2015
Annual Report

YKK GROUP
for the year ended March 31, 2015

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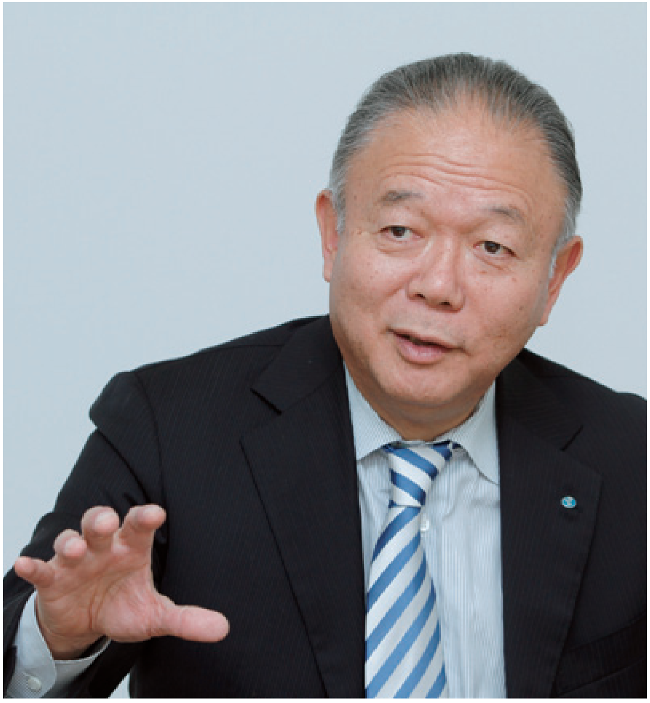
Messages from the Chairman

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.

At YKK AP, we create comfortable living spaces using our windows and doors. And with our building Facades, we help add beauty to the urban landscape. 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, starting from April 2013, YKK AP 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 ability 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 retail outlets ("MADO SHOP") and promote replacement of old, inferior 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 eco-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 also offer suggestions for incorporating our highly energy-efficient windows and auxiliary products into your space.

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

Efforts toward Expanding Locations to Further Increase Sales Volume and Enhancing Proposal Capability

While aiming for a further increase in volume toward the sale of 10 billion zippers in 2016, the Fastening business in 2014 increased its supply capabilities in Asia through aggressive investment as well as strengthened shorter lead time response and new product development capabilities in China.

P.T. YKK Zipco Indonesia's copper alloy wire plant went into operation in December 2014, and production also commenced at the adjacent slider plant in April 2015. These plants will serve as a base for an increase in sales volume in the Asian sewn products market where further growth is expected.

Initiatives to enhance proposal capability were carried out and sales support was provided to overseas YKK operating companies. They included activities to capture the designation of YKK by existing global buyers and the strengthening of sales approaches made toward importers handling apparel for volume retailers. The objective was to reinforce supply capabilities and increase sales volume, with a focus on Asia.

P.T. YKK Zipco Indonesia plant

Accommodating Processors/Exporters of Sports Apparel and Other Customers

With the marked shift of the sewn products market from China to South and Southeast Asia, the zipper market for processors and exporters is growing significantly larger in Vietnam. In December 2014, construction began on building-expansion at YKK Vietnam Co., Ltd.'s Nhon Trach Plant (production scheduled to begin in December 2015). The supply platform will be strengthened by enhancing functionality and productivity, with the aim of doubling production volume by 2017 (as compared with YKK Vietnam's production volume in 2013).

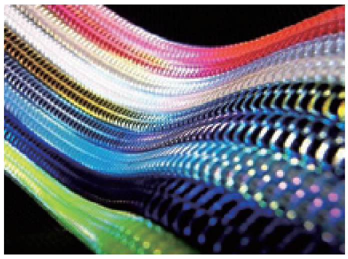
Expansion of YKK Vietnam Co., Ltd.'s Nhon Trach Plant (artist's rendering of completed building)

AUROLITE®

AUROLITE® is characterized by its iridescent color effect, achieved by coating the surface of a coil zipper element with a thin film of interference colors. The hues and tones change depending on the angle and light. It uses thin-film interference, which accounts for the colors of the rainbow that you see on the surface of a soap bubble or in a thin film of oil on water.

AUROLITE® is a product co-developed by the Fastening Products Group and the Machinery & Engineering Group. It utilizes color control technology that leverages advanced surface treatment (coating) technology and Kansei engineering methods, which translate customer emotions and needs into product design.

AUOLITE® succeeded in expressing the emotional need for "cuteness" in zippers and received the grand prize in the 2nd Kawaii* Kansei Design Awards (hosted by the Japan Society of Kansei Engineering).



AUROLITE®, the zipper born from the concept of soap bubbles

*Kawaii is a Japanese word which means cute, lovable or charming.

Recipient of the 2014 Porter Prize

The Fastening Products Group won the 2014 Porter Prize (hosted by Hitotsubashi University Graduate School of International Corporate Strategy). It recognizes companies that achieve and maintain high profitability by implementing excellent, unique strategies. The prize derives its name from Professor Michael E. Porter of Harvard University, who is a leading authority on the theory of competitive strategy.

The major reasons given for receipt of this prize are follows.

- In-house development and production of manufacturing equipment and the consolidation of technology to its mother plant
- Thorough accommodation of customer needs without pursuing "efficiency" in this area
- Execution of globalization to enable "manufacturing and selling close to customers"

As a recipient of this prestigious award, the Fastening Product Group will continue to help build a more sustainable society through its main business.

The Porter Prize, established in 2001

Our Business: Architectural Products

Gain Momentum in the Popularization of Vinyl Windows by Preparing the Manufacturing and Supply Framework

To achieve an increase in the sales volume of vinyl windows that realize healthy and energy-efficient (low energy consumption) lifestyles, a manufacturing and supply framework for vinyl windows was prepared by commencing operations at the Tohoku Manufacturing Center MADO (window) Plant (Osaki City, Miyagi Prefecture) and Rokko MADO (window) Plant (Kobe City, Hyogo Prefecture).
Educational activities for the popularization of vinyl windows were implemented. In addition to the APW Forum, which has been held since 2012, activities held included the issuance of “MADO KOTO – Healthy Life with Vinyl Windows” a lifestyle proposal book on windows and health. It explains the effectiveness of vinyl windows in a simple manner from the consumer’s viewpoint.

Opening ceremonies at the Tohoku Manufacturing Center MADO (window) Plant

Expanding the Remodeling Business, Centering on Windows

A department was created in 2014 to reinforce the remodeling business, and the development of remodeling products and construction methods was strengthened.
FRAME+ (FRAME Plus), a Seismic Retrofit Frame, which increases earthquake resistance using existing windows, was launched in October. The technology was evaluated by the Japan Building Disaster Prevention Association, and as a result, the use of FRAME+ became eligible for subsidies offered by local governments throughout Japan toward earthquake resistance diagnosis and seismic retrofits.
In 2015, the AP Business will embark on cultivating the renovation market. Renovation branches will be opened in Tokyo and Osaka, with market cultivation promoted by setting up renovations.

FRAME+ Seismic Retrofit Frame

Further Expansion of the Overseas AP Business

YKK AP America’s residential business relocated the vinyl windows and multi-layered glass production lines to a new building at the Macon Plant, which strengthened its facility.
A manufacturing and supply framework toward expanding domestic sales volume in China was prepared, with a new MADO (window) plant wing commencing operation at YKK AP (Suzhou) Co., Ltd. The plant continues to focus on the final quality of products through workmanship guidance that is provided to fabricators through a workmanship training school set up on a permanent basis on plant grounds.

YKK AP (Suzhou) Co., Ltd. MADO (window) Plant

Awards Won through Safety and Quality Initiatives

●Manual of the Year 2014

“Owner’s Manual-Windows and Doors Version” received Manual of the Year 2014, which is the highest award of the Japan Manual Awards 2014 (hosted by the Japan Technical Communicators Association, sponsored by the Japanese Ministry of Economy, Trade and Industry (METI)).

