

This is YKK 2018



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Editorial Policy

This is YKK 2018 was prepared as a communication tool to help a diversity of stakeholders to better grasp an overview of the management and business of the YKK Group. It contains the YKK Group Philosophy, Mid-Term Management Plan, financial highlights and other information, together with details of initiatives within our business activities in FY2017 aimed at the resolution of social or environmental issues.

Extent of Coverage

YKK Group companies
(YKK Corporation, YKK AP Inc., and others)

Period Covered

April 1, 2017 to March 31, 2018

* Includes some activities from outside of this period

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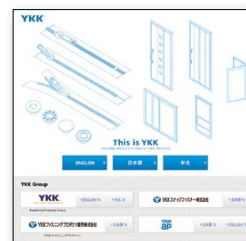
Inquiries

YKK Corporation

Corporate Communications Group,
Corporate Planning
1, Kanda Izumi-cho, Chiyoda-ku,
Tokyo, 101-8642, Japan
Tel: +81-3-3864-2064
Fax: +81-3-3864-2050

Environment & Safety Department
200, Yoshida, Kurobe City, Toyama,
938-8601, Japan
Tel: +81-765-54-8161
Fax: +81-765-54-8149

YKK Group Website



<http://www.ykk.com>

The latest information and related information

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business subsidiary)

The YKK Group's Priority



CYCLE OF GOODNESS

"No one prospers without rendering benefit to others."

YKK PHILOSOPHY

CYCLE OF GOODNESS

"No one prospers without rendering benefit to others."



As an important member of society, a company survives through coexistence. When the benefits are shared, the value of the company's existence will be recognized by society. When pursuing his business, President Yoshida was most concerned with that aspect, and would find a path leading to mutual prosperity.

He believed that using ingenuity and inventiveness in business activities and constantly creating new value would lead to the prosperity of clients and business partners and make it possible to contribute to society.

This type of thinking is referred to as the "Cycle of Goodness," and has always served as the foundation of our business activities.

We have inherited this way of thinking, and have established it as the YKK Philosophy.

YKK MANAGEMENT PRINCIPLE

"YKK seeks corporate value of higher significance."



Seeking *corporate value* of higher significance, YKK will pursue innovative *quality* in the seven key areas shown above.

YKK Group companies seek to delight our customers, earn the high regard of society and make our employees happy and proud.

We are improving the quality of our products, technology, and management as the means to achieve this.

We make fairness the fundamental standard for all YKK Group business operations, and this is the basis for our management decisions.

YKK CORE VALUES

**Do not fear failure; experience builds success. /
Create opportunities for employees.**

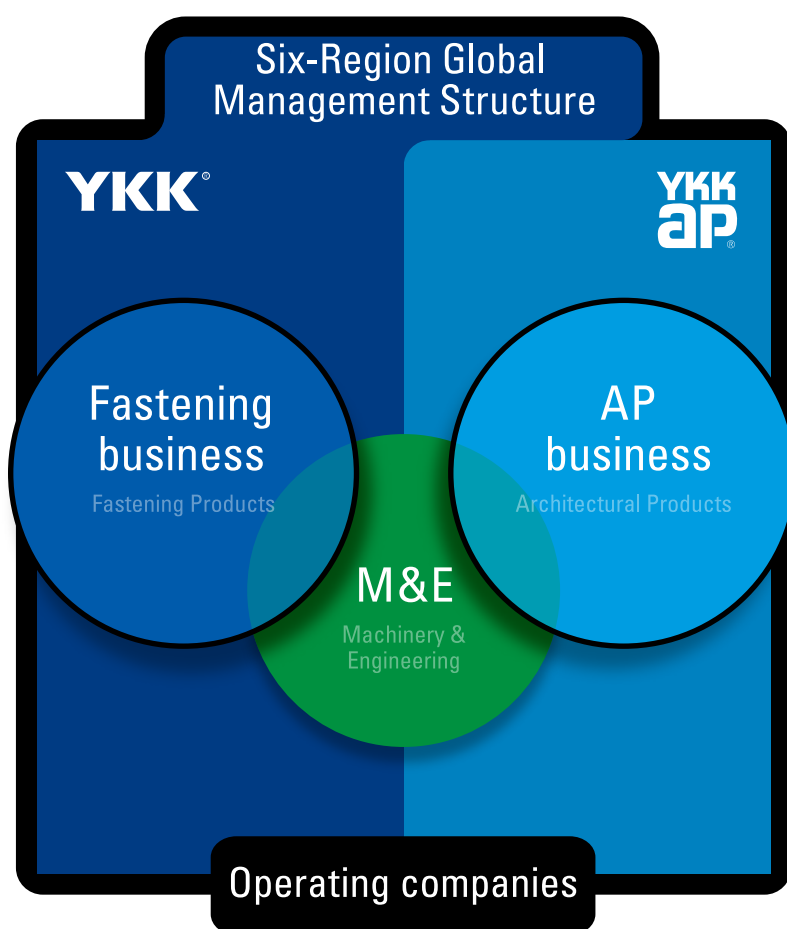
Insist on quality in everything.

Build trust, transparency and respect.

Global Business Management

A Global Business Management Structure, with the Fastening and Architectural Products Businesses as Core Operations

The YKK Group global management matrix consists of two core operations—the Fastening Business and the Architectural Products (AP) Business—supported by the Machinery & Engineering Group, which provides the two core operations with an integrated system of production; and a six-region global management structure which conducts regional business.



Zipper sales
volume (YKK)

9.53

billion pcs
(As of March 31, 2018)

Proportion of
eco-friendly products
developed (YKK AP)

100%

(As of March 31, 2018)

Registration of Japan's first
firewall testing center
(Machinery & Engineering Group
Analysis Center Laboratory)

2011*

* First testing laboratory in Japan to be registered by the U.S. Consumer Product Safety Commission (CPSC) for analysis and certification of lead content in products

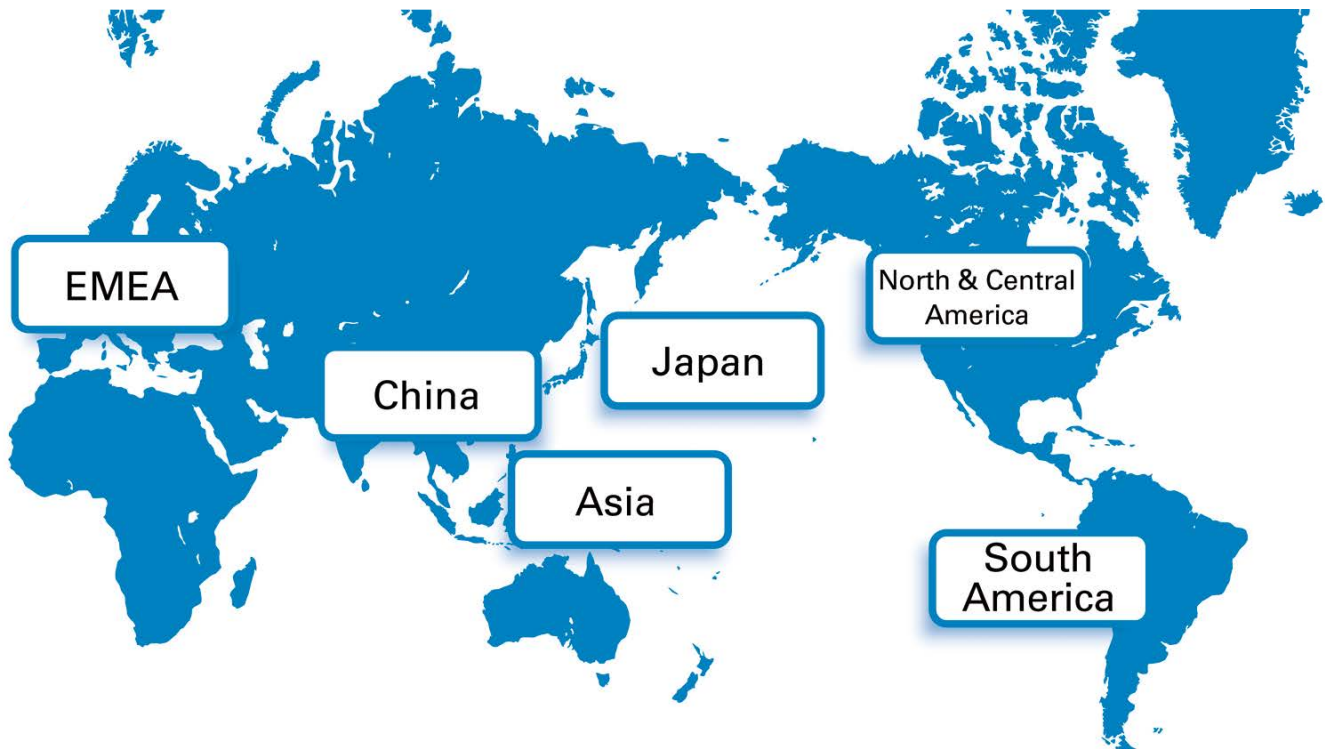
Six-Region Global Management Structure

Conducting Business under a Six-Region Global Management Structure

The YKK Group is currently engaged in business in 73 countries/regions around the world. Our management system divides the world into six regional bases:

North and Central America; South America; Europe, the Middle East & Africa (EMEA); China; Asia; and Japan.

The global business is carried out with YKK Group companies of each region playing a leading role and making the most of their respective regional characteristics.



Start of overseas operations
(New Zealand)

1959

Global network

73 countries/regions

111 companies
(As of March 31, 2018)

Environmental Management
Survey ranking

5th place

in the 21st Nikkei Environmental
Management Survey

Message from the Presidents

The YKK Group is contributing to the creation of a sustainable society through its business activities, based on the YKK philosophy of the "Cycle of Goodness." Below are messages from the presidents of YKK and YKK AP on achieving this goal.

Better Products at a Lower Cost and Greater Speed—Striving toward a Happier Society through Manufacturing



Hiroaki Otani
President, YKK Corporation

How should a company go about fulfilling its social responsibility as a corporate citizen? We believe that as it seeks to answer this question, the first thing that is required of a company is a corporate philosophy that serves as the basis of its business activities. For the YKK Group, that basis is the YKK philosophy of the "Cycle of Goodness."

YKK founder Tadao Yoshida spent his life committed to *monozukuri** under the belief that "No one prospers without rendering benefit to others." He had a strong conviction to contribute to society through business activities that brought even better value to all people.

Tadao Yoshida's belief has been robustly passed down to the present.

In the Fifth Mid-Term Management Plan (FY2017–FY2020), the fastening business has made "Aim for Further Quantitative Growth" one of its mid-term business policies. Under this policy, a target of selling 12.88 billion zippers in FY2020 has been established. However, this number is simply a barometer of our business performance. What we should really aim for is to steadily resolve our customers' issues on a one-to-one basis, implement "Better products at a lower cost and greater speed," and continue to provide sound value to as many customers as possible and to society. Fasteners are small items, but they are important parts that support customers' brands. I would like the company to remain one for which every employee can work with pride and joy under the concept that all are management executives.

There are many environmental issues and social challenges, and I believe that YKK's responsibility as a corporate citizen is to engage on a daily basis to contribute steadily to society through its business activities based on the "Cycle of Goodness."

Under the mid-term management vision of "Technology Oriented Value Creation," we will mobilize the technology that we have nurtured over the past 80-years-plus and continue to strive for a happier society through manufacturing.

* The art of manufacturing

Contributing to an Even Better Society through the Simultaneous Pursuit of Sustainable Growth of Our Business and Environmental Conservation

YKK AP's business policy under the Fifth Mid-Term Management Plan is "Sustainable growth of the AP business through added-value and demand creation." Our business environment is changing greatly, and to achieve sustainable growth under such circumstances, we work continuously to create new demand by providing high value, healthy, and comfortable lifestyles to customers.

Our primary business domain of windows and doors plays an important role in actualizing energy-efficient buildings and comfortable indoor spaces. The thermal insulation performance of a window can have an impact on the health of people, and we are seeing an increase in health-related incidents that occur within residences. The majority of these incidents are due to sudden changes in temperatures between rooms, caused by the lack of central heating in most Japanese homes. Enhancing the thermal insulation performance of windows plays an important role in its prevention.

YKK AP is enhancing product energy-efficiency to help achieve net zero energy residences and offices. We are developing high-thermal-insulation windows to contribute to creating healthy and comfortable living environments. We are also undertaking activities to build awareness and spread the use of such products.

During development and production, YKK AP is reducing CO₂ emissions, making cyclical use of resources, and considering the ecosystem. Our desire is to help realize a sustainable society while simultaneously pursuing the growth of our business and conservation of the



Hidemitsu Hori
President, YKK AP Inc.

environment. We will provide products and information that will allow customers to use our products safely and with peace of mind. Our system for protecting the rights of a wide range of consumers will also be reinforced. To do so, we will further refine our product appeal and proposal capabilities as well as the supporting technological capabilities. Under our philosophy of the "Cycle of Goodness," we will treat our customers, society and employees fairly, be honest as a manufacturer in our *monozukuri* endeavors, and take a no-nonsense approach to technology. We will contribute to the realization of an even better society by continually providing products and services that deliver happiness for customers.

Being Eco-Friendly

Environmental management is the responsibility of all who do business in our world. The YKK Group pursues this by implementing the YKK Philosophy of the "Cycle of Goodness" and through its Management Principle, "YKK seeks corporate value of higher significance." We strive to contribute to a sustainable society through our core businesses. The YKK Group operates in 73 countries and regions around the globe. In every place, we aim to reduce our environmental and social footprint. Our goal is to solve environmental and social issues, and at the same time grow by harnessing our advantages and strengths.



Environmental Management
Survey ranking

5th place

in the 21st Nikkei Environmental
Management Survey

YKK Group Environmental Pledge

It is recognized today as being a most important duty for all humankind that we preserve the abundantly endowed global environment and that we transfer it to the next generation in a sound condition. Striving to be an Earth-friendly company, the YKK Group proclaims that it will address and promote "harmony with the environment" as the highest priority of its business activities.

