2012 Annual Report

YKK GROUP

for the year ended March 31, 2012

CONTENTS

Messages 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 71 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.

Messages from the President

Message from YKK Corporation President Masayuki Sarumaru

Execution & Speed
Offering New Value to Customers, Realizing Sustainable Growth.

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, draw 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

Co-creating Abundance as a Quality Manufacturer

The window industry in Japan is a growth industry. As with automobiles and electrical goods, tremendous progress has been made in the past 20 years in the performance and function of windows. Up to this point, people have not paid much attention to windows, considering them to be "something that comes with the house," but I feel that times are changing. People are learning the importance of windows in terms of the environment and saving energy, and consumers are now choosing windows for both new homes and home renovations. In the Western housing market, more existing homes are being purchased instead of new homes to conserve resources. Window replacement is common in this market. In Japan, growth is forecasted for this type of market as well. For the window industry in particular, local service is a crucial element. We work with building material distributors around Japan to set up "MADO SHOP." These "MADO SHOP" serve as focal points for promoting the idea that by replacing windows it becomes possible to create a comfortable living space that is also environmentally friendly. Through this business we aim to bring improvements to both residences and urban development. In our overseas business, we adhere to the basic practice of using what is manufactured locally in a country or region. It is important to us for our business to take root as a local industry in a country or region, so we work to build each business with exceptional care. YKK AP takes on the challenge of creating new value in Japan and around the world with the firm belief that a new age is upon us. From this point forward, we aim to co-create with others a more abundant future as a manufacturer that pays close attention to quality.

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, producing and marketing fasteners. This business is where YKK started, and we have produced and marketed fastening products such as zippers, hook-and-loop fasteners, plastic hardware, and snaps and buttons for over 75 years. Now the world's apparel 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, business, development, and manufacturing groups—are united in meeting various needs including serving the world's most renowned brands and the sports apparel industry, addressing trends such as fast fashion and responding to internal demand in emerging nations including China. Today, YKK brand fastening products are used around the world, and we continue to meet the challenge of further increasing the value of our brand and creating new demand for our products.

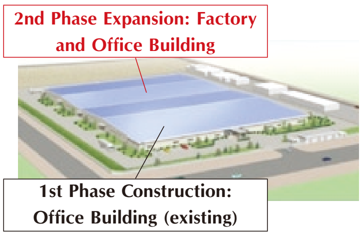
Promoting Investments in Growing Markets in Asia Including Construction, Extension, and Expansion in Vietnam and Pakistan

YKK is planning a priority investment in Asia to enhance its supply capability. We will invest ¥17 billion, which accounts for 57% of the total amount of the ¥29.7 billion budgeted for FY2012. Of this ¥17 billion, ¥7.3 billion will be invested in East Asia, and ¥9.7 billion will be invested in the Asian South Asia & Oceania (ASAO) Region. The YKK Vietnam Co., Ltd. factory No.2 construction project is part of this large-scale investment plan. In recent years, the zipper market for export processing has expanded significantly in step with growth in Vietnam's sewing industry. While we expect continued growth in the future, the YKK Group meets various customer needs by enhancing its supply capabilities and strengthening its product development and product variation. In addition, through the second phase expansion of YKK Pakistan (PVT) Ltd., YKK will enhance its supply capabilities in Pakistan's rapidly expanding apparel export business, which in turn will increase the demand for fastening products used in jeans and other cotton pants.

YKK Vietnam factory No.2
(completion slated in FY2012)

* Perspective view

YKK Pakistan 2nd Expansion
(completion slated in FY2012)



* Perspective view

AquaGuard® VISLON® Zippers

YKK's VISLON® zipper has now joined the AquaGuard® lineup of water-resistant zippers. In the outdoor and sports industries, even water-resistant fabric cannot prevent rainwater from soaking through zipper tapes. One solution to this problem was to use a rain flap to help protect the zipper. But now YKK has developed a high-performance water repellent zipper, revolutionizing garment design by eliminating the need for zipper flaps.

YKK originally created a coil water repellent zipper, but has now developed and introduced the new VISLON® water-resistant zipper. The new product features a polyurethane laminated tape and a unique element shape designed to keep water out of a garment. The VISLON® zipper also offers greater flexibility in garment design thanks to different color combinations in the element and tape. Along with conventional coil-type products, YKK continues to promote this innovation in the outdoor and sports apparel markets.

YKK Fastening Creation for 2012 YKK Fastening Awards

This year marked the 16th Annual YKK Fastening Creation event, during which new fastening products were introduced at four venues including Osaka, Tokyo, Hiroshima, and Gifu. YKK also sponsored a unique fashion contest for fashion design students, the YKK Fastening Awards, now in their 11th year. The top 30 designs from among 5,377 entries were introduced at an awards ceremony, culminating with the presentation of the Grand Prix and other awards.

Left: Fastening Creation Tokyo venue (Oct. 18-19, 2011)
Right: Fastening Award Apparel Category Grand Prix winner

Co-sponsoring the 13th Tokyo Girls Collection (TGC) 2011 Autumn/Winter

TGC is one of Japan's largest fashion festivals, which has been "Introducing real Japanese clothes to the world" twice a year since 2005. Unlike any other event in Japan or anywhere in the world, the festival is eagerly anticipated by fashion-conscious girls and young women. The Fastening Products Group contributes to the overall growth of Japan's fashion industry through its co-sponsorship of TGC.

Our Business: Architectural Products

From Individual Living Space to Urban Space, YKK AP Meets Current and Future Requirements

Private homes and commercial buildings, where people live and work, create value in their surrounding areas, become part of the local culture, and are ultimately part of the global environment. Windows and doors are significant attributes to creating comfortable living spaces. Building facades create beautiful urban scenery. YKK AP pursues the values suitable for the coming age through these architectural products. We aim to be a company that offers more comfortable living and urban spaces in the future.

FY2011 Good Design Award
- YKK AP window brand APW -

The SAITAMA MADO PLANT, Japan's 1st Window Factory, Began Operation in July of 2011

The SAITAMA MADO PLANT phase-one construction has been completed, and its operation began right on schedule in July of 2011. YKK AP made "Founding a Firm Basis for the Window Business" a key element in its mid-term management plan and has been establishing the manufacturing and sales structures for the APW series, and the SAITAMA MADO PLANT is key to that effort. YKK AP is also pushing ahead with construction of a Low-E* glass factory and supply center for its phase-two construction in order to meet the anticipated growth in demand for heat insulated architectural products.

* Low-E: Stands for Low Emissivity. A special coating on a glass surface prevents the transfer of heat by emission.

SAITAMA MADO PLANT (Kuki-shi, Saitama Prefecture)
- Operation starts (Phase-one): July 2011

The Creation of a TDY Collaboration Showroom and YKK's MADO Shops to Help Speed up Japan's Post-Quake Recovery

Four companies including TDY Alliance* and Noritz Corporation opened a Collaboration Showroom in Ishinomaki-shi, Miyagi Prefecture and Iwaki-shi, Fukushima Prefecture. This showroom was created to help speed up reconstruction efforts in Japan's Tohoku Region, which suffered extensive damage in the Great East Japan Earthquake and Tsunami. In addition YKK has expanded its network of MADO Shops to 100 outlets in three prefectures including Iwate, Miyagi, and Fukushima to help rebuild the disaster-stricken areas as quickly as possible.

The * TDY Alliance consisting of TOTO, DAIKEN, and YKK AP was formed in February of 2002 to enhance customer service capabilities in expanding the home remodeling market and to create comfortable living spaces that exceed customer expectations.

Ishinomaki collaboration office (Ishinomaki-shi, Miyagi Prefecture)
- Opened on November 5, 2011 -

New Products Venato/Prompt—Front Doors that Add Comfort and Convenience

The new Smart Door Venato/Prompt has an integrated handle and electric lock, and comes standard with the Smart Control Key, which greatly improves a door's operation and security.