●Eighth METI Minister’s Awards for Best Contributors to Product Safety

Following the receipt of the same award at the Fourth METI Minister’s Awards (2010), YKK AP received its second METI Minister’s Award at the Eighth METI Minister’s Awards for Best Contributors to Product Safety (hosted by METI). The major reason for receipt of the award was again YKK AP’s initiatives toward product safety that utilized the Value Verification Center.

Product Safety
2014
製品安全対策優良企業

2014 Best Contributor to Product Safety

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.

Tackling the Challenge of Building a Precision Machinery Plant with Windows

Construction of a new machinery plant for producing machinery parts for slide fasteners began in December 2014. The Machinery & Engineering Group, which plays a role as YKK Group's technological development function, will continue to stay up-to-date with advances in future manufacturing, with Kurobe as the center of activities where employees will think for themselves for continuous evolution. The new Slide Fastener Machine Parts Plant will be designed for flexibility. It will feature automated lines that look five to ten years ahead into the future and can be improved, updated and evolved. At the same time, advanced temperature, humidity and vibration control that ensures stable manufacturing of precision machinery parts will be realized. Active use of daylight for an environment where employees can work in comfort will be introduced, and the Group will tackle the challenge of building a precision machinery plant with windows.
The aim is to shorten production lead times by 50% and cut production costs by 20 to 30 percent (as compared with FY2012 figures) through operation of the new plant.

Artist's rendering of the completed machinery plant, scheduled for completion in October 2015, commencing operations in December

Working Cooperatively with Communities

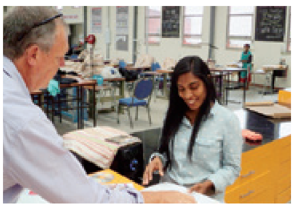
YKK NUNO EHON (YKK Touch and Feel book) Donated to Kurobe City and Elsewhere

YKK produced cloth picture books that use fastening products such as zippers and snap fasteners. Five hundred copies were donated to childcare centers and other facilities through the Kurobe City Office. Donations of the picture book were also made to facilities in disaster-stricken Fukushima Prefecture and facilities in Chiyoda-ku, Tokyo.
The YKK NUNO EHON gives children a chance to acquire daily habits, such as dressing themselves, while enjoying the book and carrying out actions like opening and closing the zippers in the book. Its interesting concept and the consideration given to children's development were recognized, and the book won an award in the 8th Kid's Design Awards (hosted by the Kids Design Association). YKK Rokko Corporation, vocational skill training schools for the disabled, and special needs schools cooperated in the production of this book.
The YKK Group is also involved in making a contribution to communities and society through activities that help children and communities learn about *monozukuri* (manufacturing).

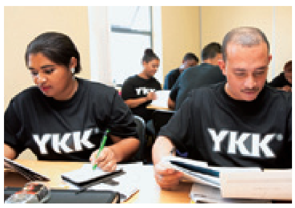
Cloth picture book utilizing YKK products

Contribution through Educational Support and Employment Promotion

Joblessness and an educational divide are issues in South Africa, especially for the younger demographic. Because of this, YKK Southern Africa (Pty) Ltd. is engaged in educational support activities in conjunction with local NPOs and vocational schools. For example, in November 2014, YKK supplied free of charge to a sewing workshop associated with the NPO Lungisisa Indlela Village (LIV), flexible tape fastening that can be used in the manufacture of fancy goods and clothing ornaments. LIV helps orphans become self-reliant.
Furthermore, in collaboration with Siyaya Skills Institute, which is a government-authorized vocational training school, support has been provided since December 2014 for a year-long vocational training program attended by 20 youths with disabilities. The program combines classroom lectures that teach basic knowledge related to the wholesale and retail industries (accounting and budget management, dealing with customers, communication, business transactions, inventory control, etc.) with hands-on training.
YKK will continue providing educational support in various ways, contributing to raising local educational levels and promoting employment.



LIV's sewing workshop

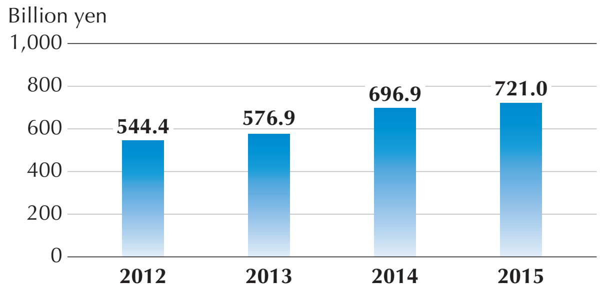


Youths wearing sponsor logo T-shirts participating in the vocational training program