September 1994

YKK Group Fifth Mid-Term Environmental Management Principle (FY2017 to FY2020)

The YKK Group draws up Mid-Term Environmental Management Principles every four years in accordance with our Mid-Term Management Policy. From FY2017, under the guidance of its new Mid-Term Environmental Management

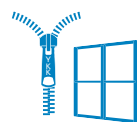
Principle, the YKK Group will undertake environmentally-friendly operations, leverage its technological capabilities, and create new value in the pursuit of a low-carbon society, to enrich people's lives and contribute to the creation of a sustainable society.

Contributing to a Sustainable Society

Creating a low-carbon society through technology oriented value creation

What the YKK Group aims to achieve by 2020 through environmental management

Making positive contributions to society



Product Development



Environmental Contribution



Ecosystem Conservation



Information Disclosure

Minimizing environmental impact on society (aiming for zero impact)



CO₂



Water



Waste



Chemicals

The YKK Group has pursued a wide range of initiatives for the increasingly serious environmental problems facing our planet. We are working together on action plans for achieving our environmental

policy and goals. Our activities are focused on actively contributing to society, and minimizing our environmental impact (aiming for zero impact).


Making Positive Contributions to Society

The YKK Group is committed to offering and expanding a full range of products that contribute to health, safety and security, and that take the environment into account. We received various awards in FY2017 for such activities. We are

accelerating our activities to benefit society and ecosystems, and are contributing to the creation of a sustainable society. (See p. 11 for details of awards we have received to date.)

Major Awards Received in FY2017

-  Fujisankei Group Prize – 27th Annual Global Environment Awards
-  Grand Prix (highest award) – JAPAN OEKO-TEX® AWARD 2017 (YKK)
-  Grand Prize and METI minister's Award – 18th Green Purchasing Awards (YKK AP)

 See the following website for details about the prizes the YKK Group has received in the past.
<http://www.ykk.co.jp/japanese/ykk/prize/index.html> (Information in Japanese)



Award ceremony for the 27th Annual Global Environment Awards. YKK recognized for our efforts to create a sustainable society and breathe new life into communities through our Passive Town project.

Minimizing Environmental Impact on Society

Our aim is to minimize the environmental impact from the CO₂, water, waste, and chemical substances that are produced or used as a result of our business activities. To address climate change issues such as global warming, we set a target of reducing CO₂ emissions by 30% (compared to FY 2013) by FY2030. In addition to traditional energy saving efforts, we are focusing on saving energy as we develop overseas by implementing policies that

take advantage of our technological capabilities such as highly efficient production systems, energy saving technologies, and equipment development. And we are striving to achieve a low-carbon society by working with others in the supply chain. CO₂ emissions are calculated for all areas, from procurement to disposal. (For details on the impact on supply chains, please refer to page 12.)



Examples of energy-saving efforts overseas
Compressor in Vietnam that uses less energy by optimizing pressure (left)
Checking for air leaks in Dalian, China (as well in Japan) (right)

Making Positive Contributions to Society

Creating a Sustainable Society in Harmony with Nature



Bird's-eye view of the Passive Town project in Kurobe City, Toyama Prefecture

Passive Town is a project providing ideas for community and residential development by harnessing the natural sources of energy in the Kurobe area and by reducing the consumption of electricity and fossil fuels <https://www.passivetown.jp/> (Information in Japanese)

Passive Town is a new housing project in the city of Kurobe, Toyama Prefecture. The YKK Group views Kurobe as a technology headquarters for addressing the energy issues that have become apparent since the 2011 Great East Japan Earthquake. The project, which is being built on the site of former company housing, makes maximum use of solar and other natural sources of energy. It taps the abundant underground water in the alluvial fan of the Kurobe River, as well as

the local seasonal winds (known as "Ai-no-kaze"). This community and housing initiative, being pursued in cooperation with the local community, received recognition in the form of the Fujisankei Group Prize at the 27th Annual Global Environment Awards.

- **Annual Global Environment Awards**

Created and organized by the Fujisankei Communications Group, with the special cooperation of the WWF (World Wide Fund for Nature) Japan, to recognize industry with the objective of fostering industrial development in harmony with the global environment.



Certification that the safety and security of a particular textile conforms to the highest global standards

Striving for Products That Are Safe and Secure, and Environmentally Friendly

The likes of zippers and snap & buttons are in constant, everyday use. It follows that they should be safe and secure. And it is also vital that the environmental impact associated with such products, in all areas from production to disposal, should be reduced. The YKK Group began seeking OEKO-TEX® certification in 1997. We received the Grand Prix (highest award) at the JAPAN OEKO-TEX® AWARD 2017 in recognition for

our stance on safety and security, *monozukuri*, and for the certification of a wide range of our products at many of our plants in Japan and overseas.

- **OEKO-TEX®**

A certification system which shows that the safety and security of a particular textile conforms to the highest global standards. Products are subject to analytical tests to vouch for their safety and the absence of substances harmful to the human body. The JAPAN OEKO-TEX® AWARD 2017 was organized by the Nissenken Quality Evaluation Center.

Focusing on Healthy and Comfortable Living Environments

The amount of energy we use for air conditioning is very much affected by the windows and doors in our homes and other buildings. And doors and windows have a major role in providing healthy and comfortable living environments. Considerable reductions in environmental impact have been attributed to the APW series high-performance vinyl

window developed by YKK AP. YKK AP received the Grand Prize and the METI Minister's Award at the 18th Green Purchasing Awards.

- **Green Purchasing Awards**

Organized by the Green Purchasing Network to recognize groups that promote and expand "green purchasing" from businesses that strive to reduce environmental impact through environmentally-friendly products and services.



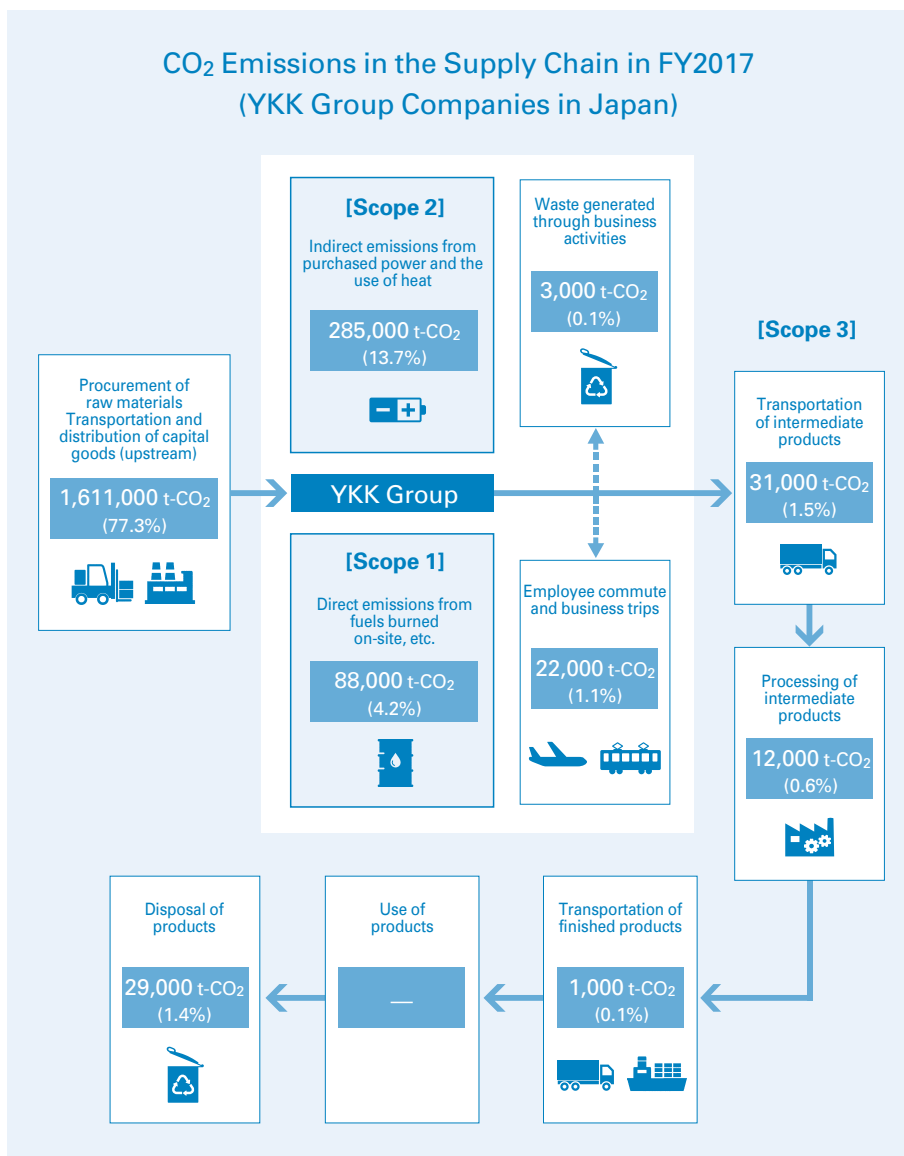
Minimizing Environmental Impact on Society

CO₂ Emission Control Throughout the Supply Chain

The YKK Group calculates our Scope 3 emissions with a view to reducing greenhouse gas emissions in our overall supply chain. We are working with others in the supply chain to reduce CO₂ emissions. Scope 3 refers to the greenhouse gases produced in the procurement of raw materials and capital goods, the processing of intermediate goods, as well as the transport, use and disposal of finished products. These emissions are produced

in addition to our direct Scope 1 emissions, and our indirect Scope 2 emissions attributable to purchased electricity and the use of heat.

In addition, the YKK Group is contributing to the reduction of CO₂ emissions through the provision of high-insulation window products that curb the need for air conditioning in housing or buildings, thereby reducing energy consumption.



Note: For more details about the calculation method, please visit the Green Value Chain Platform website operated by Japan's Ministry of the Environment. YKK and YKK AP's initiatives are posted under the title "Individual corporations' accounting information."

http://www.env.go.jp/earth/ondanka/supply_chain/gvc/en/index.html

Fostering Talent

The YKK Group pursues arrangements and creates environments to give each and every employee a role commensurate with his or her abilities and motivation, in which he or she can display his or her talents to the full, irrespective of age, gender, educational background or nationality. This is done in accordance with our Personnel Principle of independence and coexistence.

Forest Management

"YKK is a Forest Organization."

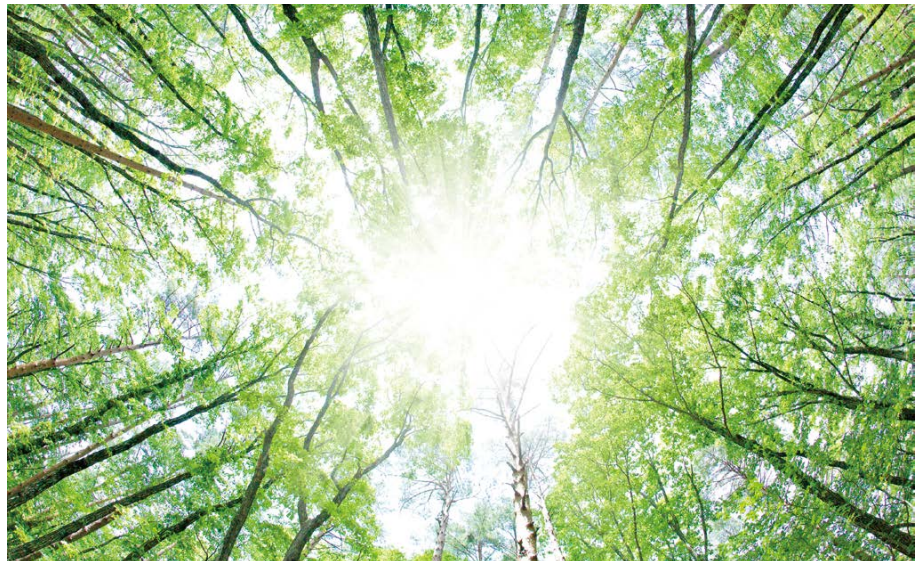
These are the words of our founder, Tadao Yoshida.

In a forest, some trees are old and venerable, rich with experience and knowledge, while some trees are young, scarcely more than saplings.

Our organization aims to be like a forest, with each individual growing onward and upward in their own unique way.

Forest Management enables everyone to exercise his or her own strengths with individuality and to work skillfully without needing to be directed by others, all the while moving forward together.

While we are all employees, we are also all managers.



Refer to the following website concerning our initiatives for International Women's Day in North and Central America:
<http://connect.ykknorthamerica.com/ykk/international-women-s-day-series-2018>

Diversity Initiatives

In accordance with Forest Management, YKK made the fostering of diversity an important issue for management starting in 2013. Attention is directed not only at outward differences, such as gender, nationality or the existence of any disability, but inward differences, such as values and experience. We strive to enhance the performance of the organization by making full use of the individuality of each employee. We are actively pursuing initiatives to enable a diversity of human resources to shine, such as proactively recruiting female

engineers, providing career development support for female employees, recruiting foreign national technical personnel, and improving the workplace environment.



YKK was selected for the Ministry of Economy, Trade and Industry's list of 100 firms recognized as fostering diversity in FY2017 (Japan).

Relaying Skills and Technologies

The YKK Group has an integrated production system for in-house development and production, encompassing everything from materials to manufacturing equipment and products. Automation is being pursued in the manufacturing of machine components and in mold machining, and we are also looking to boost our technical prowess in robotics. It is important, however, to nurture engineers and technicians who can understand and put into practice the underlying principles of processing and assembly.

The Machinery & Engineering Group established its Gino Dojo (processing and assembly skills training center) in FY2009 to nurture fundamental knowledge and skills for processing and assembly, and is tackling *monozukuri* training. This center provides individual training by highly experienced and skilled instructors, mainly for new employees and young engineers and technicians. We continue to pass on the rich store of skills that have accumulated since our foundation.



Teaching at the Gino Dojo


Health Initiatives

YKK and YKK AP regard the health of their employees as a management issue. A Health Declaration was established so as to convey more clearly to people both inside and outside YKK and YKK AP the initiatives being taken for the management of employees' health in connection with the ability of employees to exercise their responsibilities. Greater efforts are being made to foster health.

Health Declaration

YKK Corporation and YKK AP Inc. aspire to become a company where all employees are able to work with pride and pleasure. We believe that a prerequisite for achieving this goal is for all our employees and their family members to maintain and improve their mental and physical health, which will enable every employee to demonstrate their unique qualities and capabilities to the maximum and to propel our company's growth and contribute to society. Based on this concept, our company, Health Insurance Society, employees and their families are united in their endeavors for health promotion.