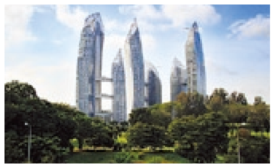
Two types of keys are available for the door. "The Pitatto Key" can lock and unlock the door by placing the IC chip integrated card or seal close to the door handle. The "Pocket Key" can lock and unlock the door through a remote operation similar to a remote control used for unlocking a car. The door can also be locked and unlocked remotely through the use of an intercom or mobile phone. Another optional feature informs the user when the system requires maintenance. The Venato/Prompt truly represents the next generation of front doors.

Small children can easily lock and unlock the door.

The electronic locking feature is integrated into the door handle.

Curtain Wall Construction for Reflections at Keppel Bay (Singapore) Has Been Completed

YKK AP completed the exterior curtain wall construction for the innovatively designed, ultra-large-scale condominium, Reflections at Keppel Bay, located on Singapore's waterfront. The TOKYO SKYTREE® project also features YKK AP curtain wall. YKK AP has earned great respect in Japan and other countries for its high-rise architectural technology.



Reflections at Keppel Bay (Singapore)
- Completed in December 2011 -

YKK AP's Architectural Products Business Expands to 12 Offices in 8 Nations/Regions

YKK AP established YKK AP Malaysia Sdn, Bhd. as a sales subsidiary to supply high-quality windows and doors and to help improve Malaysia's living environment. YKK AP also continued the expansion of its overseas business with the construction of an additional plant for the YKK Taiwan Co., Ltd. AP Business Group.

YKK Taiwan AP Business Group
- Plant expansion in March 2012 -

The China Real Estate Association Names YKK No.1 in the Window Category for the Second Consecutive Year

YKK AP was selected as the winner in the Window Category for 2012 in the China Real Estate Association's awards for the most desirable architectural products. The awards are based on a survey of the association's top 500 member companies in housing sales. This award reflects YKK AP's continued success in providing products and services that meet regional needs all over the world.

Our Business: Machinery & Engineering

Strengthening Our Technology Capabilities to Reinforce the Competitiveness of the Fastening Products and Architectural Products Business Groups

The Machinery and Engineering Group contributes to the growth of the YKK Group from the aspects of both development and manufacturing of machinery as the core of YKK Group technologies.

The YKK Group has grown globally by developing an integrated production system that encompasses materials, manufacturing facilities, and products.

The Machinery and Engineering Group supplies machinery specialized for the Fastening Products and Architectural Products business groups to YKK Group factories all over the world by developing materials, developing and designing machinery and equipment, and processing and assembling parts and components of machinery and equipment. While strengthen our elemental technology for the specialized machinery, we are introducing leading technologies from other companies and institutes.

Adapting Machinery and Equipment for Various Manufacturing Venues

The Machinery and Engineering Group focuses on developing specialized machinery and equipment for the Fastening Products Group to manufacture fastening products in locations around the world. It also builds Line Engineering for Windows.

Technological Development from Mid- and Long-Term Points of View

The Machinery and Engineering Group aims to advance basic technologies in areas such as transport, control, and production lines. It also plans to develop more specialized machinery and equipment to produce APW windows, as well as to produce special materials for fastening and AP products.

The Machinery and Engineering Group is Accredited as a Firewalled Laboratory by CPSC

In September 2011, the Analysis Office at the Analysis Technology Center in the Machinery and Engineering Group became the first facility in Japan to be accredited as a firewalled laboratory by the U.S. Consumer Products Safety Commission (CPSC). This accreditation allows the office to certify its analysis data of lead content in the products that are produced by the Fastening Products Group. The office was already accredited as a third-party laboratory regarding the analysis of lead content based on the ISO/IEC 17025 international standards by the Japan Accreditation Board(JAB) in March 2011 (accreditation number: RTL0330).

CSR Activities

YKK Group Celebrates Tree Planting Day Around the World

YKK Group Tree Planting Day is held every year on June 5th in conjunction with World Environment Day. In 2011, employees from 43 companies in 26 nations took part in the event and planted 2,072 trees. Tree varieties and species are carefully selected to match regional natural environments and terrain to ensure sustainability. The group continues to support such community-based activities that will lead to greater awareness and promotion of biodiversity conservation.

Summer Energy-Saving Measures

In an effort to save energy during the summer of 2011, the YKK Group set a target for reducing its peak-time electricity consumption by 20% in areas served by Tohoku Electric Power and Tokyo Electric Power companies, and by 15% in regions supplied by other power companies.

Thanks to group-wide efforts, that goal was exceeded by a significant margin. YKK's power consumption went down by 30.8% within the areas served by the Tohoku and Tokyo Power companies, and by 16.4% in those served by other companies. Many of our power-saving activities will yield permanent benefits as we invest in more energy-efficient plant equipment and machinery.

YKK (Thailand) Employee Volunteers Support Flood Relief Efforts in Thailand

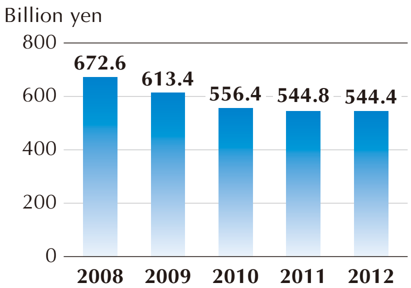
Torrential rains in Thailand in July of 2011 caused severe flooding. Such flooding only occurs once every 50 years. Fortunately YKK Group facilities were spared from any damages resulting from the flood. Employees at (Thailand) Co., Ltd. pitched in to help clean up flood-damaged temples and schools in Ayutthaya, central Thailand, with the aim of helping those suffering in the wake of the disaster.

A total of 189 YKK (Thailand) employees did their part to help recovery efforts by spending a day working closely with local volunteers to collect refuse and clean buildings.

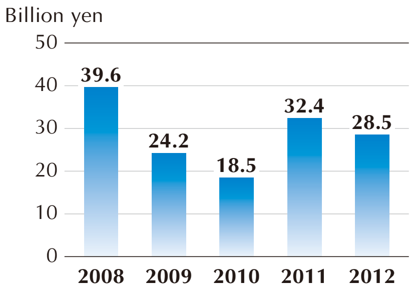
Financial Highlights

For years ended March 31

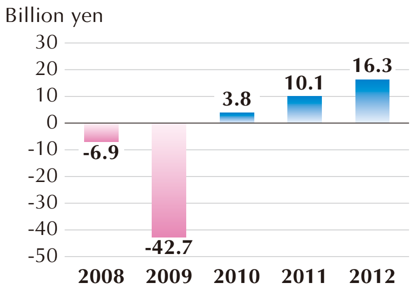
Net Sales



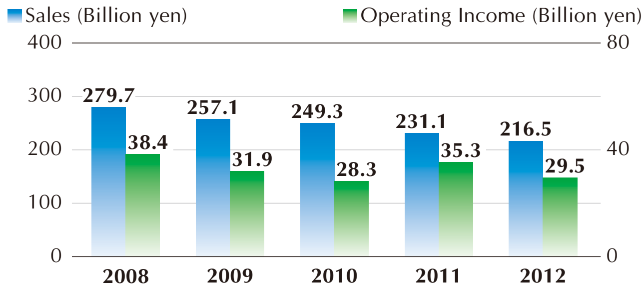
Operating Income



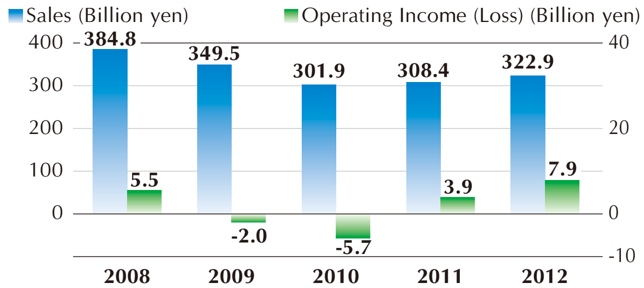
Net Income (Loss)