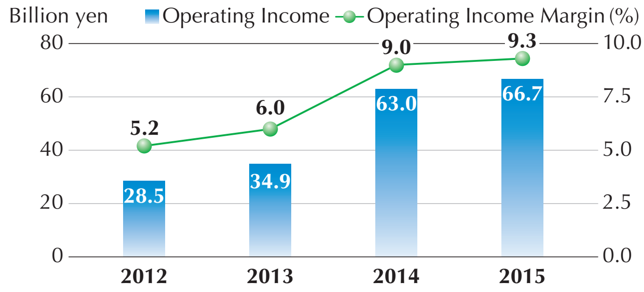
Financial Highlights

For years ended March 31

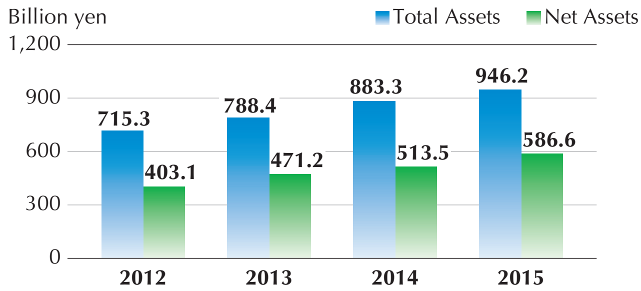
Net Sales



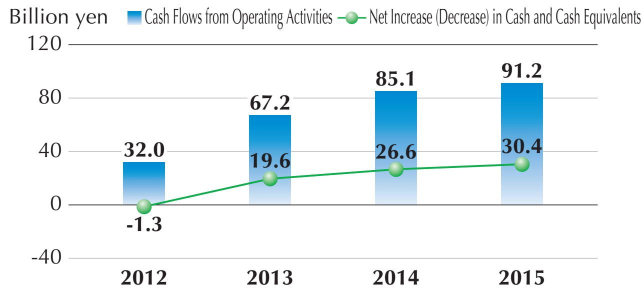
Operating Income



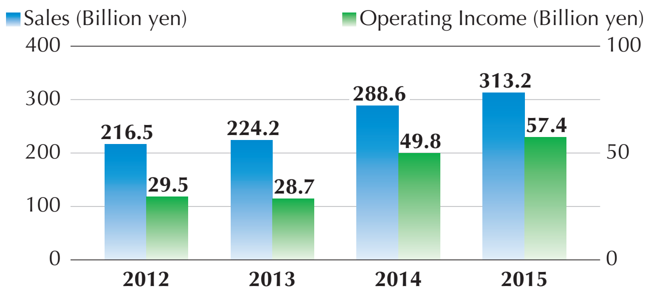
Total Assets/Net Assets



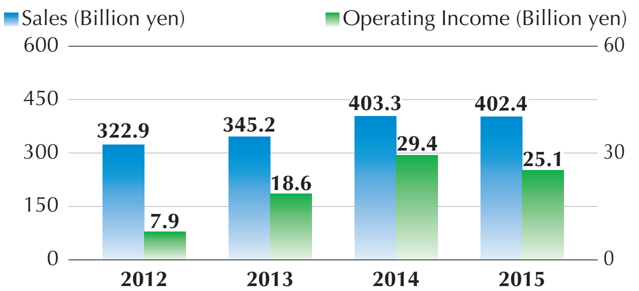
Cash Flows from Operating Activities



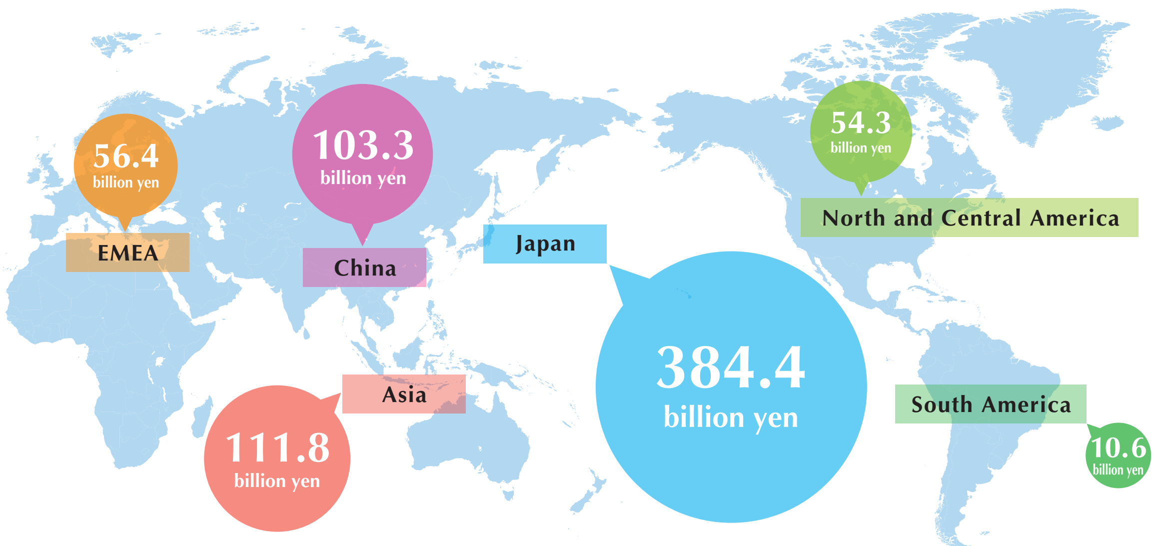
Sales/Operating Income of Fastening Products



Sales/Operating Income of Architectural Products



Net Sales Breakdown by Region (Year ended March 31, 2015)



Notes:
1. EMEA: Europe, Middle East and Africa
2. Sales are classified by country or region based on the location of customers.

Key Financial Data and Trends

(1) Consolidated financial data

Fiscal year		2011	2012	2013	2014	2015
Year ended		March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015
Net sales	Millions of yen	544,896	544,434	576,965	696,929	721,037
Ordinary income	Millions of yen	30,976	26,681	33,681	66,022	69,720
Net income	Millions of yen	10,136	16,334	32,692	44,908	46,978
Comprehensive income	Millions of yen	(6,090)	14,336	70,777	70,447	81,416
Net assets	Millions of yen	391,095	403,169	471,271	513,543	586,664
Total assets	Millions of yen	690,322	715,364	788,440	883,336	946,283
Net assets per share	Yen	318,900	328,395	384,171	417,986	477,438
Basic net income per share	Yen	8,453	13,622	27,265	37,453	39,181
Diluted net income per share	Yen	–	–	–	–	–
Equity ratio	%	55.4	55.0	58.4	56.7	60.5
Return on equity	%	2.6	4.2	7.7	9.3	8.8
Price earnings ratio	Times	–	–	–	–	–
Cash flows from operating activities	Millions of yen	55,955	32,076	67,214	85,186	91,254
Cash flows from investing activities	Millions of yen	(31,635)	(39,667)	(44,013)	(60,708)	(65,976)
Cash flows from financing activities	Millions of yen	(13,465)	6,636	(11,719)	(3,784)	(4,379)
Cash and cash equivalents at end of year	Millions of yen	98,201	96,891	116,510	143,131	173,558
Employees The numbers in square brackets represent the average number of part-time employees not included in the numbers of regular employees.	Number	38,080 [7,031]	37,719 [7,127]	38,235 [7,123]	40,306 [6,828]	42,154 [5,738]

Notes:
1. Net sales are presented exclusive of consumption tax.
2. Diluted net income per share is not presented because the Company had no dilutive securities.
3. Price earnings ratio is not presented because the stock is not listed.
4. The scope of employees has changed from the year ended March 31, 2014, as the number of employees includes contractors, senior employees and other applicable employees, which were previously included under the average number of part-time employees.

*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 Performance

(1) Operating results

(Economic environment)
In the current fiscal year, while individual consumption was sluggish following the buying rush ahead of the consumption tax increase, the Japanese economy was in a period of moderate recovery as a result of an upswing in the corporate sector, mainly exporters and large corporations, caused by declining oil prices and various government policies.
Looking at global markets, the USA experienced moderate economic growth and an improved job market, while in Europe there were also visible signs of an economic recovery; however, the global economic outlook remains unclear as a result of movements toward the normalization of monetary policies in the USA, stagnant growth in China and other emerging countries, declining oil prices and geopolitical risks among other factors.

(Consolidated performance in the current fiscal year)
In such an economic environment, the Group has shifted to the implementation of its Fourth Mid-Term Management Plan for the Fiscal Years from 2013. Under the Fourth Mid-Term Management Plan, YKK Corporation (“the Company”), which mainly focuses on the Fastening Products Group, including the Machinery & Engineering Group, has adopted the approaches of “Evolution and technological innovation – evolution of existing business & innovation to increase sales volume.” while YKK AP, which mainly focuses on the AP business, has adopted the approaches of “Sustained development of the AP Group through strong products and proposals.” as their respective Fourth Year Mid-Term Business Policies. FY2014 is seen as the year that summarizes the early stages of the mid-term management plan and also as the year of preparation to achieve the plan’s goals in the latter stages, and as such, YKK Corporation has been carrying out measures according to the plan.
As a result, in the current fiscal year, net sales increased 3.5% year-on-year to 721,037 million yen, operating income increased by 5.9% year-on-year to 66,743 million yen, ordinary income increased 5.6% year-on-year to 69,720 million yen and net income increased 4.6% year-on-year to 46,978 million yen on a consolidated basis.

Net sales and operating income per business are summarized as follows:

1) Fastening Products Group

In terms of the business environment surrounding the Fastening Products Group, despite a slowdown in China’s economic growth and the impact of the consumption tax increase in Japan, the business environment was relatively stable backed by steady economic growth in the USA and Europe. In addition to brisk sales to customers in the sports apparel and outdoor sectors, the Fastening Products Group achieved increases in revenue and profit by c. acquiring new customers in the fast fashion, luxury brand products, and automotive parts sectors.

With the exception of Japan, revenue growth was seen in each region around the world. Sales increased in the North and Central America region as a result of gains in new demand mainly in the automotive sector. In Europe, the Middle East and Africa (EMEA), in addition to growth in sales of fast fashion mainly for YKK METAL VE PLASTIK URUNLERI SANAYI VE TICARET A.S.(YKK’s Turkish subsidiary), sales were steady in the luxury sector primarily for YKK ITALIA S.P.A.(YKK’s Italian subsidiary) as a result of successful product development and comprehensive services. In China, sales declined due to the shift of sewn products to other regions and high inventory levels of domestic customers; however, revenue increased as a result of exchange-rate fluctuations. Sales increased significantly in the Asia region (excluding China and Japan) due to increased production by customers and steady capture of customer demand resulting from apparel manufacturing shifts out of other regions. On the other hand, sales in Japan has declined, due to the Group’s major customers increasing their apparel manufacturing activities overseas.
As a result, net sales (including intersegment sales) increased 8.5% year-on-year to 313,264 million yen. Although rising personnel expenses and increased fixed manufacturing costs accompanying efforts to strengthen supply capacities in China and the Asia region were factors in reduced operating income, operating income increased 15.2% year-on-year to 57,448 million yen as a result of increased volume of sales, declining costs for raw materials, such as copper and zinc, and continuous cost-cutting measures.