March 2018

 Please refer to the following website for more details concerning health management at the YKK Group:
http://www.ykk.com/english/corporate/csr/h_labor.html

Recognized in the Certified Health and Productivity Management Organization Recognition Program

YKK has been recognized as a company that is practicing particularly good health management under the Certified Health and Productivity Management Organization Recognition Program, which was drawn up by the Ministry of Economy, Trade and Industry and is run by the organization known as Nippon Kenko Kaigi (Japan Health Conference). We were recognized in the large enterprise category (Japan).



2018

健康経営優良法人
Health and productivity
ホワイト500

Thinking Together—Regional Communities and the YKK Group

Since our foundation, the YKK Group has conducted our business activities in accordance with our philosophy, the "Cycle of Goodness." This section features some of the initiatives of the YKK Group for taking care of community-based stakeholders.

Ninth Stakeholder Dialogue

Using the Facilities of the YKK Group to Pursue Harmony with Nature



Participants (from left to right)

- **Business partner:** Akira Hirano (President & CEO, Hirano Komuten K.K.)
- **Nature conservation group representative:** Atsushi Sano (Manager of Interaction & Cooperation Promotion Department, Toyama Environment Foundation)
- **Participant from local government authority:** Emi Makino (Manager, Living Environment Section, Citizen Affairs Department, Kurobe City)
- **Facilitator:** Professor Noriyasu Kunori, Ph.D.
- **Local resident:** Satoshi Noshima (Vice-Chairman, Muratsubaki Promotion Society)
- **Foreign exchange student:** Xu Xianqiang (Department of Social Infrastructure Engineering, Graduate School of Engineering, Toyama Prefectural University)
- **Consumer representative:** Rika Inagaki (Promoter of global warming prevention efforts in Toyama)
- **Naturalist:** Kikuyo Matsuki (Vice Chairperson, Kurobe Gorge Naturalist Society)

The YKK Group has hosted Stakeholder Dialogues annually since 2010 to provide a forum for the exchange of opinions. The 9th Stakeholder Dialogue took place on April 27, 2018. The first half of the session involved a visit to Passive Town, a redevelopment project being carried out on the former site of company

housing of the YKK Group in Kurobe City, Toyama Prefecture. The second half involved an exchange of opinions between stakeholders and YKK Group employees at the community center within the project. The focus was on ties with the local community and ways it can make use of Passive Town.

Making Use of YKK Group Facilities across Kurobe City, Toyama Prefecture

The YKK Group views Kurobe as a technology headquarters. It is home to a range of YKK Group facilities, many of which are open to the people in the local community. The Furusato no Mori forest within the YKK Center Park is an example. The forest is a habitat for numerous endangered species. It is open to elementary school children across Toyama Prefecture so that it can provide environmental education for future generations. K-HALL was completed outside Kurobe

Station on the Ai-no-kaze-Toyama Line in August 2017, helping generate vitality in the vicinity. The first floor has shops, while the second floor has a multipurpose hall, which provides space for people in the local community. Kurobe is home to a number of other YKK Group facilities, including Maezawa Garden and the sports ground in the Aramata area, which provide places of recreation, and help breathe life and development in the community.



K-HALL (Shared facility of K-TOWN single-person dormitories in front of Kurobe Station, which can be used by local residents)

Finding New Use for Shared Spaces

The participants in the Stakeholder Dialogue visited Passive Town, where the YKK Group is fostering community development on the site of former company housing. We aim to establish about 250 homes here by 2025. The landscaping is designed with the comfort of the residents in mind. The project also makes maximum use of the energy available from Kurobe's rich natural environment. It has a "center common", providing a shared space for local residents to mix with one another. Different events are held here according to the season, and it is also a place to teach children about the environment.

The second half of the dialogue involved an exchange of views in the form of workshops. The stakeholders were divided into three groups, which discussed with YKK Group employees new ways of using the "center common" and fostering ties with the local community. Each group came up with specific ideas about what the YKK can and should do based on the area's distinctive natural surroundings and culture.

The proposals included an event to catch fish in the nearby river (as a means of harnessing Toyama's environment), as

well as events for children, such as a quiz to identify types of trees from leaves collected inside YKK facilities, the building of snow huts in the winter, and the chance to play on small railway trolleys. Other proposals included local public viewings of professional sporting events via large outdoor screens, sake tastings, and an event to sample water from different sources. There was also a proposal for an event to feature curry dishes from around the world relying on YKK employees who have been to different parts of the world. This would draw on the diverse nature of the employees of the YKK Group. And there was also a suggestion to hold an event involving *gyoza* (pan-fried meat dumplings), the molds for which could be created with YKK technology.



The YKK Group listened to the ideas that were presented in the workshops and is considering implementing some of them. The idea is to enable people to find out about and experience Kurobe, foster the utility of Passive Town, and return something to people in the local community.



Participants being briefed about the landscaping



Workshop in progress



Relaxed exchange of views



Overall feedback from Dr. Kunori

Thoughts after Holding the Stakeholder Dialogues

The Stakeholder Dialogue in FY2018 discussed ways of using the Passive Town project in Kurobe City (which gives an idea of what communities might look like in the near future) to foster appealing and attractive community development in harmony with the environment. This kind of activity is a social requirement connected to the company's social responsibilities under ISO 26000, which calls for community involvement. And it is also connected to Goal 11 of the UN Sustainable Development Goals, which calls for action to make cities and human settlements inclusive, safe, resilient and sustainable. It is hoped that the YKK Group will take on the ideas presented

in the dialogue and take the lead in realizing them in collaboration with the community and the local authorities.



Noriyasu Kunori
Ph.D.

- Professor (Engineering), Faculty of Arts and Sciences, Sagami Women's University
- Lecturer (Environmental Management), Graduate School of Engineering, Toyama Prefectural University
- Toyama City Policy Advisor
- Toyama City Environmental Council Chairman

* Passive Town is a project providing ideas for community and residential development by harnessing the natural sources of energy in the Kurobe area, and by reducing the consumption of electricity and fossil fuels
<https://www.passivetown.jp/>
 (Information in Japanese)

Thinking Together—Regional Communities and the YKK Group



(From left to right)
 Fuminori Onoda (Chairman, Kanda-Izumi-cho District Association), Ichiro Goto (Vice-Chairman), Tadahiro Yoshida (Director, YKK/YKK AP)



Talking about the community

Working with the Communities on *Monozukuri*

The YKK 80 Building was completed in Tokyo's Kanda-Izumi-cho district on the 80th anniversary of the company's founding.

Director (then Chairman&CEO) Tadahiro Yoshida met with the head and deputy head of the district association, Fuminori Onoda and Ichiro Goto, in May 2017, shortly before the area hosted its annual Kanda Festival.

Mr. Onoda expressed appreciation to YKK for allowing the portable shrines used in the festival to be placed at the first-floor entrance of the YKK 80 Building on Showadori Avenue over the last few years at festival time where they can be admired by all of the passers-by. He described the spot as one of the prime locations for the Kanda-Izumi-cho district.

Mr. Goto expressed hope that other corporations will come to the area and participate and get pleasure from the different events that take place in it.

Yoshida conveyed the company's enthusiasm. He said while he had long described YKK as being a corporate citizen, he has also maintained the idea that everyone is part of society, irrespective of whether they are citizens or corporations. YKK was initially established in the Nihonbashi Kakigara-cho area in 1934. It subsequently moved to the nearby Nihonbashi Bakurocho and then to the Kaminarimon area of Asakusa, before shifting its headquarters to the Kanda-Izumicho district in 1963. YKK has benefited a great deal from this district, which had been one of Japan's premier haberdashery wholesaling areas, and consequently has affection for and is very keen to contribute to it. YKK will continue to fulfill our obligations as a corporate citizen to make others happy.

The YKK Group values working together with communities.

The "Cycle of Goodness" in Our Operations

Since its foundation, the YKK Group has valued links to our communities, both at home and abroad, where it does business. Our founder, Tadao Yoshida, said the following:

“YKK exists all around the globe, an expanding Cycle of Goodness.

In the course of this expansion, I have always told everyone that YKK is not just a Japanese firm; it exists in its own manifestations in the United States and Germany, for example.

We cannot expect to be loved unless we are constantly contributing to local communities and the economies of their respective countries. ”

(Excerpt from *The Complete Works of Tadao Yoshida, Vol. II, Management Philosophy*)

Yoshida also explained that when people are working abroad, "They should show respect for a place's customs, practices and traditions, and feel as if they were actually born there." At the YKK Group, we believe in being part of the local community.

We constantly bear in mind the need to think locally and work with communities to prosper and grow together in accordance with the YKK philosophy of the "Cycle of Goodness."



Our founder Tadao Yoshida with local children

YKK Group Business Activities

The YKK Group: Fifth Mid-Term Management Plan

Overall Policy

Under the management vision of "Technology Oriented Value Creation" in the Fifth Mid-term Management Plan (FY2017–FY2020), the YKK Group has positioned "product appeal and proposal capabilities," "technology and manufacturing capability" and "human

resource development" as primary points. The Group is promoting the initiatives presented in the mid-term management plan with the aim of achieving a target of 8.0% or more in terms of an operating income margin and an ROA of 5.0% or more.

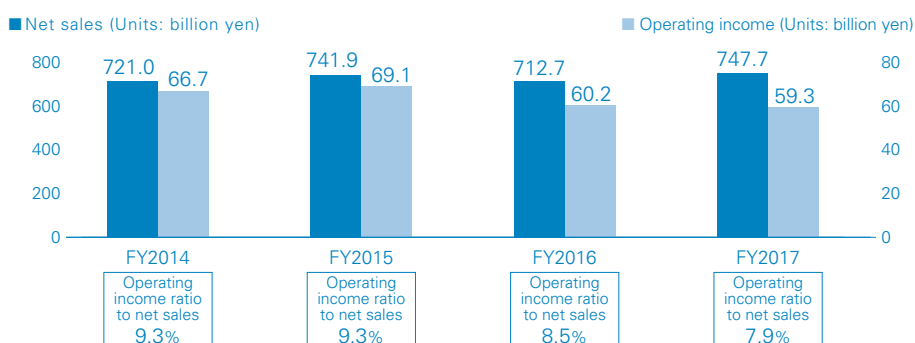
| YKK Group: Fifth Mid-Term Management Plan (FY2017–2020) | | |
|---|--|---|
| The Fifth Mid-Term Management Vision | | |
| Technology Oriented Value Creation | | |
| Primary Management Focus | -Product appeal & proposal capability -Technology & manufacturing capability -Human resource development | |
| Goals of the Mid-Term Plan | -Operating income ratio of 8.0% or above -ROA of 5.0% or above | |
| Mid-Term Business Policy | YKK Corporation | Development and innovation in <i>monozukuri</i> An endeavor for YKK's <i>monozukuri</i> in the "Standard" category |
| | YKK AP Inc. | Sustainable growth of the AP business through added-value and demand creation |

Summary of YKK Corporation's Consolidated Financial Results FY2017


As for the YKK Group's consolidated results for FY2017, net sales were 747.7 billion yen (up 4.9% year on year). Operating income was 59.3 billion yen (down 1.6% year on year), ordinary

income was 59.9 billion yen (down 2.6% year on year), and net income attributable to owners of parent was 38.7 billion yen (down 14.3% year on year).

▼ YKK Group Net Sales and Operating Income



See the following website for details regarding YKK Group FY2017 business results.
<http://www.ykk.com/english/corporate/financial/index.html>

 The following were announced on March 1, 2018. See the following website for details.
http://www.ykk.co.jp/japanese/corporate/g_news/2018.html (Information in Japanese)

New Management Structure

We have launched a new management structure in order to achieve the ambitious goals of the Fifth Mid-Term Management Plan. One of the slogans in the YKK Group is "You take the front, I'll take the back." This represents the president and the chairman each practicing leadership

and powerfully propelling the Group's business in the same direction. The new management structure will remain based on the YKK philosophy of the "Cycle of Goodness," and will steadily implement the Mid-term Management Plan.



From left to right: YKK Corporation Chairman Masayuki Sarumaru, YKK Corporation President Hiroaki Otani, YKK AP Inc. President Hidemitsu Hori, and YKK AP Inc. Chairman Hideo Yoshizaki (appointed at June 2018 general meeting of shareholders and the Board of Directors meeting that followed)

Merger between YKK and YKK Fastening Products Sales

The Japanese textile industry continues to shift overseas, and Japan's population is shrinking, but customers are demanding greater diversity and shorter lead times. It is becoming more important than ever to enhance and link manufacturing, development, and sales functions. YKK Corporation (manufacturing and development) has merged with and absorbed its wholly-owned domestic sales subsidiary, YKK Fastening Products Sales (sales),* unifying its Japanese

manufacturing, development, and sales functions and further strengthening its customer support and service structure. In advance of this merger, on April 1, 2018, "JAPAN Company" was established in YKK Corporation's Fastening Products Group.

This goal of "JAPAN Company" will be the unification of manufacturing, development, and sales in Japan.

