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This is YKK 2017

FASTENING PRODUCTS
ARCHITECTURAL PRODUCTS
MACHINERY & ENGINEERING

This is YKK 2017

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◀ This is YKK 2017

A broad introduction to the management and business of the YKK Group, along with its activities in society

Data Section
<http://www.ykk.com/english/corporate/csr/eco/report/index.html>

Editorial Policy

This is YKK 2017 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 FY2016 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, 2016 to March 31, 2017

* Includes some activities from outside of this period

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◀ YKK Group website

<http://www.ykk.com>

The latest information and related information

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The Aims of the YKK Group

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.

Heading with the World toward a Better Future

—Using *Monozukuri**1 to Make a Better World and Enrich the Future of Children—

KidZania fuses entertainment and education in a facility where children can explore through role-playing the fun of working in different occupations and enjoy a sense of social responsibility. What follows is a record of a conversation between KidZania founder Xavier López and Chairman & CEO Tadahiro Yoshida. Both participants were privileged to have received training under a man widely regarded as the father of modern marketing, Professor Philip Kotler*2 of the Kellogg School of Management, Northwestern University. They exchanged views on what a corporation should be and considered the contributions companies can make through business.



A Child's Creative Sensibility Begins with the Child's Own Thoughts and Feelings

Yoshida: During my overseas studies in America, I constantly felt a strong affinity between the teachings of Professor Kotler and the "Cycle of Goodness," which underlies the YKK philosophy. Simply put, the professor believes that business has to stay in tune with the values of society. I feel the same way. I sense that KidZania follows a similar philosophy, and this makes me wonder: Where did you get your inspiration for your business?

López: I was in charge of a private equity business in Mexico when an old friend asked for advice about setting up a new business in the field of daycare for children. Role-playing was mentioned in the business model and, since that early consultation, we've worked with the idea that children can learn lots of different things by playing roles.

Yoshida: The combination of learning and entertainment is a very appealing notion.

López: I'm glad you agree. Fun is the best incentive for kids. If something is fun, children learn faster and get more from the experience. Even so, trends are fickle and, to find out what children like, we have to carry out analysis on a daily basis. Recently, girls have become increasingly interested in becoming veterinarians, so this occupation has been added to our program. Boys have simpler aspirations: we've found out that many would love to be footballers.

Yoshida: Yes, sports do play an essential role in the growth of children. That's why, since 1980, we have maintained our special sponsorship of the Japan U-12 Football Championship.*3 While sports are understood to train minds and bodies, I think they also give rise to the urge to improve performance, that is, to better oneself. To me, that's the great value of sports. I've also heard of many cases where footballers achieve higher performance when they think for themselves and spontaneously display some sort of creative sensibility.

López: You're right about that. At KidZania we also want children to think for themselves and decide what they want to do. We want the parent to be surprised when they see the variety of choices we offer. Personal inclinations discovered in early childhood become lifetime assets. We hope to effectively complement home and school with experiences that would otherwise be unavailable. By giving kids more choices, we want to awaken their potential and broaden their sense of possibility.

Business that Makes the World Better by Exploring Technology

Yoshida: I see what you mean. We have also been running various workshops since autumn 2015 when "Craft Lab by YKK" really got underway. Through this project we hope to communicate to the younger generation some of the joy that comes from manufacturing. Moreover, since YKK is first and foremost a manufacturing enterprise and will always stay that way, we have placed Technology Oriented Value Creation at the center



Zipper Week at KidZania Tokyo

Xavier López

President, KidZania

Born 1964, Mexico City. Having obtained a degree in Management from Anahuac University, he started his master's studies at IPADE in Mexico City and completed his MBA at Kellogg School of Management, Northwestern University. In 1997, he established KidZania by successfully combining the concept of entertainment through role-playing and education. KidZania was designed to create a safe place to foster creativity, independence, responsibility, solidarity, and other values that engender a strong sense of community. Since opening in Mexico City in 1999, KidZania has spread to 24 locations in 19 countries.

Tadahiro Yoshida

Chairman & CEO, YKK Corporation and YKK AP Inc.

Born 1947, Toyama Prefecture. He graduated from the Law Faculty of Keio University. In 1972, he completed his MBA at Kellogg School of Management, Northwestern University and joined YKK Corporation (then known as Yoshida Kogyo K.K.). In 1990, he became president of YKK AP Inc. and, in 1993, president of YKK Corporation. In 2011, he assumed his current duties as Chairman & CEO of YKK Corporation and YKK AP Inc.

of our Fifth Medium-Term Management Vision. By realizing the deep potential of technology, as well as creating "new value," we are strongly committed to creating "value that can help to solve social problems."

López: That's a worthy goal. Since our founding, a major part of our content has also been manufacturing. We appreciate YKK's sponsorship of KidZania Tokyo since 2014, and have been impressed by the enduring popularity of the content you provide.*4

Yoshida: It's kind of you to say that. I've been struck by how well KidZania reflects the actual economic system. Rather than presenting each occupation in isolation, I'm constantly impressed by the way your model interlinks everything in a miniature economy.

López: Well, along with the pleasure of working, we also want to get across the sense of being rewarded for doing work. Naturally, KidZania has banks and credit cards, but things are also set up so that kids can contribute some of their rewards back to society.

Grappling with Social Problems as a Corporate Citizen

Yoshida: I understand that KidZania has now spread around the world to 19 countries. How are operations carried out in each location?

López: We are actively building alliances with local companies. Since role-playing is a universal idea that draws on our human instincts, I am confident that it transfers even across national boundaries. Culture and values, however, vary from country to country, so the content has to be locally adapted. KidZania responds to such challenges by integrating globally understood concepts in local partnerships. The important thing is to go forward by building, at a local level, to create win-win relationships.

Yoshida: I think our business goals have much in common. YKK has a fastening business that mainly deals in such items as zippers and snap-and-button products, and AP business



dealing with architectural products such as windows, doors and exteriors, and the things we supply also have universal qualities. Meanwhile, we have been operating overseas since 1959 and, so as to consistently practice business rooted in the locality, have urged the people we dispatch to "become a local." This shows that we are committed to co-prosperity, an unshakeable principle that we maintain all over the world wherever we do business. At the same time, we believe that the power of *monozukuri* can solve social problems. At heart, I think we share a common spirit with KidZania.

López: I agree. What you have said renews my sense of how the YKK Group is a shining source of great inspiration. In our ongoing global expansion, we are inspired to play catch-up with you.

Yoshida: I frequently use the term "corporate citizen": as a member of society, a responsible company takes a long-term perspective and, by constantly supporting social prosperity, fulfills its obligations. It is up to us, through business, to demonstrate to the world new models with the potential to solve social problems. Yes, raw business performance is also important, but sustainable development is not possible unless we have a vision of the future of the world. Thank you for sharing your wonderful insights here today.



*1. Japanese-style manufacturing process.

*2. Professor at the Kellogg School of Management, Northwestern University, Chicago, Philip Kotler is a "legend in marketing" and recognized as a world authority.

*3. Under the auspices of the Japan Football Association, approximately 6,000 teams from all over Japan compete in the knockout stages.

*4. Annually since 2014, YKK has taken the opportunity to get kids interested in making things by sponsoring a time-limited Zipper Week at KidZania Tokyo.

The History of the Challenges and Value Creation of the YKK Group

“Making better and more affordable products”—

The history of the YKK Group is also a story of technological innovation to provide customers with better products. The YKK Group will continue in its effort to keep creating new value for our customers and for society.

Foundation: Establishment of the Integrated Production System

1934

Foundation

Founded in Kakigara-cho, Nihonbashi (center of photo)



1939

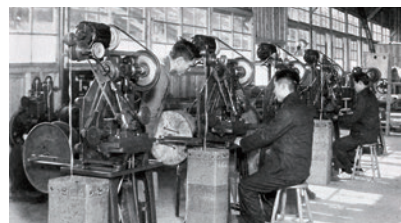
YKK Utility Model No. 1

Metal slider for zippers

1950

From handicraft industry to mechanization

Four zipper chain machines imported from the U.S.



1952

Establishment of fully integrated production system

Predecessor of Machinery & Engineering Group launches



Global Expansion and Advancement of the Architectural Products Business

FASTENING PRODUCTS

1959

Overseas expansion

First overseas location in New Zealand



1974

Integrated production system starts overseas

First overseas integrated zipper production plant



Macon Plant (U.S.)

ARCHITECTURAL PRODUCTS

1958

Successful application of aluminum alloy

Expansion into aluminum architectural products division and diversification of zipper materials



1986

AP business expansion and start of full-scale overseas production

First overseas aluminum architectural products integrated production plant



YKK Alumico Indonesia (now YKK AP INDONESIA)

MACHINERY & ENGINEERING

1953

YKK Patent No. 1

Development of intermittent chain production equipment



1964

Successful acceleration

Start of production with YKK-CM6 model (certified Mechanical Engineering Heritage*)



*Cultural heritage items which made contributions of historical significance to the development of technology and industry in Japan. These include machines, components and related facilities and documents that are considered cultural heritage for passing on to future generations. They are certified by the Japan Society of Mechanical Engineers (JSME).

Enhancement of Business value

1992

Expansion into growing markets

Full-scale base for expansion into China



Shanghai YKK Zipper Co., Ltd. (China)

2011

Creation of new business model

Core plant of window business



Saitama MADO (window) Plant (Japan)

2011

International level quality assurance system

Registration of Japan's first firewall testing center*



Analysis Technology Center, Machinery & Engineering Group

*The 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.

Toward the Creation of New Value

2016

Establishment of a new foundation for value creation at Kurobe, Japan.

YKK's technology accumulation, exchange, and development personnel training base



YKK R&D Center

Region for the integration of the YKK AP's technology: The facility for value proposition to architectural professionals



YKK AP R&D Center

Aiming for continuous evolution of the philosophy of integrated production



Machinery & Engineering Group Slide Fastener Machine Parts Plant

The YKK Group: Fifth Mid-Term Management Plan

The YKK Group has formulated its Fifth Mid-Term Management Plan, for fiscal years 2017 to 2020.

Under the management vision of "Technology Oriented Value Creation," we are working as a united group with a focus on the key points of "product appeal & proposal capability," "technology & manufacturing capability," and "human resource development." We will promote initiatives to achieve the Mid-Term Management Plan and aim for sustainable growth.