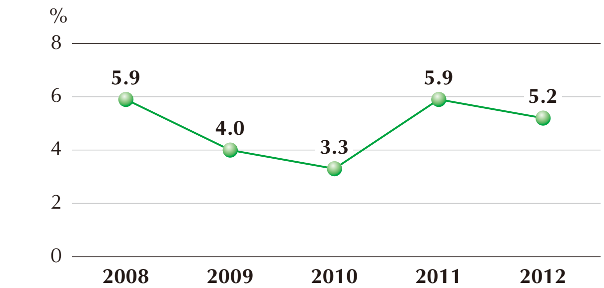
Sales/Operating Income of Fastening Products



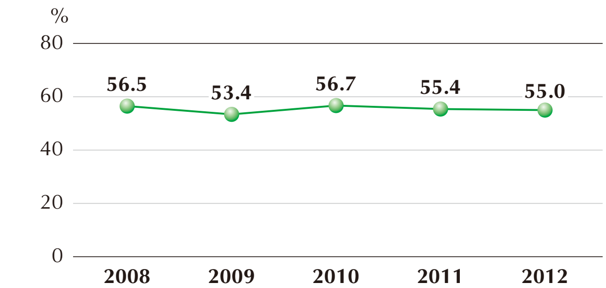
Sales/Operating Income (Loss) of Architectural Products



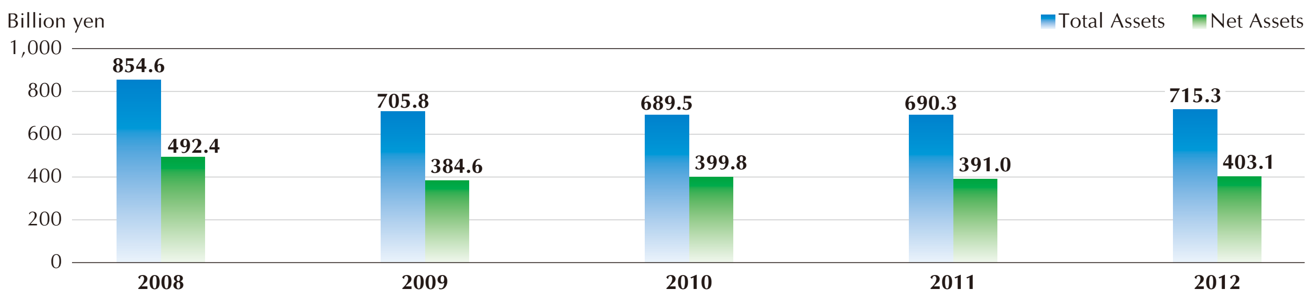
Operating Income Margin



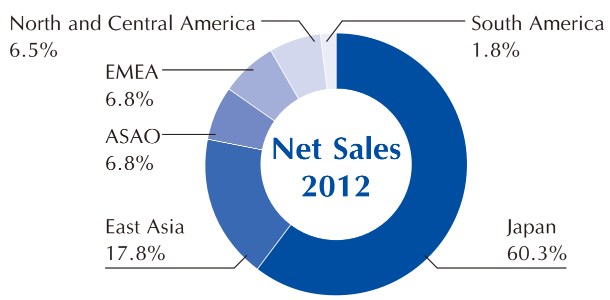
Equity Ratio

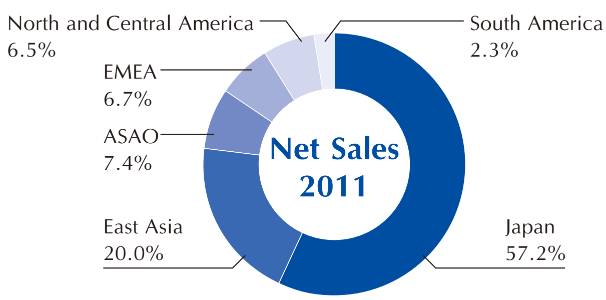


Total Assets/Net Assets



Net Sales Breakdown by Region





*EMEA: Europe, Middle East and Africa
ASAO: ASEAN, South Asia and Oceania

Key Financial Data and Trends

(1) Consolidated financial data

Fiscal year		2008	2009	2010	2011	2012
Year ended		March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012
Net sales	Millions of yen	672,644	613,446	556,439	544,896	544,434
Ordinary income	Millions of yen	34,251	15,862	16,572	30,976	26,681
Net income (loss)	Millions of yen	(6,925)	(42,785)	3,828	10,136	16,334
Comprehensive income	Millions of yen	–	–	–	(6,090)	14,336
Net assets	Millions of yen	492,424	384,695	399,866	391,095	403,169
Total assets	Millions of yen	854,694	705,886	689,593	690,322	715,364
Net assets per share	Yen	402,473	314,223	326,352	318,900	328,395
Basic net income (loss) per share	Yen	(5,775)	(35,681)	3,192	8,453	13,622
Diluted net income per share	Yen	–	–	–	–	–
Equity ratio	%	56.5	53.4	56.7	55.4	55.0
Return on equity	%	(1.4)	(10.0)	1.0	2.6	4.2
Price earnings ratio	Times	–	–	–	–	–
Cash flows from operating activities	Millions of yen	48,484	65,867	68,431	55,955	32,076
Cash flows from investing activities	Millions of yen	(53,347)	(44,114)	(32,636)	(31,635)	(39,667)
Cash flows from financing activities	Millions of yen	5,571	(13,809)	(21,795)	(13,465)	6,636
Cash and cash equivalents at end of year	Millions of yen	77,166	74,571	90,429	98,201	96,891
Employees The numbers in square brackets represent the average number of part-time employees not included in the numbers of regular employees.	Number	38,399 [7,806]	38,530 [7,531]	37,597 [5,595]	38,080 [7,031]	37,719 [7,127]

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 a net loss per share was recorded, and the Company had no dilutive securities. Diluted net income per share for the years ended March 31, 2010, 2011 and 2012 is not presented because the Company had no dilutive securities.
3. Price earnings ratio is not presented because stock is not listed.
4. 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 Japanese economy entered a period of moderate recovery from the second half of the current fiscal year, although domestic business remained tough due to the Great East Japan Earthquake, the drastic decline in personal consumption, electric supply problems and the Yen's sharp appreciation. Internationally, the economy is recovering moderately in the USA, however, in Europe the economic downturn is protracted due to the continuing financial crisis. In China and emerging economies, although growth is continuing steadily, the economic prospects remain unclear as a result of the economic slowdown in other countries in the world.

(Consolidated performance in the current fiscal year)

Amidst the rapidly-changing conditions in the global social and economic landscape, the Group has found that the business environment for both the Fastening Products Group and Architectural Products Group is also changing. In the Fastening Products Group, consumption has declined significantly, except for some high-end segments of the apparel market, due to the world sense of uncertainty over future economic trends. For the Architectural Products Group, new housing projects in Japan increased owing to economic stimulus policies, such as the Flat 35s advantageous interest rate and Housing Eco-points. Overseas, the architectural market was still at a low level in the USA, however Asian markets such as China were steadily increasing.

Amidst these business conditions, the Group worked on improving profitability in both the fastening products business and the architectural products business.

In terms of consolidated performance in the current fiscal year, although net sales remained steady at 544,434 million yen compared to the prior fiscal year, operating income declined by 11.8% to 28,569 million yen, and ordinary income declined by 13.9% to 26,681 million yen. Net income for fiscal year 2012 increased by 61.1% to 16,334 million yen. The increased profit in the current fiscal year was the result of the extraordinary loss recorded in the prior year related to the Great East Japan Earthquake.

