President's Message

Akira Uozu, President Representative Director

An Urgent Need for Organizational Transformation to Embrace a Spirit of Challenge and a Profit Generating Structure

Our foundation: the YKK philosophy — CYCLE OF GOODNESS®
"We Build a Better Society Through Architectural Products."

FY2025 marks the start of YKK AP's 7th Mid-term Management Plan. We have set a target for net sales of 703.9 billion yen for the final year of the plan, FY2028, and are moving forward on that basis.

Prior to the 7th Mid-term Management Plan, upon assuming the position of president in 2023, I set out a "Global Leading Company" as YKK AP's vision for "how we seek to be in 2030 and how we ought to be," and developed the "Evolution 2030" vision to make it a reality. This has two main objectives.

The first is to realize the corporate philosophy of the YKK Group, the CYCLE OF GOODNESS®, and the YKK AP Purpose. In accordance with the CYCLE OF GOODNESS®, that is, the fundamental belief that companies can only survive by coexisting with society and sharing profits, we have established YKK AP's unique Purpose: "We Build a Better Society Through Architectural Products." The realization of these two objectives will lead to our becoming a "Global Leading Company." Becoming the industry leader in terms of net sales and operating income ratio will enable us to also become the price leader. I believe that ultimately, this will enable sustainable growth, generate profits for stakeholders, and allow employees to work with peace of mind, creating a CYCLE OF GOODNESS® and a system that is in line with our Purpose. The "Evolution 2030" vision sets targets of 1 trillion yen in net sales and a 10% operating income ratio for FY2030 and beyond, but these targets are not ends in themselves. Rather, they are milestones on the path toward "Becoming a Global Leading Company."

The second objective is to instill a spirit of challenge. As a window manufacturer, YKK AP's Residential Business and Commercial Business are currently both leaders in the Japanese market, and what has brought us to this point is our constant pursuit of challenges. Upholding the approach of YKK's founder Tadao Yoshida, who believed in the importance of maintaining the mindset of a small business owner, we continue to take on challenges with a sense of urgency and a long-term perspective. This approach is essential to our goal of "Becoming a Global Leading Company." We have formulated our 7th Mid-term Management Plan based on the idea that all employees, especially the young and mid-career employees who will form the core of the company from FY2030, should take ownership of this plan and embrace a spirit of challenge.

The Three Policies of "Evolution 2030"

Become a Global Leading Company Through the Evolution of Architectural Products

Three Policies

Contribute to the Global Environment
Create mechanisms toward the realization of decarbonization and a circular society

Create New Value for our Customers
Higher thermal insulation performance, higher added value and integrated business services

Prioritize Employee Well-Being and Engagement
Well-being management based on the CYCLE OF GOODNESS®

President Representative Director

Akira Uozu

Uozu joined YKK AP in 1985. Since joining the company, he has been engaged in architectural products sales. After serving as Vice President and General Manager of the Sales Division's Window Business Planning Department, Head of the Residential Division, Head of the Sales Division, and Director and Executive Vice President for International Business, he has been in his current position since April 2023.

FY2024 — A fourth consecutive year of record net sales However, soaring material prices and the weak yen lead to a decline in profits

Looking back on our performance in FY2024, net sales reached 561.6 billion yen, marking a record high for the fourth consecutive year.

However, operating income fell below the level of the previous fiscal year, to 18.0 billion yen. The main factor behind this drop is rising costs, such as the surge in material prices that began in 2021. Cost increases exceeded 50.0 billion yen over the four years of the 6th Mid-term Management Plan, covering FY2021 to FY2024, and could not be absorbed by internal efforts such as reducing manufacturing costs and reviewing selling, general and administrative expenses. The impact of the weak yen was particularly significant, with the exchange rate fluctuating around 150 yen to the dollar at the end of FY2024, compared to around 110 yen to the dollar in 2020. A one yen change in the exchange rate results in a change of several hundred million yen in the purchase price of aluminum.

Although the weak yen and the rise in material prices persist, we cannot stop our efforts to realize our vision or raising employee wages. Rather than continuing with improvements along the same lines as before, it is necessary to transform the company into one that is inherently profitable.