2) AP Group

Regarding the environment surrounding the AP Group, the Group faced severe construction market conditions in Japan in the current fiscal year, which was a result of the backlash after the last-minute buying rush before the increase in consumption tax, a decrease in the number of new housing projects of 10.8% year-on-year to 880,000 during FY2015 and a continuing rise in material prices, such as aluminum. On the other hand, with the society increasing concerns for energy conservation related to electric power supply and demand considerations and the implementation of

government policy measures, including revisions to energy conservation standards, an emphasis has been placed on energy conservation products in living environments. Under such a business environment, the Group prioritized following objectives based on the Fourth Mid-Term Management Plan started in the prior fiscal year.
In terms of "Expanding the window business," in April 2014 the Group started the sale of the triple glazed vinyl window "APW430," which has a world leading thermal insulation performance, and "APW330 Fire-resistant window," which is both insulating and fire resistant. The Group also started offering glazed vinyl windows in urban regions. The Group conducted "APW Forum 2014" over 17 cities in Japan in order to inform the housing industry representatives about the function and importance of thermal insulation performance. The Group also strengthened its manufacturing and supply frameworks by launching operations at its Tohoku Manufacturing Center MADO (window) Plant and Rokko MADO (window) Plant. As for "Enhancing the remodeling market," with the expansion of MADO (window) shops launched in 2010 MADO (window) Shop SUCCESS 2014 was held in January 2015 and attended by personnel from shops throughout Japan. The event aimed to share know-how among shops through information exchanges and cross-regional network building. In terms of "Enhancing the range of exterior items," the Group introduced its "LUCIAS" series in April 2014 which was positively received for its advanced design and functionality making it possible to coordinate front-doors with gates and fences among other home decor fixtures. Looking at "Enhancing the Commercial Products Business," the Group conducted proposal-based sales for products and construction methods, including its "no-welding method," "EXIMA32 thermal insulation frame and "easy opening steel front door," which contributed to orders received in the housing complex segment. In the remodeling segment, amid the slumping housing complex remodeling market, the Group proposed upgrading windows in non-residential buildings using the eco-friendly internal window "Biew," in which a number have enjoyed success.
As a result, net sales (including intersegment sales) decreased 0.2% year-on-year to 402,467 million yen and operating income decreased 14.8% year-on-year to 25,129 million yen.

3) Other businesses

Other businesses consist of the domestic real estate business and aluminum smelting business.
Net sales (including intersegment sales) in other businesses increased 11.2% year-on-year to 63,852 million yen, while operating income increased 1,996 million yen year-on-year, to 1,625 million yen.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year increased 30,426 million yen from the balance at the end of the prior fiscal year to 173,558 million yen. Cash flows from each activity are summarized as follows:

(Cash flows from operating activities)
Net cash from operating activities increased 6,067 million yen year-on-year to 91,254 million yen. This was due to an increase in income before income taxes and minority interests 6,975 million yen year-on-year to 71,229 million yen, while notes and accounts receivable-trade decreased 3,869 million yen compared to the 18,636 million yen increase in the prior fiscal year.

(Cash flows from investing activities)
Net cash used in investing activities increased 5,267 million yen from the prior fiscal year to 65,976 million yen in the current fiscal year. This was mainly caused by a 3,539 million yen increase from the prior fiscal year in capital investments expenditures for acquisitions of property, plant and equipment. Purchases of property, plant and equipment totaled 55,649 million yen in the current fiscal year.

(Cash flows from financing activities)
Net cash used in financing activities was 4,379 million yen in the current fiscal year, an increase of 594 million yen compared to the prior fiscal year. This was mainly due to an increase in cash dividends paid of 466 million yen.

Issues and Outlook for the Fiscal Year Ahead

The YKK Group (YKK Corporation and its affiliated companies) has implemented the Fourth Mid-Term Management Plan starting from FY2013. The Group developed its business plan for FY2015, the third year of the Mid-Term Plan, in consideration of factors including growth prospects in the Asian sewn products market and future trends in China's sewn products market for the Fastening Products Group, for the AP Group, and an anticipation that the number of new housing projects would maintain unchanged from the previous year despite concerns over rising material costs, due to the support of government measures such as the Eco-point Program.

The Company believes that the three most important points to succeed in intense business conditions and achieve the Mid-Term Plan, while maintaining an ongoing awareness of market needs and customer perspectives are "Product appeal and proposal capabilities" supported by "Technology capability." In addition, the Company set out the Mid-Term targets of "8% operating income margin" and "5% ROA," based on the respective mid-term policies set forth by the Company and YKK AP.

1) Fastening Products Group

In the Fastening Products Group, the Company set its Fourth Mid-Term Business Policy with the goal of "Development of brand new strategy for growth (toward 10 billion pcs sales)" and will enhance efforts to increase sales in expanding in Asian and Chinese markets. Under the Policy, from fiscal years 2013 to 2014 the Group has taken steps toward establishing sales and manufacturing bases by meeting turnaround times in the fast fashion segment, enhancing supply capacities through active investment in Asia and promoting the introduction of streamlined facilities in China. FY2016, the Group will implement full-scale substantial expansion by leveraging these bases.

Specifically, the Marketing Division will take actions to secure importers that handle orders from volume retailers in Japan, Europe and the USA, and invest personnel resources particularly in bases in Europe and the USA where importers are concentrated.

In Asia, "PT. YKK Zipco Indonesia's copper alloy wire plant" and adjacent "Slider plant" are fully operational whereby the Group aims to increase sales of jeans-related items. The Group is making efforts to further improve supply capacities and reduce costs mainly in the sports apparel segment through the scheduled completion of construction of an extension to the "YKK VIETNAM CO., LTD. Nhon Trach plant."

Under its FY2015 Investment Plan, the Group is planning its largest-ever investments primarily in manufacturing facilities with approximately 60% of overall investments planned in Asia and China. The Group will continue to invest heavily to improve supply capacities in growth markets, mainly in Asia, and promote streamlining efforts in China.

2) AP Group

In terms of the outlook on the business environment surrounding the AP Group, continued adverse construction market conditions are forecasted despite the expected impact of economic-stimulus measures such as the Eco-point Program. The AP Group has set a business policy of "Product appeal and proposal capabilities for sustainable growth of the AP Group" based on the Fourth Mid-Term Management Plan started from FY2013 as well as set forth the following six priority steps; (1) "Expanding the window business," (2) "Enhancing remodeling market," (3) "Enhancing the range of exterior items," (4) "Enhancing the Commercial Products Business," (5) "Expanding the overseas AP business," and (6) "Establishing the YKK AP FACADE brand." The priority steps will continue to be implemented in FY2015.

In terms of "Expanding the window business," based on the increasing societal need for window insulation, the Group aims to promote greater manufacturing of vinyl windows and expansion of its product lineup. To achieve "Enhancing the remodeling market," the Group is making efforts to strengthen areas in renovation to improve the functionality and value of buildings as well as enhance operating structures of major remodeling companies in the housing complex segment and remodeling stores in the stand-alone housing segment. With regard to "Expanding the overseas AP business," YKK AP brand power is becoming well established in each region and the Group will continue to develop and offer products tailored to each region. In addition, the Group is planning to revise sales prices and seek further cost reductions as a "Response to the rising cost of materials."

3) Technology capability supporting both Groups: the Machinery & Engineering Group

The Machinery & Engineering Group serves as the core for technology development functions in the YKK Group and is committed to the "Development of machinery and equipment suitable for manufacturing sites of both the Fastening Products and AP Groups" and "Technology development from a mid to long-term perspective" as its key policies. During the two years in the second half of the Fourth Mid-Term Management Plan, the Group aims to establish a systematic approach to "Facility service functions," which had previously been provided by facilities and lines on an individual basis, to fully leverage its integrated production business model. To this end, in 2015 the Group commenced with building a platform which will be linked to further enhancing business competitiveness. In addition, construction on a plant for manufacturing machinery components for fasteners is scheduled to be completed in October 2015 with operations commencing from December 2015.

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) Latent risks in international activities and overseas expansion

The Group has businesses in 71 countries, covering the regions of North and Central 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 arise 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) Change in foreign currency exchange rates

As items such as sales, expenses and assets in local currencies are translated to Japanese yen to prepare the Group's consolidated financial statements, any changes in foreign exchange rates would affect the Group's financial position and profit or loss after the translation.

4) Decline in price of shareholdings

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 valuation losses on shareholdings.

5) Employee retirement benefit expenses and obligations

The amounts of the Group's retirement benefit expenses and obligations and related expenses are calculated using actuarial assumptions. Differences between the actual results and assumptions or changes in the assumptions will affect the amount of obligations and expenses 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 withdrawal from unprofitable operations, promoting horizontal international specialization systems and implementing cost reduction measures. Extraordinary losses may be incurred due to the restructuring.