1) Fastening Products Group

The performance of the Fastening Products Group was strong owing to sales to the luxury sector in Europe and sales of sports apparel in Asia in the first quarter. However, business conditions have deteriorated since the second quarter due to the economic slumps in Japan, the USA and Europe and due to the change of inventory management trends in the apparel market; from an inventory replenishment phase in the prior year to an inventory adjustment phase in the current year. In addition, the price increases for raw cotton made a big impact on the jeans market, which is one of the main markets for the Fastening Products Group.

By region, in Central and North America, sales in the jeans sector declined significantly throughout the fiscal year, although demand in the vehicle market recovered and strong sales in the safety market contributed to an overall good business performance. In South America, sales in the apparel and shoes sectors slumped, but in Europe, the Middle East and Africa (EMEA), sales showed robust growth owing to both strong demand for luxury brand products and a resurgence in sewing manufacturers' orders for apparel and bags. In Asia (except Japan), sales in some countries increased dramatically due to a shift of sewing manufacturers' factories to ASEAN and South Asia, although sales generally declined overall due to both the economic slumps in Europe and the U.S.A. and the period of inventory adjustment in the apparel markets. In Japan, the sports apparel, uniform and bag markets contributed to strong sales. The vehicle market, previously affected by the Great East Japan Earthquake, increased in the fiscal year, however sales of material supplies to group companies, which were affected by the bad sales performance in Asia, decreased dramatically.

As a result, net sales (including intersegment sales) decreased by 6.3% from the prior fiscal year to 216,574 million yen. This decrease in sales, compounded by increases in fixed costs along with a reduction in capacity utilization, continuous rises of material prices, and further compounded by rises in labor costs in countries such as China, meant that cost-cutting measures could not avoid a decrease in operating income of 16.4% to 29,574 million yen.

2) Architectural Products Group

In the current fiscal year, the environment surrounding the Architectural Products Group was affected dramatically by the Great East Japan Earthquake that occurred in March 2011. However, the group showed a recovery as the number of new housing projects in Japan increased to 841,000 (a 3% increase from the prior fiscal year) during the period from April 1, 2011 to March 31, 2012 due to the Flat 35s advantageous interest rate and Housing Eco-points. Also, after the Great East Japan Earthquake occurred, the consciousness of the population has changed dramatically, particularly about "life-style," "the way of working" and "the way of living," and from the view point of electricity saving and energy saving, concerns about windows have been highlighted.

In this environment, the Company proposed an idea in conjunction with a number of house makers, that to achieve a healthy and comfortable life, resolve various problems in modern day living and reduce the environmental burden, we should adopt natural energy and reform the production and usage of products. Also, the Company expanded much faster on its original plan for "MADO shops," which are a tool to facilitate contact regarding windows between the public and building product distributors. As part of the activities of the window business, YKK AP Inc started operating SAITAMA MADO PLANT as a supply base for high-quality and high-performance windows in the "APW" series. The factory has been manufacturing and providing this base since July 2011. As well, although some products initially fell behind in production because the Tohoku business locations suffered from the Great East Japan Earthquake, the Company achieved full restoration in May 2011.

As a result, net sales (including intersegment sales) increased by 4.7% compared to the prior fiscal year to 322,932 million yen. Operating income increased by 99.0% to 7,944 million yen. This was mainly because of good overseas architectural business conditions as well as a recovery of fixed costs, due to an increase in sales volume and improvements in productivity in the domestic architectural business. Profitability was also supported by a reduction in production costs and selling and administrative expenses. These reductions were achieved through restructuring as stated in the mid-term business strategy the "Second Business Structural Reform in Japan" for the domestic architectural products business. The sales processes were restructured to strengthen the operational functions through greater integration, as well as through the establishment of an operations center. Further, this was supported by the restructuring of logistics to operate new shipping systems.

3) Other businesses

In the domestic real estate business, sales of real estate decreased. However in the domestic equipment related business, intergroup orders for electric construction increased steadily. As a result, net sales in other businesses increased by 10.1% from the prior fiscal year to 52,694 million yen. On the other hand, the operating loss increased by 816 million yen from the prior fiscal year, which resulted in a 1,520 million yen operating loss, due to an increase in costs in the aluminum smelting business.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year decreased by 1,309 million yen from the balance at the end of the prior fiscal year to 96,891 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 23,879 million yen from the prior fiscal year to 32,076 million yen in the current fiscal year. This was because an increase in notes and accounts receivable-trade was 18,687 million yen in the current fiscal year in compared to a 9,278 million yen increase in the prior fiscal year and so on.

(Cash flows from investing activities)
Cash and cash equivalents used in investing activities increased by 8,032 million yen from the prior fiscal year to 39,667 million yen in the current fiscal year. This was mainly caused by a 7,783 million yen increase from the prior fiscal year in expenditures for purchases of property, plant and equipment, due to increased capital investment. Purchases of property plant and equipment totaled 35,399 million yen in the current fiscal year.

(Cash flows from financing activities)
Cash and cash equivalents increased from financing activities was 6,636 million yen in the current fiscal year versus a 13,465 million yen decrease in the prior fiscal year. This was mainly due to an increase in bond issues, which totaled 10,000 million yen in the current fiscal year.

Issues and Outlook for the Fiscal Year Ahead

The Company believes that the Japanese economy will make a mild recovery despite the continuing effects of the impact of the Great East Japan Earthquake. However, a major cause for concern continues to be restrictions on the electric power supply, along with deteriorating employment conditions and so on. 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, unstable changing prices of raw materials and a trend towards deceleration of growth in emerging counties.

After the Annual Shareholders' Meeting of the Company in June 2011, a new Chairman and a new President came into office, both at the Company and at YKK AP Inc. A system has been established for quick and effective decision-making to react to the ever-changing environment in the Fastening Products Group and the Architectural Products Group. Fiscal year 2012 is the last year of the "Third mid-term management plan for the fiscal years from 2009." Under this newly established organization structure, the company will continue consistent efforts to achieve the goals laid out in the mid-term management plans, "Establishment of Business Value" and "Establishment of Brand Value."

1) Fastening Products Group

In the Fastening Products Group, the Company set its mid-term business strategy with the goal of "competing with excellent products and innovative technology." The Company is also responding to rapidly changing social and business environments and has set out to accomplish its new business goals. Although there are uncertain factors due to the instability of the world economy and the effect of sewing strategy shifts in Asia, the Company continues to perform measures to achieve its goals "Establishing a structure to ensure profits, even in a business climate where sales remain flat" and "Further reinforcing our technological development capabilities," which have been successful to date in the mid-term management plan.

In particular, to work towards achieving the goal "Further reinforcing our technological development capabilities," the Company has been continuing to strengthen its R&D organization to develop products to meet the needs of its customer base from 2009, and will continue to enrich its development organization by structuring the product base and technological development to meet the regions' needs in 2012.

In addition to strengthening cost-competitiveness for customers in the "volume zone" (customers with disposable income in emerging nations) in and around Asia, called the "Low Price market," the Company is making a concerted effort to develop new products and new manufacturing equipment.

As well, the Company plans to invest, in order to strengthen its supply power and to meet increasing demand in Asia, and has therefore set out to start operating a second factory at its YKK VIETNAM CO.,LTD subsidiary.

2) Architectural Products Group

In the Architectural Products Group, the Company has set out to exceed the original plan through the development of new lines or through making improvements to existing ones, and the restructuring of logistics, as stated in the mid-term business strategy the "Second Business Structural Reform in Japan."