The YKK Group: Fourth Mid-Term Management Plan in Review

In FY2016, the final year of the Fourth Mid-Term Management Plan, consolidated net sales for the YKK Group were 712.7 billion yen (down 3.9% year-on-year), and operating income was 60.2 billion yen (down 12.8% year-on-year). Our performance in the Fastening business was lower than the previous year. However, both the Fastening and AP businesses see the mid-term results as a result of each business properly tackling individual challenges.

In the Fastening business, we expanded sales in the field of luxury goods in Europe and enhanced global marketing activities. As a result, we gained demand from major mass retailers in Japan, the United States, and Europe. Meanwhile in Asia, sales increased significantly from the previous mid-term as a result of capturing demand and increasing production capacity. However, competition in the market intensified due to the slowdown in growth of the Chinese economy.

The AP business has experienced growth in vinyl window sales in Japan, and with the establishment of the YKK AP R&D Center, it has prepared the foundation to offer new products and technology. Overseas, the business has suffered stiff competition in China where the real estate market is stagnating. However, the company has seen growth in sales in the strong U.S. market, and it has been able to attain profitability in Indonesia and Taiwan.

Prerequisites for Formulation

To face the challenges in its external conditions, the Fastening business must focus its attention on further growth in Asia's garment market, and also on changes to the same industry in China. Furthermore, it must advance its business efforts with an awareness of world trends, such as the impact on the apparel supply chain of accelerating development in e-commerce business structures, the spread of uncertainty caused by the impact of new conditions in China, and changes to U.S. trade policies, as well as the rise of protectionism.

In Japan, the AP business is aware of the future drop in the number of new residential developments due to mid- to long-term population and household decline, and of issues in the level of awareness of windows and doors. Overseas, Indonesia and the U.S. remain strong and the Taiwanese market is recovering; however, we anticipate the Chinese real estate market to be stagnant.

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 *monozukuri*
An endeavor for YKK's *monozukuri* in the "Standard" category

YKK AP Inc.

Sustainable growth of the AP business through added-value and demand creation

YKK Corporation: Fifth Mid-Term Management Plan Business Policy

Hiroaki Otani was appointed president of YKK Corporation in April, replacing Masayuki Sarumaru, and will work with a new structure. YKK Corporation is focused on the Fastening business and the Machinery & Engineering Group, which supports both businesses from a technical standpoint. At YKK Corporation, we will adopt "development and innovation in *monozukuri*" for the Fifth Mid-Term Business Policy. In order to realize this, we will actively promote "an endeavor for YKK's *monozukuri* in the "Standard" category."

Fastening Business: 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 a qualitative growth.

Adopted as key measures are further strengthening development capabilities, increasing product variation, improving on-time delivery performance, and strengthening cost competitiveness. We are challenging ourselves to develop YKK-style products and *monozukuri* for the Standard category. We will invest 154.1 billion yen over the next four years of the Mid-Term as a proactive investment toward quantitative growth. Of this, Asia and China account for approximately 60% of the total investment, with Asia receiving 65.1 billion yen and China

receiving 25.7 billion yen. We will continue to improve our development system, which we have also promoted in our Fourth Mid-Term. We will expand our product development centers from our current 22 locations to 41 locations by 2020. We will also increase the number of development staff by 250 for a total of 1,060 people by 2020. All in all, we will build a system that is able to respond promptly to customer's requests in all regions.

We plan to achieve significant increases, with Fastening business net sales at 314.1 billion yen and an operating income of 53.5 billion yen in FY2017, and 385.3 billion and 69.8 billion yen respectively in FY2020. We aim to sell 9.49 billion zippers in FY2017, and 12.88 billion in FY2020.

Machinery & Engineering Group: Fifth Mid-Term Management Plan Execution Policy

At the Machinery & Engineering Group, which supports the integrated production 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. As priority measures, we will promote the 2nd stage of machinery and equipment development suitable for production sites. At the same time, in further engineering development from a mid- and long-term view, we will strive to deepen elemental technologies and strategically

develop technical human talent.

In terms of technology development, we will strengthen the technological capability for utilization of robots, from a medium- to long-term perspective.

We will build an optimal system with robotics technology at the production sites, for labor-saving through the use of robots. We will advance lines able to meet future changes in products and *monozukuri* through collaboration between humans and robots.

YKK AP Inc.: Fifth Mid-Term Management Plan Business Policy

AP Business: Fifth Mid-Term Management Plan Business Policy

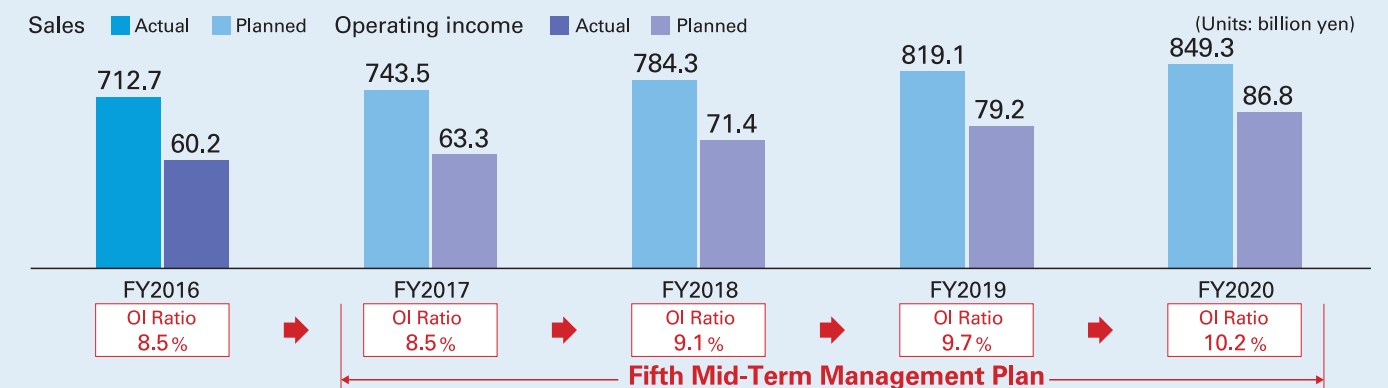
Aiming for sustained business growth, even in a tough market environment where the amount of new domestic housing construction work is expected to shrink, we set "Sustainable growth of the AP business through added-value and demand creation" as our business policy, and we will work on key measures through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

In our residential business, we will advance high thermal insulation performance for windows and expand our product lineup based on administrative enhancement of energy efficiency standards and the

top-runner system for construction materials. In our renovation business, we will create new demand via window and door remodeling centered on thermal insulation and disaster prevention. In our Overseas AP Business, we aim to reinforce business foundations and expand business in the target market.

The AP business (domestic and international) plans to achieve net sales of 424.1 billion yen and an operating income of 25.4 billion yen in FY2017, and 458.9 billion and 31.3 billion yen respectively in FY2020.

Fifth Mid-Term Management Plan



Message from the Presidents

YKK Corporation and YKK AP Inc. have announced their respective business policies toward realization of the YKK Group Fifth Mid-Term Management Plan and will be promoting a sound business. Below are messages from the two presidents for the companies going forward.



Hiroaki Otani
President, YKK Corporation

Creating Value through *Monozukuri* that Leads to the Happiness of Society

In the Fifth Mid-Term Management Plan, YKK lists “Development and innovation in *monozukuri*: An endeavor for YKK’s *monozukuri* in the ‘Standard’ category,” as the mid-term management policy.

YKK has always ensured that it provides high quality products. It does so by utilizing the technology accumulated since its founding more than 80 years ago and an integrated production system, from materials and manufacturing equipment to products. While we have insisted on quality, it must be said that our efforts in response to the so-called Standard category—the high-volume market centering on Asia and China—was far from adequate. Based on this recognition, the Fifth Mid-Term Management Plan aims to not only further strengthen our value propositions in the high-quality, high-function field—focused in the Western markets—but also achieve quantitative growth in the Standard category.

Our philosophy of the “Cycle of Goodness” underlies YKK’s business activities. I understand it to mean that it is our mission to contribute to even greater numbers of customers as well as contribute to a better life for as many people as possible. Zippers may be small in size as a component, but people can no longer wear an outfit if its zipper breaks. That is why, for example, providing zippers of good quality for the standard outfits worn by children in emerging countries of Asia is also one of our missions.

As a *monozukuri* company, we will further enhance our technology under the management vision of “Technology Oriented Value Creation.” We will aim to provide sound value that leads to the happiness of customers and people by manufacturing better products at a lower cost and greater speed.



Hidemitsu Hori
President, YKK AP Inc.

Toward Sustainable Growth Unaffected by Business Environments

With our diverse line of architectural products, YKK AP promotes more comfortable lifestyles and urban spaces, while also contributing to realizing a sustainable society where people lead a rich life. Based on these aims, our management policy under the Fifth Mid-Term Management Plan is “Sustainable growth of the AP business through added-value and demand creation.”

The business environment is undergoing big changes with each passing day, inside and outside of Japan. We are constantly thinking about what we should do to sustain growth in these business conditions. How can we provide high value that satisfies customers? How can we create new demand and provide products that help people live healthily and comfortably? In order to realize these visions and manufacture better products, we go one step further to improve our product appeal, proposals, and technology, which we have been cultivating through the years.

