2013 Annual Report

YKK GROUP

for the year ended March 31, 2013

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Messages from the Chairman

Opening New Horizons for Tomorrow through Technological Development and Innovation - Contributing to Society as a Creative Manufacturer of Value -

The Never-ending Pursuit of the Culture of *Monozukuri**

The YKK Group has consistently taken on new challenges in the spirit of our "Cycle of Goodness" corporate philosophy and our management principle: "YKK seeks corporate value of higher significance." In fact, we have built the cornerstone of our current businesses by addressing one challenge after another. Even now, with our core fastening products and architectural products businesses thriving in 71 countries and regions all over the world, our basic stance remains the same.

Our business climate is now entering an era of dramatic, global change. I believe we need to embrace these transformations as opportunities, tackling new challenges more boldly than ever before.

As the Fastening Products Group works to become more cost-competitive and responsive, the Architectural Products Business Group is generating new value in the architecture industry, for everything from residential spaces to high-rise buildings. By further bolstering our technological development and innovation, we will strive to meet a diversifying range of needs and give life to new value through the pursuit of the spirit of *monozukuri* in our many manufacturing initiatives.

We will also continue to reduce our environmental impact and protect nature and biodiversity across all of our businesses. Contributing to the development of a sustainable society is our guiding principle; carrying it out at a high level is our responsibility for the future.

Tadahiro Yoshida
Chairman & CEO
YKK Corporation

Chairman & CEO
YKK AP Inc.

*The art, science and craft of making things with a dedication to continuous improvement, as well as an emphasis on the thing that is being made and the act of making.

Messages from the President

Message from YKK Corporation President Masayuki Sarumaru

Growth Through Taking on New Challenges, Product Appeal and Proposals Supported by Technology: The Three Keys to Success

YKK seeks to achieve growth by continually taking on new challenges. To ensure that we can achieve success in a market environment rapidly changing at an unprecedented pace, the most important challenge for us is the development of innovative technology.

In order to open up new fields for YKK, we need not only to reinforce the technical capabilities we have cultivated over the years, but also to build on a stream of fresh, visionary ideas. I believe that further developing YKK's technical capabilities through innovation will be the driving force to stay ahead of the competition.

Building a solid foundation based on sound capabilities in technology enhances YKK's product appeal and proposal capabilities. Going forward, there will be an even greater need to see markets from a global perspective as well as develop new business models. We will continue to provide products that precisely meet the ever-changing, diversifying needs of our customers.

With a continuous awareness of the importance of "execution" and "speed" based on our shared core values,* we will vigorously push forward to achieve success in our many and varied endeavors.

*YKK Core Values
- Do not fear failure, experience builds success. Create opportunities for employees.
- Insist on quality in everything.
- Build trust, transparency and respect.

Masayuki Sarumaru
President
YKK Corporation

Message from YKK AP President Hidemitsu Hori

Pleasing customers with our ability to offer solutions and products with strong appeal.

Through our architectural products, we will create comfortable living spaces using our windows and doors. We will also create more attractive urban landscapes with our building facades. YKK AP stands at the forefront of efforts to make daily living and urban spaces more comfortable.

Under the objectives of our Fourth Mid-Term Management Plan, which went into effect in FY2013, the YKK AP business philosophy will work to achieve sustained growth of our AP business by relying on our strengths as a solution-oriented company and one that can create products with strong consumer appeal. To maximize product appeal, we must remember what it means to be a manufacturer, and always try to see our products through the eyes of potential users. To do this, we will work to enhance product appeal by improving speed of development, quality, and cost competitiveness. We also want to boost our proposal capability, to be able to suggest the right products based on the customer's specific needs, because we want those who use our products to be both happy and impressed.

For overseas markets, we are working to develop products that are a good fit for the climates and natural features of those countries. YKK AP will maintain its commitment to community-based expansion, with the idea that products manufactured in a particular country or region are best used by the people who live there. Meanwhile, in Japan, demand for new housing is trending downward and efforts to conserve resources are on the rise, meaning we must do more to make the best use of existing housing stock. YKK AP is working with building material distributors around Japan to set up MADO SHOP and promote replacement of old interior windows. The energy-related challenges we face are not getting any easier, which is one reason that energy conservation in the home has become such a key concern. YKK AP is doing its part to help create environmentally-friendly, comfortable living spaces through focused efforts to develop products for the home and office that block heat, insulate or promote ventilation to help users cut their energy usage. We can offer suggestions for designing window areas that incorporate our highly energy-efficient windows and auxiliary products as well.

YKK AP will maintain its commitment to maximize the performance of architectural spaces. We're working to conserve energy by building better windows, helping to promote a low-carbon economy and a better society.

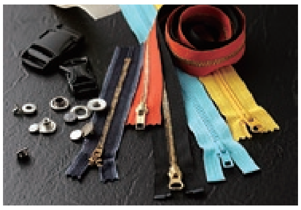
Hidemitsu Hori
President
YKK AP Inc.

Our Business: Fastening Products

Developing New Strategies for Growth

Since YKK's founding nearly 80 years ago, the Fastening Products Group has been carrying out exactly what its name implies—providing fastening solutions. The products we manufacture and distribute include zippers, Quicklon® hook and loop fasteners, textile, plastic hardware, snaps and buttons.

We have established the trust of our customers by providing the same high quality worldwide on the basis of rigorous quality control, an integrated production system, and delivery systems that are appropriate to the needs of various customers. Going forward, the Fastening Products Group will aim for new growth while further enhancing customer satisfaction towards our products and services. We will seek out the most appropriate distribution, development and manufacturing method for each of the products desired by our respective customers so that we may respond swiftly to their ever diversifying needs.



Metaluxe®

Metaluxe® is a new variation of the Vislon® zipper. Like the Vislon®, it is made of injected plastic elements, yet it boasts a high class, lightweight metallic look. It was launched simultaneously around the world and is currently produced in 11 countries and regions, including Japan. Steady sales have been achieved since its release in 2009, with over 20 million pieces sold worldwide in three and a half years.

Metaluxe® is available in the standard six metallic versions as well as six bright colors including blue and pink. New versions of Metaluxe® with a mirror-like finish that differs from conventional Metaluxe® zippers have also been available. The brilliant finish of these zippers was achieved by transferring metallic foil onto the elements.

The Metaluxe® zippers are proving popular especially for use in sports and casual apparel. It will be a zipper to keep an eye on going forward.

Available in a wide variety of sizes and colors

Mirror-like finish Metaluxe® with metallic foil transferred on element surfaces

Aggressive Investment in Growth Markets, with a Focus on Asia: Establishment of the PT. YKK ZIPCO INDONESIA Copper Alloy Wire Plant

We will place priority on increasing our sales in the growing markets of Asia and China, and in particular, reinforce our responses to the "volume zone" and fast fashion markets. We will also carry out aggressive investments and execute strategic moves towards achieving our target of selling 10 billion pieces as set forth in the YKK 4th Mid-term Business Plan.