In order to work towards the goal of "Establishment of Window Business foundation," Low-E glass manufacturing SAITAMA MADO PLANT started operating and the Company plans to improve production capability for windows.

The Company intends to expand sales by adding variations of the "APW300" and "APW310" products, which are highly appreciated by builders.

To assist in the reconstruction efforts after the Great East Japan Earthquake, the Company intends to locate one hundred stores in Iwate, Miyagi and Fukushima, called "MADO shops," where customers can consult with staff about living in the affected area. YKK AP Inc. intends to support building product distributors in locating stores and establishing directly-managed stores in Sendai, Morioka and Koriyama.

The Company has a plan to make a local community-based business, as stated in the policy "Expansion of overseas architectural business." YKK AP MYS Sdn. Bhd. started its architectual business in 2012, and the Company has 12 companies in 8 countries supporting its overseas business deployment.

3) Efforts toward further reinforcing our technological development capabilities

The Machinery and Engineering Group is the technical core function in YKK group, and the intention is that it will further cooperate with the Fastening Products Group and the Architectural Products Group by prioritizing the principles, "Strengthening business" and "Independence of business." The Company has set out "Development of machinery and equipment suitable for production site for both Fastening and AP" and "Further engineering development from a mid-and-long term view" as its important policies.

The Company is working towards the goals of "machinery and engineering specialized for YKK fasteners production lines" and "machinery and engineering specialized for AP windows manufacturing lines." And the Company also aims at "enhancement of the elemental technology for the core domain," "material development and manufacturing process development" and "Deep investigation of analysis and evaluation of technologies."

Business and Other Risks

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

1) Risks involved in international activities and overseas expansion

The Group has businesses in 71 countries, covering regions of Central and North America, South America, Europe, the 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 if any unfavorable events happen during business expansion.

2) Economic factors

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

3) Fluctuation in foreign currency exchange rates

As transactions 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 capital holdings

A sharp decline in the price of listed stocks held by the Group could adversely affect the Group's business performance by resulting in impairment losses or losses on the 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. In particular, in the event of a decrease in the discount rate or 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 and increase its business value by conducting business restructuring, such as a withdrawal from unprofitable operations, promoting a horizontal international specialization system, and executing cost reduction. Accompanying this business restructuring, certain extraordinary losses could be incurred.

7) Defective products

Although the Group manufactures various products that meet its strict quality control standards, if any defective products are found and a resulting 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 operates and in certain cases is restricted by 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, 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, the 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 19,994 million yen. The Group's major accomplishments during the current fiscal year can be summarized as follows.

(1) Fastening Products Group

The Fastening Products Group was committed to the 3rd 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 development of high-value added and high-functionality products, as well as to accelerate the restructuring of the business in regions with high consumer demand (Japan, the U.S., and Europe) and to enhance cost competitiveness and promote product development optimized for fast fashion in production regions such as Asia. In addition, the Company aims to further enhance product values for customers by establishing a system to produce services or products that correspond to customers' needs.

A difficult operating environment continued in 2011 due to the occurrence of several unprecedented natural disasters, such as the Great East Japan Earthquake and the floods in Thailand. In addition, the financial crisis in Europe, downgrade of the US federal government credit rating, and the economic slowdown in China due to elevated personnel costs all had an adverse effect on the operating environment. The Company recognized the need to respond more quickly to changes and focused on product development, by maintaining its position of being one step ahead in technological superiority.

There have been major accomplishments in the period. In zippers, the Company has developed new products such as thin knitted-in zippers, simple separated injected zippers, flat automatic lock type slider and curved high-end metal zippers and has offered series of metallic injected zippers, 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 backpacks and a variety of snap hooks and has continued to develop various products in order to be sufficiently responsive to the needs of customers. In snaps and buttons, the Company has launched a new line of buttons mainly for jeans, developed a series of standardized molds, assembly machines and 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 demands specific to each type of customer are the 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 aims to enhance R&D functions in East Asian regions, in particular to respond to the needs of the domestic market in China, fast-fashion, and GA (Global Accounts). At the same time, in preparation for the shift of sewn product manufacturing, from being concentrated in China to distributed in ASEAN and Southern Asia, the Company aims to strengthen development capability and bulk supply in these regions by enhancing the coordination with East Asia R&D. 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. Research and development costs related to this business stood at 7,868 million yen.

(2) Architectural Products Group

In domestic architectural products, the Company produces and improves products from the end users' point of view, while considering social and environmental factors such as long-life housing, strengthening demands for safety and security and the prevention of global warming. The Company's efforts focus closely on products in order to generate value for users (including safety and security, environmental consideration, comfort, and universal design), by pursuing new fundamental technologies for materials, components/parts, and systems. The Company is also establishing installation technology, after-sale maintenance technologies and supply technologies to enhance the final quality of its products. One of the major accomplishments has been to respond to renovation needs. To meet the needs of the growing renovation market, the Company expanded products utilizing its innovative "smart cover method" without construction of exterior walls for replacement windows. In addition, the Company developed the "cut & cover method" combining with fitting wall to the size of windows. The Company released a solar radiation shielding product to the market, to respond in a timely manner to the energy saving and energy conservation needs of the public that were triggered by energy insecurity following the nuclear accident, and which also responded to the market demand for enhanced proposed power-saving tools. Furthermore, the Company enhanced items in the APW series, which is a brand of windows, and included a specific hookbolt deadlock as standard equipment, which is the first of its kind in the industry. They are highly regarded by end-users and builders. In the area of fire prevention systems, the Company's recognition system was changed to individual recognition from general recognition. Also, the Company developed a brand-new fire-safe window and started sales in 2012. 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 pursues high product quality by creating technologies that generate new customer value through improved customer satisfaction. Looking at global expansion, the Company will focus on R&D to; achieve globally competitive quality and competitive costs for raw materials and components/parts; achieve the development and standardization of global functional parts; and continue 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 8,640 million yen in these R&D activities.

(3) Other businesses

As part of the effort to further improve the YKK Group's technological development capabilities, the "Machinery and Engineering Group," which was restructured in 2010, enhances development technology to improve the specialized machinery and engineering for YKK fasteners production lines and to improve the specialized machinery and engineering for AP Windows manufacturing lines. The Company worked on two 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 accomplishments related to the development of the fastening products business, the Company invented mass-production slider assembling machines, machines specialized for molding, lines to finish products and assembling machines to manage products requiring special pull-tab. The Company also made improvements which stabilized and made lines more efficient, and accordingly accomplished maximum efficiency, as well as developing new peripheral equipment. The Company intends to develop technology and next-generation base machines to improve capacity utilization and the operation capacity of the fastening facility in 2012.

In developments related to the architectural business, the Company developed product lines for SAITAMA MADO PLANT. In addition, the Company engaged in improving standard lines (small and medium volume) and worked on its deployment. The Company enhanced its main lines for AP windows and accomplished maximum efficiency of its equipment for aluminum and plastic materials.

In addition, the Company developed materials that prospect for use in the future, in the medium-to-long term perspectives, which is directly linked to product differentiation, by working with the Fastening Products Group and the Architectural Products Group. For example, the Company has been developing original high strength plastic materials for lightweight sliders. The Company intends to work on the mass-production of these newly developed plastic materials in 2012.

In the analysis division, the Company acquired an accreditation for a Firewalled Laboratory under CPSIA regulation, in order to maintain and assure YKK Fastening Products' quality and safety. The Company intends to establish and operate a Components Testing Program under CPSIA requirements, to strengthen customers' trust, starting from the year 2012. 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 areas. Research and development costs for the Machinery and Engineering Group totaled 3,486 million yen.

Corporate Governance

(1) Status of corporate governance

Basic corporate governance policy

The philosophy of 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 bodies to implement corporate governance practices. The Board of Directors functions 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 Bodies

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 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 the consolidated management of the Group, the Board of Directors was restructured in June 2003, appointing executive vice presidents for 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 and further improving practices, two external directors were also appointed in June 2007.