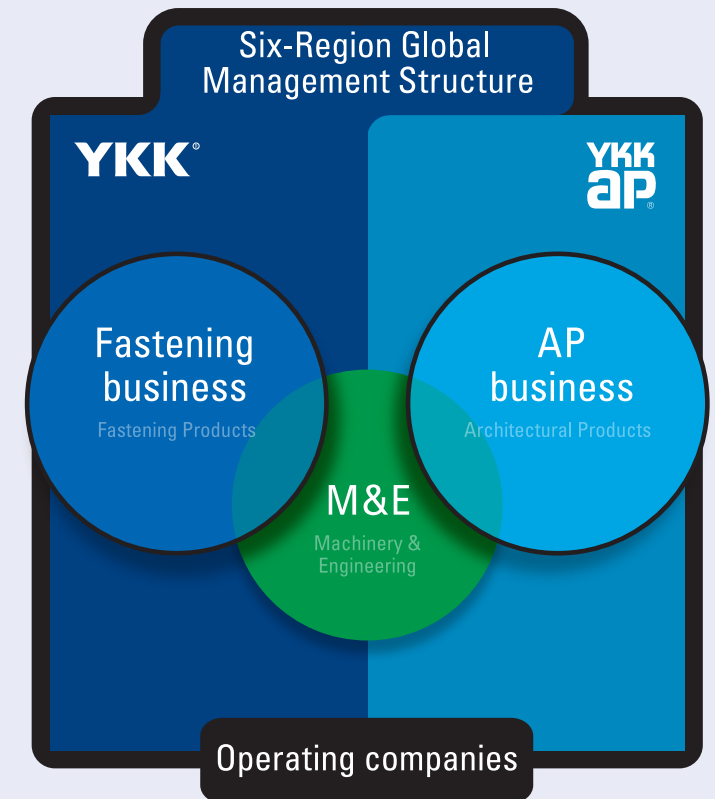
Windows and doors are areas of buildings and other structures that can result in great amounts of heat loss. The energy-efficiency of windows, therefore, plays an important part in the energy-efficiency of the whole structure. To help reduce the energy consumption of homes and offices, we will actively develop products that provide higher energy-efficiency features such as thermal barrier, insulation and ventilation. We will increase the visibility of a product’s energy-saving effect and lifecycle CO₂ reduction effect. We will also continue to provide information as well as products that can be used by customers for a long time, safely and with peace of mind. YKK AP will further strengthen the structure that will protect the various rights of consumers and contribute to society by continuing to provide the products and services sought by customers.

YKK Group Business Activities

Global Business Management

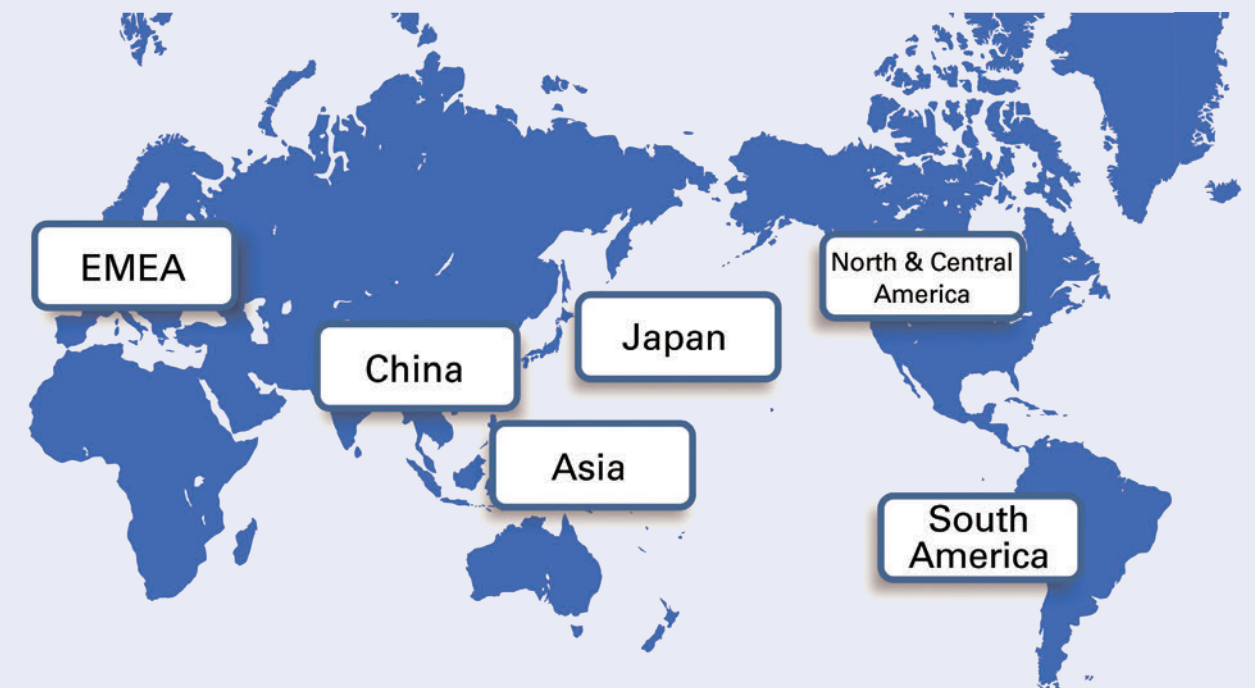
A Global Business Management Structure, with the Fastening and Architectural Products Businesses as Core Operations

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.



Conducting Business under a Six-Region Global Management Structure

The YKK Group is currently engaged in business in 71 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.





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 slide fasteners, hook-and-loop fasteners, fabric tapes, plastic products, snap-and-button fasteners, 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.

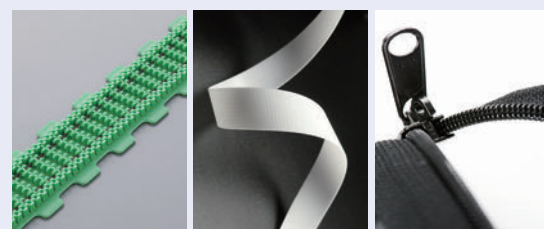
*1 Base of the Pyramid



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.



Business Activities That Take into Consideration Social and Environmental Issues

Various social and environmental issues arising around the globe. The YKK Group is striving to resolve these issues through its business activities.

Main Initiatives Taken by the YKK Group

Labor Condition Issues in the Supply Chain

The scope of a company's social responsibility extends down to its customers and subcontractors. Notably, cases have emerged of human rights infringement, where, for example, employees work under substandard conditions at the plants of subcontractors that supply parts and materials.

Strengthening of Supplier CSR Surveys

YKK conducts supplier CSR surveys aimed at understanding and supporting the improvement of conditions in relation to social and environmental issues, such as labor environment issues in the supply chain. Moving forward, we will continue to bolster our initiatives globally.



The survey meeting

Use of Harmful Substances in Production Processes

Chemicals used in the production processes of industrial goods, including zippers, occasionally contain substances suspected of being harmful, which is a concern due to the negative impact they can have on the environment, living creatures, and human beings.

Provision of Safe and Secure Products

YKK is striving to reduce the presence of harmful substances in chemicals used in its products and manufacturing processes. In order to guarantee the safety of its products, YKK has established standards which take into consideration regulations and customer demands. It excludes restricted substances when procuring materials and chemicals, and also uses OEKO-TEX® certification.



OEKO-TEX® Certificate

Increase in Counterfeit and Pirated Goods

In recent years, the harm caused around the world by counterfeit and pirated goods has become more complex and widespread, employing increasingly elaborate techniques and online transactions. This leads to deterioration of brand image built up over many years.

Boosting Brand Protection Activities through Collaboration with Customers

YKK collaborates with customers in brand protection activities aimed at eliminating counterfeit goods. The group is deploying brand-protection activities under the slogan "Protect Together," while also striving to build relationships with the relevant authorities, including Customs, to assist in smooth control of counterfeit goods at manufacturing plants and at Customs.



Publicity for educating consumers about brand protection

Fastening Business Highlights of Activities in FY2016

The YKK Group's business extends globally, and we work to deliver value in a variety of forms suited to local needs, through consideration towards regional social and environmental aspects and our relationship with stakeholders.

The fiscal year activity highlights below outline some of the notable initiatives undertaken in FY2016 by the Fastening business.

■ Hosting Vocational Business School Students YKK Deutschland GmbH



Students visit the manufacturing site

In June 2016, YKK Deutschland GmbH's Wenkbach plant hosted a visit by 19 students from a local business school.

Germany has an education system for high school graduates whereby students may attend business college part time for three years while undertaking vocational training in companies. After completion of the three year course, the students qualify as industrial management assistants. YKK Deutschland GmbH has accepted students as a partner company under this system since 2012.

The students see and experience the actual manufacturing process and can connect this with the theories they learn in class, which we believe provides them with a very valuable experience. Moving forward, YKK will continue to assist this program by providing such forums for learning through experience.

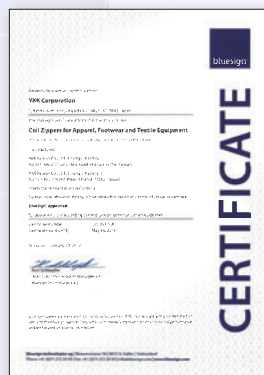
■ Donation of Zippers for a Fashion Contest Shanghai YKK Zipper Co., Ltd.



Pieces entered for the YKK Donghua Cup

In April 2016, the 12th YKK Donghua Cup was held at Donghua University, in Shanghai, China. The Cup is a contest for students using zippers as a design theme for a fashion show. Being able to come into contact with a wide range of materials and parts provides a valuable experience for these students who study fashion and design. For this reason, YKK donates zippers for the contest, to allow the students to exercise their imagination to the greatest extent possible. On the day of the contest, following a rigorous assessment, approximately 100 pieces by 29 students were chosen, after which the final round was held. The students gained great confidence by displaying their works and from the response received. We will continue to provide support in such ways to enable students, who are the future of apparel, to discover their talents.

■ Obtaining the bluesign® Product Certification YKK Taiwan Co., Ltd.



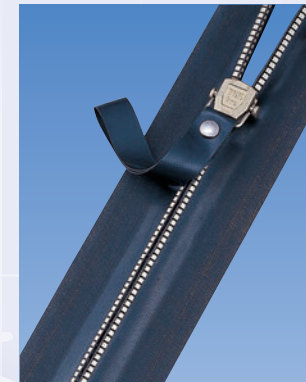
The bluesign® Certificate

In February 2017, YKK Taiwan Co., Ltd. obtained certification under the bluesign® system, which indicates supply chain sustainability in the garment market.

The system, operated by the Swiss-based bluesign technologies ag, verifies the supply chain of products based on five principles: resource productivity, consumer safety, waste water discharge, atmospheric emissions, and occupational health and safety. Products certified under the system, considered the world's most stringent standard, have essentially satisfied the highest level standard globally.

In recent years, examples have occasionally emerged in the apparel industry of employees at suppliers working under substandard conditions, which is becoming a social issue. Moving forward, YKK will continue to cooperate with apparel manufacturers and suppliers to produce sustainable products.