7) Defective products

Although the Group manufactures products that meet the Company's strict quality control standards in its plants around the world, if any defective products are found and a significant product liability is incurred, it may adversely affect the Group's business performance and financial position.

8) Government restrictions

The Group has obtained permission to conduct business and investment activities in countries and regions where it operates and in certain cases is restricted by government regulations. The Group is also subject to trade laws, antitrust laws, intellectual property agreements, and consumer, taxation and environmental regulations, which may 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 may be necessary for repair or replacement of the damaged manufacturing bases.

10) IT risks

The Group designs and operates numerous information systems.

Although the Company analyzes IT risks, ensures appropriate allocation of authority, has established 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 may occur.

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

Research and Development Activities

YKK Group (YKK Corporation and its consolidated subsidiaries) research and development (R&D) activities are aligned into six regional bases; Japan (core operations), North and Central America, South America, Europe, the Middle East and Africa (EMEA), and Asia. This alignment is also used for its business development. R&D costs of the overall Group in the current fiscal year amounted to 20,386 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 is committed to the Fourth Mid-Term Business Policy of "Developing a brand new growth strategy (selling 10 billion units of fastening products)", and working towards "Measures for focusing on areas to improve", and "Comprehensive strategies for focusing on segments to improve." In particular, the Company aims to enhance product development capacities in the extensive Chinese market, as well as the Asian market, which is expected to become a large market in the future. The Company also focuses on approaches for price-conscious fast fashion to improve the segment, as well as enhance cost competitiveness and make efforts to improve turnaround times. Through these efforts, the Company aims to further enhance product values for customers by establishing a system to produce services or products that correspond to customers' needs.
In terms of "Measures for focusing on areas to improve," in response to rapid product development sought by markets, the Company has enhanced product development structures for luxury bags and luxury apparel in the EMEA, mainly the European market. In North and Central America, the Company plans to strengthen development of highly-functional products by establishing a new TFM (Transportation Fastening Material) product development strategy office in the USA. R&D focuses on car seat fastening products and leased processing equipment. In China and Asia, to address product variations and turnaround times sought after in fast fashion, the Company assembled a project team at SHANGHAI YKK ZIPPER CO., LTD to improve turnaround times. Particularly in Asia, the Company is expanding R&D centers in Indonesia and product development centers in India, Bangladesh and Vietnam. This is in response to anticipated substantial market growth resulting from the expansion of processing export markets due to apparel manufacturing shifts out of China and domestic demand growth in line with economic development.
In terms of, "Comprehensive strategies for focusing on segments to improve," the Company is focusing on the challenge of establishing competitiveness in large price-conscious markets in order to fulfill the Mid-Term Business Plan. Under this policy, the Company will develop low-cost metal and coil products, implement production technology-based projects to maintain competitiveness in the growing Asian market and strengthen its cost competitiveness.
There have been significant accomplishments made in the period. In zippers, the Company has developed new products, such as cotton pants metal zippers, low-cost new L-model zippers for RTWs and pants, redesigned thin coil zippers, curve adaptable luxury metal fasteners, dual color aluminum element zippers, began offering resin coated sliders for jackets, waterproof plastic injected zippers and a series of metallic plastic injected zippers. The plastic products division of the Company has launched a range of buckles for backpacks and new snap hooks in the bag segment, and buckles for the safety field in the general purpose materials segment. The plastic products group has also continued to develop various products in order to be sufficiently responsive to the needs of customers. In snaps and buttons, the Company is developing new functional products for jeans and snaps, and molds, assembly and attaching machines for its manufacturing facilities, enhancing its line of products and machinery, and reducing costs through materials and technical improvements. For TFM (Transportation Fastening Material), the Company has steadily increased sales by achieving cost reductions and developing products exclusively for the automotive market, including new concealed zippers, POWER HOOK®, and hook components for seats.
The Company plans to enhance product variation and improve turnaround times in order to meet market demand for fast fashion, which offers a wide range of affordable clothing, as well as develop low-end products for domestic demand in emerging countries. In addition, the Company is making strides to improve snaps and buttons development and proposal capabilities in this segment. Research and development costs related to this business stood at 7,818 million yen.

(2) AP Group

In the AP Group, the Company aims to quickly identify changes in market conditions, including "Energy conservation," "Safety and security," and "Remodeling and renovation," and is committed to enhancing value creation and strengthening products competitiveness from the users' point of view. In particular, the Company is promoting "low energy" lifestyles that allow people to live comfortably while using less energy, by improving thermal insulation performance of windows, and reducing energy consumption and dependence on air-conditioners and other devices. The Company aims to enhance elemental technologies of materials, parts and glass used our products, develop products that exceed values expected by consumers, as well as establish technologies, such as after-sales maintenance technology to ensure long-term safe use of our products and information transmission technology. Looking at the Company's major accomplishments in its domestic businesses, with regard to product development in the housing segment, it released the high performance triple-glazed vinyl window "APW430Kr" which delivers best-in-class thermal insulation performance in the domestic market, demonstrating the AP Group's technology capabilities. Additionally, the Company contributed significantly to the popularization of vinyl windows, which are the driving force behind the rise in living environments with high thermal insulation, by releasing its "APW Fire-resistant Window," the world's first fire-resistant vinyl window. In terms of product development in the building segment, the Company completed the streamlining of its core EXIMA series and is working towards expanding its energy conservation products and developing products that meet the needs of a variety of buildings. Looking at technology development, in the waterproof structure of window frame bonding components, the AP Group established completely new waterproof and mass production technologies that are highly resistant to environmental changes and achieve stable waterproof performance over a long period of time. The Company has commercialized products using these technologies. With regard to quality, the Company earned the METI Minister Award for "Best Contributor to Product Safety" for the second time in addition to the Manual of the Year for its "Owner's User Manual." We are proud that the AP Group's efforts in the area of product safety have been widely recognized by consumers.

In FY2015, the first year of the second half of the Fourth Mid-Term Management Plan, the Company will work toward achieving "Sustained development of the AP Group through strong products and proposals" under its Fourth Mid-Term Business Policy and implementing the following priority measures under the basic policies, "Commitment to quality and improving product value and competitiveness."

Looking at new development, the Company will maintain its overwhelming advantages in differentiation and dominance in the area of energy conservation and fire-resistant products, mainly centering on vinyl windows. In the remodeling and renovation segment, the Company will contribute to revenue growth through efforts in developing thermal insulation products and remodeling construction methods, streamlining product lines to keep pace with changes in the business environment and reducing costs. In terms of quality, the Company will further enhance verification assessment functions by adding analysis functions to consumer verifications and real environment verifications under its Value Verification Center, as well as improve design quality. As for strengthening proposals, the Company will lead the market by developing products tailored to the unique needs of areas throughout Japan and making comprehensive proposals on homes based on optimizing combinations of windows and window-related products to improve comfort.

Taking a look at overseas businesses, the Company completed renewal of its core overseas products, including "NEXSTA" for ASEAN countries and "YRB-A" for Taiwan. To achieve further business growth and overseas expansion, the Company will undertake the challenge of promoting standardization of mainly functional parts, and tapping into China's middle to upper middle-class markets. Research and development costs related to this business stood at 9,071 million yen.

(3) Other businesses

As the core of YKK Group's technological development functions, the Machinery and Engineering Group is working to enhance the technology capabilities of the YKK Group in order to evolve YKK Group into a specialized manufacturer of fasteners and window products. The Machinery and Engineering Group is aiming to achieve two important policies; "Machinery and equipment development suitable for manufacturing sites" and "Technology development from a mid to long-term perspective." The Group also strives to continue to strengthen and maintain the concept of integrated production, the foundation of YKK Group's operations.

As its major accomplishments related to the development of the fastening products business for the current year, in addition to developing line technology the Company worked on enhancing its equipment lineup, including metals processing and finishing, and slider assembly. The improvements stabilized and streamlined lines, and accordingly improved operating and capacity rates at fastener plants. In FY2015, the Company intends to develop manufacturing facilities optimal for slider assembly and finishing processes, and also focus on further improvement of its equipment lineup and development of line technology in fastener plants.