- In a bid to further improve the management of the consolidated group, YKK Corporation has elected internal directors to make them responsible for global management in the six major geographical regions. It also appointed two external directors 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 business operations 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.

- 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 external directors with advance narrative explanations of the 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 is necessary 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 Global Business Management by centering on Fastening Products and Architectural Products (its core businesses) and Machinery & Engineering (a function to support consistent production by the core businesses), it also 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 the core companies as well as from each of the regional headquarters.

(c) Establishment of the Advisory Board
The Advisory Board has been in place since July 2001 to bring together wisdom from key external figures to help the president and other related directors with general management issues and specific matters of significance.

2) **Development Status of the 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 the performance of directors' duties for the execution of business, and conduct appropriate operations based on the principle of 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. The compliance system and director in charge of compliance were determined at the Board of Directors meeting in April 2006.

- Directors regularly take compliance training programs presented by lawyers, etc., and submit to the Company a written oath to comply with laws and regulations in executing their duties as directors. (These 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, in order to implement appropriate document control.

- The relevant 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 the regulations applied to each meeting.

(c) Regulations and other systems 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 such financial risks. An investment council chaired by the CFO was established in February 2006 as a body that appropriately manages the investment risks to which the YKK Group is exposed. The CFO also developed and promoted an internal control system over financial reporting, which has been in place 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 actions related to individual businesses and operations with responsibility and authority in accordance with the policies determined by the Board of Directors.

- In July 2003 the Management Strategy Conference was established to increase the efficiency of discussions held by 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 meetings.

- The Management Strategy Meeting determines the environmental policies of the YKK Group.

- The Environmental Policy Promotion Committee was established at the Management Strategy Meeting. Its purpose is to determine the environmental policies of the Company and monitor whether those policies are actually realized in business operations.

(e) Systems to ensure that employees comply with laws, regulations, ordinances and the articles of incorporation 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 external compliance advisors. In accordance with the compliance system, the YKK Group:
  1. develops and improves the awareness of employees about compliance, by holding regular workshops;
  2. develops a reporting and consultation system for compliance matters;
  3. establishes the 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 Company organized its structure to prevent association with criminal and antisocial bodies or persons by preparing rules, assigning the department in charge, reviewing contractual clauses and building relationships with public authorities, such as the police and related groups, and cooperating with them as necessary.

- The Office of Internal Auditing implements internal audits from the perspectives of legitimacy and rationality, and reports the results to the President, executives and others periodically.

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

- With Group Officers appointed from significant subsidiaries (core companies) and regional headquarters in the six major geographical regions in April 2004, each regional headquarters functions as a branch of the group headquarters and oversees the business operations of subsidiaries, under the consolidated management structure of the Group.

- Important matters in relation to the operations of subsidiaries are subject to discussion and resolution at the corporate board level based on the relevant requirements of the Board of Directors.

- YKK Corporation monitors the business performance and financial position of subsidiaries by receiving and reviewing a monthly report on the 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 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 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 matter which materially affects the Company arises, that matter 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 carried out 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 (taking into consideration consistency with the basic dividend policy, which is continuing to provide stable dividends), and a retirement allowance as 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	11	340
(External Directors)	(2)	(18)
Corporate Auditors	4	44
(External Corporate Auditors)	(3)	(25)
Total (External Directors	15	385
and Corporate Auditors)	(5)	(44)

(Note) 1. The upper limit of compensation, decided by a resolution of the annual shareholders' meeting, is 30 million yen per month for directors (including adequate additional compensation of an Officer's salary, for directors who 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 1 director who retired at the 76th annual shareholders' meeting held on June 29, 2011.
3. The above amounts include a 69 million yen provision reserved for directors' retirement benefits, recognized as an expense for the current fiscal year (including 2 million yen for external directors and 3 million yen for external corporate auditors).
4. The above amounts include the following estimated amounts of bonuses to directors and corporate auditors, which will be put forward for resolution at the 77th annual general shareholders' meeting on June 28, 2012.
- 25 million yen for 10 directors (including 2 million yen for 2 external directors)
- 4 million yen for 4 corporate auditors (including 3 million yen for 3 external corporate auditors)
5. Besides the above amounts, included are retirement benefits of 3 million yen paid to 1 director who retired at the 75th annual shareholders' meeting held on June 29, 2011. This amount includes a provision reserved 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 the number of external corporate auditors is three.

- Each corporate auditor complies with audit standards for corporate auditors set forth by the Board of Corporate Auditors; complies with 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 their audit practices by receiving a report from the Office of Internal Auditing and the risk management committees, which details the action plan and the implementation results of 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. Currently, 9 members work for this office.

- In addition to the statutory audit performed 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 is effectively conducted, not only by the Office of Internal Auditing, but also in cooperation with staff members of other divisions.

5) Relationships among YKK and external directors and external corporate auditors

One external 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 external director has a direct personal interest in the Company. In addition, there are no business relationships between the external director, Mr. Keinosuke Ono, and the Company. One external 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 external corporate auditor has a direct personal interest in the Company. Another external 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 external corporate auditor has a direct personal interest in the Company. In addition, there are no business relationships between the external corporate auditor, Mr. Yoshio Osawa, and the Company.

6) Status of accounting audits

Takenori Watanuki, Hiroaki Kosugi, 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, 10 CPAs, 6 accountant assistants and 20 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 Company Law, the Articles of Incorporation of YKK Corporation provide 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 a special resolution at the shareholders' meeting

The Articles of Incorporation of YKK Corporation provide that the resolution prescribed in Article 309, Paragraph 2 of 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 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 engagements (Millions of yen)	Fees for non-audit engagements (Millions of yen)	Fees for audit and attest engagements (Millions of yen)	Fees for non-audit engagements (Millions of yen)
Filing company	69	6	68	14
Consolidated subsidiaries	18	–	17	–
Total	87	6	86	14

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 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 of firms as the accounting auditor engaged in 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 226 million yen for audit and attest engagements and 86 million yen for non-audit attest engagements to Ernst and Young member firms, companies which are within the same network of firms as the accounting auditor engaged in services for the Company.

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

For the prior fiscal year
Advisory services on the group accounting policies.

For the current fiscal year
Advisory services on the group accounting policies and other similar services.

4) Decision-making policy regarding fees for audit engagements

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

Consolidated Balance Sheets

(Millions of yen)

	Prior Fiscal Year (As of March 31, 2011)	Current Fiscal Year (As of March 31, 2012)
Assets		
Current assets:		
Cash and deposits	90,360	86,169
Notes and accounts receivable – trade	132,544	149,422
Short-term investment securities	16,569	16,563
Inventories	100,825	110,456
Deferred tax assets	3,229	3,290
Other	15,300	17,222
Allowance for doubtful accounts	(3,099)	(3,145)
Total current assets	355,730	379,980
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	331,613	328,897
Accumulated depreciation	(226,048)	(224,145)
Buildings and structures, net	105,564	104,751
Machinery, equipment and vehicles	424,144	428,649
Accumulated depreciation	(349,351)	(353,291)
Machinery, equipment and vehicles, net	74,792	75,358
Land	63,690	63,020
Construction in progress	6,944	6,531
Other	71,762	73,132
Accumulated depreciation	(61,979)	(62,785)
Other, net	9,782	10,346
Total property, plant and equipment	260,775	260,008
Intangible assets	11,962	14,837
Investments and other assets:		
Investment securities	15,224	15,268
Deferred tax assets	4,756	4,127
Other	45,414	43,451
Allowance for doubtful accounts	(3,541)	(2,309)
Total investments and other assets	61,854	60,538
Total noncurrent assets	334,592	335,384
Total assets	690,322	715,364