■ Adoption of YKK's Watertight and Airtight PROSEAL® Zippers for New Spacesuits YKK (U.S.A.) INC.



Water- and air-tight PROSEAL® zippers

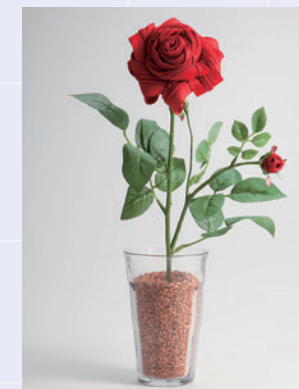
Among the many great changes that have taken place in space development in recent years is the progress being made in the development of cutting-edge spacesuits (pressure suits).

YKK is collaborating in the development of spacesuits by providing zippers.

New spacesuits are 40% lighter than conventional spacesuits, and provide the wearer with significantly better functionality, comfort, and protection. YKK's watertight and airtight PROSEAL® zippers, used in both the body of the suit and the hood, boast superior water- and air-tightness, and play an important role in protecting the lives of astronauts.

Going forward, YKK will continue to provide its highly functional products in a wide range of fields, contributing to a new age of technological innovation.

■ ECO-DYE® Technology for Waterless Dyeing Wins Good Design Award YKK Corporation



A zipper flower dyed red using ECO-DYE® waterless dyeing technology

In recent years, shortages of water for drinking, medical, and other purposes have become a serious concern worldwide. In an effort to contribute to the resolution of this issue, YKK has developed ECO-DYE® technology for waterless dyeing of zippers.

Dyeing technology is essential in the world of apparel; however, it requires vast quantities of water, and waste water must be treated before discharging. ECO-DYE® uses almost no water in the main processes, and therefore produces almost no waste water. This makes it possible to manufacture products with the same high quality as before, while significantly reducing the environmental load.

YKK received the Good Design Award 2016 from the Japan Institute of Design Promotion in November 2016 in recognition of its concept that contributes to a sustainable society by protecting the Earth's limited water resources and reducing the burden on the environment.

■ Company Wins Award for Accident Prevention at International Symposium YKK Argentina S.A.



YKK Argentina S.A.'s vice president (center) receives the award

In November 2016, YKK Argentina S.A. was awarded as an outstanding company in the prevention of accidents at the International Symposium on Occupational Accidents, held at the Spanish embassy in Buenos Aires. The head of the company's Health and Safety department and others attended the event.

Prevention of occupational accidents is a matter which must be constantly addressed by companies in the manufacturing industry. YKK Argentina S.A. has a strong awareness of the seriousness of occupational accidents and was recognized for its efforts in initiatives aimed at risk prevention, which include established policies relating to health and safety, thorough compliance with legislation, and implementation of a safety training program. Moving forward, YKK will continue to drive efforts aimed at the creation of a safe and secure working environment throughout its Group companies.



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.



Business Activities That Take into Consideration Social and Environmental Issues

Various social and environmental issues are arising around the globe. The YKK Group is striving to resolve these issues through its business activities.

Main Initiatives Taken by the YKK Group

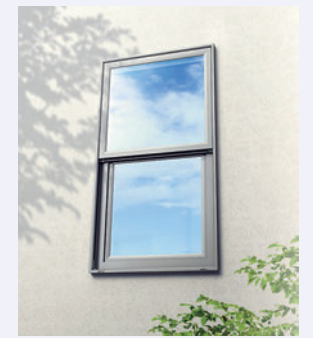
Prevention of Global Warming and Consideration of the 3R's

Global warming and the concept of the 3R's (reduce, reuse, and recycle) form a fundamental approach to environmental considerations. By implementing energy conservation and the 3R's in our products and manufacturing, it is possible to use the Earth's limited resources effectively.

Development and Expansion of Eco-Friendly Products and Environmental Considerations in Manufacturing

YKK AP is contributing to the prevention of global warming by developing, providing, and promoting high thermal insulation windows, as well as thoroughly implementing the 3R's in our products and throughout our manufacturing.

In particular, we are enhancing the energy efficiency of products to achieve zero net energy use for homes and offices, and are developing products taking into consideration its entire lifecycle in an effort to create healthy and comfortable living environments.



Installation image of APW330

Protection of Consumer Rights

Incorrect use of windows and doors can potentially lead to injury. It is therefore necessary to strive to prevent accidents due to misuse or carelessness by providing consumers with appropriate information.

Efforts to Raise Customer Awareness

YKK AP supplies customers with an owner's manual (available in Japan only). In addition, we provide information using QR codes, offer information through our website for the safe and secure use of our products, and have prepared maintenance guides and parts catalogs.



Owner's manual

Ensuring Traceability

Over many years of use, it becomes difficult to maintain the initial safety of products. Where there is potential for wear and tear due to age or when product recalls occur, if we do not accurately know the whereabouts of our products, we would not be able to notify customers of the dangers, and there would be risk of more accidents.

Enhancement of Points of Contact with Consumers in Coordination with Government Policy

YKK AP ensures traceability using serial numbers. In addition, we give lectures at product safety seminars organized by the relevant authorities, and provide information to industry bodies.

By providing many contact points with customers, we strive to create opportunities for safety training and to educate about inspection and maintenance.



A product safety seminar

AP Business Highlights of Activities in FY2016

The YKK Group's business extends globally, and we work to deliver value in a variety of forms suited to local needs, through consideration of regional social and environmental aspects and our relationship with stakeholders.

The fiscal year activity highlights below outline some of the notable initiatives undertaken in FY2016 by the AP business.

High-Performance APW Vinyl Window Series Wins Minister's Award at the 25th Global Environment Awards YKK AP Inc.



Installation image of APW430

Electricity supply and demand has become a social issue, and energy efficiency in the residential environment is gaining greater focus. Consequently, windows play an enormous role, as they channel a large amount of heat in and out. The APW series (APW330 and APW430) was developed by YKK AP with the aim of creating windows that allow for healthy and low energy use living. They feature a vinyl frame and Low-E double-glazing, providing world-leading thermal insulation performance and condensation prevention, thereby enabling significant cuts to electricity consumption from air conditioning.

The series received the Minister of the Economy, Trade and Industry Award at the 25th Global Environment Awards in 2016. This was in recognition of its outstanding energy efficiency, its boost to the lineup of products suited to Japanese home construction, and its wide promotion. Moving forward, YKK AP will continue striving for the creation of comfortable residential environments that take the global environment into consideration, through manufacturing from the user's perspective and the development of products with enhanced energy efficiency.

Donation of Aluminum Windows for a Special Education Facility in the Region YKK AP (Suzhou) Co., Ltd.



Children of Boai School at the donation ceremony

YKK AP (Suzhou) Co., Ltd., based in Suzhou, China, has formed a cooperative relationship with Suzhou Industrial Park Boai School, a private, non-profit special education and rehabilitation facility for disabled children. The facility provides support for over 650,000 children in China. However as a private non-profit corporation, it operates with support from the government, local authorities, and businesses.

YKK AP (Suzhou) Co., Ltd. has worked with the school for the six years since 2010, sending a total of 300 volunteers for nearly 1,000 hours of activities. It has also provided support in the construction of specialized facilities. In July 2016, YKK AP (Suzhou) donated aluminum windows worth over 50,000 yuan. Moving forward, we will continue to provide support and fulfill our corporate social responsibility based on the YKK Philosophy's Cycle of Goodness.

Opening of YKK AP Experience Showroom for Experiencing and Comparing Windows YKK AP Inc.



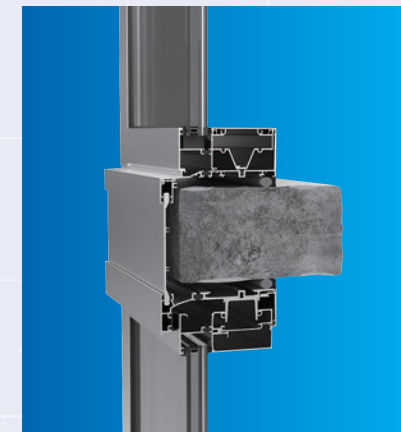
Thermal insulation experience room

Following the Tohoku Earthquake, there have been increased expectations for greater consideration of energy efficiency, CO₂ reduction, and health in housing, and windows play an important role in this.

In June 2016, YKK AP opened the YKK AP Experience Showroom, an industry first showroom where people can experience the difference that our windows' functions make on the living environment. Specifically, the facility has test equipment and displays of actual products that enable visitors to see, feel, and learn about the qualities of windows, including thermal insulation, thermal barrier, condensation prevention, ventilation, soundproofing, crime prevention, and ease of cleaning and use.

In preparation for the expected introduction of mandatory energy efficiency standards in 2020, YKK AP hopes to use these facilities to promote understanding of windows among professional users and end users. We will propose residential environments that allow for healthy and low energy use living.

Launch of Impact-Resistant Window Wall System YKK AP America Inc.



Impact-resistant YHW 60 TU window wall system

In the United States, where hurricanes can cause widespread destruction, there is great demand for stronger windows and doors for buildings. With these conditions in mind, YKK AP America Inc. has launched a hurricane-resistant window wall system, the YHW 60 TU.

This product uses a pre-glazing method to achieve high quality at lower cost, as well as enabling installation in a shorter time with fewer people. Optional parts are also offered, allowing for flexible design, and it is also highly versatile, making it adaptable to a variety of buildings, including housing complexes, commercial premises, and office buildings.

It uses YKK AP ThermaBondPlus® thermal insulation technology and high energy performance to provide comfort and to extend building lifespans.

Establishment of YKK AP R&D Center as a Region for the Integration of Technology YKK AP Inc.