* Effective as of July 1, 2018

Consolidated Financial Data of the YKK Group

| Fiscal year Year ended | 2007 March 31, 2008 | 2008 March 31, 2009 | 2009 March 31, 2010 |
|--|---------------------------|---------------------------|---------------------------|
| Net sales (millions of yen) | 672,644 | 613,446 | 556,439 |
| Ordinary income (millions of yen) | 34,251 | 15,862 | 16,572 |
| Net income attributable to owners of parent (millions of yen) | -6,925 | -42,785 | 3,828 |
| Comprehensive income (millions of yen) | - | - | - |
| Net assets (millions of yen) | 492,424 | 384,695 | 399,866 |
| Total assets (millions of yen) | 854,694 | 705,886 | 689,593 |
| Net assets per share (yen) | 402,473 | 314,223 | 326,352 |
| Basic net income per share (yen) | -5,775 | -35,681 | 3,192 |
| Diluted net income per share (yen) | - | - | - |
| Equity ratio (%) | 56.5 | 53.4 | 56.7 |
| Return on equity (%) | -1.4 | -10.0 | 1.0 |
| Price earnings ratio (times) | - | - | - |
| Cash flows from operating activities (millions of yen) | 48,484 | 65,867 | 68,431 |
| Cash flows from investing activities (millions of yen) | -53,347 | -44,114 | -32,636 |
| Cash flows from financing activities (millions of yen) | 5,571 | -13,809 | -21,795 |
| Cash and cash equivalents at the end of period (millions of yen) | 77,166 | 74,571 | 90,429 |
| Employees (number) [The numbers in square brackets represent the average number of part-time employees not included in the numbers of regular employees.] | 38,399 [7,806] | 38,530 [7,531] | 37,597 [5,595] |

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.

| 2010 March 31, 2011 | 2011 March 31, 2012 | 2012 March 31, 2013 | 2013 March 31, 2014 | 2014 March 31, 2015 | 2015 March 31, 2016 | 2016 March 31, 2017 | 2017 March 31, 2018 |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| 544,896 | 544,434 | 576,965 | 696,929 | 721,037 | 741,935 | 712,783 | 747,762 |
| 30,976 | 26,681 | 33,681 | 66,022 | 69,720 | 70,988 | 61,545 | 59,924 |
| 10,136 | 16,334 | 32,692 | 44,908 | 46,978 | 44,646 | 45,180 | 38,728 |
| -6,090 | 14,336 | 70,777 | 70,447 | 81,416 | -20,695 | 51,998 | 30,123 |
| 391,095 | 403,169 | 471,271 | 513,543 | 586,664 | 561,547 | 609,848 | 636,361 |
| 690,322 | 715,364 | 788,440 | 883,336 | 946,283 | 954,060 | 963,231 | 978,563 |
| 318,900 | 328,395 | 384,171 | 417,986 | 477,438 | 456,991 | 496,267 | 518,187 |
| 8,453 | 13,622 | 27,265 | 37,453 | 39,181 | 37,237 | 37,683 | 32,302 |
| - | - | - | - | - | - | - | - |
| 55.4 | 55.0 | 58.4 | 56.7 | 60.5 | 57.4 | 61.8 | 63.5 |
| 2.6 | 4.2 | 7.7 | 9.3 | 8.8 | 8.0 | 7.9 | 6.4 |
| - | - | - | - | - | - | - | - |
| 55,955 | 32,076 | 67,214 | 85,186 | 91,254 | 101,727 | 81,619 | 57,525 |
| -31,635 | -39,667 | -44,013 | -60,708 | -65,976 | -95,252 | -59,345 | -67,661 |
| -13,465 | 6,636 | -11,719 | -3,784 | -4,379 | -4,359 | -14,569 | -4,470 |
| 98,201 | 96,891 | 116,510 | 143,131 | 173,558 | 167,229 | 171,259 | 155,076 |
| 38,080 [7,031] | 37,719 [7,127] | 38,235 [7,123] | 40,306 [6,828] | 42,154 [5,738] | 44,250 [5,390] | 44,674 [4,801] | 45,618 [4,538] |

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.

5. For the year ended March 31, 2010, 43 foreign consolidated subsidiaries were consolidated by using their financial statements as of the parent fiscal year end (a 15-month period), prepared solely for consolidation purposes. The fiscal year end of a total of 47 foreign consolidated subsidiaries was changed from December 31 to March 31. Therefore, their fiscal year included 15 months of operating results.

FASTENING PRODUCTS

Fastening Business



Development of a New Growth Strategy

For over 80 years, the Fastening Products business has produced and marketed fastening products including zippers, hook & loops, plastic hardware, snap & buttons, and more.

The business has won the trust of customers through comprehensive quality management and integrated production systems, the flexibility to provide a stable supply of what customers truly need, and consistently high product quality the

world over.

The needs of those customers become more diversified every day, and we respond swiftly with the products they demand as well as the marketing, development, and production levels they have come to expect. As we strive to grow, we will never compromise, and never sacrifice the quality of the products and services our customers count on us to provide.



▶Apparel

Efforts to Continue to Meet Customer Needs

Presently, the global fashion industry is experiencing growing diversification in consumer needs alongside shorter product cycles, resulting in demand for even faster product development and more reasonable pricing. The business is exerting its efforts for the Standard category and for BOP*1 products, targeting global super brands and sports apparel brands, and also aiming to boost sales in expanding markets such as Asia.

Presently, YKK products are being used worldwide in various settings, and moving forward, we will maintain our efforts to further enhance our technology to be able to provide even more customers with the products that they seek.

▶Industrial Fastening Materials

Striving to Be of Use to Even More Customers

YKK's fastening products are used as industrial fastening materials in objects including automobiles, disposable diapers, and shoes. They conceal a limitless range of applications, and the company is therefore able to propose fastening solutions adapted to the needs and wishes of customers. Moving forward, we will continue to pursue greater product planning and development capabilities in order to be useful in a wide range of fields.

*1 Base of the Pyramid

In order to supply safe, secure, environmentally-friendly products, YKK conducts its product manufacturing in conformance with world-class product safety and quality standards.

WEB Please refer to the following link for information on YKK's fastening product quality assurance system.
<https://www.ykkfastening.com/quality/> (Information in Japanese)

Fastening Business

FY2017 Results



Number of Zippers Sold
9.53 billion pcs



Net Sales
324.0 billion yen



Operating Income
52.6 billion yen

Fifth Mid-Term Management Plan Business Policy

We have adopted "Aim for further quantitative growth" as a business policy, and to achieve this we will strengthen competitiveness in the Standard category. We aim to provide customers with better products at a lower cost and greater speed. At the heart of this is technology and we will strive for qualitative growth.

Key Measures

- Strengthen development capabilities
- Increase product variation
- Improve on-time delivery performance
- Strengthen cost competitiveness

Targets to be Achieved by FY2020

- Capital investment: 154.1 billion yen
- New development sites: 19
- New development personnel: 250

Summary of Consolidated Financial Results FY2017

The fastening business increased sales to U.S. and European mass retailers through global marketing activities and further cultivation of the domestic markets of various countries, and increased sales in the growing Asia region by capturing demand and expanding production capacity. Despite the rise in the price of raw materials and increases

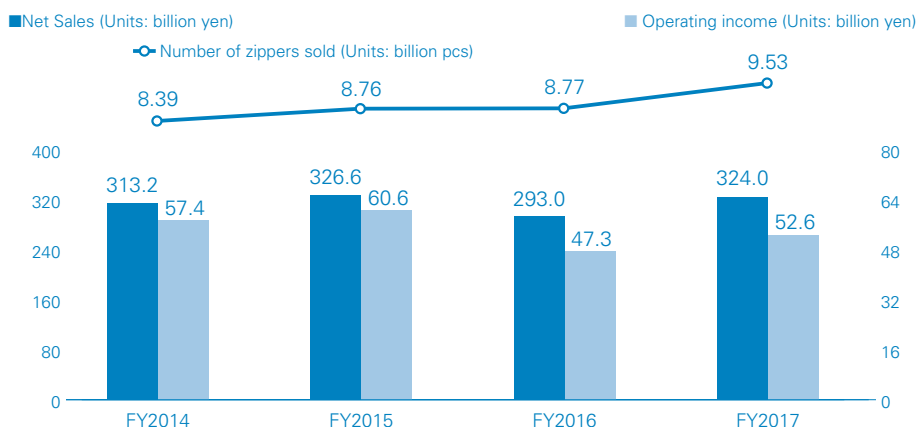
in manufacturing-related fixed costs in China and Asia accompanying investments, capacity utilization was improved due to increased sales volume, and we engaged in ongoing cost reduction efforts. As a result, sales increased to 324.0 billion yen and operating income increased to 52.6 billion yen.

FY2018 Business Policy

In order to achieve our FY2020 zipper sales target of 12.88 billion pcs, we have positioned the Standard segment as the highest priority category, but will strengthen business competitiveness in both products and *monozukuri* in the Value Conscious and BOP segments as well. Moreover, the global fastening product development structure will be further fortified, and region-based product development will enable timely response to customer requests. In the growth markets of Asia, proactive investment

will be made to further strengthen our supply platform. In FY2018, the fastening business plans to make these and other investments, totaling 52.4 billion yen (of which about 45%, or 23.4 billion yen, will be invested in the Asia Region). The "Japan Company" will be established in Japan to strengthen the fastening business' response to the shrinking Japanese market and diversifying customer requests, and a refortification of the domestic business will be carried out based on the growth strategy.

▼ Fastening Business Net Sales and Operating Income



Active Investment in Asian Growth Markets

In FY2017, led by our Mid-Term Business Policy of "Aim for further quantitative growth," we have taken measures such as building a structure for increased production in the growing Asian market; increasing sales for the Standard segment by deeply cultivating demand by mass retailers in Europe and the U.S. as well as the domestic demand in each country; augmenting product development bases; and strengthening product lineups. In our active investment in the growing Asian markets, at the end of December 2017

we completed the expansion of the YKK India Private Limited (Haryana Plant), which will serve as a site that meets growing internal market demand and supplies products for processing and exporting. Through our measures for augmenting product development bases, in January 2018 we opened an R&D Center in the Haryana Plant, as well. This brought our number of fastening development sites to 34 (seven of which are R&D Centers) and our number of R&D site personnel to 881 at the end of FY2017.



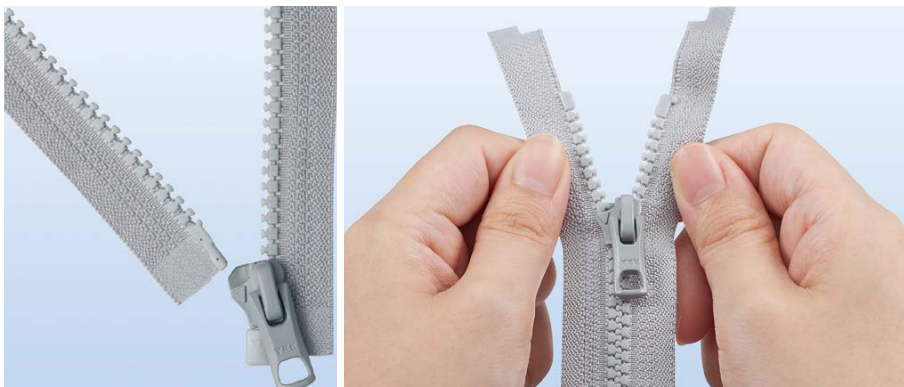
YKK India Private Limited (Haryana Plant)

"QuickFree" Easy to Open, Easy to Close Zippers

The drawstrings on the hoods and necks of children's clothing can be dangerous, as they can become entangled in playground equipment. "QuickFree" zippers' sliders come free when a certain amount of lateral force is applied. The insertion pin has been designed to be

easily inserted into the slider, making these zippers easy to open or close for small children and the elderly.

It is our duty to provide our customers with safe, secure products. We continue to focus on our products' consumers and develop user-friendly products.



"QuickFree"

* "QuickFree" is a trademark of YKK CORPORATION in Japan and other countries/regions.

ARCHITECTURAL PRODUCTS

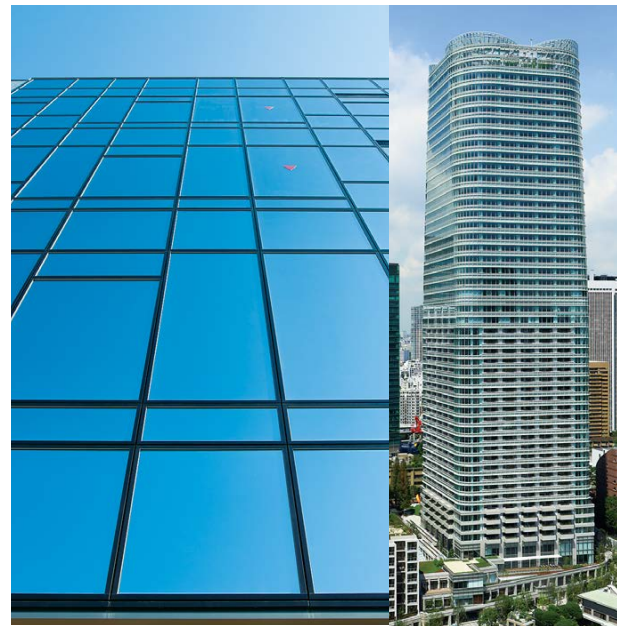
AP Business

Seeking New Opportunities

Private homes and commercial buildings, where people live and work, create value in their surrounding areas, become part of the local culture, and are ultimately part of the global environment.

Windows and doors are significant

attributes to creating comfortable living spaces. Building facades create beautiful urban scenery. The YKK AP Business aims to deliver advanced comfort to living and urban spaces through its architectural products.



▶ Residential Products

Supporting Construction of Homes While Valuing the Era, Region, Beauty, and Individuality

We offer a variety of products, from windows and doors to exterior fixtures, aimed at creating homes for new lifestyles and comfortable living. A characteristic of our products is the high added value from factors such as enhanced basic performance, variation in color and design, and functionality. We provide solutions suited to a new dimension of needs, including application, aesthetics, accessibility, insulation, the environment, and recycling.

▶ Commercial Products

Delivering New Value for Ideal Construction

We deliver the design, performance, and function required in all construction, from skyscrapers to medium- and low-rise buildings. The components and systems required for this have been validated through many years of achievements. Please make the most of our extensive know-how, cultivated through our global expansion and involvement in many large projects. Not only do we handle everything from development to manufacturing, we also fully support construction and provide after-sales service.

YKK AP strives to provide customers with safety and security. We have formulated the YKK AP Product Safety Basic Policy, consisting of our Product Safety Pledge and Product Safety Action Guidelines, so that the entire company can work as one to actively implement product safety measures.

Web Please refer to the following link for information on the YKK AP Product Safety Basic Policy.
<http://www.ykkap.co.jp/company/japanese/safety/> (Information in Japanese)

AP Business

FY2017 Results



Net Sales
417.5 billion yen



Operating Income
22.1 billion yen

Fifth Mid-Term Management Plan Business Policy

Aiming for sustained business growth, even in a tough market environment where the amount of new domestic housing construction work is expected to shrink, we set "Sustainable growth of the AP business through added-value and demand creation" as our business policy, and we will work on key measures through each of our seven businesses and business areas.