Last fiscal year, we also worked to comply with logistics guidelines in Japan. With new requirements to keep truck waiting and loading times to within two hours, we have spent a year developing a system to meet these standards. Since October 2024, we have been able to achieve a two-hour response time for all delivery vehicles. From the perspective of the CYCLE OF GOODNESS®, we have taken the first step toward reducing the burden on the logistics partners we depend on.

Strengthening revenue generation — the most important theme of the 7th Mid-term Management Plan Measures underway such as shifting to profitable businesses

The 7th Mid-term Management Plan focuses on two main areas: "Transform Our Revenue Models" and "Create Value Through Technological Innovation." During the first two years, we will work to improve our corporate structure to become a company that consistently generates profits. Then, during the second two years, we will once again challenge ourselves to achieve our vision, "Evolution 2030." As profitability improves, it becomes possible to invest in business growth, which in turn leads to increased sales. This will then bring us closer to one of the targets of Evolution 2030, which is to achieve net sales of 1 trillion yen. The plan for FY2028, the final year of the current mid-term management plan, is for record net sales of 703.9 billion yen and operating income of 38.9 billion yen.

Focus on the renovation and remodeling markets Specialized departments established nationwide

In terms of "Transform Our Revenue Models," we will focus on shifting toward renovation and remodeling markets and improving thermal insulation performance.

While the downward trend in the number of new housing starts in Japan is expected to continue, demand for improving the thermal insulation performance of existing residential buildings is expected to remain strong. In addition, the number of condominiums that are 35 years old or older is expected to increase significantly over the next 10 years, reaching a peak in the mid-2030s. Furthermore, in its basic policy for realizing GX (Green Transformation), the Japanese government has stated that, over a 10-year period starting in 2023, it will allocate approximately 14 trillion yen in public and private investment for energy-saving renovations of houses and buildings. In light of these market conditions and policy trends, we recognize that residential remodeling and commercial building renovation are business areas that we should focus on going forward.

Accordingly, we have established specialized departments to concentrate our business resources in these areas. In the residential remodeling field, we established the new "Renovation Sales Management Department" as an organization to manage our business with large retailers such as home improvement centers and consumer electronics stores, as we aim to build a nationwide sales system under the direct leadership of the head office. In the commercial building renovation sector, we have established new renovation divisions in the Chubu and Kyushu regions, in addition to the existing divisions in the Tokyo metropolitan area and Kansai region, and have set up departments in each division to handle these operations.

Outline of the 7th Mid-term Management Plan (FY2025–FY2028)

The YKK Group 7th Mid-term Management Plan Vision

Prosper Together for a Sustainable Future

The YKK AP 7th Mid-term Business Policy

"Transform Our Revenue Models" and "Create Value Through Technological Innovation"

Transform Our Revenue Models

- Japan: Shift toward renovation and remodeling markets, optimize material composition across business domains, optimize manufacturing and supply system
- Overseas: Enhance growth strategies for further business expansion

Priority measures

- **Japan:**
  - Further penetration into the window and door renovation market through strengthened sales structure and product appeal
  - Shift to high thermal insulation windows, optimize material composition across business domains
  - Establish a manufacturing and supply system considering sales markets and transportation efficiency
  - Unmanned operation of manufacturing lines with digital and robotic technologies
- **Overseas:**
  - North America: Expanding operations in the Commercial Business with a view to building strong brand recognition in the entire U.S.A. and constructing new plants
    In the Residential Business, expand sales areas in six southern states
  - China: Expand target segments in the new construction sector and strengthen market responsiveness in the renovation sector
    Build a curtain wall business model
  - Taiwan: Expand target segments
  - Indonesia: Penetrate into high value-added products and expand channels
  - New regions: Entry into the European market with unitized curtain walls, etc.