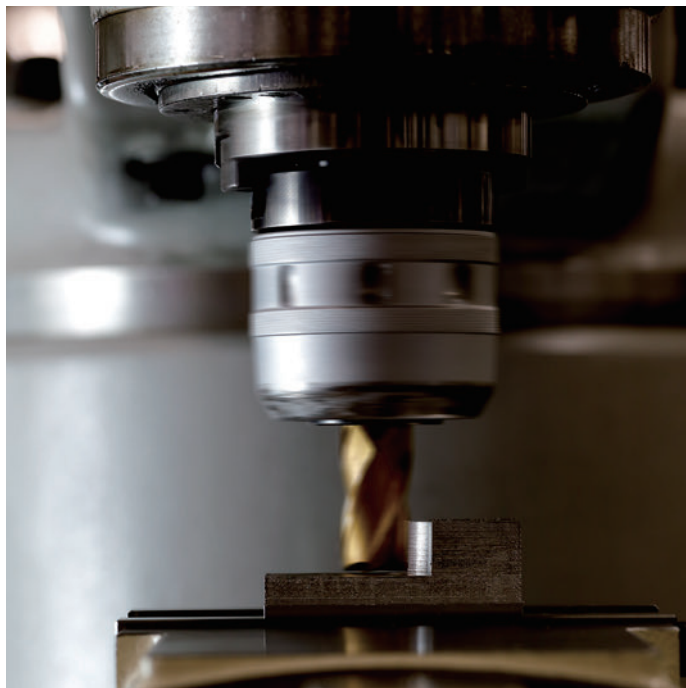


YKK AP R&D Center

The transmission of technology and enhancement of product development capability is a major issue for Japan's *monozukuri*. Conscious of this, in April 2016 YKK AP established the YKK AP R&D Center, at the Kurobe Ogyu Plant, as a location for focusing technology and to implement high-level *monozukuri*. This center consolidates research, development, verification, and trials in one location to strengthen product development capability.

The center has also adopted systems and components that take into consideration the building's thermal environment. It is expected to reduce primary energy consumption by approximately 50% compared with regular offices.

Moving forward, YKK AP will propose value based upon technology, with the aim of being a company that is trusted by society.



MACHINERY & ENGINEERING

Machinery & Engineering Group

Strengthening our technology capabilities to reinforce the competitiveness of the Fastening and AP businesses

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

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

The Machinery and Engineering Group supplies machinery specialized for the Fastening and AP businesses to YKK Group plants all over the world by developing materials, developing machinery and equipment, and manufacturing machinery parts.

While strengthening our elemental technology for specialized machinery, we are introducing leading technologies from other companies and institutes.

Machinery and Equipment Development Suitable for Production Sites

Development of Manufacturing Technology The Machinery and 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 Manufacture 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.



Further Engineering Development from a Mid- and Long-Term View

Development of Foundational Technology 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 & 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 System

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 its 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.



Talent Development to Support the Integrated Production System

With the advancement of automation for machinery component and mold machining, it is important to address the matter of nurturing engineers and technicians who correctly understand the underlying principles of processing and assembly so that they can correctly carry it out.

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. The Gino Dojo provides individual training by highly experienced and skilled instructors, mainly for new employees and young engineers and technicians. Some trainees have even gone on to become winners at the World Skills Competition. The center will continue to pass on valuable skills which have been accumulated since the company's foundation.



Teaching at the Gino Dojo

Precision Machinery Plant with Windows

The Specialized Zipper Machinery Components Plant, which began full-scale operations in Kurobe, Toyama Prefecture in April 2016, is a dedicated machinery component processing plant. It specializes in equipment and lines for the Fastening business, and operates on the concept that each employee can think independently and continue evolving. In order to be ready for the evolution of *monozukuri* in the future, and to maintain competitiveness, it is designed with a modular layout that incorporates flexibility whereby lines can be readily restructured. In addition, it is equipped with sophisticated temperature, humidity, and vibration controls to ensure stable production of precision machinery components. Furthermore, it actively incorporates natural lighting to create a better work environment for employees, making this the world's first precision machinery plant with windows.



The Slide Fastener Machine Parts Plant

Research and Development

Research and Development Activities

YKK Group (YKK Corporation and its consolidated subsidiaries) research and development (R&D) activities are aligned into six regional bases: Japan (core operations), North and Central America, South America, Europe, the Middle East and Africa (EMEA), China, and Asia.

This alignment is also used for its business development. R&D costs of the overall Group in FY2016 amounted to 21,917 million yen. The Group's major accomplishments during FY2016 can be summarized as follows.

Fastening Products Group

The Fastening Products Group, aiming to fulfill the Fourth Mid-Term Business Policy of "developing a brand-new growth strategy (selling 10 billion units of zippers)," worked to boost value for customers through several initiatives. The efforts included strengthening overall development capabilities in Europe to bring new products into the luxury goods field, enhancing proposals by coordinating the marketing and overseas R&D organizations, and building a framework for creating services and products that meet needs as customers transfer apparel manufacturing bases to Asia.

These wide-ranging initiatives produced numerous positive results. The main outcomes included the development of various zipper products, such as luxury flat-surface metal zippers with excellent designs and low-cost, woven-in zippers for pants for the domestic Indian market, and cost reductions via the establishment and development of a new metal molding technique for snap-and-button products. The

Fastening Products Group also established a new manufacturing process through R&D on new methods that achieve both quality and cost performance in surface treatment.

To achieve the Fifth Mid-Term Business Policy of "Aim for further quantitative growth," the Fastening Products Group will work to enhance its competitiveness in the Standard category by accelerating development through an end-to-end development structure that covers strategy, design, and prototyping. Other initiatives will work to bolster overseas development hubs to meet customer needs on a global scale, create more value through collaborations with apparel manufacturers, and also bring more assignees to Japan for training as overseas developers to make further improvements to overseas development capabilities over a mid-term scope. R&D costs related to the Fastening Products Group total 9,010 million yen.

AP Group

During the Fourth Mid-Term Management Plan period, the AP Group focused on expanding the window business, enhancing the remodeling market, enhancing the range of exterior items, strengthening the commercial products business, and expanding the overseas AP business.

In the window business, the AP Group developed a wood-grain version of the "APW330," a vinyl window frame featuring an exterior that boasts the industry's first wood grain patterned, weather resistant laminate. The Group also developed the "APSWORD NEO" for the residential segment using an aluminum-vinyl composite window, a major step forward from the conventional aluminum window format. In the remodeling market, the AP Group launched sales of Kantan Mado Remo (easy window remodeling), which uses non-sealing cover construction, a first in the industry. Efforts in the exterior business saw an expansion of the "LUCIAS" series, while the commercial products business expanded its lineup of natural ventilation

and renovation products. In the overseas AP business, the AP Group worked on developing products that would suit the climates and environmental conditions in each region.

Kantan Mado Remo also won the Agency for Natural Resources and Energy Commissioner's Award at the FY2016 Energy Conservation Awards, attesting to the Group's product and technology capabilities.

The AP Group opened the YKK AP R&D Center as well, which strives to boost development productivity by bringing engineers to the Center and works to forge stronger connections with professional users.

Recognizing the challenges on the horizon, the AP Group is determined to fortify its product performance across the board, deliver high added value via various offerings (including windows and doors), and create structures and mechanisms for connecting with customers in a concerted effort to provide the kind of value that only the AP Group can offer. R&D costs related to the AP Group total 9,027 million yen.

Other Businesses

The Machinery & Engineering Group, aiming to push the entire YKK Group's technology development functions to an even higher level, works to strengthen technology development capabilities in helping the Group evolve as a "specialized machinery maker for zippers" and a "specialized machinery maker for window lines." The efforts are part of the Machinery & Engineering Group's objective to keep the philosophy of integrated production evolving, a core component of the YKK Group's management operations.

In its efforts to develop technology for the Fastening Products Group during FY2016, the Machinery & Engineering Group used a scheduled machinery and equipment development cycle for development validations of new finishing equipment and slider assemblies. Another effort focused on establishing a framework for promoting the rationalization and improvement of manufacturing lines at major plants in Japan and abroad based on the concept of overall equipment efficiency. The

Machinery & Engineering Group also worked on developing technology for the AP Group. One project centered on improving manufacturing capabilities for the APW330 vinyl window lineup, while another effort was the launch of the production line for the APSWORD NEO aluminum-vinyl composite window series. In FY2017, the Machinery & Engineering Group is aiming to make businesses even more competitive by continuing to pursue its ongoing initiatives and working to help the YKK Group leverage robot technology in an effort to develop business-specific component technologies.

To develop the component technologies for these target objectives, the Machinery & Engineering Group will cultivate technologies via in-house development and collaborate with other companies and universities. Through these types of collaborations, the Group will make active progress in implementing outside technologies and joint development. R&D costs related to other businesses total 3,879 million yen.

YKK Group Management Base

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 their 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.

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.

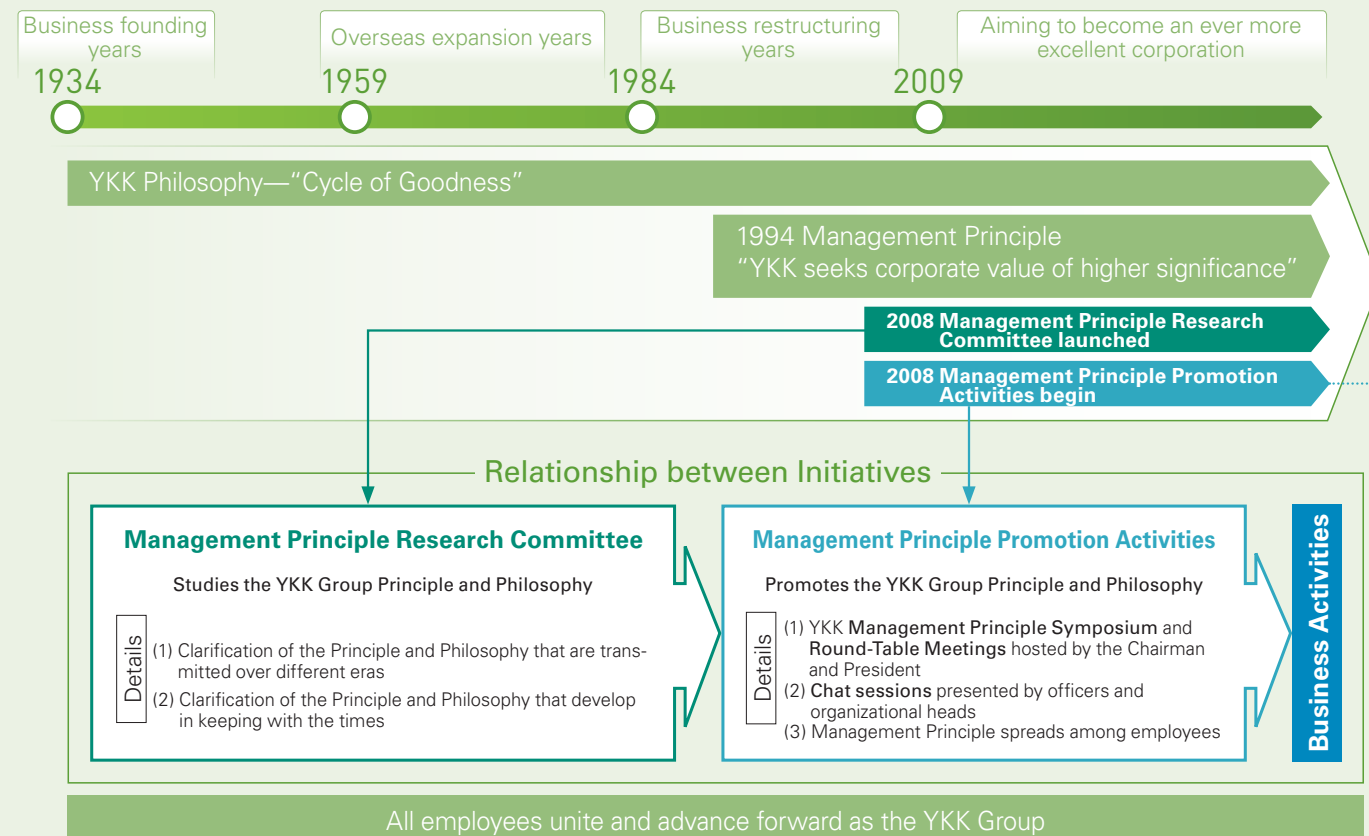
Aiming to Instill the YKK Management Principle and Core Values to All Employees