- | | |
|--------------|---|
| Key Measures | <ul style="list-style-type: none"> • Residential business: Promote windows with high thermal insulation performance • Exterior business: Reinforce sales through expanding product range and increasing product appeal • Renovation business: Create demand and boost growth • Commercial products business: Increase engineering capability and promote high thermal insulation products • Overseas AP business: Reinforce business foundation and expand business in the target market • Facade business: Expand presence of Facade business • Business process: Re-engineering Standardize and optimize business process |
|--------------|---|

Summary of Consolidated Financial Results FY2017

In Japan, to promote high thermal insulation performance windows the AP business implemented measures such as expanding its vinyl window lineup, successfully expanding sales. Overseas, there were strong sales in the U.S., China, Taiwan, and Indonesia. However, sales were affected

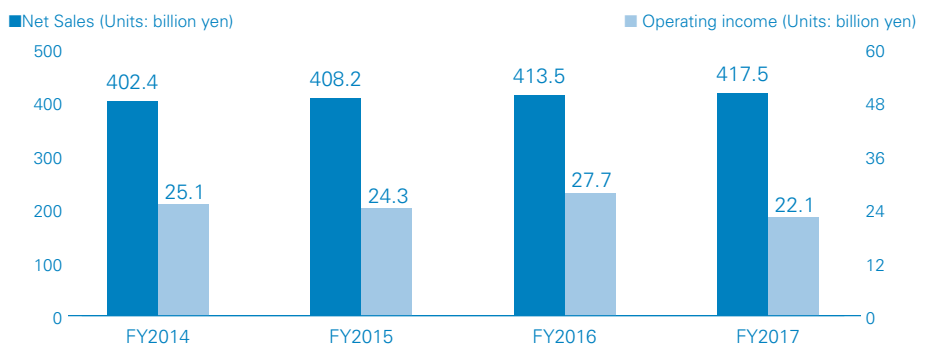
by factors such as a hike in the price of raw materials and other materials and overseas losses in contract properties. As a result, revenue grew and profit fell, with the company posting net sales of 417.5 billion yen and operating income of 22.1 billion yen.

FY2018 Business Policy

In regard to the domestic residential business in Japan, the AP business will further promote the shift to windows with high thermal insulation performance as well as adding high value through fire-resistant windows. The exteriors business will reinforce sales through the proposal of products for the main structure as well as exteriors on the basis of enhancing the range of exterior items. The renovation/remodeling business will promote a growth strategy based on creating new demand, such as window replacement of low-rise buildings in addition to detached houses. In the commercial products business,

the AP business will increase engineering capability and promote high thermal insulation products. In the overseas AP business and facade business, the AP business will aim to reinforce its business foundation and expand business in the target market. Sales will be strengthened in the U.S., China, and Asia, while the YKK AP R&D Center (Indonesia) will be opened with the objective of carrying out R&D in windows for hot and humid area. At the same time, we will promote the standardization and optimization of business processes for business reform, and contribute to changing the work style.

▼ AP Business Net Sales and Operating Income



Promoting Windows with High Thermal Insulation for Both Single Family Homes and Low-Rise Multi Family Homes.

In the Japanese construction market, there is demand for ZEH (Net Zero Energy House) and ZEB (Net Zero Energy Building) based on the Basic Energy Plan, so the thermal insulation performance of windows and doors is quickly rising in importance. In order to transition the aluminum windows that make up the majority of the windows in the Japanese residential market to windows with better thermal insulation properties, in April 2017, YKK AP released the APSWORD NEO line of aluminum-vinyl composite windows for single family homes, and, in January 2018, released the APSWORD NEO-LB line of aluminum-vinyl composite windows for low-rise multi family Homes. Through our efforts to expand, popularize,

and increase awareness of high thermal insulation products, we are contributing to the increased use of high thermal insulation windows and greater comfort not only in single family homes, but low-rise multi family homes as well.



APSWORD NEO



APSWORD NEO-LB

Development of the YKK AP R&D Center (Germany)

Creation of an R&D Structure Spanning Japan, Germany, and Indonesia

Following the 2016 opening of the YKK AP R&D Center in Kurobe City, Toyama Prefecture, in May 2017, YKK AP opened a new window research site, the YKK AP R&D Center (Germany) in Wuppertal, Germany. Germany has advanced functional component and high-performance glass technologies, and the center is studying technologies that will be deployed to all sites.

In FY2018, we will also open the YKK AP R&D Center (Indonesia) in the Tangerang Regency of Indonesia. With this, we will create an R&D system composed of three climate areas, one in the warm area of Japan, one in the cold area of Germany, and one in the hot and humid area of Indonesia. We will use this system to carry out window research and development from a global perspective.



YKK AP R&D Center (Germany)

MACHINERY & ENGINEERING

Machinery & Engineering Group

Strengthening Our Technology Capabilities to Reinforce the Competitiveness of the Fastening and AP Businesses

The Machinery & Engineering Group contributes to the growth of the YKK Group by developing and manufacturing machinery as the core of YKK Group technologies. The YKK Group has grown globally by developing an integrated production system that encompasses materials, manufacturing equipment, and products. The Machinery & Engineering Group supplies machinery specialized for the Fastening and AP businesses to YKK

Group plants all over the world by developing materials, machinery, and equipment, and manufacturing machinery parts, dies, and machinery. To strengthen the elemental technologies that are needed to supply specialized machinery, we are promoting the introduction of external technologies through cooperation with companies and universities while at the same time seeking to cultivate our own in-house development.



Machinery and Equipment Development Suitable for Production Sites

Manufacturing Technology Development

The Machinery & Engineering Group develops and designs specialized machinery for zipper production suited to the Fastening business plants in each country and region. It also makes the production lines and systems for Architectural Products, especially for windows.

Machinery Manufacturing

The manufacture and supply of machinery developed by the Manufacturing Technology Development Division helps to support the high quality and cost competitiveness of both the Fastening and AP businesses. Furthermore, the Group manufactures the molds that support this quality using a wide range of precision processing technology.

Mid- to Long-Term Engineering Development

Foundational Technology Development

We also develop materials used in products and innovative technology for manufacturing processes. Furthermore, we are engaged in development of materials for molds, which are essential for product manufacture, development of their processing technology, and of the elemental technology needed for machinery and equipment.

Analysis and Simulation

We support technological development for the YKK Group through material development and analysis essential for improving product quality, including trace components in materials and microstructures. Furthermore, we use simulation technology to forecast product capability and product quality, and develop our own systems to support improved speed in development within the business.

The YKK Group's Integrated Production Philosophy

The YKK Group implements an integrated production system for in-house development and production encompassing everything from materials to manufacturing equipment and products. The YKK Group has achieved our characteristic worldwide standardized quality through

processes for the stable worldwide supply of high quality products. This involves elemental technology, such as development of various materials and processes; recycling technology suited to the environment; and even constructing logistics, sales, and manufacturing systems.

Worldwide Standardized Quality



Fifth Mid-Term Management Plan Execution Policy

At the Machinery & Engineering Group, which supports the integrated production system of the Fastening and AP businesses, we will adopt "reinforcement and evolution of foundational elemental technology" as the Fifth Mid-Term Management Plan execution policy, and aim to challenge for "high function" and "low price" in the Standard category.

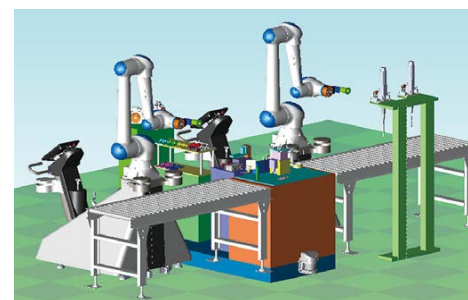
- | | |
|--------------|--|
| Key Measures | <ul style="list-style-type: none"> • Second stage of machinery and equipment development suitable for production sites • Technology development with a mid- to long-term vision (strengthening robot utilization technological capabilities, etc.) |
|--------------|--|

Main Topics for FY2017

Strengthening Robot Utilization Technological Capabilities

To achieve further labor-saving, increase flexibility, and speed up the startup of production lines in manufacturing sites, we are creating an Advanced Robot Factory Automation Center and are strengthening our robot utilization technological capabilities. We have already begun to enhance our training of personnel capable of utilizing robots, as well as elemental technology development for

expanding the range of robot utilization. Through collaboration with technical personnel, we are developing differentiating technologies that handle zippers, tape (cloth), and various AP parts, as well as coordinating with outside partners. We continue to develop lines able to meet future changes in products and *monozukuri* through collaboration between humans and robots.



Strengthening robot utilization technological capabilities (conceptual image)

RESEARCH & DEVELOPMENT

Research and Development Activities

Like its business activities, the research and development activities of the YKK Group (YKK Corporation and its consolidated subsidiaries) are carried out under a six-region global structure. The regional bases are in Japan (core operations), North and Central America, South America, EMEA (Europe, the Middle East and Africa), China and Asia. The R&D expenses of the overall Group for FY2017 amounted to 22.159 billion yen. The Group's major accomplishments during FY2017 can be summarized as follows.

Fastening Products Group

The Fastening Products Group, working to fulfill the Fifth Mid-Term Business Policy of "Aim for further quantitative growth," is engaged in reinforcing its overseas development centers, particularly in Asia, and building a structure for speedy development to enable response to any customer demand. The objective is to strengthen competitiveness in the Standard segment.

Major accomplishments included the development of a zipper for bags that utilizes a woven-in manufacturing process that results in a new thin, yet strong structure, and a metal zipper product for domestic consumption in India that utilizes a newly-developed metal material. A water-repellant zipper that uses no fluorine compounds was also developed as part of the rollout of environmentally friendly products. In the snap and button field, a product that utilizes a new plastic material was developed to increase product variation. An attaching machine equipped with a new function was developed,

and its adoption and rollout promoted to reinforce quality, lead times and the service structure.

Going forward, in addition to the Standard segment, where the Fastening Products Group aims to strengthen its competitiveness, the development of new products to meet customer requests in various segments, such as the high value-added segment and the Asian domestic demand segment, will also be promoted. Moreover, product appeal capability and proposal capability will also be further strengthened by continuing to augment overseas development centers through the training of local developers. The Fastening Products Group will continuously provide new value to customers worldwide, including providing assistance to garment manufacturing vendors by streamlining the garment manufacturing process. The R&D expenses related to the Fastening Products Group totaled 8.867 billion yen.

AP Group

With the Fifth Mid-Term Business Policy of "Sustainable growth of the AP business through added-value and demand creation," the AP Group is engaged in raising the level of its development capability by building a front-loading development process to create demand through high added-value products with enhanced quality in four areas—products, the front line, usage and information.

The AP Group was able to increase sales through the following major accomplishments. In the residential products field, there was the augmentation of high added-value products, such as the addition of the APW330 wood grain pattern window and the G Series Fire Resistant Window featuring heat-resistant tempered insulating glass. In the exterior field, the AP Group put in place an exterior products series system, while in the commercial products field, high thermal insulation products were launched, such as Episode NEO-LB, EXIMA 37 and EXIMA 77. There was also focus on the

strengthening of information quality, such as the preparation of construction videos for professional users and the provision of information via QR codes affixed to a product on how to use or maintain the product.

Going forward, amid a harsh business environment, such as even fiercer competition and rising cost of materials, the AP Group will reform its development process, accelerate the speed of making product-related policy decisions for each product area, and thoroughly pursue enhanced efficiency and the adding of high value to products. Product appeal capability and proposal capability will be further boosted through the promotion of standardized design, the visualization of design intent, and the strengthening of engineers, and the AP Group will aim to achieve the top position in terms of customer satisfaction levels throughout product lifecycles. The R&D expenses related to the AP Group totaled 9.260 billion yen.

Other Businesses

The Machinery & Engineering Group, aiming to further strengthen the business competitiveness of the Fastening Products Group and the AP Group through "Reinforcement and evolution of foundational elemental technology" during the Fifth Mid-Term period, is engaged in "the 2nd stage of machinery and equipment development suitable for production," which aimed even higher than in the past, to "further engineering development from a mid- and long-term view."

In regard to machinery and equipment development for the Fastening Products Group in FY2017, the Machinery & Engineering Group carried out development of assembly machines for the improvement of overall equipment efficiency and enhancement of capacity utilization as well as assembly machines for zipper sliders that meet slider variations according to the customer. As for machinery and equipment development for the AP Group, the Machinery & Engineering Group carried out development to enhance the manufacturing capacity of APW330 vinyl windows and further reduce the number of workers required on the production

line for the aluminum-vinyl composite Episode NEO windows.

In FY2018, in addition to such developments, the Machinery & Engineering Group will consider "strengthening of robot utilization technology capability" an important issue and engage in the development of differentiation technology that handles zippers, textile tape and architectural product parts. The Machinery & Engineering Group will aim to "create production lines able to meet future changes in products and *monozukuri*."

In regard to the foundational elemental technology necessary to further strengthen business competitiveness, the Machinery & Engineering Group will intensify in-house development while also proactively adopting external technology or carrying out joint development through collaborations with other enterprises and universities. The R&D expenses of the Machinery & Engineering Group totaled 4.031 billion yen.

YKK Group Management Base



Tadahiro Yoshida
Director

Dr. Ikujiro Nonaka
Professor Emeritus, Hitotsubashi University

Dr. Ikujiro Nonaka

**Professor Emeritus,
Hitotsubashi University**

Dr. Nonaka is an authority on "Knowledge Creation Theory," having disseminated it widely around the world and given many overseas lectures. In 2002, the Japanese government awarded Dr. Nonaka with the Medal with Purple Ribbon, which is given to those who have made important contributions to academic research or in fields such as the arts and culture. The same year, he became the first Asian scholar elected to the Fellows Group of the Academy of Management, the most authoritative management association in the United States. In 2007, Dr. Nonaka was named Eminent Scholar in International Management by the Academy of Management. In 2008, he was the only individual from Asia named in the May 5 issue of the Wall Street Journal's "Twenty Most Influential Business Thinkers" ranking. In the autumn of 2010, Dr. Nonaka was awarded the Order of the Sacred Treasure. In June 2012, he was named Eminent Scholar by the Academy of International Business (AIB), an American association. In November 2013, he was awarded the Lifetime Achievement Award by Thinkers50, which selects the most influential thinkers on management. In December 2015, Dr. Nonaka was selected as a member of The Japan Academy. Most recently, in November 2017, he received the Lifetime Achievement Award from the Haas School of Business, University of California Berkeley.