We will invest a total of 127 billion yen between FY2013 and FY2016 into growth markets, especially in Asia. Investments in FY2013 will be 35.1 billion yen, of which 11.9 billion will be invested in Asia and 7.9 billion will be invested in China. Thereby, Asia and China will account for about 60% of YKK's total investments during this period. Establishment of the PT. YKK ZIPCO INDONESIA Copper Alloy Wire Plant, scheduled to be operational in November 2014, will be a particularly large investment in this region.

Copper alloy wire (concept photo)

The YKK Fastening Products Group CO_2 Emission Control System (YFCO₂) Launched

In April 2012, the Metallic Materials Manufacturing Department in Kurobe, Japan, which is a major consumer of electrical power in the Fastening Products Group, began full-scale operation of an energy management system that was newly developed to further reduce power consumption. This new system optimizes the energy management of business activities by making it possible to see where energy losses are taking place. It is lowering the amount of power consumed as well as reducing CO_2 emissions. At the same time, we will achieve improved production quality and productivity by incorporating data analysis into operation and quality analyses.

YFCO$_2$ System (Conceptual diagram)

Our Business: Architectural Products

Toward Greater Possibilities in Windows and Doors.

Homes and buildings where people live and work are not only important assets of our societies but are also part of the local culture, and ultimately part of the global environment. By providing various architectural products—including windows and doors that produce relaxing residential spaces and building facades that create beautiful cityscapes—the Architectural Products Business provided by YKK AP aims to deliver state-of-the-art comfort to people's daily lives and the urban landscape.

The Functional Glass Wing of the Saitama Mado Plant in Operation

The Saitama Mado Plant is central to the windows business. The plant's Functional Glass Wing began operations on October 9, 2012 as a facility for the manufacture and supply of low-E (emissivity) glass. The low-E glass produced at our cutting-edge sputtered coating line is cut and processed in the adjacent Windows Wing into multi-layered windowpanes, enabling integrated just-in-time window manufacturing at the plant.

Photo: Takenaka Corporation

Construction of a New Mado Plant Underway at the Tohoku Manufacturing Center

We are restructuring the YKK AP Tohoku Manufacturing Center to strengthen our manufacturing competitiveness and make our center better able to withstand earthquakes and disasters. The new flagship plant wing is scheduled to go into operation as a windows plant in June 2014. This will enable us to respond to increased window sales as well as reinforce our windows supply framework. The plant will primarily produce the APW series for timely delivery to the Tohoku region.

The APW 330 Triple Glazing Vacuum-Insulated Glass (VIG)

The APW 330 triple glazing VIG is a resin-frame window for detached houses that offers both energy-saving functionality and fashionable design. The combination of the resin frame, with its excellent thermal insulation properties, and the high-performance triple glazing VIG provides roughly four times higher thermal insulation performance than standard aluminum-frame windows (with multi-layered windowpanes), and about twice the insulation of aluminum-resin composite windows (with low-E multilayered windowpanes). This window allows energy to be saved when heating or cooling the home. Furthermore, the design of the APW 330 is slim and simple yet stylish so that it matches a diverse range of home exterior styles.

Further efforts to make homes more energy efficient is of great need in Japan in order to resolve the country's energy issues of recent years. Windows can play an extremely large role as they are locations in a home where heat transfer takes place. Comfortable homes with minimal energy consumption can be achieved through the smart introduction of windows with high thermal insulation as well as the use of natural wind and light.

YKK AP Chosen by the China Real Estate Association as a Most Desirable Architectural Product for the Third Consecutive Year

For the third consecutive year, YKK AP was named No.1 in the windows category of the FY2013 awards sponsored by the China Real Estate Association for the most desirable architectural products. The winners are selected by the top 500 Chinese real estate companies that are members of the association. YKK AP launched its architectural products business in China in 2001 and has been consistently providing high quality windows that are developed, manufactured and sold in China. We are pleased that we continue to be recognized for these endeavors.

YKK AP FACADE PTE. LTD. Secured Order for the Ultra-large South Beach Mixed Development Project

YKK AP FACADE PTE. LTD., which handles the facades of ultra-high-rise, extremely difficult projects, has secured the order for the exterior work for a large-scale building complex in Singapore. Designed by Norman Foster, the project consists of two ultra-high rise towers, the renovation of four low-rise conservation buildings, and the construction of four new low-rise buildings as well as a canopy over the entire development. The South Beach Project is scheduled to be completed at the end of 2014.

Our Business: Machinery & Engineering

Enhancement of the Competitive Edge of Group Businesses through the Reinforcement of Engineering Development Capabilities

The YKK Group has achieved growth globally through an integrated production system that encompasses materials, manufacturing facilities and products.

The Machinery and Engineering Group supplies specialized machinery to YKK Group plants in Japan as well as overseas. It develops materials, machinery and equipment as well as manufactures machine parts, with emphasis on its policy to develop machinery and equipment that are adapted to the manufacturing sites of the Fastening Products Group and the Architectural Products Business Group.

To reinforce the elemental technology required to supply specialized machinery, the Machinery and Engineering Group will further develop its in-house development of technology in the medium- to long-term, while also promoting the adoption of external technology through collaboration with academia as well as other companies.

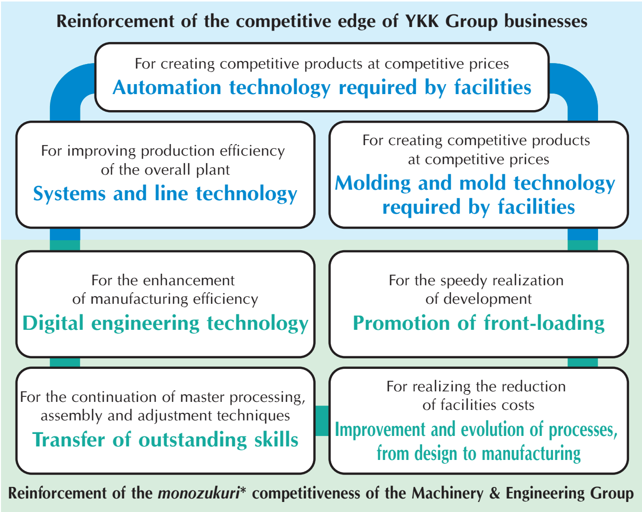
The Development of Machinery and Equipment Adapted to Manufacturing Sites

The Kurobe Manufacturing Center plays a role as the core of YKK Group technologies. There, we will realize production efficiency through automation with a focus on five to ten years into the future and aim to create a production framework that will enable YKK to maintain its competitive edge even in Japan. To do so, we will restructure the machine parts plant, which has been in operation for more than 50 years since 1962, and establish a new plant dedicated to the production of fastening products. The plant will be equipped with an environment (temperature, vibration, etc.) that is energy efficient as well as capable of dealing with the stable production of precision parts. Construction of the new plant is scheduled to be completed and be partly operational during FY2015, with full-scale operation planned to begin in FY2016.