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 it throughout our organization to ensure that each employee understands and inherits YKK Group's Management Principle and related ideologies to ensure their succession down the generations.

Since 2012, we have also been expanding our promotion activities overseas, and have advanced the permeation of the Principle throughout the Group, while respecting local initiatives.



Positioning of Study Meetings and Promotion Activities

Initiatives for promotion of the YKK Management Principle can be broadly divided into two types.

The YKK Management Principle Research Committee is composed of employees selected by each business and region and conducts studies to clarify the true nature of the YKK Principle.

By developing and clarifying the Management Principle and related ideologies in keeping with the times, the Committee is responsible for building the foundation for the permeation of the Management Principle and its practice.

Meanwhile, the YKK Management Principle Promotion Activities drive the permeation and practice of the Management Principle among all employees.

Each of these activities link the practice of the ideas to our business activities, which helps the Group to unite and advance.

Notable YKK Management Principle Promotion Activities

The YKK Group, whose business activities extend to 71 countries and regions, aims to promote the YKK Management Principle through various activities while respecting differences in culture and values.

Below, we describe examples of YKK Group Management Principle Promotion Activities.

40,000 Employee Forum

In 2008, we held the 40,000 Employee Forum, in which all YKK Group employees worldwide could participate. Its aim was for all employees to reaffirm the virtues of the YKK Group, to feel the value in work, and to have pride and a sense of unity for the company's future.



A meeting at YKK El Salvador S.A. de C.V.

Employees in each country and region watched a DVD explaining the YKK Philosophy, and then shared their thoughts and opinions. This provided an opportunity for them to deepen their understanding of the YKK Philosophy, Management Principle, and Core Values and to gain a sense of unity in the Group and energy to proceed into the future. Furthermore, in 2014, to mark the 80th year since the company's founding, the second 40,000 Employee Forum was held to reinforce practice of the Principle by all employees. Various tools were used to assist in permeation of understanding and to promote the Principle's deeper permeation and awareness of its practice.

Round-Table Meetings hosted by the Chairman and President

The Round-Table Meeting is a Management Principle promotion activity where the chairman, president, and employees can meet and talk. Employees can interact with the chairman and president candidly and freely express their thoughts.



A Round-Table Meeting with Chairman & CEO Yoshida

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. Employees who took part stated that they felt they were able to get closer to management, that it was a significant opportunity to directly communicate the circumstances of the work environment to the chairman and president, and that it was encouraging for employees on site. A lot of similar feedback was received, and the meetings were therefore considered to have had a valuable role in cultivating the YKK Group corporate culture. The initiative, which began in 2008, has been extended both throughout Japan and abroad.

Chat Sessions Presented by Officers and Organizational Heads

The chat sessions are held with the aim of enabling employees to learn the practical implementation of the Management Principle and Core Values from the experiences of older employees. Furthermore, discussions deepen their understanding, and help employees



Chat sessions led by officers and organizational heads

to put them into practice in the workplace. The main presenters are officers and organizational heads, who share actual examples of past successes and failures. Later, there is an opportunity to exchange opinions, making this a forum for participants to deepen their awareness of the Management Principle.

This initiative has continued since 2009, and has been held 190 times to date for a total of approximately 2,200 employees. From 2013, the chat sessions were held for different businesses and regions in addition to the regular initiatives, and improvements have been made to enable even more employees to participate.

Results of the YKK Management Principle Research Committee

The YKK Management Principle Research Committee for FY2016 had the theme of “The Cycle of Goodness that is needed now.” We discussed what a manufacturing company such as ours can do in response to society’s requirement of Goodness.

This is also the basis of the Mid-Term Management Vision of “Technology Oriented Value Creation.” It signifies creation of value that leads to people’s happiness.

Moving forward, the YKK Group will continue to enhance its technological capability to continue to strive in manufacturing to create a happier society.

YKK Group Management Principle Research Committee

YKK Group Management Principle Research Committee, launched in 2008, conducts studies to clarify the nature of the YKK Management Principle with the aim to ensure that all YKK Group employees understand and pass on these ideas. The diagram below, made by members selected by each business for the 2016 study meetings, organizes regional and societal issues together with the Principle and business operations of the YKK Group.



Cycle of Goodness

The Cycle of Goodness that is needed now

Fastening Business

AP Business

Manufacturing must take the environment into consideration and be sustainable, and we must offer higher quality products to more people.

There is great awareness of issues in relation to people, energy, safety, security, and resources. In addition, there is demand to build a business model focused on existing housing stock.

Society's Needs

- Provide high added-value products by leveraging technology that takes the environment into consideration
- Promote sales of environmentally-friendly materials and products
- Offer high quality products to more people by boosting products for the Standard category

- Enhance product technology required in a building market that has moved onto a model focused on existing housing stock
- Provide products for renovation (low-energy-use, health-conscious, quake-resistant, and existing housing stock)

Value Creation

Technology Oriented Value Creation

Offering manufacturing that brings happiness to society



Our Environmental Initiatives

Environmental management is the responsibility of all who do business in our world. Guided by the YKK Group Environmental Pledge, formulated in September 1994, we are engaged in environmental activities in all areas of our business operations.

By creating new value in *monozukuri* based upon compliance, we strive to realize a low-carbon, resource recycling society in harmony with nature.

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. The YKK Group proclaims that it will address and promote "harmony with the environment" as the highest priority of its business activities.

September 20, 1994

Tadahiro Yoshida
Chairman & CEO
YKK Corporation, YKK AP Inc.

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

The YKK Group formulates its Mid-Term Environmental Management Principles every four years based upon its Environmental Pledge.

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.

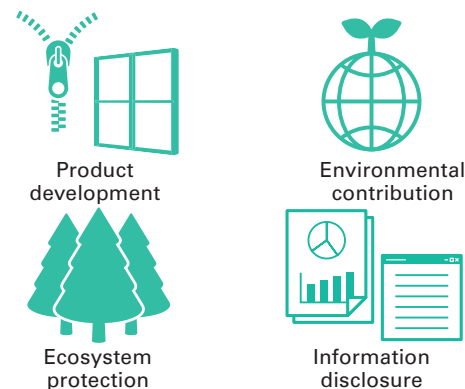
We have formulated environmental measures with the concepts "Making positive contributions to society," and "Minimizing our environmental impact (zero impact) on society." The Group will work together as one on action plans aimed at achieving these goals.

Contributing to a Sustainable Society

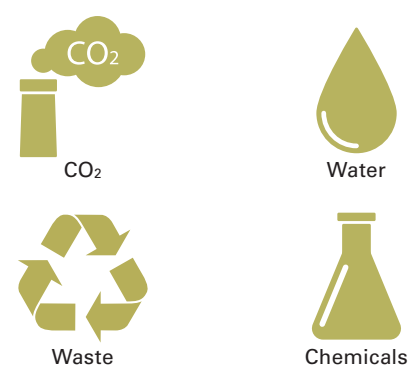
Creating a low-carbon society through technology oriented value creation

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

Make positive contributions to society



Minimize environmental impact (zero impact)



FY2016 Topics

YKK80 Building Wins the Top ASHRAE Award at the Global Level

In line with our belief in sustainable corporate activities, it is essential that our headquarters has a high level of environmental performance. As such, we created comfortable spaces at the headquarters and introduced an advanced system with excellent performance in energy- and resource-saving. In February 2016, YKK80 Building received a LEED-CS "Platinum" rating from the U.S. Green Building Council (USGBC), the developers and operators of the LEED certification process. This was the first time that an office building in Japan has achieved this rating. In addition, in August 2016, the building earned the top, five-star ranking from Japan's BELS labeling system. In January 2017, the building became the first in Japan to earn the top prize (first place) at the global level in the ASHRAE Technology Awards,* reaffirming the world-class level of the building's energy-saving performance and environmentally-friendly construction. Moving forward, the YKK Group will continue to promote management and business activities that give consideration to the environment.



* The awards, operated by the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE), are aimed at environmental architecture of the highest caliber encompassing energy savings and comfort, harmony with the surrounding environment, and tenant health.

YKK Center Park's Furusato-no-Mori Receives SEGES Certification

At the Kurobe Manufacturing Center, YKK has established Furusato-no-Mori (hometown forest) and Furusato-no-Mizube (hometown waters), aiming to restore the disappearing natural environment. In August 2016, YKK received Excellent Stage 3 certification, the highest grade for first evaluations, from SEGES* in the Sodateru Midori (Nurtured Greenery) category, chiefly for the activities at YKK Center Park. The certification recognizes tree-planting activities at Furusato-no-Mori, which is an embodiment of the founder Tadao Yoshida's ideal of a "factory in a forest," and contributions made towards biodiversity and environmental education. Going forward, we will continue and expand environmental education for children, aiming to provide a location that adds value to the region.