Create Value Through Technological Innovation

- Transform manufacturing and operational processes through automation and labor savings
- Technology development for social value creation

Priority measures

- Enhance customer services through digital technologies such as AI estimation systems as part of operational process transformation
- Develop products and technologies to solve social issues and improve quality of life, and create social value through the development of sustainable materials

YKK AP FY2028 Business Plan

Overall	
Net sales	703.9 billion yen (Overseas: 159.7 billion yen)
Operating income	38.9 billion yen
Net sales to operating income ratio	5.5 %

Japan

Percentage of net sales accounted for by remodeling:
Residential Business: 50 %, Commercial Business: 37 %

Rate of high thermal insulation windows*:
Residential Business: 100 %, Commercial Business: 25 %

*Residential: Based on number of windows sold, Commercial: Based on number of windows ordered

For windows, the highest grade for thermal insulation performance was raised from 4 to 7 in 2022, and new homes are currently transitioning to grades 5 and 6. As a result, the residential window market is expected to see an accelerated shift toward high thermal insulation windows made of materials such as vinyl. From the perspective of thermal insulation performance, we have decided to discontinue sales of aluminum windows for residential use in FY2027. We will expand sales of vinyl windows, wooden windows, and aluminum-vinyl composite windows, aiming to become the top seller in terms of total window sales by FY2028. In addition, in the thriving Commercial Business, we will expand our lineup of high thermal insulation products for the renovation sector, where demand is expected to increase in the future, with the aim of further sales growth. In recent years, orders for aluminum products have been increasing in areas such as large architectural products for commercial buildings and exteriors, as well as in automotive equipment. We aim to increase our annual aluminum extrusion volume from the current 130,000 tons to 140,000 tons by 2028, optimize material compositions, and strengthen profitability.

Taking on the mid-range market, with strong demand overseas

In our overseas business, investment in commercial facilities was low due to ongoing high interest rates in the U.S.A. in FY2024, causing the market to stagnate. As such, although sales increased, we were unable to achieve our plan. Sales in the mid-range market for domestic demand were strong in China. Although defaults among developers are a major problem in China, in our business across China, as well as in Taiwan and Indonesia, we only work with companies that have credit management in place, focusing on projects for buildings that are likely to be completed on schedule. As a result, our business is less susceptible to external influences such as local laws and regulations, and is able to generate steady revenue.

In Asia, we have been targeting the high-end market, but from now on we will target the mid-range market, where there is greater demand. In order to enhance our supply system in anticipation of competition from local companies, we established YKK AP (SHANGHAI) INTERNATIONAL TRADING last year. Until now, in order to ensure global quality, we have manufactured extruders and processing machines in Japan and supplied parts and components to various countries and regions. However, in recent years, Chinese-made equipment and parts have achieved high quality and improved cost competitiveness. Procuring from China through YKK AP (SHANGHAI) INTERNATIONAL TRADING also allows logistics costs to be reduced. Furthermore, we welcomed Okinawa-based aluminum extrusion manufacturer Kanehide Aluminum Industry (now RYUKYU YKK AP INDUSTRY) to the YKK AP Group. We supply aluminum products from our factory in Indonesia to Asia, but as demand grows in Indonesia, we need to prepare to optimize our production lines and expand our production capacity. By establishing an aluminum extrusion supply site in Okinawa Prefecture, we will be able to ensure a stable supply to Asia going forward, which will also strengthen our manufacturing and supply system. We will also work to restructure our factory in Indonesia. In this way, we will continue to promote global procurement and strengthen BCP in our supply chain over the current fiscal year.

In the Commercial Architectural Products Business in North America, we have established a manufacturing and sales site in Los Angeles to expand our operations in the western region, in addition to our main base in the eastern region. In addition, we will grow our sales areas in the six southern states where we are currently expanding our Residential Architectural Products Business.

		FY2023 (Results)	FY2024 (Results)	FY2028 (Plan)
Ratio of new constructions to remodeling projects:	Residential	New construction 63 %	New construction 62 %	New construction 50 %
		Remodeling 37 %	Remodeling 38 %	Remodeling 50 %
	Commercial	New construction 68 %	New construction 68 %	New construction 63 %
		Renovation 32 %	Renovation 32 %	Renovation 37 %

*Based on net sales for the YKK AP Group (Japan)

Managers from all areas around the world gather in Japan on a regular basis to share values and management strategies across the entire YKK AP Group. The photo shows members of senior management at overseas companies gathered at a meeting held at the YKK 80 Building in Tokyo in February 2025.