Technology Development from a Medium- to Long-term Perspective

As a manufacturer of specialized machines for fastener products and specialized machines for window production lines, we will develop a technological platform to reinforce the competitive edge of YKK businesses as well as the *monozukuri** competitiveness of the Machinery and Engineering Group. We will promote the shaping and preparation of an infrastructure for the development of what will become important technological realms.

The Seven Technological Platforms of the Machinery & Engineering Group



CSR Activities

The YKK Group Tree Planting Day

Each year, the YKK Group marks World Environment Day (June 5) by holding the YKK Group Tree Planting Day around the world. In FY2012, 38 YKK offices in 28 countries and regions participated and planted a total of 4,235 trees. When planting trees, it is important that the tree that is most suitable for the local natural environment is selected for planting so that genuine greenery for the region can be created. The YKK Group will continue holding activities like this that are rooted in the regional community, take the ecosystem into consideration, and help conserve biodiversity.

Contribution to Local Employment and Labor Force Development

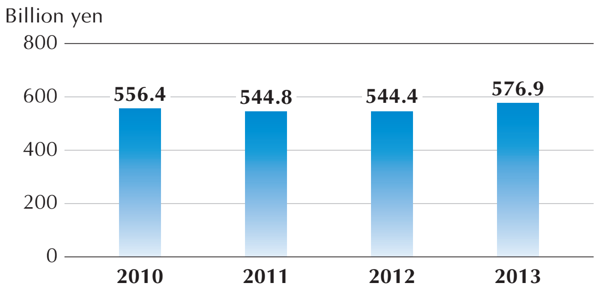
Egypt is one of the newly developing nations that are experiencing high economic growth. However, statistics show that there is a wide income gap in the country, and roughly 40% of the population lives in poverty. With the aim of supporting the self-sustainability of the poor in Egypt, the Japan International Cooperation Agency (JICA) dispatches Japan Overseas Cooperation Volunteers who provide technical guidance in handicraft making as well as help with cultivating sales channels. Since 2011, YKK EGYPT S.A.E. PRIVATE FREE ZONE has been co-sponsoring this project and providing coil zippers for use in pouches. Similarly, YKK INDIA PRIVATE LIMITED has established a social and job training center and is helping poor women in India become self-reliant. Furthermore, in July 2012, SHANGHAI YKK ZIPPER CO., LTD. established a new school for nurturing skills. The YKK Group will continue to contribute to local communities through these and other such efforts.


Woman sewing a zipper onto a pouch

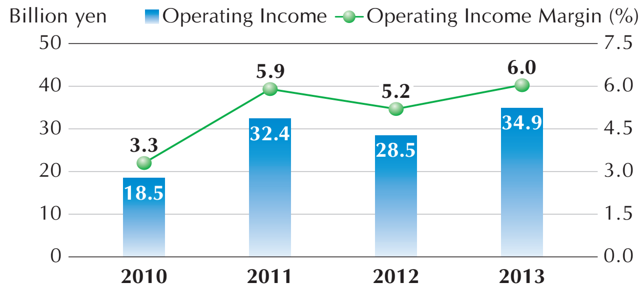
Financial Highlights

For years ended March 31

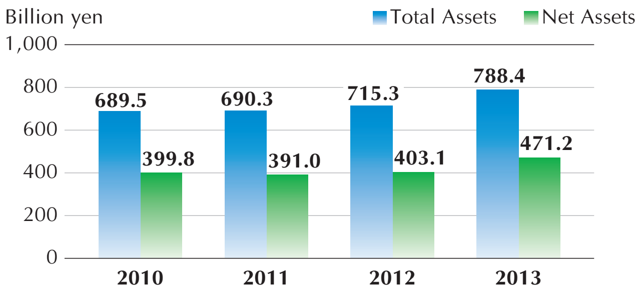
Net Sales



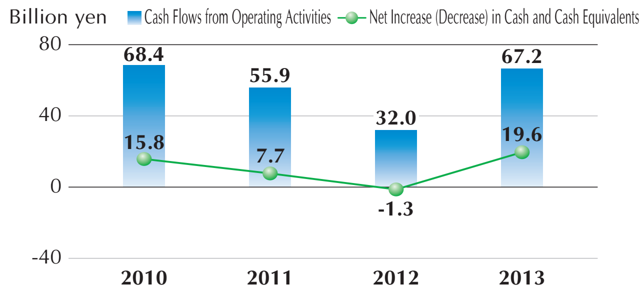
Operating Income



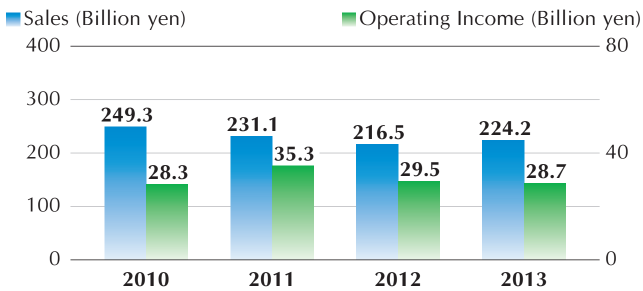
Total Assets/Net Assets



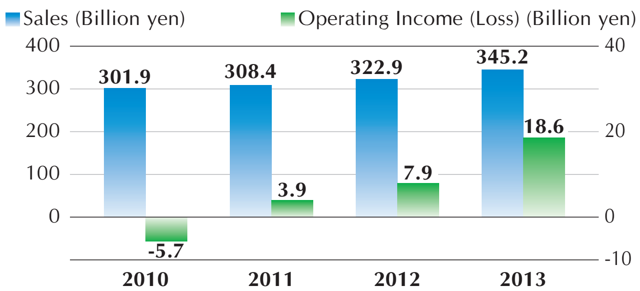
Cash Flows from Operating Activities



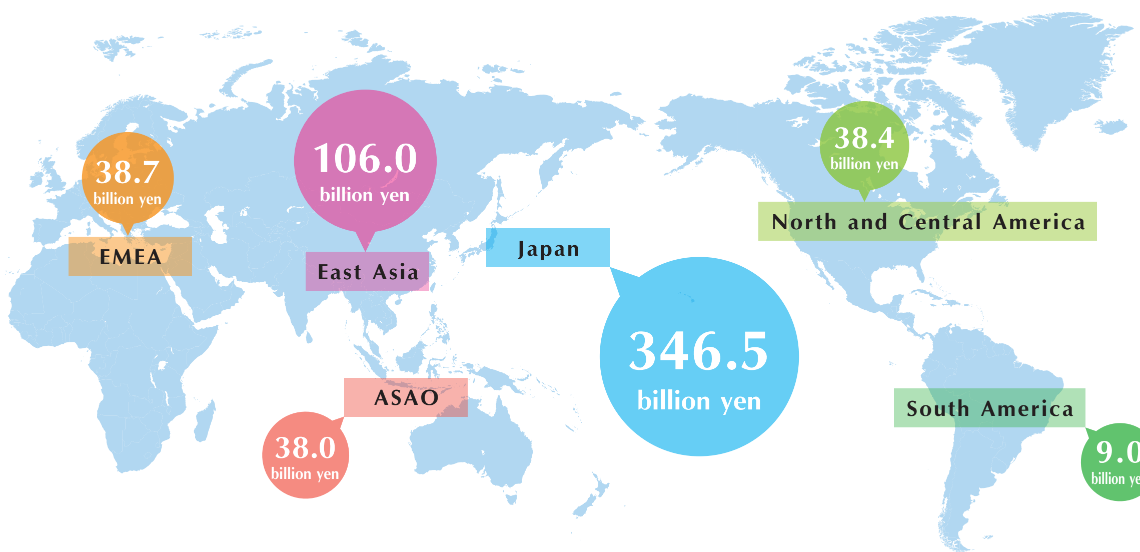
Sales/Operating Income of Fastening Products