Looking at developments by the AP Group, the Company aimed to promote the development of window manufacturing technology through measures that included expanding APW330 lines at Tohoku Manufacturing Center Mado (window) Plant and Rokko Mado (window) Plant, and implementing a vinyl extrusion line, dies and molds line, and glass line, as well as improve energy conservation and quality by rebuilding aluminum facilities. In FY2015, the Company will focus on enhancing competitiveness in the window market and reducing manufacturing line costs through optimization of facility efficiency by further improving, reforming and developing major lines in the window business, including implementation of its APW330 fireproof line.

With regard to development related to fundamental technology, the Company developed materials expected to be used in the mid to long-term and directly linked to product differentiation by working in cooperation with the Fastening Products Group and AP Group. In FY2015, the Company will work to expand its businesses through the mass production of these materials and improve surface processing, such as coating and paint work, and plastic molding technologies.

In the analysis division, the Company was certified as the first Firewalled Lab in Japan by the CPSC, and strengthened structures to address regulations related to lead content in regions such as in Europe and the USA. The Company also worked to improve machinery design based on front-loading and conduct hook-and-loop fastener sensitivity assessments. In FY2015, the Company will strive to develop practical uses of technologies that it developed.

The Company aims to introduce outside technologies through collaboration with other companies and universities, while continuing to work on in-house development of element technologies necessary for improving its core areas. Research and development costs amounted to 3,496 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, the corporate board was reformed 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 AP businesses (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 Chairman & CEO and 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:

I. Internal control systems related to YKK Group's execution of operations

(a) System to ensure that the performance of the Company's directors and personnel and subsidiary directors and personnel complies with laws, regulations, ordinances and the articles of incorporation.

- The Company's 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. The Corporate Legal and Compliance Group were established under the officer in charge of compliance, and develop a compliance system in cooperation with external compliance advisors. This director reports the development and conformity status of the compliance structure to the other directors and corporate auditors.

- In addition to the compliance structure above, in order to implement appropriate compliance promotion activities from the perspective of business operations, the Company established a compliance committee with the director in charge of compliance appointed as chairman, the officer in charge of compliance appointed as vice-chairman and compliance committee members consisting of the head of the Fastening Products Group, head of the Machinery and Engineering Group, the CFO (Chief Financial Officer) and head of the Internal Auditing, which discusses the status of implementation of the compliance program and responses to compliance issues, and recent legal trends.

- The Company's 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.)

- YKK Group companies have established a YKK Global Criteria of Compliance (YGCC) in April 2013 as a compliance benchmark for the purpose of steadily developing and implementing appropriate and effective compliance programs, and are maintaining and operating compliance frameworks.
YKK Group companies are making efforts to maintain and strengthen compliance frameworks by conducting periodic evaluations and improvement activities based on compliance benchmarks.

- 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.

- YKK Group companies in Japan organized their structures to prevent association with criminal and antisocial bodies or persons by preparing rules, designating 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 on YKK Group companies from the perspective of laws, regulations and reasonableness, and periodically reports the results to the President, executives and others.

(b) System to store and control information related to the execution of duties of the Company's directors

- The Company's maintenance period for important documents (including electronic records) is determined based on internal regulations, such as document control regulations and confidential information control regulations, in order to implement appropriate document control.

- The Company's 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 losses by YKK Group

- 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 Company's 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 in the YKK Group 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 the Company's directors and subsidiary directors are effectively executed

- In June 1999 the Company introduced the Officer System 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 Company established the Management Meeting 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 Company established the Environmental Policy Promotion Committee at the Management Meeting. Its purpose is to determine the environmental policies of the Company and monitor whether those policies are actually realized in the Company's business operations.

(e) System to report matters regarding the execution of duties by the subsidiary directors to the Company and other system to ensure appropriate business operations in the Company and the YKK Group

- With Group Officers appointed from significant subsidiaries (core companies) and regional headquarters in the six major geographical regions, each regional headquarters functions as a branch office of the headquarters of YKK AP Inc. 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 of Directors meeting.

II. Matters regarding the corporate auditors' execution of duties

(a) If there is a request by the Company's corporate auditors to assign staff members to assist corporate auditors in fulfilling their duties, matters regarding the staff members, their independence from the Company's directors and ensuring the effectiveness of instructions to the staff members given by the Company's corporate auditors

- The Company organized the Auditors' Secretariat 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 Company's corporate auditors.

(b) System to report to the Company's corporate auditors by the Company's directors and personnel, and subsidiary directors, corporate auditors and personnel, or individuals who receive reports from such persons and other system regarding reporting to the Company's corporate auditors

- The Company's and its subsidiaries' main business operations and the status of the development and improvement of the internal control system shall be reported to the Company's 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 Company's corporate auditors.

- The Company's 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 necessary matters to the Company's corporate auditors periodically upon the latter's request.

- When material violations of laws and regulations are detected through the internal reporting system, the "Secretariat of the YKK Group Internal Reporting System" will report the details of the report and the result of the investigation to the Company's corporate auditors.

(c) System to ensure that persons reporting in the previous paragraph will not be subject to disadvantageous treatment as a result of said reporting.

- The Company prohibits disadvantageous treatment towards persons reporting to the Company's corporate auditors as a result of said reporting.

(d) Procedures for prepayment or reimbursement of expenses arising from the execution of duties by the Company's corporate auditors and other matters regarding policies relating to the processing of expenses or obligations arising from the execution of applicable duties.

- With regard to execution of duties by the Company's corporate auditors, when requests are made to the Company by the corporate auditors for prepayment of expenses, etc. in accordance with Article 388 of the Companies Act, the applicable expenses or obligations are quickly processed after deliberation by the department in charge, with the exception of expenses or obligations recognized as unnecessary in the execution of duties by the corporate auditors.

(e) Other system to ensure that corporate auditors effectively implement the audits

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

- The Company's Chairman & CEO and President periodically exchange views and opinions with the Company's corporate auditors.

- The internal audit department has been enhancing the practicability of audits carried out by the Company's corporate auditors by periodically reporting the activities of the internal audit department to the corporate auditors.

3) Details of compensation paid to directors and corporate auditors

Compensation paid to directors and corporate auditors at the Company consists of monthly compensation and bonuses (taking into consideration consistency with the basic dividend policy, which is continuing to provide stable dividends) as short-term compensation, and retirement allowances 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	366
(External Directors)	(2)	(22)
Corporate Auditors	4	54
(External Corporate Auditors)	(3)	(31)
Total	14	420
(External Directors and Corporate Auditors)	(5)	(54)

(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 79th annual general shareholders' meeting held on June 27, 2014.
3. The above amounts include a 62 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 80th annual general shareholders' meeting on June 26, 2015.
   - 76 million yen for 9 directors (including 6 million yen for 2 external directors)
   - 13 million yen for 4 corporate auditors (including 9 million yen for 3 external corporate auditors)
5. Besides the above amounts, retirement benefits of 23 million yen were paid to 1 director who retired at the 79th annual general shareholders' meeting held on June 27, 2014. 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 Chairman & CEO and 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 a 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, 12 CPAs, 11 accountant assistants and 15 other staff members are engaged in the accounting auditing services for the Company.

7) Exemption 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 exempted from liability, to the extent of the limits prescribed by the said Act. 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	74	1	76	0
Consolidated subsidiaries	18	0	19	–
Total	93	1	96	0

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 293 million yen for audit and attest engagements and 35 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 319 million yen for audit and attest engagements and 28 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 annual reports preparation and other similar services.

For the current fiscal year
Advisory services on the annual reports preparation.

