
Balance at the end of current period	399,866	391,095

Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (From April 1, 2009 To March 31, 2010)	Current Fiscal Year (From April 1, 2010 To March 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	15,755	22,213
Depreciation and amortization	45,074	36,117
Impairment loss	1,222	1,105
Amortization of goodwill	147	–
Increase (decrease) in allowance for doubtful accounts	(89)	(202)
Increase (decrease) in provision for retirement benefits	(689)	258
Interest and dividends income	(1,410)	(1,483)
Interest expenses	1,458	1,047
Equity in (earnings) losses of affiliates	(19)	(4)
Loss on retirement of property, plant and equipment	1,518	1,557
Loss (gain) on sales of property, plant and equipment	(2,007)	(226)
Decrease (increase) in notes and accounts receivable – trade	(803)	(9,278)
Decrease (increase) in inventories	29,645	(6,754)
Increase (decrease) in notes and accounts payable - trade	(2,729)	7,152
Other, net	(11,129)	11,790
Subtotal	75,941	63,293
Interest and dividends income received	1,429	1,453
Interest expenses paid	(1,458)	(1,069)
Income taxes paid	(7,481)	(7,722)
Net cash provided by (used in) operating activities	68,431	55,955
Net cash provided by (used in) investing activities		
Decrease (increase) in short-term loans receivable	54	57
Payments into time deposits	(7,883)	(8,242)
Proceeds from withdrawal of time deposits	5,711	7,257
Purchases of short-term investment securities	(117)	–
Proceeds from sales and redemption of securities	262	–
Purchases of property, plant and equipment	(30,841)	(27,616)
Proceeds from sales of property, plant and equipment	4,582	1,484
Purchases of intangible assets	(2,783)	(2,827)
Proceeds from sales of intangible assets	30	13
Purchases of investment securities	(2,181)	(706)
Proceeds from sales of investment securities	2,162	20
Purchases of investments in subsidiaries	(601)	–
Payments of long-term loans receivable	(1,030)	(1,077)
Collection of long-term loans receivable	0	–
Net cash provided by (used in) investing activities	(32,636)	(31,635)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(9,955)	(514)
Repayments of finance lease obligations	(172)	(261)
Proceeds from long-term loans payable	1,013	16
Repayments of long-term loans payable	(179)	(39)
Redemption of bonds	(10,000)	(10,000)
Purchases of treasury stock	(0)	(1)
Cash dividends paid	(2,153)	(2,156)
Cash dividends paid to minority shareholders	(346)	(508)
Net cash provided by (used in) financing activities	(21,795)	(13,465)
Effect of exchange rate change on cash and cash equivalents	1,865	(3,083)
Net increase (decrease) in cash and cash equivalents	15,864	7,772
Cash and cash equivalents at beginning of period	74,571	90,429
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(6)	–
Cash and cash equivalents at end of period	90,429	98,201

Notes to Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries 109
Number of companies excluded from consolidation due to liquidation 2
YKK TECHNO SERVICE CO., LTD.
YKK SINGAPORE PTE LTD.

(2) Number of unconsolidated subsidiaries 4
Name of major unconsolidated subsidiary
HONOR GROWTH CO., LTD.
Reason for exclusion from consolidation is as follows:
These companies have been excluded from consolidation because they are small and their total assets, net sales, net income (the equity portion) and retained earnings (the equity portion) and others do not have a significant effect on the consolidated financial statements.

2. Application of equity method

(1) Number of companies accounted for by the equity method 1
Affiliated company: 1
YKK PHILIPPINES INC.

(2) Number of companies not accounted for by the equity method 6
Unconsolidated subsidiaries: 4
HONOR GROWTH CO., LTD. and others
Affiliated companies: 2
L-Y PHILIPPINES INC. and others
These companies are not accounted for by the equity method because their impact is not significant on the consolidated financial statements in terms of their total net income (the equity portion) and retained earnings (the equity portion) and others, and do not have importance as a whole.

3. Accounting period of consolidated subsidiaries

The fiscal year end of certain foreign consolidated subsidiaries, including SHANGHAI YKK ZIPPER CO., LTD., is December 31. These subsidiaries are consolidated by using their financial statements as of the parent fiscal year end which are prepared solely for consolidation purposes.

4. Significant accounting policies

(1) Valuation method for assets
a) Securities:
1) Held-to-maturity debt securities
Held-to-maturity debt securities are carried at amortized cost (Straight-line).
2) Other securities
Marketable securities
Other securities are carried at fair value with changes in unrealized holding gain or loss, included directly in net assets. Cost of securities sold is mainly determined by the moving average method.
Non-marketable securities
Other securities are carried at cost determined by the moving average method.

b) Derivatives:
Derivative financial instruments are stated at fair value.

c) Inventories:
Inventories of the Company and its domestic consolidated subsidiaries are mainly stated at cost based on the moving average method (the balance sheet amounts are determined by using the method of write-downs based on any decrease in profitability). Inventories of foreign consolidated subsidiaries are mainly stated at cost based on the average method (the balance sheet amounts are determined by using the method of write-downs based on any decrease in profitability).