Sales/Operating Income (Loss) of Architectural Products



Net Sales Breakdown by Region (Year ended March 31, 2013)



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

Key Financial Data and Trends

(1) Consolidated financial data

Fiscal year		2009	2010	2011	2012	2013
Year ended		March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Net sales	Millions of yen	613,446	556,439	544,896	544,434	576,965
Ordinary income	Millions of yen	15,862	16,572	30,976	26,681	33,681
Net income (loss)	Millions of yen	(42,785)	3,828	10,136	16,334	32,692
Comprehensive income	Millions of yen	–	–	(6,090)	14,336	70,777
Net assets	Millions of yen	384,695	399,866	391,095	403,169	471,271
Total assets	Millions of yen	705,886	689,593	690,322	715,364	788,440
Net assets per share	Yen	314,223	326,352	318,900	328,395	384,171
Basic net income (loss) per share	Yen	(35,681)	3,192	8,453	13,622	27,265
Diluted net income per share	Yen	–	–	–	–	–
Equity ratio	%	53.4	56.7	55.4	55.0	58.4
Return on equity	%	(10.0)	1.0	2.6	4.2	7.7
Price earnings ratio	Times	–	–	–	–	–
Cash flows from operating activities	Millions of yen	65,867	68,431	55,955	32,076	67,214
Cash flows from investing activities	Millions of yen	(44,114)	(32,636)	(31,635)	(39,667)	(44,013)
Cash flows from financing activities	Millions of yen	(13,809)	(21,795)	(13,465)	6,636	(11,719)
Cash and cash equivalents at end of year	Millions of yen	74,571	90,429	98,201	96,891	116,510
Employees The numbers in square brackets represent the average number of part-time employees not included in the numbers of regular employees.	Number	38,530 [7,531]	37,597 [5,595]	38,080 [7,031]	37,719 [7,127]	38,235 [7,123]

Notes:
1. Net sales are presented exclusive of consumption tax.
2. Diluted net income per share for the year ended March 31, 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, 2012 and 2013 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 Financial Services Agency, on which Ernst & Young ShinNihon LLC expressed an unqualified audit opinion.

Overview of Business Results

(1) Operating results

(Economic environment)

The Japanese economy stayed in a period of recovery as the result of the demand for reconstruction from the Great East Japan Earthquake and policies to stimulate consumption in the first half of the current fiscal year. In the second half of the current fiscal year, although there was economic slowdown and sluggish of exports due to the conclusion of economic stimulus policies and the worsening of Japan-China relations concerning the Senkaku Islands, the Japanese economy has shown recovery based on monetary easing, fiscal policy and the growth strategy that the second Abe Cabinet proposed. Internationally, consumer spending is recovering moderately in the USA, and the protracted Euro crisis is improving. However, the global economic is yet to fully recover.

(Consolidated performance in the current fiscal year)

In such economical environment, the Group has continued to reinforce the revenue base by focusing on "Establishing a business structure to ensure profits even in a severe operating environment" and "Further reinforcement of technology" in the last year of the "Third mid-term management plan for the fiscal years from 2009", and making efforts in reinforcement of our technology under the severe business environment.

In the Fastening Products Group, the decline in profit in the current fiscal year was the result of the increase in payroll costs in China that could not be covered by cost reductions. On the other hand, revenue has increased mainly due to the steady increase in the jeans sector in the South Asia and the luxury sector in Europe. In the Architectural Products Group, the increase in both revenue and profit was the result of reduction on manufacturing costs and sales and administrative expenses through structural reforms and the result of steady increase in new housing projects in Japan as well as the stable increase of overseas business.

As the result, in the current fiscal year, net sales increased by 6.0% to 576,965 million yen, operating income increased by 22.2% to 34,906 million yen, and ordinary income increased by 26.2% to 33,681 million yen compared to the prior fiscal year. Net income for current fiscal year increased by 100.1% to 32,692 million yen, which included the writedown reversal and accruals of deferred tax assets for 11,113 million yen due to the continued recovery in YKK AP Inc.

1) Fastening Products Group

The performance of the Fastening Products Group deteriorated in the first half of the year especially. This was because of the prolonged economic downturn caused by the Euro crisis, slowdown of economic growth in China, and the main customer in the sports apparel and the outdoor goods field entering an inventory adjustment phase from the loss of momentum from the good condition in the prior fiscal year. In the jeans sector, performance steadily increased due to the ending of the inventory adjustment phase that occurred in the prior year in South Asia and the USA. The performance in the luxury sector in Europe also steadily increased continuously.

By region, in Central and North America, sales in the jeans sector and vehicle sector steadily increased in the fiscal year. In South America revenue decreased due to low performance in the first half of the year, although revenue entered a period of recovery in the jeans sector and women and children's clothes sector in the second half of the year. In Europe, the Middle East and Africa (EMEA), sales for the luxury market steadily increased and domestic demand and sales of fast fashion for YKK METAL VE PLASTIK URUNLERI SANAYI VE TICARET A.S. in particular showed high performance. In Asia (except Japan), sales showed robust growth in the jeans sector, although sales in the sports apparel and outdoor sector slumped. In Japan, sales slumped due to strategy adjustments at certain major customers and the impact of production adjustments.

As a result, net sales (including intersegment sales) increased by 3.5% from the prior fiscal year to 224,237 million yen and operating income decreased by 2.7% to 28,782 million yen. The lower market price of materials such as zinc and resin material and the continuous efforts in cost-cutting measures increased operating income partly. However, overall operating income decreased mainly due to labor cost rises in countries such as China, rises in fixed cost to increase manufacturing capacity in companies such as in Vietnam, and additional costs to address strengthened regulation for safety and quality in Europe.

2) Architectural Products Group

In the current fiscal year, the environment surrounding the Architectural Products Group is showing a continuing recovery since 2010 as the number of new housing projects in Japan increased to 893,000 (a 6% increase from the prior fiscal year) during the period from April 1, 2012 to March 31, 2013 due to the low stabilized mortgage interest rate, Flat 35s advantageous interest rate and Housing Eco-points. Also, energy conservation products in living environments have become quite important due to a recent concern over power supply.