Harnessing the YKK Group's assets to expand global business areas

At present, we operate in 12 countries and regions overseas. We have also made the decision to expand into Europe, which we have long considered an essential market for our growth strategy. In April 2025, we established YKK AP Europe in Germany, and plans are underway to commence full-scale business operations. This expansion into Europe represents not just an enlargement of our business area, but also an opportunity to further enhance our technical capabilities by addressing the needs of the European market in collaboration with the YKK AP R&D Center (Germany).

When expanding business areas overseas, it is extremely important to build networks with local companies and secure local human resources. In terms of human resources, it is essential to recruit and develop employees who share our corporate philosophy and who possess an in-depth understanding of the cultures, backgrounds, and needs of each country and region. Fortunately, the YKK Group has expanded into many regions around the world through its fastening business. We will strive to meet the challenge by making effective use of these assets to realize a management approach and business operations rooted in the region.

Improving profitability through the use of digital technology for automating and platforming manufacturing lines

Optimizing the supply system at manufacturing sites is also important for strengthening profitability. At the Kurobe Ekko Plant, we plan to achieve unmanned operation of the parts assembly line at night within this fiscal year. One of our goals is to achieve an employee-friendly workplace by reducing night shifts. By utilizing automation to continue operations at night, we can improve the equipment utilization rate and total asset turnover rate.

In addition, since the manufacture of aluminum products requires large areas of land, production sites have traditionally been established in regions where land is readily available, from where products are supplied to demand centers throughout the country, such as metropolitan areas. Furthermore, the products manufactured differ depending on the location. For example, 70% of our exterior products are manufactured at the Kyushu Plant, then shipped nationwide. Going forward, we will establish platform-based production line system that will enable us to manufacture multiple products simultaneously at factories located closer to major demand centers. This will reduce CO_2 emissions during delivery and significantly cut logistics costs. Over the course of the 7th Mid-term Management Plan, we plan to start this initiative with carports, and eventually expand it to all products.

The "Uchi Remo" vinyl inner window for remodeling, released in July 2025, is installed on the inner side of existing windows to improve thermal insulation performance. If the installation dimensions of the window frame are at least 47 mm[*1], it can be installed without an extension frame[*2]. As awareness of thermal insulation remodeling for windows grows and the market for inner windows picks up steam, about half of Japan's existing housing stock has window frames with a depth of 70 mm or less, which often requires the use of extension frames to fit existing windows. The construction and design issues that this presents have been an obstacle to the installation of inner windows.

*1 Depth excluding parts that interfere with the opening and closing of inner windows (such as meeting stiles that protrude into the room on the existing window).
*2 A part for extending window frames to install inner windows when the depth of the existing window frame is insufficient
*3 ウチリモ (Uchi Rimo) is a registered trademark of YKK AP Inc. in Japan.

Creating high value-added products in multiple fields through technological innovation

Due to factors such as the raising of thermal insulation performance grades, the thermal insulation performance of windows will become increasingly important in the future. We have set a target of raising the rate of high thermal insulation windows to 100% for residential buildings and 25% for commercial buildings[*4] by FY2028. The key to achieving this is "Create Value Through Technological Innovation." Although products using domestically-produced wood and aluminum profiles for thermal insulation windows in commercial buildings present difficulties in terms of development, we will leverage our strengths to tackle these challenges. With respect to curtain walls, we will work to develop and provide renovation products that meet European standards, which are stricter than Japanese standards in terms of thermal insulation performance, as well as products with high thermal insulation performance.

In recent years, there has been growing demand among customers for homes fully equipped with exterior features such as carports, fences, and plantings. To address this, in July 2024, we welcomed TERAYAMA Inc., a company with a proven track record in greening projects, into the YKK AP Group as an affiliated company. In addition to strengthening our capabilities in the residential sector, its ability to handle rooftop, garden, and wall greening in the commercial building sector provides us with a significant competitive advantage.

We will also engage in product development using new technologies. One current initiative is the development of windows that generate electricity from sunlight. This is a revolutionary technology that transforms windows into sources of energy. Eventually, we hope to roll this technology out to balconies, gates, and fences.