Tadahiro Yoshida

**Director, YKK Corporation
Director, YKK AP Inc.**

Born in 1947 in Toyama Prefecture, Japan, Yoshida graduated from the Keio University Faculty of Law. In 1972, after graduating from the Kellogg School of Management at Northwestern University in the United States, he joined YKK Corporation (formerly known as Yoshida Kogyo K.K.). In 1990, Mr. Yoshida became president of YKK AP Inc. In 1993, he became president of YKK Corporation. In 2011, Mr. Yoshida became chairman and CEO of YKK Corporation and YKK AP Inc. Since 2018, he has been a director of YKK Corporation and YKK AP Inc.

The Strength of a Philosophy Born of Actual Practice —The "Cycle of Goodness" and "Forest Management" as Seen by Professor Nonaka—

Dr. Ikujiro Nonaka, who is a Professor Emeritus of Hitotsubashi University, was named as one of the Wall Street Journal's "Twenty Most Influential Business Thinkers" as a global authority on the theory of management. We asked Dr. Nonaka, who advocated a new concept, "Knowledge Maneuverability," in 2017, to analyze YKK's corporate philosophy "Cycle of Goodness" and its concept of "Forest Management."

Distributed Leadership in an Organization Brings About "Knowledge Maneuverability"

Yoshida: Thank you very much for your precious time today.

Dr. Nonaka: My pleasure... it's been a long time since I saw you last.

Yoshida: The "Knowledge Creation Theory" that you advocate has drawn attention for many years around the world as a way to bring about innovation on an organizational basis. The theory is supported not only among academics but also by corporate managers and even young businesspeople. What's more, most recently, in November 2017, you received the "Lifetime Achievement Award" from the Haas School of Business, University of California Berkeley. I understand that it was the first time that this award was presented to a scholar. As described, you are continuing to have a great impact on society. In May 2017, "*Chiteki Kidoryoku no Honshitsu* (The essence of "Knowledge Maneuverability"; Chuokoron-Shinsha, publisher)—your first single-authored book in 22 years—was published. Today, I'd like to spend some time hearing your thoughts, including the new "Knowledge Maneuverability" concept that you presented in your latest book. Could you start by explaining "Knowledge Maneuverability" to us?

Dr. Nonaka: Certainly. "Knowledge Maneuverability" refers to organizational capability to create pragmatic knowledge quickly and dialectically. This ability involves not only leaders but also each member of an organization to sense changes in their environment, such as a shift in real market or in technology, and the internal dynamics of the organization. Timely and appropriate assessments are made as to whether the organization and its structural units are continually moving in the

right direction toward the organization's visions and goals, and action is taken while dynamically changing strategies and tactics. When all is said and done, major benefits cannot be derived unless the whole organization is synchronized in action. If not, you even lose speed and competitive strength on the ground at the working level.

Yoshida: You also said that organization must have distributed leadership.

Dr. Nonaka: That's right. Members of an organization need to be sharing a belief or ideology and be acting on the basis of an unwavering set of values and principles. Also, since the top leaders of the organization have faith in those on the ground, they can respond immediately to any kind of changes in the market and technology. What's more, the person who knows the best about a particular circumstance or problem serves as the leader in the instance. This kind of organization embodies distributed leadership. You could call it "Participative Management," in which every employee is a leader. YKK's "Forest Management" is just like that.

"Forest Management"—an Embodiment of "Participative Management"

Yoshida: What I find interesting is what you just told us. It is amazingly similar to the belief held by YKK founder Tadao Yoshida. Our founder always said that "Participative Management" is the essence of the "Forest Management" he advocated. A forest is made up of all kinds of trees, from large trees with a lot of rings and experience to saplings. Some are tall. Some are short. In "Forest Management," people with their respective individual characteristics work well using the capabilities in which they excel. They are not controlled by anyone but rather

move forward together. Everyone is a worker, but everyone is also a business leader. That's the concept of "Forest Management." It was our founder's hope that no matter how big the company became, we would never forget the "Forest Spirit" and the energy it contains, and that we would be a company in which everyone is free to say what they think. This way of thinking will not change. YKK has been and will continue to aim to be an organization that is like a forest.

Dr. Nonaka: There are two major characteristics of the "Forest Management" from an academic viewpoint. The first is a spiritual element. That is, everyone in the organization shares the "Cycle of Goodness," and sharing that philosophy nurtures a feeling of unity. An organization with distributed leadership always needs to be conscious of how to ensure that the whole organization has the same goal.

Yoshida: Admittedly, if the same goal is not shared by an organization, the direction taken by each team in the organization would waver, making it impossible to take action as an organization. What should be emphasized in making sure that everyone heads toward the same goal?

Dr. Nonaka: I emphasize the "cause." In other words, it's whether the organization has a "true and correct belief." The cause and belief must be something that not only employees but

also a wide range of stakeholders, including customers and society, will find appealing, and I think that is of monumental importance. In that sense, I think the "Cycle of Goodness" is a corporate philosophy with immense unifying and magnetic strength.

Yoshida: Thank you very much. Actually, there's a phrase that goes with "Cycle of Goodness." It's "No one prospers without rendering benefit to others." In other words, "An enterprise is an important member of society, and as such, it must coexist with other elements of society. Its value will be measured by the benefits it shares with society." This is the "Cycle of Goodness" concept that was the brainchild of our founder. He paid the most attention to this point when carrying out our business. He came up with a way for mutual prosperity.

Dr. Nonaka: The other characteristic is a structural element—that is, employees, shareholders and the management team come and work together in a unique way. To this day, economists and management scholars continue to debate about to whom a business organization belongs. In other words, the debate regarding structural primacy—"shareholder-centric" or "company-centric"—has still not been settled. However, I think YKK's innovative business model combines the two in a practical way. There are not many cases like this in the world.

Yoshida: Indeed, I don't think that YKK's system would fit very well into the framework of either argument. At YKK, the relationship between employees, shareholders and the management team is loose and flexible. On the basis of an original way of thinking that "stocks are a certificate of participation in the business," the company exists as an organization that does not discriminate between parties.

Dr. Nonaka: Actually, I don't think that it would fit at all. Debates of this kind seek a "either/or" answer, which reminds us of Descartes' dualistic paradigm. However, the YKK system follows a "both/and" way of thinking. Instead of opposing each other, the system brings about harmony between each element.

Yoshida: Ah, that's why you said that there aren't many cases like it in the world.

Dr. Nonaka: To put it differently, it is an innovative system. YKK has integrated elements that



normally oppose each other and brought about harmony between them.

Yoshida: Thank you very much for the compliment.

The "Cycle of Goodness" as Practical Philosophy

Dr. Nonaka: We've talked about various things today, but the biggest quality of "Forest Management" is the internalization of its primary element—the "Cycle of Goodness." All of YKK's business structure and corporate undertakings promote the "Cycle of Goodness." It is adopted and implemented while aiming to realize major goals. Of course, it would be meaningless if it weren't internalized along with the cause for making a contribution to society. That's why it is extremely sophisticated. It's huge that each person within the organization internalizes the "Cycle of Goodness" deep within him/herself. I believe that since YKK's goal is shared by members of the organization, shareholders, employees and the management team can come and work together so well.

Yoshida: In terms of internalization, I think there is major significance in that the "Cycle of Goodness" was born from practice. What do you think?

Dr. Nonaka: I agree. The "Cycle of Goodness" is successfully internalized by everybody in the organization largely due to the fact that they were born from practice. In other words, they are not concepts that were developed from impractical theorizing. They are concepts that actually worked when developing the business in real life. That's probably why it became a philosophy and management style that are also easy for people on the front lines to understand and accept.

Yoshida: It's just as you say. We didn't necessarily foster our corporate philosophy at all times from a logical perspective. The "Cycle of Goodness" is a practical philosophy born from a fierce battle with quality, costs, and overseas markets. It was established while struggling with the actual practice of business—a management philosophy that resulted from learning through unceasing business activities.

Dr. Nonaka: In other words, everything was based on practice. Your founder was committed



to making things better and thought things through while practicing the business with his team. Because of it, his thoughts and concepts were directly linked to the business. Scholars who are preoccupied with the ideas rather than practice tend to start with a kind of question, such as "what elements of organization make a business successful in an uncertain business environment?" However, YKK focused more on "Leap before you look!" In other words, try something first. As a result, YKK enhanced the ability to adjust to problems and contradictions that arise at the front lines of their business. Through trial and error, YKK left the "either/or" paradigm, which is mentioned earlier, and adopted the more pragmatic "both/and" framework. The company learned the idea that those problems and contradictions cannot be resolved by theory or logical analysis alone.

Yoshida: Yes, I think it is precisely as you say.

Dr. Nonaka: Mr. Yoshida, I look forward to seeing this shared ideal of goodness and the prosperity of the new YKK businesses under your leadership. I think it's great that those businesses are created globally and cultivated and developed under the principle of "Participative Management."

Yoshida: Yes. I'll try my best. Thank you very much for your many, extremely innovative proposals. I learned much today. I would like to make use of them in our management going forward. Thank you again.

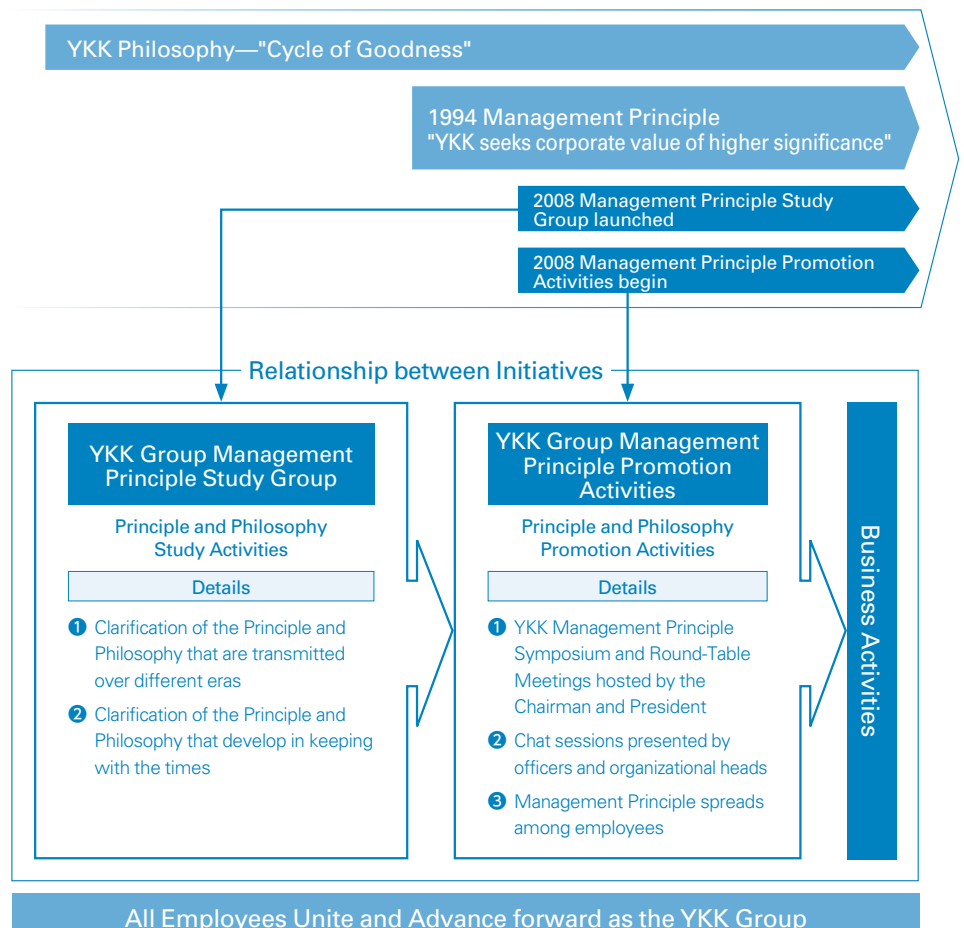
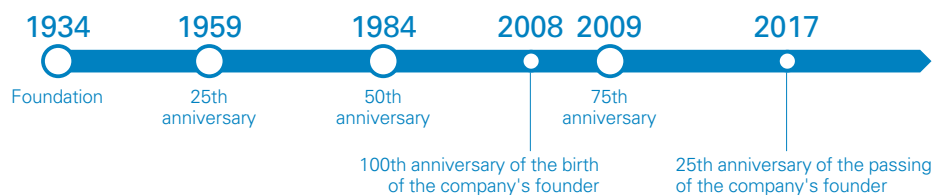
Developing People and Corporate Culture to Increase Corporate Value

The YKK Group, whose business extends to countries and regions throughout the world, has employees from diverse cultural backgrounds who hold different values. Consequently, the permeation of the YKK Philosophy and Core Values is an important topic for management. Through long-standing initiatives to share the YKK Philosophy and related ideologies, we strive to create people and a corporate culture that help enhance our corporate value.

Aiming to Instill the YKK Management Principle and Core Values in All Employees

The YKK Philosophy, which has been passed down since the founding of the company, has always served as the foundation for business activities and has supported the Group's expansion. In 1994, developing the Philosophy in keeping with the times, we launched the new Management Principle, "YKK seeks corporate value of higher significance." Since then, we have been promoting the YKK

Management Principles and Philosophy throughout our organization so that each employee understands and inherits them in order to ensure their succession down the generations. We have also been expanding our promotion activities in our overseas companies and have further solidified the position of the Management Principles throughout the Group.



Notable YKK Management Principle Promotion Activities

The YKK Group, whose business activities extend to 73 countries and regions, aims to promote the YKK Management Principle through various activities while respecting differences in cultures and values. Below, we describe examples of YKK Group Management Principle Promotion Activities.

Round-Table Meetings Hosted by the Chairman and President

The Round-Table Meeting is a global Management Principle promotion activity in which the chairman, president, and employees can meet and talk. Employees can interact with the chairman and president candidly and freely express their thoughts. Through lively discussion between the parties, they can understand the origin of the Management Principle, and share issues and opinions concerning its practice in day-to-day work. The

president also visits production sites and speaks with employees. The chat sessions enable employees to learn practical implementation of the Management Principle and Core Values from the experiences of senior employees. They provide opportunities for employees to hear actual examples of the past successes and failures of officers and exchange opinions with them, deepening their awareness of the Management Principles.