In this environment, the Company opened 1,000 "MADO shop" stores in the window replacement and improvement sector. As a Tohoku reconstruction project to rebuild the living environment for the disaster area, the Company opened 100 stores including three directly-managed stores of YKK AP Inc. in Iwate, Miyagi and Fukushima prefectures. The Company has promoted window replacement and improvement, which improves energy conservation in housing while strengthening relations with its customers. In order to establish a Window Business foundation, Low-E glass manufacturing has started at the functional glass wing in the second phase construction area at the SAITAMA MADO PLANT since October, 2012, and supply base for windows has been completed. In the domestic architectural business, profitability has improved mainly because of the covering of fixed costs due to an increase in sales volume and improvement of productivity. The improved profitability was also because of a restructuring of the system of delivery based on “Second Business Structural Reform in Japan”, the mid-term business policy for the domestic architectural products business and restructuring of logistics to operate new shipping systems. Profitability was also supported by a reduction in production costs and sales and administrative expenses due to “New production line development and improvement” approach that worked together with the Machinery & Engineering Technology division. The overseas architectural business has reported good conditions in each country through business development that shifted focus to the local fields.

As a result, net sales (including intersegment sales) increased by 6.9% compared to the prior fiscal year to 345,263 million yen. Operating income increased by 134.2% to 18,605 million yen.

3) Other businesses

Other businesses consist of the real estate business and the aluminum smelting business. Net sales in other businesses increased by 4.4% from the prior fiscal year to 55,009 million yen. On the other hand, the operating income decreased by 61.4% to 1,003 million yen.

*The Company has reorganized reporting segments from the current fiscal year, and prior fiscal year comparisons listed here incorporate these changes.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased by 19,618 million yen from the balance at the end of the prior fiscal year to 116,510 million yen. Cash flows from each activity are summarized as follows:

(Cash flows from operating activities)
Cash and cash equivalents provided by operating activities increased by 35,137 million yen from the prior fiscal year to 67,214 million yen in the current fiscal year. This was mainly because the increase in notes and accounts receivable-trade was 1,833 million yen in the current fiscal year compared to an 18,687 million yen increase in the prior fiscal year.

(Cash flows from investing activities)
Cash and cash equivalents used in investing activities increased by 4,346 million yen from the prior fiscal year to 44,013 million yen in the current fiscal year. This was mainly caused by a 5,329 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 40,728 million yen in the current fiscal year.

(Cash flows from financing activities)
Cash and cash equivalents used in financing activities was 11,719 million yen in the current fiscal year versus 6,636 million yen provided by financing activities in the prior fiscal year. This was mainly due to an increase in bond redemptions, which totaled 10,000 million yen in the current fiscal year.

Issues and Outlook for the Fiscal Year Ahead

The YKK Group (YKK Corporation and its affiliated companies) has set the "Fourth mid-term Management Plan" starting from fiscal year 2013 to fiscal year 2016. In the fastening products group, the Group is increasing the importance of the Asian market and focusing the future of the Chinese market. In the AP Group, the Group is focusing on expected changes in business environment, such as a large demand increase prior to upcoming consumption tax hikes and subsequent decrease after the hikes and the activation of remodeling market.

The Company believes that the most important points to succeed in intense business conditions and achieve the mid-term business policy are "Product appeal capability & Proposal capability" and "Technology capability". In addition, the Company set out the mid-term targets of "8% operating income margin" and "5% ROA," and set the mid-term business policy of the Company as "Evolution and Innovation of Technology –Evolution of existing business & Innovation to increase sales volume." The mid-term business policy for YKK AP Inc. is "Sustained Development of AP Group by Strong Products and Offerings".

In addition to setting the "Fourth mid-term Management Plan", the Company identified Asia as one of the important bases for strategy in the fastening products group, and within Asia, China is separately recognized as it is important from the view point of the scale of the fastening products group and AP group.

1) Fastening Products Group

In the Fastening Products Group, the Company set its mid-term business policy with the goal of "Development of a brand new strategy for growth (toward 10 billion pieces sales)." The Company is also competing to increase sales in the expanding Asia and China markets. Concretely, customer type and segment has been subdivided in order to set the strategy based on customer situation and business condition. The Company continues to strengthen the competitiveness in products for luxury brand customers and sports apparel and the industrial materials customers. On the other hand, the Company will reinforce regional R&D centers and a product development with shorter term, and strengthen total proposals of products (i.e. Fastener and S&B (snap and button) as a whole). Moreover, the Company develops and inputs new products, develops and implements competitive production equipment and manufacturing lines, and reduces total costs in order to cope with "volume zone" market (market with disposable income in emerging nations) to increase the number of sales.

The Company also plans to construct a copper alloy wire plant at PT. YKK ZIPCO INDONESIA for the growing market in Asia as a third wire manufacturing base after Japan and the USA. The plant will start its operation from November 2014.

2) Technology supporting two Groups

The Machinery and Engineering Group has been 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 will implement the "Fourth mid-term Management Plan" by "Establishment of a foundation of technology development", and "Development of machinery and equipment suitable for production sites for both Fastening and AP" and "Further engineering development from a mid-and-long term view" continues to be the major approach from the "Third mid-term Management Plan". In particular; (1) improvement and development of specialized machines for fastener, (2) improvement and development of window manufacturing lines, (3) enhancement of element technologies, (4) materials development and manufacturing process development, and (5) enhancement of analysis & assessment technology.

3) AP Group

In the AP Group, despite of effect of the consumption tax hike, the Company expects an ultimately declining trend for the new construction market. In such a business environment, the Company has set a business strategy of "Sustained Development of AP business by Strong Products and Offerings". In particular, the Company will achieve the mid-term business plan by executing the following 6 priority steps; (1) expansion of the window business, (2) enhancement of remodeling market, (3) enhancement of range of exterior items, (4) enhancement of building business, (5) expansion of overseas AP business, and (6) establishment of YKK AP FACADE brand.

Especially for expansion of the window business, following the SAITAMA MADO PLANT, the Company will construct a window plant at the Tohoku Manufacturing Center, and apply business models established in the Tokyo metropolitan area.
For expansion of the overseas AP business, as the basis of revenue has already been established in each region, the Company will continue to develop and offer products applicable to each region.

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 16,676 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 policy 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 2012 due to uncertainty in world economics led by prolonged financial issue in Europe and the economic slowdown in China due to elevated personnel costs. 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 and light knitted zippers, knitted-zippers for boots, high-end metal two way open end zippers, integral molding injection type plastic non-lock sliders, paper zippers and has offered a series of metallic plastic injected zippers, new structure detachable tab sliders of various sizes and new high quality die-casting molds for sliders. 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 renew competitiveness and expand sales by increasing cost competitiveness for major products and regions, and also 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 5,860 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 brought 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 2011 nuclear accident, and which also responded to the market demand for enhanced 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. For buildings, the Company has renewed core products for the first time in 14 years, and started to sell the EXIMA series, which is highly regarded.