In the healthcare business, we expect to announce indoor sensor products within the current fiscal year. The sensors detect when a resident has a fall, then send a notification to nursing staff or a security company. By FY2026, we aim to release a system that detects disease risks using tablets and other mobile devices. By having users look at a tablet camera for a certain amount of time, it is possible to detect the risk of diabetes and high blood pressure, and by having them speak into a microphone, it is possible to detect the risk of dementia and depression, enabling early intervention.

*4 Residential: Based on number of windows sold, Commercial: Based on number of windows ordered

YKK AP has entered into a business alliance with KANDENKO CO., LTD. to develop Building Integrated Photovoltaics (BIPV) that utilize the windows and walls of commercial buildings. From July to October 2024, a demonstration house called "Akiba ZERO BOX" was set up in front of Akihabara Station, featuring a trailer house designed to look like a miniature version of existing buildings. We conducted a demonstration test to collect data on the solar radiation and power generation of BIPV using next-generation solar cells (perovskite solar cells)

Using "Forest Management" as a foundation for restructuring our materiality (priority issues) with a focus on human resources

Our materiality has also been updated in line with the 7th Mid-term Management Plan. We reevaluated the materiality of the previous mid-term management plan from two perspectives, "importance to stakeholders" and "impact on business," and consolidated the 10 items into 8 items.

The area we place the highest priority on in terms of materiality is human resources. The plans outlined above cannot be achieved without human resources. The YKK Group has always upheld the concept of "Forest Management." This is the idea that we should be an organization where everyone can co-exist while exercising autonomy, regardless of age, gender, educational background, or other factors. We will strive as a company to ensure that each and every employee becomes an autonomous "human resource."

In terms of diversity and inclusion, in Japan, there are now over 140 female managers among our employees, accounting for 6.8% of all management positions. Women make up 27% of our employees, so we will continue our efforts to increase this figure further. In addition, the YKK Group abolished its mandatory retirement age in FY2021, meaning that employees who reach the age of 61 can consult with the company and choose their working style based on their preferences and abilities. While abolishing the mandatory retirement age, we also place great importance on training and promoting young employees, and believe that it is urgent to develop human resources who can play an active role globally. Accordingly, we have established a system that allows prospective employees to gain experience working in multiple regions in Japan and overseas every two to three years from early in their careers.

We have also established a system that allows employees to take on new challenges regardless of their job type. We solicit ideas from employees, and those whose ideas are adopted are transferred to work on the projects they proposed.

Developing human resources who possess cross-departmental skills and take on challenges as "the nail that sticks out"

To achieve the 7th Mid-term Management Plan, it is also necessary to develop personnel who are willing to take on challenges. Currently, we have an organizational structure in which each department specializes in a particular area in order to develop experts in each field. However, going forward, we will need personnel who can think about what is best for the entire company across departmental boundaries. We want our employees to have comprehensive knowledge and skills in manufacturing, sales, technology, and management, and we have enhanced our personnel allocation and training systems to this end. In addition, we want our employees to become proactive thinkers who take initiative in their work rather than waiting for instructions, like the proverbial "nail that sticks out." By having more personnel who can take a bird's-eye view of the entire company, think backwards from the end goal, and take on challenges, we will be able to achieve the "transformation" we are aiming for in our 7th Mid-term Management Plan.

Since its establishment in 1990, YKK AP has faced numerous challenges, including the collapse of Japan's bubble economy, a decline in new housing starts, and the global financial crisis. By changing our policies as necessary, we have been able to steadily improve our business performance. This is because we have followed in the footsteps of our predecessors who started the Architectural Products Business, constantly taking on new challenges. Even as tough external conditions continue, including a weak yen and soaring material prices, we will redouble our spirit of challenge and make steady progress toward "Becoming a Global Leading Company" with sustainable growth.

Message from the Financial Officer

Focusing on ROA while Improving Profitability Making Balanced Investments with a View to Medium- to Long-term Growth

Director
Executive Vice President/
Head of Internal Auditing Division
Kosuke Iwabuchi

Iwabuchi joined YKK AP in 1986. From 1996 to 2009, he worked in the U.S.A. and China, where he held management positions. After returning to Japan in 2009, he served as Vice President and Head of the Corporate Planning Department, before becoming an Executive Vice President in April 2016 and a Director in June of the same year. Since July 2025, he has also been serving concurrently as Head of the Internal Auditing Division.