(Millions of yen)

	Prior Fiscal Year (As of March 31, 2011)	Current Fiscal Year (As of March 31, 2012)
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	59,825	62,939
Short-term loans payable	7,136	4,734
Current portion of long-term loans payable	1,073	1,038
Current portion of bonds	–	10,000
Income taxes payable	4,928	3,845
Deferred tax liabilities	515	638
Provision for bonuses	13,284	12,864
Deposits received from employees	30,392	31,167
Other	33,209	30,355
Total current liabilities	150,366	157,583
Noncurrent liabilities:		
Bonds payable	19,995	19,996
Long-term loans payable	1,142	1,109
Deferred tax liabilities	2,388	2,102
Provision for retirement benefits	89,888	93,140
Provision for directors' retirement benefits	1,150	608
Reserve for various competition-law related expenses	24,603	24,594
Other	9,690	13,059
Total noncurrent liabilities	148,860	154,611
Total liabilities	299,226	312,195
Net assets		
Shareholders' equity:		
Capital stock	11,992	11,992
Capital surplus	34,938	34,938
Retained earnings	395,076	409,253
Treasury stock	(7)	(7)
Total shareholders' equity	442,000	456,175
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	902	803
Deferred gains or losses on hedges	172	659
Foreign currency translation adjustments	(60,693)	(63,878)
Total accumulated other comprehensive income	(59,618)	(62,414)
Minority interests	8,714	9,408
Total net assets	391,095	403,169
Total liabilities and net assets	690,322	715,364

Consolidated Statements of Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2010 To March 31, 2011)	Current Fiscal Year (From April 1, 2011 To March 31, 2012)
Net sales	544,896	544,434
Cost of sales	359,500	362,198
Gross profit	185,395	182,235
Selling, general and administrative expenses	152,987	153,665
Operating income	32,407	28,569
Non-operating income:		
Interest income	1,141	1,338
Dividends income	341	348
Gain on sales of scrap	628	571
Miscellaneous income	2,148	1,330
Total non-operating income	4,260	3,588
Non-operating expenses:		
Interest expenses	1,047	985
Compensation expenses	754	805
Foreign exchange losses	1,630	155
Miscellaneous loss	2,258	3,530
Total non-operating expenses	5,691	5,477
Ordinary income	30,976	26,681
Extraordinary income:		
Reversal of allowance for doubtful accounts	225	–
Gain on sales of noncurrent assets	454	721
Reversal of reserve for various competition-law related expenses	106	8
Reversal of provisions for restructuring of manufacture bases	–	232
Other	150	196
Total extraordinary income	937	1,160
Extraordinary loss:		
Loss on sales of noncurrent assets	227	60
Loss on retirement of noncurrent assets	1,888	1,028
Impairment loss	1,105	69
Loss on disaster	2,022	972
Loss on provision for product repair	3,900	–
Other	555	287
Total extraordinary loss	9,700	2,418
Income before income taxes and minority interests	22,213	25,423
Income taxes - current	9,762	7,713
Income taxes - deferred	1,238	503
Total income taxes	11,001	8,216
Income before minority interests	11,212	17,207
Minority interests in income	1,075	872
Net income	10,136	16,334

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2010 To March 31, 2011)	Current Fiscal Year (From April 1, 2011 To March 31, 2012)
Income before minority interests	11,212	17,207
Other comprehensive income:		
Valuation difference on available-for-sale securities	(621)	(98)
Deferred gains or losses on hedges	145	487
Foreign currency translation adjustments	(16,798)	(3,258)
Share of other comprehensive income of associates accounted for using equity method	(28)	(1)
Total other comprehensive income	(17,303)	(2,870)
Comprehensive income (loss)	(6,090)	14,336
Comprehensive income attributable to:		
Owners of the parent	(6,782)	13,539
Minority interests	692	797

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Prior Fiscal Year (From April 1, 2010 To March 31, 2011)	Current Fiscal Year (From April 1, 2011 To March 31, 2012)
Shareholders' equity:		
Capital stock		
Balance at the beginning of current period	11,992	11,992
Changes in items during the period		
Total changes in items during the period	–	–
Balance at the end of current period	11,992	11,992
Capital surplus		
Balance at the beginning of current period	34,938	34,938
Changes in items during the period		
Total changes in items during the period	–	–
Balance at the end of current period	34,938	34,938
Retained earnings		
Balance at the beginning of current period	387,098	395,076
Changes in items during the period		
Dividends from surplus	(2,158)	(2,158)
Net income	10,136	16,334
Total changes in items during the period	7,978	14,176
Balance at the end of current period	395,076	409,253
Treasury stock		
Balance at the beginning of current period	(6)	(7)
Changes in items during the period		
Purchases of treasury stock	(1)	(0)
Total changes in items during the period	(1)	(0)
Balance at the end of current period	(7)	(7)
Total shareholders' equity		
Balance at the beginning of current period	434,023	442,000
Changes in items during the period		
Dividends from surplus	(2,158)	(2,158)
Net income	10,136	16,334
Purchases of treasury stock	(1)	(0)
Total changes in items during the period	7,977	14,175
Balance at the end of current period	442,000	456,175

(Millions of yen)

	Prior Fiscal Year (From April 1, 2010 To March 31, 2011)	Current Fiscal Year (From April 1, 2011 To March 31, 2012)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	1,523	902
Changes in items during the period		
Net changes in items other than shareholders' equity	(621)	(98)
Total changes in items during the period	(621)	(98)
Balance at the end of current period	902	803
Deferred gains or losses on hedges		
Balance at the beginning of current period	27	172
Changes in items during the period		
Net changes in items other than shareholders' equity	145	487
Total changes in items during the period	145	487
Balance at the end of current period	172	659
Foreign currency translation adjustments		
Balance at the beginning of current period	(44,250)	(60,693)
Changes in items during the period		
Net changes in items other than shareholders' equity	(16,443)	(3,184)
Total changes in items during the period	(16,443)	(3,184)
Balance at the end of current period	(60,693)	(63,878)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(42,699)	(59,618)
Changes in items during the year		
Net changes in items other than shareholders' equity	(16,919)	(2,795)
Total changes in items during the period	(16,919)	(2,795)
Balance at the end of current period	(59,618)	(62,414)
Minority interests:		
Balance at the beginning of current period	8,543	8,714
Changes in items during the period		
Net changes in items other than shareholders' equity	171	693
Total changes in items during the period	171	693
Balance at the end of current period	8,714	9,408
Total net assets:		
Balance at the beginning of current period	399,866	391,095
Changes in items during the period		
Dividends from surplus	(2,158)	(2,158)
Net income	10,136	16,334
Purchases of treasury stock	(1)	(0)
Net changes in items other than shareholders' equity	(16,748)	(2,102)
Total changes in items during the period	(8,771)	12,073
Balance at the end of current period	391,095	403,169

Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (From April 1, 2010 To March 31, 2011)	Current Fiscal Year (From April 1, 2011 To March 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	22,213	25,423
Depreciation and amortization	36,117	34,780
Impairment loss	1,105	69
Increase (decrease) in allowance for doubtful accounts	(202)	(1,065)
Increase (decrease) in provision for retirement benefits	258	3,367
Interest and dividends income	(1,483)	(1,687)
Interest expenses	1,047	985
Equity in (earnings) losses of affiliates	(4)	(8)
Loss on retirement of property, plant and equipment	1,557	913
Loss (gain) on sales of property, plant and equipment	(226)	(660)
Decrease (increase) in notes and accounts receivable - trade	(9,278)	(18,687)
Decrease (increase) in inventories	(6,754)	(8,649)
Increase (decrease) in notes and accounts payable - trade	7,152	4,221
Other, net	11,790	1,902
Subtotal	63,293	40,904
Interest and dividends income received	1,453	1,704
Interest expenses paid	(1,069)	(984)
Income taxes paid	(7,722)	(9,547)
Net cash provided by (used in) operating activities	55,955	32,076
Net cash provided by (used in) investing activities		
Decrease (increase) in short-term loans receivable	57	(1,259)
Payments into time deposits	(8,242)	(7,462)
Proceeds from withdrawal of time deposits	7,257	8,887
Purchases of property, plant and equipment	(27,616)	(35,399)
Proceeds from sales of property, plant and equipment	1,484	2,165
Purchases of intangible assets	(2,827)	(5,594)
Proceeds from sales of intangible assets	13	27
Purchases of investment securities	(706)	(442)
Proceeds from sales of investment securities	20	54
Payments of long-term loans receivable	(1,077)	(645)
Net cash provided by (used in) investing activities	(31,635)	(39,667)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(514)	(792)
Repayments of finance lease obligations	(261)	(282)
Proceeds from long-term loans payable	16	1,035
Repayments of long-term loans payable	(39)	(1,004)
Proceeds from issuance of bonds	–	10,000
Redemption of bonds	(10,000)	–
Purchases of treasury stock	(1)	(0)
Cash dividends paid	(2,156)	(2,228)
Cash dividends paid to minority shareholders	(508)	(88)
Net cash provided by (used in) financing activities	(13,465)	6,636
Effect of exchange rate change on cash and cash equivalents	(3,083)	(355)
Net increase (decrease) in cash and cash equivalents	7,772	(1,309)
Cash and cash equivalents at beginning of period	90,429	98,201
Cash and cash equivalents at end of period	98,201	96,891

Notes to the Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries:............108

(2) Number of companies increased in the consolidation due to new establishment: 1
Company name: YKK AP MYS Sdn.Bhd.

(3) Number of companies excluded from the consolidation due to liquidation: 2
Company name: YKK BELGIUM NV.
HING KWOK INDUSTRIAL CO., LTD.

(4) Number of unconsolidated subsidiaries: 3
Name of the major unconsolidated subsidiary:
Y2K HOLDINGS CORPORATION
Reason for exclusion from consolidation is as follows:
These companies have been excluded from the consolidation because they are small, and their total assets, net sales, net income (the equity portion) and retained earnings (the equity portion) do not have a significant effect on the consolidated financial statements.

2. Application of equity method

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

(2) Number of companies not accounted for using the equity method: 5
Unconsolidated subsidiaries: 3
Y2K HOLDINGS CORPORATION and others
Affiliated companies: 2
L-Y PHILIPPINES INC. and others
These companies are not accounted for using 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 they are not significant 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 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
Marketable securities are carried at fair value, with changes in unrealized gains or losses included directly in net assets. Cost of securities sold is mainly determined using the moving average method.
Non-marketable securities
Non-marketable securities are carried at cost, determined using 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 including any required 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 including any required write-downs based on any decrease in profitability).

(2) Depreciation of assets

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

The estimated useful lives are as follows:

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

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

c) Leased assets:
Leased assets held 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 asset's useful life, 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:
Allowances for doubtful accounts are provided at an amount sufficient to cover probable losses on collection. The allowances consist of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the historical actual percentage of collection losses on 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 that relates to the current fiscal year.

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

d) Provision for retirement benefits:
Provision for retirement benefits of employees of the Company and its domestic consolidated subsidiaries as of the balance sheet dates has generally been made 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 using the straight-line method over the average remaining years of service of eligible employees. Actuarial gain or loss amortization begins in the year after the year in which the gain or loss is recognized, and is recorded using the straight-line method over a period within the average remaining years of service of eligible employees.

e) Provision for directors' retirement benefits:
Provision for directors' retirement benefits of the Company and certain domestic consolidated subsidiaries has been made at an amount to be required at 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 a decision from the European Commission with an order for these three YKK companies to pay fines totaling €150.25 million for alleged violations of European competition law with respect to hard haberdashery products (snap and buttons) and zippers (slide fasteners). After studying the decision carefully, the three YKK companies 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 of 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) incurred. 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 consolidated balance sheet date, and differences arising from the translation are included in the consolidated statements of income.

All asset and liability accounts of foreign consolidated subsidiaries and affiliates are translated into yen at the rates of exchange in effect at the consolidated 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
Hedging instruments and hedged items for which hedge accounting is adopted in the current fiscal year are as follows:
a) Hedging instruments: Forward foreign exchange contracts
Hedged items: Receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies.
b) Hedging instrument: Interest-rate swaps
Hedged items: Loans

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

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

(8) Other significant accounting policies of the Consolidated Financial Statements

1) Accounting for consumption tax
Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.

2) Application of the consolidated tax return system
From this fiscal year, the Company has applied the Consolidated Tax Return System, along with 17 group companies in Japan.

(9) Additional information

The Company applied the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24), to reflect accounting changes made after the beginning of this fiscal year and the correction of past errors.

Segment Information

1. Overview of 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 operates based on comprehensive strategies for products in Japan and overseas, which are planned for each business.

Accordingly, the Company consists of two reportable segments, identified by products and based on division, which are 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 for net sales, income or loss, assets, liabilities and other items by reportable segments

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

Reportable segment income is calculated from operating income.

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

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

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, manufacturing and sales of architectural products manufacturing machinery, manufacturing and sales of mold and machinery parts, real estate and aluminum smelting etc.
2. (1) Adjustments for segment income or loss of (6,277) million yen include a 4,731 million yen elimination of inter-segment transactions 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 a (41,672) million yen elimination of receivables due 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 reconciled to operating income represented in the consolidated statements of income.

For the fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reportable segments			Other *1	Adjustments * 2	Consolidated * 3
	Fastening Products	Architectural Products	Total			
Net sales						
Sales to third parties	216,051	322,752	538,803	5,630	–	544,434
Intersegment sales and transfers	523	179	702	47,064	(47,766)	–
Total	216,574	322,932	539,506	52,694	(47,766)	544,434
Segment income or (loss)	29,574	7,944	37,518	(1,520)	(7,428)	28,569
Segment assets	299,404	272,671	572,075	227,374	(84,084)	715,364
Other items						
Depreciation	18,210	13,511	31,721	2,957	(119)	34,559
Increase in tangible and intangible assets	20,847	16,093	36,941	5,659	142	42,744

Notes:

1. "Other" includes businesses such as; manufacturing and sales of fastening products manufacturing machinery, manufacturing and sales of architectural products manufacturing machinery, manufacturing and sales of mold and machinery parts, real estate and aluminum smelting etc.
2. (1) Adjustments for segment income or loss of (7,428) million yen include a 3,692 million yen elimination of inter-segment transactions and (11,300) 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 (84,084) million yen include a (31,995) million yen elimination of receivables due to the corporate administration division, 407,727 million yen of corporate assets which are not allocable to the reportable segments, and a (1,348) adjustment for inventory.
3. Segment income or loss has been reconciled to operating income represented in the consolidated statements of income.

Corporate Profile

YKK Corporation	
Foundation:	January 1, 1934
Capital:	11,992,400,500 yen *as of March 31, 2012
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	Hideo Yoshizaki
Representative Director and President	Masayuki Sarumaru
Directors	Masanori Honda
	Wataru Otani
	Akira Yoshida
	Tetsuo Yazawa
	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, 2012
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 Vice Chairman	Hideo Yoshizaki
Representative Director and President	Hidemitsu Hori
Directors	Masashi Honda
	Yukio Kanayama
	Masami Shizu
	Akira Yoshida
	Junichi Takahashi
Corporate Auditors	Susumu Miyoshi
	Junichi Keino
	Yukio Gotoh
	Takashi Miyatani

YKK CORPORATION