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, 2014)	Current Fiscal Year (As of March 31, 2015)
Assets		
Current assets:		
Cash and deposits	128,158	170,669
Notes and accounts receivable - trade	179,942	182,315
Securities	22,873	16,746
Inventories	125,984	136,097
Deferred tax assets	11,806	9,726
Other	20,944	21,718
Allowance for doubtful accounts	(2,492)	(2,180)
Total current assets	487,218	535,093
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	359,370	384,578
Accumulated depreciation	(251,801)	(265,608)
Buildings and structures, net	107,568	118,970
Machinery, equipment and vehicles	497,145	543,415
Accumulated depreciation	(397,023)	(425,276)
Machinery, equipment and vehicles, net	100,122	118,138
Land	64,793	64,984
Construction in progress	16,816	20,316
Other	79,108	84,418
Accumulated depreciation	(66,471)	(69,725)
Other, net	12,636	14,692
Total property, plant and equipment	301,937	337,102
Intangible assets	21,186	21,763
Investments and other assets:		
Investment securities	24,538	26,196
Deferred tax assets	7,173	7,697
Other	43,487	20,384
Allowance for doubtful accounts	(2,206)	(1,954)
Total investments and other assets	72,993	52,324
Total noncurrent assets	396,118	411,190
Total assets	883,336	946,283

(Millions of yen)

	Prior Fiscal Year (As of March 31, 2014)	Current Fiscal Year (As of March 31, 2015)
Liabilities		
Current liabilities:		
Notes and accounts payable - trade	67,077	65,606
Short-term loans payable	5,365	4,913
Current portion of long-term loans payable	43	1,075
Income taxes payable	10,675	6,546
Deferred tax liabilities	419	518
Provision for bonuses	20,249	17,024
Deposits received from employees	31,976	32,797
Other	52,423	58,205
Total current liabilities	188,230	186,686
Noncurrent liabilities:		
Bonds payable	19,997	19,998
Long-term loans payable	2,062	1,433
Deferred tax liabilities	1,339	1,987
Net defined benefit liabilities	120,073	139,061
Provision for directors' retirement benefits	655	697
Reserve for various competition-law related expenses	24,597	–
Other	12,835	9,755
Total noncurrent liabilities	181,562	172,933
Total liabilities	369,793	359,619
Net assets		
Shareholders' equity:		
Capital stock	11,992	11,992
Capital surplus	34,938	34,938
Retained earnings	482,537	522,357
Treasury stock	(9)	(10)
Total shareholders' equity	529, 458	569,277
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	3,805	6,371
Deferred gains or losses on hedges	664	596
Foreign currency translation adjustments	(7,226)	30,358
Remeasurements of defined benefit plans	(25,528)	(34,160)
Total accumulated other comprehensive income	(28,285)	3,165
Minority interests	12,370	14,220
Total net assets	513,543	586,664
Total liabilities and net assets	883,336	946,283

Consolidated Statements of Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2013 To March 31, 2014)	Current Fiscal Year (From April 1, 2014 To March 31, 2015)
Net sales	696,929	721,037
Cost of sales	443,546	461,278
Gross profit	253,383	259,758
Selling, general and administrative expenses	190,354	193,015
Operating income	63,028	66,743
Non-operating income:		
Interest income	1,763	2,229
Dividends income	476	432
Gain on sales of scrap	609	673
Foreign exchange gains	529	181
Miscellaneous income	2,523	2,733
Total non-operating income	5,901	6,251
Non-operating expenses:		
Interest expenses	798	1,049
Miscellaneous loss	2,109	2,225
Total non-operating expenses	2,907	3,274
Ordinary income	66,022	69,720
Extraordinary income:		
Gain on sales of noncurrent assets	330	846
Insurance proceeds	669	596
Gain on sales of stocks of subsidiaries and affiliates	139	–
Reversal of reserve for various competition-law related expenses	–	2,489
Other	118	912
Total extraordinary income	1,258	4,845
Extraordinary loss:		
Loss on sales of noncurrent assets	47	59
Loss on retirement of noncurrent assets	1,680	2,039
Impairment loss	401	716
Other	898	521
Total extraordinary loss	3,028	3,336
Income before income taxes and minority interests	64,253	71,229
Income taxes - current	20,144	20,506
Income taxes - deferred	(2,247)	2,330
Total income taxes	17,897	22,836
Income before minority interests	46,356	48,393
Minority interests in income	1,448	1,415
Net income	44,908	46,978

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Prior Fiscal Year (From April 1, 2013 To March 31, 2014)	Current Fiscal Year (From April 1, 2014 To March 31, 2015)
Income before minority interests	46,356	48,393
Other comprehensive income:		
Valuation difference on available-for-sale securities	891	2,565
Deferred gains or losses on hedges	(356)	(67)
Foreign currency translation adjustments	23,555	39,146
Remeasurements of defined benefit plans	–	(8,692)
Share of other comprehensive income of associates accounted for using equity method	0	71
Total other comprehensive income	24,090	33,022
Comprehensive income	70,447	81,416
Comprehensive income attributable to:		
Owners of the parent	68,226	78,429
Minority interests	2,220	2,986

Consolidated Statements of Changes in Net Assets

Prior Fiscal Year (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity:				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,992	34,938	439,787	(8)	486,709
Cumulative effects of changes in accounting policies					–
Restated balance	11,992	34,938	439,787	(8)	486,709
Changes in items during the period					
Dividends from surplus			(2,158)		(2,158)
Net income			44,908		44,908
Purchase of treasury stock				(0)	(0)
Changes in the scope of consolidation					–
Net changes in items other than shareholders' equity					
Total changes in items during the period	–	–	42,749	(0)	42,749
Balance at the end of current period	11,992	34,938	482,537	(9)	529,458

	Accumulated other comprehensive income:					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	2,912	1,020	(30,009)	–	(26,075)	10,637	471,271
Cumulative effects of changes in accounting policies							–
Restated balance	2,912	1,020	(30,009)	–	(26,075)	10,637	471,271
Changes in items during the period							
Dividends from surplus							(2,158)
Net income							44,908
Purchase of treasury stock							(0)
Changes in the scope of consolidation							–
Net changes in items other than shareholders' equity	892	(356)	22,782	(25,528)	(2,209)	1,732	(477)
Total changes in items during the period	892	(356)	22,782	(25,528)	(2,209)	1,732	42,271
Balance at the end of current period	3,805	664	(7,226)	(25,528)	(28,285)	12,370	513,543

Current Fiscal Year (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity:				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,992	34,938	482,537	(9)	529,458
Cumulative effects of changes in accounting policies			(4,464)		(4,464)
Restated balance	11,992	34,938	478,073	(9)	524,994
Changes in items during the period					
Dividends from surplus			(2,637)		(2,637)
Net income			46,978		46,978
Purchases of treasury stock				(1)	(1)
Changes in the scope of consolidation			(55)		(55)
Net changes in items other than shareholders' equity					
Total changes in items during the period	–	–	44,284	(1)	44,282
Balance at the end of current period	11,992	34,938	522,357	(10)	569,277

	Accumulated other comprehensive income:					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	3,805	664	(7,226)	(25,528)	(28,285)	12,370	513,543
Cumulative effects of changes in accounting policy							(4,464)
Restated balance	3,805	664	(7,226)	(25,528)	(28,285)	12,370	509,079
Changes in items during the period							
Dividends from surplus							(2,637)
Net income							46,978
Purchases of treasury stock							(1)
Changes in scope of consolidation							(55)
Net changes in items other than shareholders' equity	2,566	(67)	37,584	(8,631)	31,451	1,850	33,301
Total changes in items during the period	2,566	(67)	37,584	(8,631)	31,451	1,850	77,584
Balance at the end of current period	6,371	596	30,358	(34,160)	3,165	14,220	586,664

Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Fiscal Year (From April 1, 2013 To March 31, 2014)	Current Fiscal Year (From April 1, 2014 To March 31, 2015)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	64,253	71,229
Depreciation and amortization	38,570	41,171
Impairment loss	401	716
Increase (decrease) in allowance for doubtful accounts	(278)	(628)
Increase (decrease) in net defined benefit liabilities	(4,518)	4,955
Interest and dividends income received	(2,240)	(2,662)
Interest expenses paid	798	1,049
Equity in (earnings) losses of affiliates	(6)	30
Loss on retirement of property, plant and equipment	1,111	1,211
Loss (gain) on sales of property, plant and equipment	(283)	(786)
Decrease (increase) in notes and accounts receivable - trade	(18,636)	3,869
Decrease (increase) in inventories	(1,956)	(788)
Increase (decrease) in notes and accounts payable - trade	11,101	(2,983)
Other, net	8,919	(1,170)
Subtotal	97,236	115,212
Interest and dividends income received	2,281	2,456
Interest expenses paid	(747)	(1,122)
Income taxes paid	(13,583)	(25,291)
Net cash provided by (used in) operating activities	85,186	91,254
Net cash provided by (used in) investing activities		
Net decrease (increase) in short-term loans receivable	185	21
Payments into time deposits	(10,681)	(16,251)
Proceeds from withdrawal of time deposits	9,311	10,305
Purchases of property, plant and equipment	(52,110)	(55,649)
Proceeds from sales of property, plant and equipment	1,329	1,347
Purchases of intangible assets	(5,125)	(4,805)
Proceeds from sales of intangible assets	7	21
Purchases of investment securities	(227)	(76)
Proceeds from sales of investment securities	–	2,241
Purchases of stocks of subsidiaries and affiliates	(3,623)	(1,409)
Payments of long-term loans receivable	–	(1,383)
Other, net	225	(337)
Net cash provided by (used in) investing activities	(60,708)	(65,976)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(985)	(532)
Repayments of finance lease obligations	(214)	(322)
Proceeds from long-term loans payable	77	51
Repayments of long-term loans payable	(103)	(156)
Purchases of treasury stock	(0)	(1)
Cash dividends paid	(2,168)	(2,635)
Cash dividends paid to minority shareholders	(388)	(782)
Net cash provided by (used in) financing activities	(3,784)	(4,379)
Effect of exchange rate change on cash and cash equivalents	5,926	9,502
Net increase (decrease) in cash and cash equivalents	26,620	30,401
Cash and cash equivalents at beginning of period	116,510	143,131
Increase in cash and cash equivalents from newly consolidated subsidiaries	–	25
Cash and cash equivalents at end of period	143,131	173,558

Notes to the Consolidated Financial Statements

Significant Accounting Policies

1. Scope of consolidation

(1) Number of consolidated subsidiaries 109
Number of newly consolidated subsidiaries due to acquisition of stocks................................ 3
Ruxy Inc.
IB ENTERPRISES, LTD.
ARU SUPPORT Inc.
Number of newly consolidated subsidiaries formerly unconsolidated due to increase in importance 1
Iwabuchi Inc.
Number of companies excluded from the consolidation due to liquidation 1
YKK COSTA RICA LIMITADA

(2) Number of unconsolidated subsidiaries 5
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
YKK PHILIPPINES, INC.

(2) Number of companies not accounted for using the equity method…………7
Unconsolidated subsidiaries: 5
Y2K HOLDINGS CORPORATION and others
Affiliated companies: 2
L-Y PHILIPPINES INC. and others
Reason for not using the equity method
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 mainly at fair value as of the parent fiscal year end, with changes in unrealized gains or losses included directly in net assets. Cost of securities sold is determined using the moving average method.
Non-marketable securities
Non-marketable securities are carried at cost, which is 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 is calculated using the straight-line method.

The estimated useful lives are as follows:

Buildings and structures	2 - 50 years
Machinery, equipment and vehicles	2 - 15 years

b) Intangible assets (excluding leased assets):
Intangible assets 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 Depreciation of leased assets is calculated using the straight-line method over the lease terms with no residual value

(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' 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.

(4) Accounting for retirement benefits

a) Attribution to periods of expected benefits
Company and its domestic consolidated subsidiaries calculate retirement benefits obligations by using the straight-line method to attribute expected benefits to the periods up to the current fiscal year.

b) Amortization of actuarial gains and losses and past service costs
The Company and its domestic consolidated subsidiaries amortize past service costs using the straight-line method over the average remaining years (10-22 years) of service of eligible employees.
Amortization of actuarial gains or losses 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 (10-22 years) of service of eligible employees.

(5) 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, when 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.

(6) 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.

(7) Hedge accounting

a) 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.

b) 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, currency options
Hedged items: Receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies.

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

d) 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.

(8) Goodwill amortization method and period

In principle, goodwill is amortized using the straight –line method over an estimated effective period.
When the amount of goodwill is insignificant or when it is impracticable to estimate its effective period, goodwill is fully expensed in the period in which it arises.

(9) 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.

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

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

b) Application of the consolidated tax return system
The Company applies the Consolidated Tax Return System.

(11) Changes in Accounting Policy

(Application of Accounting Standards for Retirement Benefits)
Effective from the current period, the Company has applied Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012) and Revised Implementation Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 March 26, 2015) in accordance with Article 35 of ASBJ Statement No. 26 and Article 67 of ASBJ Guidance No. 25.
The Company has reviewed its calculation method for retirement benefit obligations and service costs, and changed discount rates used from discount rates based on a period of years approximate to average remaining working lives of eligible employees, to the single weighted-average discount rates reflecting estimated periods of payment of retirement benefits and amount of payment in those periods.
Application of the Accounting Standard for Retirement Benefits and the Revised Implementation Guidance on Accounting Standard for Retirement Benefits is in line with the transitional treatments in Article 37 of the Accounting Standard for Retirement Benefits, and the effect of the revision to the calculation method for retirement benefit obligations and current service cost has been added to or deducted from retained earnings as of the beginning of the current fiscal year.
As a result, as of the beginning of the current fiscal year, net defined benefit liability increased by 4,467 million yen, retained earnings decreased by 4,464 million yen, and net assets per share for the current fiscal year decreased by 3,723 yen.
Effect of the changes in accounting policies on net profit and net profit per share for the current fiscal year is immaterial.

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 “AP” business. The “Fastening Products” business manufactures and sells fasteners, fastener parts, fastener materials, snap fasteners, buttons, etc. The “AP” business manufactures and sells residential products and sashes, commercial products and sashes, interior doors and partitions, exterior materials, industrial products and architectural products.

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

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, 2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable segments			Other *1	Adjustments *2	Consolidated *3
	Fastening Products	AP	Total			
Net sales						
Sales to third parties	288,222	402,935	691,157	5,772	–	696,929
Intersegment sales and transfers	410	367	777	51,650	(52,428)	–
Total	288,632	403,302	691,935	57,422	(52,428)	696,929
Segment income	49,883	29,477	79,361	(371)	(15,961)	63,028
Segment assets	412,459	349,451	761,910	246,631	(125,205)	883,336
Other items						
Depreciation	21,961	11,810	33,771	3,013	1,384	38,169
Increase in tangible and intangible assets	30,897	21,709	52,607	4,898	290	57,796

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 (15,961) million yen include a 2,083 million yen elimination of inter-segment transactions and (18,225) 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 (125,205) million yen include a (55,562) million yen elimination of receivables due to the corporate administration division, 433,560 million yen of corporate assets which are not allocable to the reportable segments, and a (856) 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, 2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable segments			Other *1	Adjustments *2	Consolidated *3
	Fastening Products	AP	Total			
Net sales						
Sales to third parties	312,952	401,946	714,898	6,138	–	721,037
Intersegment sales and transfers	312	520	832	57,714	(58,547)	–
Total	313,264	402,467	715,731	63,852	(58,547)	721,037
Segment income	57,448	25,129	82,578	1,625	(17,459)	66,743
Segment assets	471,932	364,006	835,938	276,118	(165,773)	946,283
Other items						
Depreciation	24,010	12,537	36,547	2,479	2,081	41,108
Increase in tangible and intangible assets	33,107	20,507	53,615	5,610	2,977	62,203

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 (17,459) million yen include a 677 million yen elimination of inter-segment transactions and (18,354) 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 (165,773) million yen include a (56,573) million yen elimination of receivables due to the corporate administration division, 445,588 million yen of corporate assets which are not allocable to the reportable segments, and a (1,110) 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, 2015
Headquarter Address:	1, Kanda Izumi-cho, Chiyoda-ku, Tokyo 101-8642, Japan
URL:	http://www.ykk.co.jp
Directors and Auditors:	
Chairman & CEO	Tadahiro Yoshida
Representative Director and Vice Chairman	Hideo Yoshizaki
Representative Director and President	Masayuki Sarumaru
Directors	Hiroaki Otani
	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, 2015
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
Director and Vice Chairman	Yukio Kanayama
Directors	Masashi Honda
	Masami Shizu
	Fumio Niizeki
	Akira Yoshida
	Junichi Takahashi
Corporate Auditors	Susumu Miyoshi
	Junichi Keino
	Kiyotaka Nagata
	Takashi Miyatani

YKK CORPORATION