(2) Depreciation of assets

Property, plant and equipment (excluding leased assets):
Depreciation at the Company and its domestic consolidated subsidiaries is calculated primarily by the declining-balance method except for buildings acquired on or subsequent to April 1, 1998 (excluding attached facilities) on which depreciation is calculated by the straight-line method. Depreciation at foreign consolidated subsidiaries is computed primarily by the straight-line method.

The estimated useful lives are as follows:

Buildings and structures	3 ~ 55 years
Machinery, equipment and vehicles	2 ~ 15 years

Intangible assets (excluding leased assets):
Intangible assets of the Company and its domestic consolidated subsidiaries are mainly amortized by the straight-line method. Software for internal use is being amortized over a period of 5 years.

Leased assets:
Leased assets under finance lease transactions where ownership is not transferred
Leased assets are depreciated using the straight-line method, in which the lease period is used as the useful lives, with no residual value.
Finance lease transactions entered into on or before March 31, 2008 that do not involve a transfer of ownership are accounted for using the same method as operating leases.

(3) Basis for significant reserves

a) Allowances for doubtful accounts:
Allowance for doubtful accounts are provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual percentage of collection losses in normal receivables.

b) Provision for bonuses:
Accrued bonuses of the Company and its domestic consolidated subsidiaries have been provided based on the estimated amount of bonuses to be paid to employees which has been allocated to the current fiscal year.

c) Provision for directors' bonuses:
Provision for directors' bonuses of the Company and certain domestic consolidated subsidiaries have been provided based on the estimated amount of bonuses to be paid to directors and corporate auditors which has been allocated to the current fiscal year.

d) Provision for retirement benefits:
Provision for retirement benefits of the Company and its domestic consolidated subsidiaries as of the balance sheet dates have been provided mainly at an amount calculated based on the retirement benefits obligation and the fair value of the pension plan assets as of the balance sheet dates.

Prior service cost is being amortized as incurred by the straight-line method over the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized, by the straight-line method over a period within the average remaining years of service of the eligible employees.

e) Provision for directors' retirement benefits:
Provision for directors' retirement benefits of the Company and certain domestic consolidated subsidiaries has been provided at the estimated amounts as of the year end based on the Company's bylaws.

f) Reserve for various competition-law-related expenses:
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 to pay the fines totaling €150,250 thousand for alleged violations of European competition law with respect to hard haberdashery products (snap and buttons) and zippers (slide fasteners). After studying decision, the three YKK companies concerned decided to file an appeal with the General Court (formerly known as European Court of the First Instance) on December 7, 2007 (European local time). Although a judgment has not been rendered by the court, the three YKK companies recorded a reserve for the fines ordered in the decision and estimated litigation expenses.

(4) Reporting of significant revenues and expenses

Recognition on sales and costs of construction contracts

Revenues and costs from construction contracts have been accounted for based on the percentage of completion method, if the outcome of the construction contracts can be estimated reliably (the percentage of completion is estimated based on costs). The completed contract method has been applied for all other construction contracts.

(5) Translation of significant assets and liabilities denominated in foreign currencies into yen

Current and noncurrent monetary accounts denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and differences arising from the translation are included in the consolidated statements of income.

All asset and liability accounts of the foreign consolidated subsidiaries and affiliates are translated into 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. Differences arising from the translation are presented as foreign currency translation adjustments and minority interests in net assets.

(6) Hedge accounting

1) Hedge accounting
Deferral hedge accounting is adopted, in principle. Forward foreign exchange contracts are subject to appropriation if they satisfy the requirements for appropriation treatment.

2) Hedging instruments and hedged items
Hedge instruments and hedge items for which hedge accounting is adopted in the current fiscal year is as follows:

Hedge instruments ...	Forward foreign exchange contracts
Hedged items	Receivables and payable denominated in foreign currencies, forecasted transactions denominated in foreign currencies.

3) Hedging policy
Foreign exchange fluctuation risk is hedged in accordance with the Company's internal policies.

4) Assessment of hedge effectiveness
Hedge effectiveness is assessed based on both the cumulative change in cash flows for hedged items, or the change in market value, and the cumulative change in cash flows for hedging instruments, or the change in market value every 3 months. Forward foreign exchange contracts, which are subject to appropriation treatment, are excluded from the assessment of hedge effectiveness.

(7) Accounting for consumption tax

Transactions subject to the consumption tax are recorded at amounts exclusive of the consumption tax.

(8) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consists of cash on hand, cash in banks which can be withdrawn at any time, and short-term investments with a maturity of 3 months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

Segment Information

1. Overview of the reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance. The Group has operation based on the comprehensive strategies for products in Japan and overseas planned by each business.

Accordingly, the Company consists of two reportable segments, identified by products and based on division, which are classified as the "Fastening Products" business and the "Architectural Products" business. The "Fastening Products" business manufactures and sells fasteners, fastener parts, fastener materials, snap fasteners, buttons, etc. The "Architectural Products" business manufactures and sells residential products and sashes, commercial products and sashes, interior doors and partitions, exterior materials, industrial products and architectural products.