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.

The Company continues to work on quality warranty of products until delivery and considers it is a future challenge to maintain the quality of the products after delivery by preparing the information for maintenance when customers use the products (such as aging deterioration, replacement, and repair parts).

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 6,761 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 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 conditions in 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 lines to finish various types and volume of products, machines to semi-automatically finish various types of small volume products, successor machines of die-casting machines and improved its equipment lineup. The improvement stabilized and made lines more efficient, and accordingly accomplished improved efficiency at fastener plants. In 2013, the Company intends to develop manufacturing facilities appropriate for each lot and item, and also focus on further improvement of its equipment lineup and development of line technology.

In developments related to the architectural business, following the development of the production line at the SAITAMA MADO PLANT in 2011, the Company implemented a sputtering line system and further established the window business foundation. In addition, the Company structured, improved and expanded the standard model line for each product class. In 2013, the Company will focus on facility development to achieve further cost competitiveness by improving and upgrading major lines of the window business.

As for development related to fundamental technology, the Company developed materials with prospective use in the future, in the mid to long-term, which is directly linked to product differentiation, by working with the Fastening Products Group and the Architectural Products Group. For example, the Company has developed original high strength plastic materials for lightweight sliders and also continued to develop new items. In 2013, the Company intends to work on the development of new metal and plastic materials for zippers, as well as various surface treatment technologies for differentiation in the zipper and window businesses.

In the analysis division, the Company was certified as the first Firewalled Lab in Japan by the CPSC, and established a structure to address regulations related to lead content in regions such as in Europe and the USA. In 2013, the Company intends to establish development and manufacturing processes such as a structure for front-loading development. The Company also intends to expand the scope of the Firewalled Lab.

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 these activities totaled 4,053 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 management 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 structural reform of its management. As a result, a reform of the corporate board was performed and the Officer system was adopted in June 1999. These initiatives were aimed at ensuring faster decision-making and operational execution by segregating management and business operations.

(a) Directors and Board of Directors

- The Board of Directors sets forth management policies, allocates management resources, and oversees operational execution by Officers, in addition to performing the roles stipulated in the Companies Act.

- 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.

- YKK Corporation has improved the mechanisms for delivering information to directors, including a system to provide external directors with advance narrative explanations of the agenda by the General Administration Department, 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 general 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 directors 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 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.

- Directors regularly take compliance training programs presented by lawyers and others, 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.

- Relevant departments prepare and maintain minutes of important meetings such as meetings of the Board of Directors and Management Meeting, to provide accurate descriptions of the proceedings, deliberation results, and important statements in accordance with the regulations applied to each meeting.

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

- In April 2005, the 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 Meeting 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 Meeting determines the environmental policies of the YKK Group.

- The Environmental Policy Promotion Committee was established at the Management 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 Legal and 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 a 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 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 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 directors

- The 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 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 that 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 audits

- In addition to attending 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 Chairman and the President periodically exchange views and opinions with corporate auditors.

- The internal audit department has been enhancing the practicability of audits 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 of Japan are required to report to the corporate auditors of 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 and corporate auditors (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	10	324
(External Directors)	(2)	(18)
Corporate Auditors	4	45
(External Corporate Auditors)	(3)	(25)
Total	14	369
(External Directors and Corporate Auditors)	(5)	(44)

(Note) 1. The upper limit of compensation, decided by a resolution of the general 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 general 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 77th annual general shareholders' meeting held on June 28, 2012.
3. The above amounts include a 63 million yen provision reserved for directors' and corporate auditors' 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 78th annual general shareholders' meeting on June 27, 2013.
- 25 million yen for 9 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 66 million yen paid to 1 director who retired at the 77th annual general shareholders' meeting held on June 28, 2012. 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 department; 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 Internal Auditing and the risk management committees, which details the action plan and the implementation results of internal audits.

- 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 Internal Auditing was established as an internal audit section. Currently, 11 members work for this office.

- In addition to the statutory audit performed by four corporate auditors, the 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 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 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 at the law firm of Mori Hamada & Matsumoto. The firm provides legal services to YKK Corporation, but they are limited to routine 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 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

Hiroaki Kosugi, Osamu Sakanaka, and Toshikatsu Sekiguchi, Certified Public Accountants (CPAs) from Ernst and Young ShinNihon LLC, provide the Company's accounting auditing services. They also conduct timely audits at the year-end, and during the year. In all, 14 CPAs, 17 accountant assistants and 13 other staff members are engaged in the accounting auditing services for the Company.

7) Indemnification from liability of directors and corporate auditors

Pursuant to Article 426, Paragraph 1 of the Companies Act, 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 general shareholders' meeting

The Articles of Incorporation of YKK Corporation provide that the resolution prescribed in Article 309, Paragraph 2 of the Companies Act shall be approved by the votes of two-thirds or more of shareholders present at the general 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 shareholders' meeting by lowering the quorum required for special resolutions.

(2) Fees for audit engagement

1) Fees for auditing by certified public accountants, and others

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	68	14	75	14
Consolidated subsidiaries	17	–	18	–
Total	86	14	93	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., 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 that 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 240 million yen for audit and attest engagements and 29 million yen for non-audit attest engagements to Ernst and Young member firms, companies that 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 and other similar services.

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, 2012)	Current Fiscal Year (As of March 31, 2013)
Assets		
Current assets:		
Cash and deposits	86,169	101,936
Notes and accounts receivable – trade	149,422	157,167
Short-term investment securities	16,563	20,795
Inventories	110,456	116,597
Deferred tax assets	3,290	9,903
Other	17,222	20,135
Allowance for doubtful accounts	(3,145)	(2,887)
Total current assets	379,980	423,648
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	328,897	347,518
Accumulated depreciation	(224,145)	(238,070)
Buildings and structures, net	104,751	109,447
Machinery, equipment and vehicles	428,649	466,798
Accumulated depreciation	(353,291)	(379,708)
Machinery, equipment and vehicles, net	75,358	87,090
Land	63,020	64,247
Construction in progress	6,531	6,183
Other	73,132	78,052
Accumulated depreciation	(62,785)	(67,421)
Other, net	10,346	10,630
Total property, plant and equipment	260,008	277,600
Intangible assets	14,837	18,628
Investments and other assets:		
Investment securities	15,268	19,443
Deferred tax assets	4,127	6,786
Other	43,451	44,343
Allowance for doubtful accounts	(2,309)	(2,009)
Total investments and other assets	60,538	68,563
Total noncurrent assets	335,384	364,791
Total assets	715,364	788,440

(Millions of yen)