YKK Management Principle Symposium



A production site employee speaks with President Otani

Formulation of the 25 Fundamental Behaviors by the YKK North and Central America Group

The YKK North and Central America Group has formulated fundamental behavior guidelines based on the YKK Philosophy, Management Principle, and Core Values. These guidelines describe 25 Fundamental Behaviors that all employees are to practice. Business-card sized guideline booklets have been created and distributed to all employees. In order to further promote these behaviors, weekly emails are sent out in

English, Spanish, and French containing an anecdote or explanation from each member of top management in the YKK North and Central America Group.

We aim to promote business activities and attitude transformations among employees based on these fundamental behavior guidelines to further improve our corporate culture and make the YKK Group even better.



The Cover of Fundamental Behaviors (English edition)

YKK Group Management Principle Study Group

The Study Group's theme for FY2017 was "Creating Systems and Proposing Tools for Connecting the Management Principle and Employees."

This theme was decided based on the idea that the most important thing is that each and every employee recognizes that their daily work is inextricably linked to the implementation of the Management Principle. The committee created study tools that promoted understanding of the Management Principle and presented

practical implementation examples, as well as magnets showing the Core Values, to be affixed near desks and on lockers to serve as visual reinforcement. These will continue to be used as tools to promote the Management Principle.



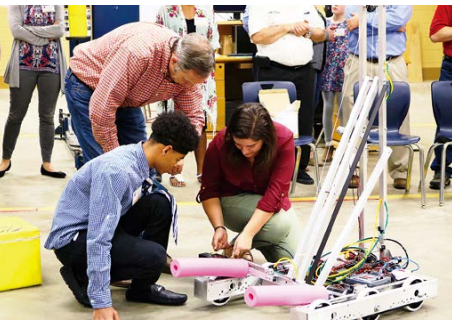
One of the Management Principle Promotion Tools (magnet)



FY2017 Management Principle Study Group members

NORTH & CENTRAL AMERICA

▶ Regional Sales (FY2017): **57.8** billion yen



YKK AP America Inc. cultivates an interest in STEM fields among young people by sponsoring "The ThunderBotz"

Planting Trees around the World while Reflecting on the Importance of the Global Environment

As environmental problems such as climate change and biodiversity loss grow more severe on a worldwide scale, it is our duty as a global company to make sincere efforts to take on these challenges. Since 2008, the YKK Group has been holding the YKK Group Tree Planting Day in concert with the annual celebration of World Environment Day. Ongoing tree planting activities are carried out at sites around the world in order to achieve our goal of harmony with nature. "YKK Forests" of trees planted at YKK sites are symbols of hope for the employees that take part in these continuing initiatives.

Since 2009, YKK's North and Central American companies have designated the week of World Environment Day as "Environment Weeks." During this period, employees and their family members plant trees together, and a variety of events are carried out that provide opportunities to come together to consider the future of the earth.

The YKK Group will continue to use its global network to carry out concrete activities involving local communities in order to actively tackle environmental problems such as climate change.

Inspiring and Educating Young People Who Will Be the Architects of the Future

Creating the foundation of industrial and technological innovation is a vital challenge that is essential to the development of the human race. YKK AP America Inc., a member of the construction industry that manufactures and sells aluminum and vinyl construction materials, is working to inspire and educate young people who are aspiring future architects. In April 2017, YKK AP released the latest video in the popular "I AM AN ARCHITECT" series. This series of videos is being created in conjunction with the American Institute of Architects (AIA). The latest video, titled "Inspire Architecture," depicts actual architects at work, fostering a deeper understanding of the careers of architects among children of all ages. The video has been a tremendous success, with over 300,000 plays in one month.

In 2017, YKK AP also sponsored the High School Design Competition presented by AIA Atlanta. We will continue to provide a wide range of support to the children that will be at the forefront of the architectural world of the future, led by the ongoing theme of "Inspire Architecture."

FY2017 Notable Initiatives

- ▶ North and Central American companies promoted employee health
- ▶ YKK Honduras S.A. supported local school renovation
- ▶ YKK El Salvador S.A. in-house dental clinic selected as one of the top 10 clinics in the country



Tree planting at YKK Canada Inc.



Popular "I AM AN ARCHITECT" video series
<https://www.ykkap.com/commercial/i-am-an-architect/>

SOUTH AMERICA

▶ Regional Sales (FY2017): **7.9** billion yen

Coffee Beans Contributing to the Development of Local Economies

In 1972, when YKK entered Brazil with its zipper business, inflation was rising sharply following the first oil crisis and poverty was rapidly increasing. Given this situation, YKK launched a coffee business in 1985 in order to contribute to Brazilian society by reinvesting profit earned locally. Underpinning this is the belief of YKK's founder Tadao Yoshida, who proposed that advancement into the fields of clothing, housing, and food is the foundation of business management. Coffee production worksites contributed to local economic development by employing local residents and nurturing human resources through vocational training and the transfer of skills. From 2016, YKK began exporting coffee beans to Japan from YKK's farm, and opened Café Bonfino, which roasts the coffee beans in-store. YKK's dedication to producing delicious coffee beans has spread across national borders, with its coffee beans being given as a prize to winners in an international coffee fair held in 2017 in China.

Health and Occupational Safety Activities Aimed at Creating Accident-Free Shop Floors

As a manufacturer with plants that conduct health and occupational safety activities, safety and accident elimination are our most important activity. Led by the belief that "We are able to improve our profitability and quality thanks to the health of our employees," YKK do Brasil Ltda. actively promotes measures for improving the health and safety mentality of its members. For example, tools and facilities are designed and improved so that work which involves using tools to perform the same actions or maintaining the same posture for long periods of time can be performed using natural movements and positions. Furthermore, employees are provided with opportunities to learn about the effects of drinking and smoking in order to improve their health consciousness, and information is provided regarding specific diseases such as AIDS. The transfer of skills is also essential for work to be performed safely. Learning how to use machines and tools correctly not only contributes to work safety, but also helps improve work process efficiency. We will continue to use a variety of approaches in order to achieve our goal of eliminating all accidents and protecting the health of our employees.



Local employees with harvested coffee beans

FY2017 Notable Initiatives

- ▶ All South American companies implemented leader development programs
- ▶ All South American companies engaged in counterfeit product elimination activities
- ▶ YKK do Brasil Ltda. actively collaborated in blood donation activities



Café Bonfino flagship store in Sumida, Tokyo



Proper tool use can help eliminate accidents

Our Initiatives in Each Region

EMEA (Europe, the Middle East and Africa)



Work by student in Okan University

▶ Regional Sales (FY2017): **55.1** billion yen

Collaborative Projects with Universities for Fostering the Creativity of Students

In the EMEA region, rising immigration, the greater fluidity of the working population and high unemployment rates are making it essential for young people to develop their skills in order to gain employment. The YKK Group believes that one of its duties is to provide opportunities for success for the next generation through its businesses and products, assisting with the smooth operation of economies and societies. YKK METAL VE PLASTIK URUNLERI SANAYI VE TICARET A.S. (YKK Turkey) places great emphasis on its collaborative relationships with universities. In 2017, it carried out a fashion project together with students from Okan University that used YKK products.

In this project, the students used products such as YKK zippers to create unique fashion articles. YKK Turkey displayed these works in the entrance space of the head office building. The beautiful designs produced by creative minds of the students were praised by many of the visitors to the building.

YKK will continue to deepen its collaborations with universities, through which it will provide students with opportunities to express their creativity as well as to discover new value for YKK products.

FY2017 Notable Initiatives

- ▶ YKK (U.K.) Ltd. hosted a factory tour for the University of Manchester
- ▶ YKK Portugal received the Kaizen LEAN Award
- ▶ YKK Stocko Fasteners GmbH sponsored agreement with a local soccer club



Project with Okan University students

Partnerships through Community-Based Business Activities

The YKK Group continues to develop business in countries and regions around the world and engage in activities rooted in the needs of local communities. In the EMEA region, since the establishment of YKK Nederland B.V. in 1964, we have begun operations in various countries and regions to meet the rising demand for zippers. We have worked to provide products for use in the garment industry and a diverse range of other industries. Led by the slogan "It's not just a zip," used throughout the EMEA region, we are dedicated to quality in the global market and actively and regularly engage in community support activities, carrying on community-based traditions.

In 2017, YKK France Sarl and YKK Deutschland GmbH each celebrated the 50th anniversaries of their establishments. The commemorative ceremonies at each company were attended by various stakeholders, such as customers, and other guests, and reflected on the long histories of the companies and how they have progressed through the years, hand-in-hand with their communities. The YKK Group will continue to engage in business activities in all communities that place great value in partnerships.

IT'S TM NOT JUST A ZIP

@notjustazip
notjustazip.ykkeurope.com

"It's not just a zip" logo

CHINA



Regional development through participation in dragon boat races

▶ Regional Sales (FY2017): **101.6** billion yen

Joint Efforts with Customers and Governments to Combat Counterfeit Goods

The damage caused by counterfeit goods is growing in a wide range of industries. As part of its responsibility as a manufacturer, YKK tackled the issue of eradicating counterfeit YKK zippers and the products which use them from markets around the world. There are no product safety guarantees for counterfeit goods, and the growth of the counterfeit good market not only threatens to harm YKK's brand value, but could also damage the trust placed in the brands of customers that use YKK products. The initiatives of one company alone are not enough to advance effective countermeasures, so YKK is promoting the Brand Protection Partnership (B.P.P.) for the protection of brands in collaboration with government organizations and related companies such as customers and industry groups.

In China, where there are numerous reports of damage caused by counterfeit goods, we continue to focus our efforts on crackdowns on businesses that manufacture and sell counterfeit YKK zippers. We are working to prevent the export of counterfeit goods out of China by having them stopped by customs, and also collaborating with e-commerce operators to eliminate the sale of counterfeit goods via the internet.

Continuing to Do What We Can as a Corporate Citizen for the Benefit of Local Communities

Suzhou Industrial Park, where YKK AP (Suzhou) Co., Ltd. is located, was developed as an industrial park, but with the residential development that has taken place in recent years, the number of nearby residents has risen rapidly. YKK AP (Suzhou) employees thought about what they could do as a corporate citizen for the sake of the local community, and through dialogs with the community, launched several initiatives of their own accord.

They have particularly focused on working with local schools. Through their factory tours for elementary school students, they have proposed programs that provide opportunities for students to think about environmental issues by showing them energy-saving window products, wastewater treatment facilities, and industrial waste processing methods. Many of the majors offered at the Applied Technology College of Soochow University have an affinity with YKK's architectural products business, and YKK AP (Suzhou) is providing priceless opportunities to learn things which are not normally taught in schools through activities such as university speeches by the company's general manager. Since 2010, the company has also engaged in volunteer activities at a philanthropic school attended by children with disabilities. YKK, as a corporate citizen, is implementing education-focused initiatives for the sake of local communities.

FY2017 Notable Initiatives

- ▶ YKK Zipper (Shenzhen) Co., Ltd. improved the elementary and middle school educational environment of schools in mountainous regions
- ▶ Shanghai YKK Zipper Co Ltd. donated books and pen cases with zippers to elementary schools
- ▶ YKK companies in China contributed to regional development through participation in events such as dragon boat races



Advertising to educate consumers about brand protection



Local elementary school students tour the wastewater treatment facilities

ASIA



Ongoing "Kids Football Clinic" program, launched in 2007, provides support for children's education and healthy development

▶ Regional Sales (FY2017): **127.7** billion yen

Developing and Tackling the Issues Faced by Local Communities

India has undergone a startling amount of economic growth, but its literacy and school enrollment rates are still low, and economic disparity is growing even more pronounced. The difficulties faced by young women in gaining employment and becoming independent are becoming an especially severe social problem. In 2007, YKK India Private Limited built an occupational training center with the aim of educating young women in nearby developing regions and promoting their economic independence. In addition to communication-oriented English instruction and basic computer skill training, students can, through the vocational program, learn how to use sewing machines, how to perform stitching and embroidery, and other skills that will enable them to gain employment in the garment manufacturing factories of India, which has a robust garment industry. Over the 10 years since the center was opened, it has provided support for the economic independence of young women. A total of 155 trainees have completed the program as of the end of FY2017. YKK India will continue to work closely with local communities, solving the problems they face so that the development of YKK and the communities go hand-in-hand.

Thorough Support for Community Needs

Indonesia is an enormous country with the world's fourth largest population. PT. YKK AP Indonesia has been in business for over 30 years. In the past, YKK AP has primarily offered high quality products targeted at wealthy consumers, but middle-class market needs are expected to grow. In order to meet this rising need, at the end of 2015 YKK AP launched the "fility70" brand, which ensures high quality but at a more reasonable cost. This stance towards meeting local needs, reflected in the expression "become a native," is mirrored throughout YKK AP Indonesia, not only in its products, but in its business processes as well. For example, almost 90% of Indonesia is Muslim. To meet the needs of local employees, a mosque was built in the Tangerang Plant, and employees can use it to pray during salah (prayer times). YKK AP Indonesia will continue its wholehearted efforts to "become a native," meeting a wide range of needs together with its employees.

FY2017 Notable Initiatives

- ▶ YKK Holding Asia Pte.Ltd. held Kids Football Clinics
- ▶ YKK (Malaysia) Sdn. Bhd. coordinated with Raffles University Iskandar
- ▶ YKK India Private Limited provided renovation support for a local private school



FY2017 program graduates



Tangerang Plant mosque

JAPAN



YKK Center Park, visited by a total of 250,000 people as of January 29, 2018

FY2017 Notable Initiatives

- ▶ Service apartments available to foreign employees
- ▶ "K-TOWN/K-HALL" completed in front of Ai-no-kaze Toyama Railway Kurobe Station
- ▶ Uozu City and YKK concluded a "Comprehensive Agreement on the Promotion of Education About Our Hometown"
- ▶ Visit by the Emperor and Empress of Japan (YKK Center Park)



Gold Contributor to Product Safety

▶ Regional Sales (FY2017): **397.4** billion yen

Ensuring Thorough Product Safety through Company-Wide Activities

Providing high quality, safe products is one of the responsibilities of a manufacturing company. All companies in the YKK Group take part in product safety promotion activities.