* Social and Environmental Green Evaluation System (SEGES) is the only green space evaluation system established by policies of the Ministry of Land, Infrastructure, Transport and Tourism, and the Ministry of the Environment.

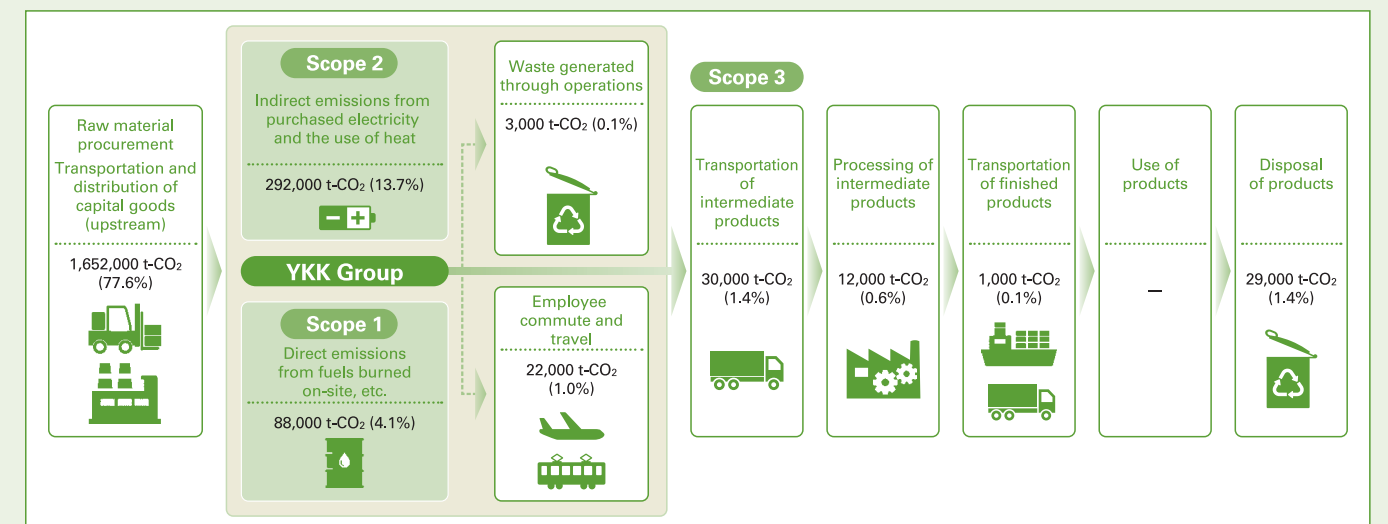
Treatment of Equipment Containing High Concentrations of PCB Waste Completed

The YKK Group understands it has environmental obligations in handling chlorofluorocarbons, asbestos, and soil contamination and PCBs, and takes appropriate measures in their management and treatment. In 2008, we commenced treatment of equipment containing high concentrations of polychlorinated biphenyl (PCB), and this was completed for all 667 pieces of equipment in FY2016. We will take appropriate measures for storage and management of equipment containing minute quantities of PCBs, with the aim of dealing with all such equipment by 2020.

Control of CO₂ Emissions throughout the Supply Chain

The YKK Group calculates CO₂ emissions throughout its supply chain in an effort to reduce its environmental impact in all fields, from raw material procurement, to manufacturing, transportation, usage, and disposal. The results of our calculations for FY2016 are given below.

Moving forward, YKK will continue working to reduce CO₂ emissions through cooperation with its supply chain in order to realize a low-carbon society.



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)

Stakeholder Dialogue

Thinking Together—Regional Communities and the YKK Group

—Contributing to a Sustainable Society—



Participants

Naturalist: Kikuyo Matsuki (Vice Chairperson, Kurobe Gorge Naturalist Society)
Consumer representative: Rika Inagaki (Promoter of global warming prevention efforts in Toyama)
Local government: Michiko Takamoto (Manager, Living Environment Section, Citizen Affairs Department, Kurobe City)
Nature conservation group representative: Atsushi Sano (Manager of Interaction & Cooperation Promotion Department, Toyama Environment Foundation)
Local resident: Sumio Shima (Vice-Chairman, Muratsubaki Promotion Society)
Business partner: Akira Hirano (President & CEO, Hirano Komuten K.K.)
Student: Hidemitsu Asano (Department of Intelligent Systems Design Engineering, Graduate School of Engineering, Toyama Prefectural University)
Foreign exchange student: Mika Kim (Department of Social Infrastructure Engineering, Graduate School of Engineering, Toyama Prefectural University)
Facilitator: Professor Noriyasu Kunori, Ph.D.

The YKK Group has hosted stakeholder dialogues annually since 2010 to provide a forum for the exchange of opinions. At the Eighth Dialogue (held on April 21, 2017), opinions were exchanged mainly regarding the transportation field, while efforts for low-carbon city planning discussed the previous year are steadily progressing toward realization.

Session 1

During the first half of the session, all of the stakeholders took a ride on the loop line bus currently being tested to link the north and south of Kurobe, so that they could experience the possibilities offered through public transportation.

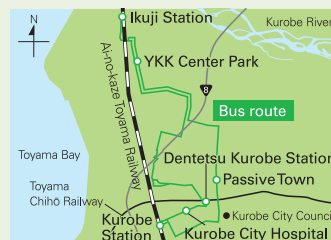
Social Experimentation through Industry-Academia-Government Cooperation

In 2016, Kurobe, Toyama Prefecture, joined forces with the University of Tokyo and YKK Corporation to launch the Public Transportation Strategy Promotion Committee, with the aim of advancing city transportation planning based on the concept of regional construction. The Committee began test operations of a loop line bus to link the city's north and south as a social experiment with the aim of using it as public transportation in the future.

The background to this joint effort was various issues faced by Kurobe and YKK Group respectively. Kurobe currently has a population of over 40,000 people, but population decline is advancing and approximately 30% of the population is aged 65 years or older. Its population is currently scattering to the suburbs, so Kurobe must aim to become a more sustainable, compact city. It was considered necessary not only to make the residential areas more integrated to reduce administrative costs, but also to provide a bus service to connect to the city core.

Meanwhile, approximately 7,000 people work at YKK's Kurobe Manufacturing Center, of whom some 90% use their cars to commute. In the process of business expansion, the company needs to increase the number of its employees, but it is difficult to provide more car parking space and traffic jams are occurring during the peak commute times, which impacts the overall plant efficiency. The YKK Group has positioned Kurobe as a Technology Headquarters, with production and development based there. The operation of public transportation service would not only improve productivity, but would also lead to improvements in employees' work lives, and also enable cuts to CO₂ emissions from commuting by car.

Through the realization of its corporate strategy, the YKK Group hopes to integrate bus transportation into the culture of Kurobe in the future, and to contribute to the creation of a sustainable city, which can also be an exemplary compact city.



Buses are run by multiple operators, and a variety of vehicles are used



Aiming for a new regional model that provides transport for citizens on the commuter bus

Session 2

In the latter part of the session, all of the stakeholders exchanged opinions with YKK Group employees in workshop-format discussions on the topic of low-carbon city planning that doesn't rely on personal automobile usage.

Building a Low-Carbon City without Reliance on Personal Automobile Usage

Aiming for an Ideal Compact City, by Creating a Donut-Shaped City, Like an Old Castle-Town

We envisage a walkable donut-shaped city, like an old castle-town, with centrally located commercial and medical facilities, with elderly residents situated with easy access to them, and the younger generations living in residential areas further out, with this being encircled by industrial areas. Other ways of reducing CO₂ emissions include transportation utilizing canals, and replacement of traffic signals with traffic circles. There are also health benefits. We would like to see a system where people could earn points for the steps they walk, which could be used towards shopping and services at participating facilities.



Promoting an Effective Combination of Restrictions on Personal Automobile Usage and Incentives

We believe one idea to reduce personal automobile usage would be to increase the taxation rate on gasoline and use this revenue towards construction of public transportation infrastructure. Also, if companies paid an allowance for commuting by bicycle or on foot, it might also reduce reliance on personal automobile usage. In addition, with the aging of society, if a system could be introduced to make it compulsory for the elderly to surrender their driving licenses, where in return they could be offered free usage of buses, it would not only increase usage of public transportation, but may even lead to better health from walking more.



Promoting the Use of Public Transportation by Creating Systems Facilitating the Choice to Not Own a Car

We believe there are means by which we can reduce the desire for personal automobile usage that would make commuting by public transportation the norm. Specifically, we believe that reducing the number of car parks, charging for car parking, changing the distance permitted for commuting by personal automobile, or using car license plate odd-even rationing for commuting, would realistically lead to increased usage of public transportation. In addition, we think that data on the movement of people could be gathered and analyzed to optimize bus routes and scheduling.



Dissemination of More Appealing Environmental Information

During the dialogue, opinions were also shared concerning dissemination of environmental information. We heard some profound opinions, including the need to actively communicate the results of efforts that we are steadily engaged in, and the need to first deliberate within the company the aims and policies regarding information dissemination, which would naturally clarify what and how to communicate. Based upon this feedback, the YKK Group will continue to bolster its efforts in transmission of environmental information.

Thoughts after Holding the Stakeholder Dialogues

Stakeholder dialogues are not a forum for companies and stakeholders to assert their respective rights and responsibilities. Rather, they are a place for cooperation, where companies can hear the frank opinions of stakeholders to introduce them into business operations. For this fiscal year, we discussed transportation in low-carbon city planning for Kurobe. Specific opinions and measures were suggested aimed at low-carbon transportation which does not rely on personal automobile usage or ownership. Suggestions were also made towards municipal policy in addition to company measures. We hope that the YKK Group can use these ideas in making the first steps in collaborative efforts with the region and 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

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 "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. An enterprise is an important member of society, and as such it must coexist with other elements of society. The value of its existence will be recognized by the benefits it shares with society. In pursuing our business, YKK has devoted great attention to the way in which we can realize such mutual prosperity—that this can be best achieved by the continual creation of new value through innovative ideas and inventions. This would result in business expansion for the YKK Group, which in turn would bring prosperity to consumers and trading partners, and thus benefit all of society. All YKK Group companies based in 71 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."