2. Calculation method of net sales, income or loss, assets, liabilities and other items by the reportable segment

The accounting policies of the segments are substantially the same as those described in *Significant Accounting Policies.*

The reportable segment income is calculated from operating income.

Intersegment sales and transfers are recorded mainly at market prices and cost of goods manufactured.

3. Information on net sales, income or loss, assets, liabilities and other items by the reportable segment

For the fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

(Millions of yen)

	Reportable segments			Other *1	Adjustments * 2	Consolidated * 3
	Fastening Products	Architectural Products	Total			
Net sales						
Sales to third parties	248,843	301,761	550,604	5,835	–	556,439
Intersegment sales and transfers	502	153	655	39,816	(40,471)	–
Total	249,345	301,915	551,260	45,651	(40,471)	556,439
Segment income or (loss)	28,308	(5,722)	22,585	(2,223)	(1,830)	18,531
Segment assets	296,929	252,704	549,633	216,182	(76,222)	689,593
Other items						
Depreciation	26,617	15,534	42,152	3,130	1,808	47,091
Increase in tangible and intangible assets	13,937	13,141	27,078	2,501	2,434	32,014

Notes:

1. "Other" includes businesses such as manufacturing and sales of fastening products manufacturing machinery, architectural products manufacturing machinery, mold and machinery parts, real estate and aluminium smelting etc.
2. (1) Adjustments for segment income or loss of (1,830) million yen include 7,685 million yen of elimination of inter-segment and (10,068) million yen of operating expenses which are not allocable to the reportable segments. Operating expenses which are not allocable to the reportable segments are expenses such as those related to the administration divisions.
   (2) Adjustments for segment assets of (76,222) million yen include (35,276) million yen of elimination of receivables to the corporate administration division, and 407,973 million yen of corporate assets which are not allocable to the reportable segments.
3. Segment income or loss has been adjusted with operating income in the consolidated statements of income.

For the fiscal year ended March 31, 2011(From April 1, 2010 to March 31, 2011)

(Millions of yen)

	Reportable segments			Other * 1	Adjustments * 2	Consolidated * 3
	Fastening Products	Architectural Products	Total			
Net sales						
Sales to third parties	230,646	308,291	538,937	5,958	–	544,896
Intersegment sales and transfers	511	114	626	41,888	(42,514)	–
Total	231,158	308,406	539,564	47,846	(42,514)	544,896
Segment income or (loss)	35,396	3,991	39,388	(703)	(6,277)	32,407
Segment assets	298,604	257,193	555,798	223,028	(88,504)	690,322
Other items						
Depreciation	19,687	13,294	32,982	2,986	(57)	35,912
Increase in tangible and intangible assets	12,997	12,402	25,399	7,221	(191)	32,429

Notes:

1. "Other" includes businesses such as manufacturing and sales of fastening products manufacturing machinery, architectural products manufacturing machinery, mold and machinery parts, real estate and aluminium smelting etc.
2. (1) Adjustments for segment income or loss of (6,277) million yen include 4,731 million yen of elimination of inter-segment and (11,268) million yen of operating expenses which are not allocable to the reportable segments. Operating expenses which are not allocable to the reportable segments are expenses such as those related to the administration divisions.
   (2) Adjustments for segment assets of (88,504) million yen include (41,672) million yen of elimination of receivables to the corporate administration division, and 407,376 million yen of corporate assets which are not allocable to the reportable segments.
3. Segment income or loss has been adjusted with operating income in the consolidated statements of income.

Corporate Profile

YKK Corporation

Foundation:	January 1, 1934
Capital:	11,992,400,500 yen *as of March 31, 2011
Headquarter Address:	1,Kanda Izumi-cho, Chiyoda-ku, Tokyo 101-8642, Japan
URL:	http://www.ykk.co.jp
Directors and Auditors:	
Chairman & CEO	Tadahiro Yoshida
Representative Director and Vice Chairman	Takeshi Kawasaki
Representative Director and President	Masayuki Sarumaru
Directors	Masanori Honda
	Wataru Otani
	Tetsuo Yazawa
	Hideo Yoshizaki
	Akira Yoshida
	Yukio Yanagida
	Keinosuke Ono
Corporate Auditors	Yoshio Osawa
	Yukio Gotoh
	Satoshi Kawai
	Hiroshi Akiyama

YKK AP Inc.

Foundation:	July 22, 1957
Capital:	10,000,000,000 yen *as of March 31, 2011
Headquarter Address:	1,Kanda Izumi-cho, Chiyoda-ku, Tokyo 101-8642, Japan
URL:	http://www.ykkap.co.jp
Directors and Auditors:	
Chairman & CEO	Tadahiro Yoshida
Representative Director and President	Hidemitsu Hori
Representative Director and Vice President	Hideo Yoshizaki
Directors	Takeshi Kawasaki
	Masashi Honda
	Yukio Kanayama
	Masami Shizu
	Akira Yoshida
	Junichi Takahashi
Corporate Auditors	Susumu Miyoshi
	Junichi Keino
	Yukio Gotoh
	Takashi Miyatani

YKK CORPORATION