In recognition of these constant efforts, in 2017, YKK AP was selected as the recipient of the Ministry of Economy, Trade and Industry's (METI) Minister's Award in the Large Manufacturer and Importer Category at the 11th Best Contributors to Product Safety Awards. In the selection process, YKK AP was highly evaluated for the use of input from field engineers with deep knowledge of construction field in design and development processes, systems for transferring experience and knowledge from veteran technical personnel to junior employees, and in-house systems aimed at fostering product safety consciousness in each and every employee.

This was the third time YKK AP was selected to receive the METI Minister's Award, following its previous wins in 2010 and 2014. YKK AP was certified as a "Gold Contributor to Product Safety," an honor given to companies that have won the METI Minister's Award three or more times. The YKK Group will continue its dedication to manufacturing safe products.

Supporting *Monozukuri* Education for the Young People Who Will Lead Tomorrow

Since 2015, YKK has operated "Craft Lab by YKK" in Akihabara, Tokyo, to communicate the excitement and wonder of *monozukuri* to the next generation. In addition to displays showing the mechanisms and history of zippers, it also hosts craft workshops using zippers and buttons year-round. The Craft Lab also supports young creators engaged in *monozukuri* in the local "Kachikura" area (Okachimachi, Kuramae, and Asakusabashi) in order to contribute to the development of the local community.

The YKK Center Park industrial tourism site (Kurobe City, Toyama Prefecture) introduces the allure of *monozukuri* through hands-on zipper creation workshops and displays in the Maruyane Exhibition Hall. It hosts visits by elementary and middle schools in the neighboring community. It also engages in environmental education for children, such as nature observation sessions, through the Furusato-no-Mori park.

We see communicating the allure of *monozukuri* and providing environmental education to be activities that contribute to the local community, and we will continue these efforts in the future.



The Craft Lab by YKK holds *monozukuri* workshops during school summer vacations

Corporate Social Responsibility Based on the YKK Philosophy

The YKK Group strives to contribute to a sustainable society through its core businesses by implementation of the YKK Philosophy of the "Cycle of Goodness," and its Management Principle "YKK seeks corporate value of higher significance."

Fundamental Approach

Ever since YKK's founding, the spiritual pillar of all YKK Group business operations has been the "Cycle of Goodness" Philosophy which embodies our belief that no one prospers without rendering benefit to others.

All YKK Group companies based in 73 countries/regions around the world share the "Cycle of Goodness" Philosophy and the Management Principle "YKK seeks corporate value of higher significance." Fairness is the standard on which we base our conduct.

The YKK Group's Corporate Social Responsibility

We do not take lightly our responsibilities as a good corporate citizen, not only towards society but also in the execution of fair business management. Significant changes are taking place in the environments that surround the YKK Group. Whether in Japan or abroad, it is our duty to respect diversity—of cultures, customs, and viewpoints—and play a role in the development of society through our

business operations.

The YKK Group is committed to helping build a more sustainable society through its main businesses. The YKK Group promotes initiatives aimed at realization of a sustainable society through its core businesses by implementation of the YKK Philosophy "Cycle of Goodness," and its Management Principle "YKK seeks corporate value of higher significance."

Message from Committee Chairman

The committee is composed of members from responsible divisions in each area in order to span company and division lines. It confirms that the YKK Group's activities meet the needs and demands of customers, communities, and society. We are now in our fourth year of activity, and the themes and issues of each area have become clear. Through our core business, we produce further improvements and solutions and advance to a phase of meeting the expectations of our stakeholders. We will continue to implement the YKK Group's philosophy of the "Cycle of Goodness" as the foundation of our business, and we believe that we must further bolster our actions, while also continuing to link these actions to the resolution of each area's issues through our core businesses and to the provision of new value to society.

Satoshi Honda

Steering Committee Chairman
Vice President of Corporate Planning
YKK Corporation



Promotion Structure

The YKK Group supports the activities of responsible divisions in each region with a Group-wide perspective in the light of the seven core subjects of ISO 26000. We established a Steering Committee in April 2014 to be able to grasp Group-wide activities in more detail.

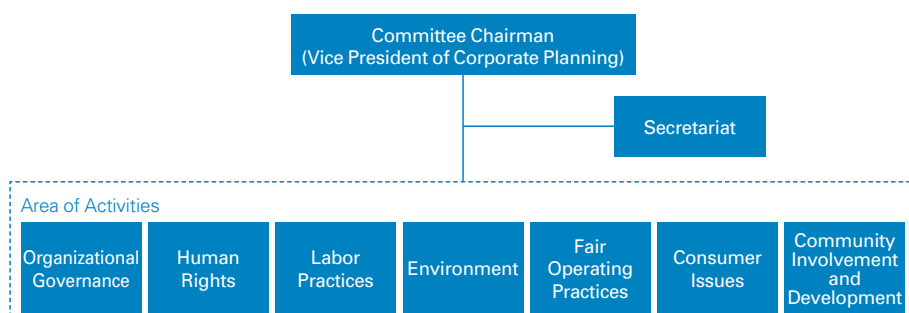
The Steering Committee convened three times during FY2017 (May, November, and March), and we also created opportunities to exchange opinions

based on international trends such as UN Sustainable Development Goal (SDGs).



Steering Committee for the SDGs workshop

▼ Structure of the Steering Committee



Activity Goals and Results

We established key themes and measures for each core subjects of ISO 26000, and are driving activities with goals set for each fiscal year. Below, we introduce notable activities for FY2017 together with future goals.

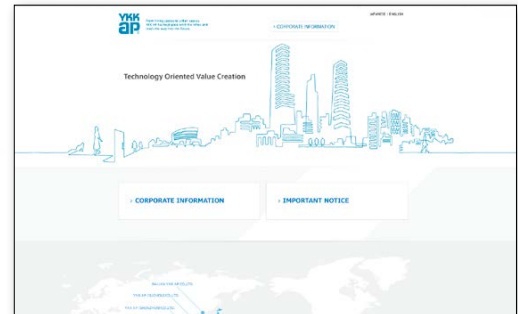
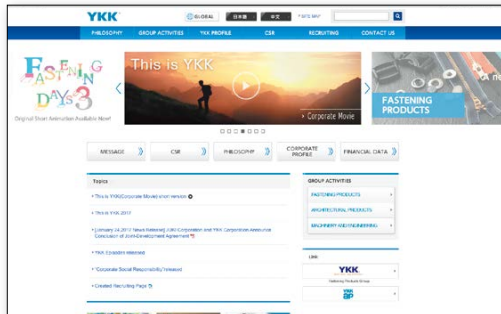
▼ Notable Activities in FY2017 and Goals for FY2018

 Details regarding activities are available at: <http://www.ykk.com/english/corporate/csr/index.html>

| Core Subjects | Key Themes and Measures | Notable Activities in FY2017 | Goals for FY2018 |
|---------------------------------------|---|---|---|
| Organizational Governance | Establishment of management structure | <ul style="list-style-type: none"> Meeting of the Steering Committee (3 times/year) | <ul style="list-style-type: none"> Meeting of the Steering Committee (3 times/year) |
| Human Rights | Company-wide promotion of the Human Right Policy | <ul style="list-style-type: none"> Conducted individual discussions with HR representatives from each region at global meeting of personnel management officers In response to abolition of Quarterly Reports, reconsidered reporting methods and decided on implementation | <ul style="list-style-type: none"> Finalize reporting methods and routes Establish governance structure pertaining to human rights and labor practices (ongoing) |
| Labor Practices | Non-discriminatory provision of opportunities for nurturing talent | <ul style="list-style-type: none"> Conducted discussions with HR representatives from each region at global meeting of personnel management officers Confirmed that the status of education and training in each region was being checked, focusing on local employees | <ul style="list-style-type: none"> Strengthen monitoring of human resource development / education and training Build a governance system on human rights and labor practices (ongoing) |
| | Fostering an accountable safety culture and eliminating major accidents | <ul style="list-style-type: none"> Performed self-checks of health and safety management conditions at each company (60 of 69 companies) Created capability requirements for overseas safety management personnel Created capability improvement program for overseas safety management personnel Created forklift safety management manual (Japanese, English, Chinese, and Spanish versions) Provided guidance regarding operation and improvement of safety management special instruction system (7 sites) | <ul style="list-style-type: none"> Implement field-specific improvement measures based on results of self-checks Test capability improvement program for overseas safety management personnel, verify results, and begin full-fledged operation Deploy Group Safety and Health Standards (Mechanical Design) overseas Provide ongoing support through "Safety Management Special Instruction Designation" (quantitative evaluation) |
| Environment | Strengthening of environmental governance | <ul style="list-style-type: none"> Carried out evaluation studies of environmental management in all Group companies Built environmental impact data system for enhancing overseas compliance | <ul style="list-style-type: none"> Improve level of environmental management of individual Group companies through use of Group environmental management review system Begin operation of environmental data system Formulate long-term environmental vision |
| | Sustainable procurement and adaptations to climate change | <ul style="list-style-type: none"> Carried out water risk management at production sites with a focus on climate change | <ul style="list-style-type: none"> Consider production site water usage analysis and support measures |
| Fair Operating Practices | Promoting compliance | <ul style="list-style-type: none"> Implemented external audit for businesses in China and the Asia region (12 of 17 companies) Provided support for audit system in overseas businesses Reviewed and revised YKK Global Criteria of Compliance (YGCC) | <ul style="list-style-type: none"> Formulate revised version of YKK Global Criteria of Compliance (YGCC) Implement external audits (11 companies) |
| | Reinforcement of socially responsible procurement | <ul style="list-style-type: none"> Japan Implemented supplier survey (feedback from 98 companies, audit of 4 companies) Implemented follow-up with trading partners who failed to achieve expected level (6 companies) China Collected basic principles of procurement Asia Implemented on-site investigation in YKK India (3 companies) | <ul style="list-style-type: none"> Japan Continue to perform supplier survey (100 companies) and on-site investigations China Start supplier surveys and on-site investigations Asia Start collecting basic principles of procurement |
| Consumer Issues | Improvement of Traceability | <ul style="list-style-type: none"> Confirmed material inspection system based on purchasing lists (Confirmed records for 38 companies, and performed local confirmation at 10 main companies) (YKK) Created information management and customer information systems (YKK AP) Enhanced points of contact with consumers in coordination with government policy (2 times) (YKK AP) | <ul style="list-style-type: none"> Perform on-site confirmation of material inspection system based on purchasing lists at main three companies (YKK) Strengthen information management system and customer information management (YKK AP) Enhance points of contact with consumers in coordination with government policy (ongoing) (YKK AP) |
| | Promotion of the elimination of harmful substances (YKK) | <ul style="list-style-type: none"> Finalized business division policies and schedules for switching materials | <ul style="list-style-type: none"> Promote switch-over starting with priority materials, aiming for switch-over completion in FY2019 |
| | Creation of a system to protect consumer rights (YKK AP) | <ul style="list-style-type: none"> Updated Guidebook for Use and Maintenance (22 cases) Expanded use of QR codes to supply information Continued to provide information via website (3 cases) | <ul style="list-style-type: none"> Update Guidebook for Use and Maintenance (ongoing) Expand items for which information is offered via QR code Continue to provide information via website (accident prevention awareness-raising) |
| | Development and promotion of products that consider the entire life-cycle and the 3R's (YKK AP) | <ul style="list-style-type: none"> Received product award (1 award) Prepared product lifecycle assessment standards | <ul style="list-style-type: none"> Receive product awards (1 or more awards) Receive product lifecycle assessment third party certification |
| | Enhancement of stakeholder dialogue | <ul style="list-style-type: none"> Implemented regional dialogue (1 time) Implemented expert dialogue (2 times) | <ul style="list-style-type: none"> Implement dialogues with top management and stakeholders (1 time) |
| Community Involvement and Development | Reinforcement of external information disclosure regarding Corporate Social Responsibility | <ul style="list-style-type: none"> Distributed CSR/environmental releases (12 times) Held press conferences (2 times) | <ul style="list-style-type: none"> Distribute CSR/environmental releases (8 times) Improve provision of CSR/environmental information via the website Post "CSR TOPICS (English)" (15 times) |

YKK Group Companies' Websites

Information on each of the YKK Group companies is disclosed on their respective websites.
For details, please see the websites for each country and region below.



Fastening Products

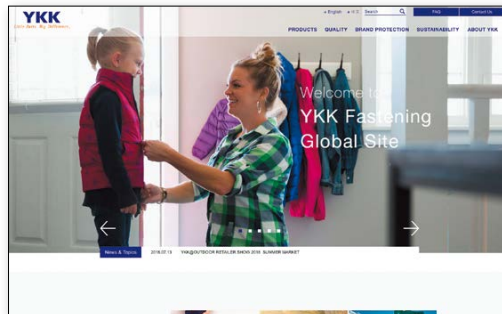
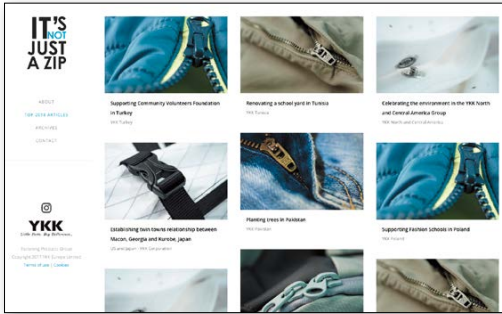
http://www.ykk.com/english/corporate/g_establishment/fastening.html

Architectural Products

http://www.ykk.com/english/corporate/g_establishment/ap.html

Others

http://www.ykk.com/english/corporate/g_establishment/others.html



YKK Corporation

Founded January 1, 1934

Capital 11,992,400,500 yen (as of March 31, 2018)

YKK Group

Global network 111 companies in 73 countries/regions
(21 companies in Japan and 90 overseas companies as of March 31, 2018)

Employees 45,618
(17,826 employees in Japan and 27,792 overseas employees as of March 31, 2018)

Consolidated net sales 747.7 billion yen
(Fastening business: 324.0 billion yen, AP business: 417.5 billion yen)

*Based on FY2017 results



<http://www.ykk.com>