	Prior Fiscal Year (As of March 31, 2012)	Current Fiscal Year (As of March 31, 2013)
Liabilities		
Current liabilities:		
Notes and accounts payable – trade	62,939	54,922
Short-term loans payable	4,734	6,159
Current portion of long-term loans payable	1,038	39
Current portion of bonds	10,000	–
Income taxes payable	3,845	4,926
Deferred tax liabilities	638	558
Provision for bonuses	12,864	15,010
Deposits received from employees	31,167	31,207
Other	30,355	44,485
Total current liabilities	157,583	157,310
Noncurrent liabilities:		
Bonds payable	19,996	19,997
Long-term loans payable	1,109	2,094
Deferred tax liabilities	2,102	1,642
Provision for retirement benefits	93,140	97,678
Provision for directors' retirement benefits	608	614
Reserve for various competition-law related expenses	24,594	24,597
Other	13,059	13,233
Total noncurrent liabilities	154,611	159,858
Total liabilities	312,195	317,168
Net assets		
Shareholders' equity:		
Capital stock	11,992	11,992
Capital surplus	34,938	34,938
Retained earnings	409,253	439,787
Treasury stock	(7)	(8)
Total shareholders' equity	456,175	486,709
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	803	2,912
Deferred gains or losses on hedges	659	1,020
Foreign currency translation adjustments	(63,878)	(30,009)
Total accumulated other comprehensive income	(62,414)	(26,075)
Minority interests	9,408	10,637
Total net assets	403,169	471,271
Total liabilities and net assets	715,364	788,440

Consolidated Statements of Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2011 To March 31, 2012)	Current Fiscal Year (From April 1, 2012 To March 31, 2013)
Net sales	544,434	576,965
Cost of sales	362,198	378,463
Gross profit	182,235	198,501
Selling, general and administrative expenses	153,665	163,595
Operating income	28,569	34,906
Non-operating income:		
Interest income	1,338	1,214
Dividends income	348	335
Gain on sales of scrap	571	313
Foreign exchange gains	–	73
Miscellaneous income	1,330	2,694
Total non-operating income	3,588	4,632
Non-operating expenses:		
Interest expenses	985	873
Compensation expenses	805	1,967
Foreign exchange losses	155	–
Miscellaneous loss	3,530	3,016
Total non-operating expenses	5,477	5,857
Ordinary income	26,681	33,681
Extraordinary income:		
Gain on sales of noncurrent assets	721	360
Reversal of reserve for various competition-law related expenses	8	–
Reversal of provisions for restructuring of manufacture bases	232	–
Other	196	150
Total extraordinary income	1,160	511
Extraordinary loss:		
Loss on sales of noncurrent assets	60	20
Loss on retirement of noncurrent assets	1,028	1,224
Impairment loss	69	114
Loss on disaster	972	–
Other	287	240
Total extraordinary loss	2,418	1,600
Income before income taxes and minority interests	25,423	32,592
Income taxes - current	7,713	10,333
Income taxes - deferred	503	(11,113)
Total income taxes	8,216	(780)
Income before minority interests	17,207	33,372
Minority interests in income	872	680
Net income	16,334	32,692

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2011 To March 31, 2012)	Current Fiscal Year (From April 1, 2012 To March 31, 2013)
Income before minority interests	17,207	33,372
Other comprehensive income:		
Valuation difference on available-for-sale securities	(98)	2,106
Deferred gains or losses on hedges	487	360
Foreign currency translation adjustments	(3,258)	34,866
Share of other comprehensive income of associates accounted for using equity method	(1)	71
Total other comprehensive income	(2,870)	37,405
Comprehensive income	14,336	70,777
Comprehensive income attributable to:		
Owners of the parent	13,539	69,031
Minority interests	797	1,746

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Prior Fiscal Year (From April 1, 2011 To March 31, 2012)	Current Fiscal Year (From April 1, 2012 To March 31, 2013)
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	395,076	409,253
Changes in items during the period		
Dividends from surplus	(2,158)	(2,158)
Net income	16,334	32,692
Total changes in items during the period	14,176	30,534
Balance at the end of current period	409,253	439,787
Treasury stock		
Balance at the beginning of current period	(7)	(7)
Changes in items during the period		
Purchases of treasury stock	(0)	(0)
Total changes in items during the period	(0)	(0)
Balance at the end of current period	(7)	(8)
Total shareholders' equity		
Balance at the beginning of current period	442,000	456,175
Changes in items during the period		
Dividends from surplus	(2,158)	(2,158)
Net income	16,334	32,692
Purchases of treasury stock	(0)	(0)
Total changes in items during the period	14,175	30,533
Balance at the end of current period	456,175	486,709

(Millions of yen)

	Prior Fiscal Year (From April 1, 2011 To March 31, 2012)	Current Fiscal Year (From April 1, 2012 To March 31, 2013)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	902	803
Changes in items during the period		
Net changes in items other than shareholders' equity	(98)	2,108
Total changes in items during the period	(98)	2,108
Balance at the end of current period	803	2,912
Deferred gains or losses on hedges		
Balance at the beginning of current period	172	659
Changes in items during the period		
Net changes in items other than shareholders' equity	487	360
Total changes in items during the period	487	360
Balance at the end of current period	659	1,020
Foreign currency translation adjustments		
Balance at the beginning of current period	(60,693)	(63,878)
Changes in items during the period		
Net changes in items other than shareholders' equity	(3,184)	33,868
Total changes in items during the period	(3,184)	33,868
Balance at the end of current period	(63,878)	(30,009)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(59,618)	(62,414)
Changes in items during the year		
Net changes in items other than shareholders' equity	(2,795)	36,338
Total changes in items during the period	(2,795)	36,338
Balance at the end of current period	(62,414)	(26,075)
Minority interests:		
Balance at the beginning of current period	8,714	9,408
Changes in items during the period		
Net changes in items other than shareholders' equity	693	1,229
Total changes in items during the period	693	1,229
Balance at the end of current period	9,408	10,637
Total net assets:		
Balance at the beginning of current period	391,095	403,169
Changes in items during the period		
Dividends from surplus	(2,158)	(2,158)
Net income	16,334	32,692
Purchases of treasury stock	(0)	(0)
Net changes in items other than shareholders' equity	(2,102)	37,568
Total changes in items during the period	12,073	68,102
Balance at the end of current period	403,169	471,271

Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (From April 1, 2011 To March 31, 2012)	Current Fiscal Year (From April 1, 2012 To March 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	25,423	32,592
Depreciation and amortization	34,780	35,971
Impairment loss	69	114
Increase (decrease) in allowance for doubtful accounts	(1,065)	(743)
Increase (decrease) in provision for retirement benefits	3,367	4,133
Interest and dividends income	(1,687)	(1,550)
Interest expenses	985	873
Equity in (earnings) losses of affiliates	(8)	(19)
Loss on retirement of property, plant and equipment	913	1,213
Loss (gain) on sales of property, plant and equipment	(660)	(339)
Decrease (increase) in notes and accounts receivable - trade	(18,687)	(1,833)
Decrease (increase) in inventories	(8,649)	2,803
Increase (decrease) in notes and accounts payable - trade	4,221	(9,426)
Other, net	1,902	12,033
Subtotal	40,904	75,823
Interest and dividends income received	1,704	1,572
Interest expenses paid	(984)	(952)
Income taxes paid	(9,547)	(9,229)
Net cash provided by (used in) operating activities	32,076	67,214
Net cash provided by (used in) investing activities		
Decrease (increase) in short-term loans receivable	(1,259)	(36)
Payments into time deposits	(7,462)	(7,165)
Proceeds from withdrawal of time deposits	8,887	7,532
Purchases of property, plant and equipment	(35,399)	(40,728)
Proceeds from sales of property, plant and equipment	2,165	1,943
Purchases of intangible assets	(5,594)	(5,662)
Proceeds from sales of intangible assets	27	12
Purchases of investment securities	(442)	(858)
Proceeds from sales of investment securities	54	595
Payments of long-term loans receivable	(645)	(0)
Other, net	–	354
Net cash provided by (used in) investing activities	(39,667)	(44,013)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(792)	1,142
Repayments of finance lease obligations	(282)	(247)
Proceeds from long-term loans payable	1,035	1,053
Repayments of long-term loans payable	(1,004)	(1,041)
Proceeds from issuance of bonds	10,000	–
Redemption of bonds	–	(10,000)
Purchases of treasury stock	(0)	(0)
Cash dividends paid	(2,228)	(2,143)
Cash dividends paid to minority shareholders	(88)	(482)
Net cash provided by (used in) financing activities	6,636	(11,719)
Effect of exchange rate change on cash and cash equivalents	(355)	8,138
Net increase (decrease) in cash and cash equivalents	(1,309)	19,618
Cash and cash equivalents at beginning of period	98,201	96,891
Cash and cash equivalents at end of period	96,891	116,510

Notes to the Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries:............107

(2) Number of companies excluded from the consolidation due to liquidation: 1
Company name: YKK TEKUNATO

(3) Number of unconsolidated subsidiaries: 4
Name of major unconsolidated subsidiaries:
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: 6
Unconsolidated subsidiaries: 4
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 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 amortized over a period of mainly 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). The three YKK companies filed an appeal with the General Court (formerly known as European Court of the First Instance), but on June 27, 2012, the General Court dismissed the claim and decided to make no change to the amount of fines ordered by European competition. After studying the decision carefully, the three YKK companies appealed to Court of Justice of the European Union on September 5, 2012, as some points of the decision were difficult to accept. Although a judgment has not been rendered by the court as it is currently pending, the three YKK companies recorded a reserve for the fines ordered in the decision.

(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:
Hedging instruments: Forward foreign exchange contracts
Hedged items: Receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies.

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

4) Assessment of hedge effectiveness
Hedge effectiveness is assessed quarterly, based on the change in market value of hedged items and the change in market value of hedging instruments. 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
The Company applies the Consolidated Tax Return System.

(9) Change in accounting policy

The Company has changed its accounting policy of valuation method of inventories from the moving average method to the average method. This change is to unify the cost control method among consolidated companies in connection with preparation of mid-term management plan of the Group. The accounting policy has been changed prospectively, as the impact of the change immaterial.

(10) Accounting standards issued but not yet adopted

"Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)" and "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)"

1) Summary
The accounting standard has been revised to recognize actuarial gains and losses and past service costs within the net asset section, after adjusting for tax effects, and the amount representing status of funding as a liability or asset. In addition, under the new accounting standard, expected benefit can be attributed to periods not only by straight-line basis but also by benefit formula basis. The method of determining the discount rate has also been revised.

2) Expected effective date
The Company will apply the new accounting standard to the consolidated financial statements for the fiscal year ending on March 2014. For the change in method of attributing expected benefit to periods, the Company will apply the change from the beginning of the fiscal year ending on March 2015. According to the transitional measure defined in the accounting standard, the change will not be applied retrospectively.

3) Impact of applying the accounting standard
Applying "Accounting Standard for Retirement Benefits" and its implementation guidance is expected to have material impacts to the Group's consolidated financial statements. For the consolidated balance sheet, the amount of net assets is expected to be changed mainly due to recognition of actuarial gains and losses when incurred. The Company is currently evaluating the amount of impact.

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. Machinery and Engineering Development Group which had been included in "Other" in the past is included in "Adjustments" from the current fiscal year. The segment information for the prior periods is prepared based on the new classification.

2. Calculation method for net sales, income or loss, assets, liabilities and other items by reportable segments

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, 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	29,574	7,944	37,518	2,601	(11,549)	28,569
Segment assets	299,404	272,671	572,075	226,223	(82,933)	715,364
Other items						
Depreciation	18,210	13,511	31,721	2,467	370	34,559
Increase in tangible and intangible assets	20,847	16,093	36,941	5,184	618	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 of (11,549) million yen include a 3,692 million yen elimination of inter-segment transactions and (15,421) 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 (82,933) million yen include a (31,995) million yen elimination of receivables due to the corporate administration division, 408,878 million yen of corporate assets which are not allocable to the reportable segments, and a (1,348) million yen adjustment for inventory.
3. Segment income has been reconciled to operating income represented in the consolidated statements of income.

For the fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Reportable segments			Other *1	Adjustments *2	Consolidated *3
	Fastening Products	Architectural Products	Total			
Net sales						
Sales to third parties	223,860	345,074	568,935	8,030	–	576,965
Intersegment sales and transfers	376	189	565	46,979	(47,544)	–
Total	224,237	345,263	569,501	55,009	(47,544)	576,965
Segment income	28,782	18,605	47,387	1,003	(13,484)	34,906
Segment assets	341,469	310,847	652,317	242,178	(106,054)	788,440
Other items						
Depreciation	19,117	13,677	32,795	2,565	316	35,678
Increase in tangible and intangible assets	21,375	17,184	38,560	4,734	1,305	44,600

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 of (13,484) million yen include a 3,159 million yen elimination of inter-segment transactions and (16,856) 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 (106,054) million yen include a (45,532) million yen elimination of receivables due to the corporate administration division, 419,003 million yen of corporate assets which are not allocable to the reportable segments, and a (1,000) million yen adjustment for inventory.
3. Segment income 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, 2013
Headquarter Address:	1, Kanda Izumi-cho, Chiyoda-ku, Tokyo 101-8642, Japan
URL:	http://www.ykk.com
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
	Kiyotaka Nagata
	Satoshi Kawai
	Hiroshi Akiyama

YKK AP Inc.	
Foundation:	July 22, 1957
Capital:	10,000,000,000 yen *as of March 31, 2013
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
	Masami Shizu
	Akira Yoshida
	Yukio Kanayama
	Junichi Takahashi
Corporate Auditors	Susumu Miyoshi
	Junichi Keino
	Kiyotaka Nagata
	Takashi Miyatani

YKK CORPORATION