Promotion Structure

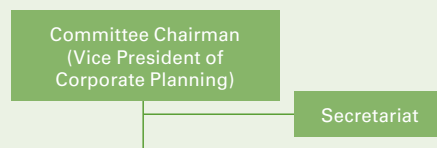
The YKK Group supports the activities of responsible divisions in each region with a Group-wide perspective in the light of the seven core subjects of ISO 26000. We established an Investigation Committee in April 2014 to be able to grasp Group-wide activities in more detail.

The Investigation Committee convened three times during FY2016 (June, October, and March).



Investigation Committee

Structure of the Investigation Committee



Area of Activities



Message from Committee Chairman

These activities have entered their third year, and we have established structures to steadily deal with the themes and issues which have become apparent in each field. Considered from a global perspective, the YKK Group as a whole must increase the speed at which it tackles the question of how it will respond to issues by business, market, and region and to the diverse expectations of stakeholders.

The YKK Group already has its YKK Philosophy "Cycle of Goodness" as its foundation, but we believe that we must leverage this strength to help further bolster our actions, while also continuing to link this to the resolution of society's problems through our core businesses and to the provision of new value to society.



Satoshi Honda
Investigation Committee
Chairman
Vice President of
Corporate Planning
YKK Corporation

Activity Aims 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 FY2016 together with future goals.

Notable Activities in FY2016 and Goals for FY2017

Core Subjects	Key Themes and Measures	Notable Activities in FY2016	Goals for FY2017
Organizational Governance	Establishment of management structure	<ul style="list-style-type: none"> Meeting of the Investigation Committee (3 times/year) 	<ul style="list-style-type: none"> Meeting of the Investigation Committee (3 times/year)
Human Rights	Companywide promotion of the Human Right Policy	<ul style="list-style-type: none"> Shared the content and intent of the Policy with YKK Group employees worldwide (All employees in Japan; limited to certain members of management in other countries) 	<ul style="list-style-type: none"> Establish governance structure pertaining to human rights and labor practices Add items pertaining to human rights and labor legislation in Quarterly Report Review progress with HR division in each region quarterly
Labor Practices	Non-discriminatory provision of opportunities for nurturing talent	<ul style="list-style-type: none"> Briefed HR representatives from each region at global meeting of personnel management officers Deliberated and prepared for launch of Quarterly Report 	<ul style="list-style-type: none"> Determine reporting standards Review progress with HR division in each region quarterly
	Establishment of safe and secure working environment	<ul style="list-style-type: none"> Implemented health and safety support at overseas bases (4 companies) Communicated and reinforced YKK Safety and Health Standards (throughout YKK Group) Established rules for gathering information on industrial accidents 	<ul style="list-style-type: none"> Implement health and safety support at overseas bases Confirm state of compliance with YKK Safety and Health Standards
Environment	Strengthening of overseas governance	<ul style="list-style-type: none"> Performed environmental management auditing overseas (16 companies) Prepared draft for environmental management review system, and test implementation (2 companies) 	<ul style="list-style-type: none"> Continued performance of environmental management auditing overseas (16 companies) Operate environmental management review system
	Sustainable procurement and adaptations to climate change	<ul style="list-style-type: none"> Assessed and identified climate change risks for each base 	<ul style="list-style-type: none"> Reduce environmental impact through cooperation with supply chain Survey to understand natural disaster risks
Fair Operating Practices	Drive compliance based upon YKK Group Compliance Standards	<ul style="list-style-type: none"> Implemented assessment in YKK Group companies in Japan and abroad (107 companies) Established and distributed new standards 	<ul style="list-style-type: none"> Implement external audit for businesses in China and the Asia region (9 companies) Support establishment of system that can be administered independently in each region Revise standards
	Reinforcement of socially responsible procurement (YKK)	<ul style="list-style-type: none"> Japan <ul style="list-style-type: none"> Implemented supplier survey (feedback from 103 companies, audit of 4 companies) Implemented follow-up with trading partners who failed to achieve expected level (8 companies) China <ul style="list-style-type: none"> Discussions with general manager Prepared trading partner list for implementation of supplier survey at each company Asia <ul style="list-style-type: none"> Implemented supplier survey in Taiwan (4 companies) Implemented business survey and audit in Taiwan (3 companies) 	<ul style="list-style-type: none"> Japan <ul style="list-style-type: none"> Implement supplier survey (106 companies) and feedback audit China <ul style="list-style-type: none"> Implement supplier business survey and audit (5 companies) Asia <ul style="list-style-type: none"> Implement supplier business survey and audit, and briefing of businesses
Consumer Issues	Improvement of Traceability	<ul style="list-style-type: none"> Established traceability system that can ensure accountability and transparency regarding product safety and reliability (YKK) Revised retaining period for records of production processes pertaining to traceability information management (YKK AP) Participated in events organized by the relevant authorities (2 times) (YKK AP) Distributed information through industry groups (1 case) (YKK AP) 	<ul style="list-style-type: none"> Reinforce Guidelines for Implementing Inspection of Materials Received (audit implementation) (YKK) Investigate creation of information management system related to traceability (YKK AP) Participate events organized by the relevant authorities and industry bodies (YKK AP) Expand activities for exchanging information with other industries (YKK AP)
	Promotion of the elimination of harmful substances (YKK)	<ul style="list-style-type: none"> Switch-over from one-sided transparent film and VS thermal transfer film manufactured in Taiwan (Organotin) 	<ul style="list-style-type: none"> Promote switch-over from two targeted materials (3 items) Organotin compounds (2), naphthalene (1)
	Creation of a system to protect consumer rights (YKK AP)	<ul style="list-style-type: none"> Guidebook for Use and Maintenance (28 cases) Expanded QR code compatibility (5 items) Provided safety information on website (2 cases) Launched Customer Center website and provision of information (6 cases) 	<ul style="list-style-type: none"> Continued provision of various information (new and revised) Expand products offering information via QR code Provide safety information on website, etc. Expand Customer Center activities
	Development and promotion of products that consider the entire life-cycle and the 3R's (YKK AP)	<ul style="list-style-type: none"> 100% of products developed were eco-friendly Received external awards (2 cases) Calculated contribution made to CO₂ reduction by products in FY2015 Distributed information regarding lifecycle CO₂ reduction (2 cases) 	<ul style="list-style-type: none"> 100% of products developed are eco-friendly Prepare product lifecycle third party assessment standards Distribute information regarding lifecycle CO₂ reduction (2 cases)
Community Involvement and Development	Enhancement of stakeholder dialogue	<ul style="list-style-type: none"> Implemented management dialogue (2 times) Implemented regional community dialogue (Kurobe, Toyama Prefecture) (1 time) 	<ul style="list-style-type: none"> Implement management dialogue (1 time) Implement regional community dialogue (Kurobe, Toyama Prefecture) (1 time)
	Reinforcement of external information disclosure regarding Corporate Social Responsibility	<ul style="list-style-type: none"> Released distribution and independent data collection (7 times) 	<ul style="list-style-type: none"> Release distribution and independent data collection (8 times)

Consolidated Financial Data of the YKK Group

Business Performance and Management Indicators

Trends in consolidated main management indicators for the trailing five-year period

Fiscal year Year ended	2012 March 31, 2013	2013 March 31, 2014	2014 March 31, 2015	2015 March 31, 2016	2016 March 31, 2017
Net sales (millions of yen)	576,965	696,929	721,037	741,935	712,783
Ordinary income (millions of yen)	33,681	66,022	69,720	70,988	61,545
Net income attributable to owners of parent (millions of yen)	32,692	44,908	46,978	44,646	45,180
Comprehensive income (millions of yen)	70,777	70,447	81,416	-20,695	51,998
Net assets (millions of yen)	471,271	513,543	586,664	561,547	609,848
Total assets (millions of yen)	788,440	883,336	946,283	954,060	963,231
Net assets per share (yen)	384,171	417,986	477,438	456,991	496,267
Basic net income per share (yen)	27,265	37,453	39,181	37,237	37,683
Diluted net income per share (yen)	-	-	-	-	-
Equity ratio (%)	58.4	56.7	60.5	57.4	61.8
Return on equity (%)	7.7	9.3	8.8	8.0	7.9
Price earnings ratio (times)	-	-	-	-	-
Cash flows from operating activities (millions of yen)	67,214	85,186	91,254	101,727	81,619
Cash flows from investing activities (millions of yen)	-44,013	-60,708	-65,976	-95,252	-59,345
Cash flows from financing activities (millions of yen)	-11,719	-3,784	-4,379	-4,359	-14,569
Cash and cash equivalents at the end of period (millions of yen)	116,510	143,131	173,558	167,229	171,259
Employees (number) [The numbers in square brackets represent the average number of part-time employees not included in the numbers of regular employees.]	38,235 [7,123]	40,306 [6,828]	42,154 [5,738]	44,250 [5,390]	44,674 [4,801]

Notes:

- Net sales are presented exclusive of consumption tax.
 - Diluted net income per share is not presented because the Company had no dilutive securities.
 - Price earnings ratio is not presented because the stock is not listed.
 - 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.
 - Effective from the year ended March 31, 2016, the former "Net income" is presented as "Net income attributable to owners of parent" as a result of applying accounting standards such as ASBJ Statement No. 21, "Revised Accounting Standard for Business Combinations" (released on September 13, 2013).
- * This table includes excerpts translated from the Yukashoken-Houkokusho filed with the Financial Services Agency, on which Ernst & Young ShinNihon LLC expressed an unqualified audit opinion.

The YKK Group Overview

YKK Corporation

Founded January 1, 1934

Capital 11,992,400,500 yen (as of March 31, 2017)

YKK Group

Global network 111 companies in 71 countries/regions
(21 companies in Japan and 90 overseas companies as of March 31, 2017)

Employees 44,674
(17,707 employees in Japan and 26,967 overseas employees as of March 31, 2017)

Consolidated net sales 712.7 billion yen (Fastening: 293.0 billion yen, AP: 413.5 billion yen)
*Based on FY2016 results