Focusing on digitalization to expand our business foundation
FY2024: Increased revenue but decreased profit, with challenges in terms of profitability

In FY2024, YKK AP's net sales increased to 561.6 billion yen, up 4.4% on the previous fiscal year, marking a fourth consecutive record high. On the other hand, operating income decreased by 29.4% to 18.0 billion yen, and the net sales to operating income ratio was 3.2%, indicating that there are still issues with profitability. The main factor behind the decline in profits is the sharp rise in material prices. The yen continued to weaken, causing aluminum prices denominated in US dollars to rise further. We also made the decision to revise our prices, a move made necessary by increases in logistics and labor costs, but the results were as described above.

Our overseas business accounts for 19% of net sales, indicating that there is still room for growth. In the U.S.A., we will review our product policy for residential applications and work to secure more orders. We also hope that the establishment of YKK AP (Jiangsu), a manufacturing site for extruded aluminum profiles, will contribute to further business expansion in China. In Taiwan and Indonesia, we will strive to further increase revenue by expanding target regions and implementing streamlining measures.

With regard to financial indicators, we will continue to focus on return on assets (ROA), which is calculated by multiplying asset efficiency (total asset turnover rate) by profitability (operating income ratio). YKK AP, as a non-listed company, is based on YKK Group Finance, and we believe that it is important to utilize the Group's financing capabilities to optimize assets and improve profitability.

If the total asset turnover rate becomes too high, there may be a shortage of new investments, and if it is too low, asset efficiency may deteriorate. Our benchmark is "1" or higher, and with total assets currently standing at 494.7 billion yen, we are meeting this standard. We will strive to expand our business while keeping an eye on the inventory turnover and accounts receivable turnover rates, thereby improving asset efficiency.

ROA for FY2024 was 3.2%, down from 4.0% in FY2023. This is due to a decline in operating income ratio. Going forward, we will focus on the ratio of net sales to gross profit (gross profit margin) for each product in order to verify product appeal. It is necessary to increase gross profit by introducing new products with high added value, and product appeal is the key to improving profitability.

Key consolidated financial data

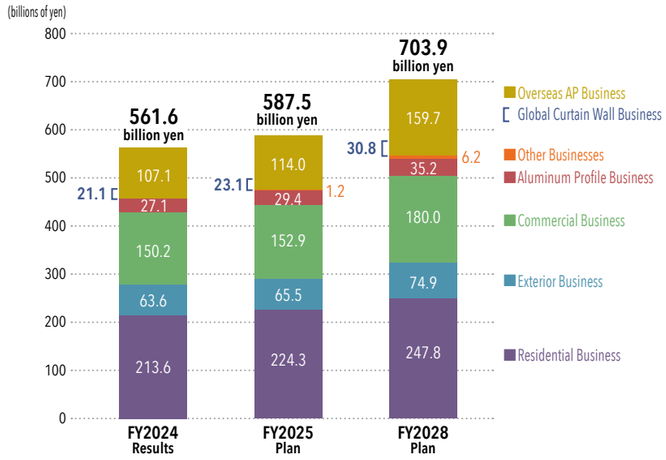
	FY2021 (Results)	FY2022 (Results)	FY2023 (Results)	FY2024 (Results)	FY2025 (Plan)
Net sales (consolidated)*1	446.3 billion yen	508.6 billion yen	538.1 billion yen	561.6 billion yen	587.5 billion yen
Japan	388.6 billion yen	425.7 billion yen	450.4 billion yen	460.7 billion yen	479.6 billion yen
Overseas*2	79.7 billion yen	115.8 billion yen	119.5 billion yen	134.7 billion yen	138.9 billion yen
Overseas ratio*3	14 %	17 %	18 %	19 %	19 %
Operating income	17.3 billion yen	17.8 billion yen	25.6 billion yen	18.0 billion yen	17.2 billion yen
Operating income ratio	3.9 %	3.5 %	4.8 %	3.2 %	2.9 %

*1 Transactions with parties inside the Group have been offset.
*2 Includes transactions with parties inside the Group in each region.
*3 The proportion of overseas sales out of net sales to external customers.

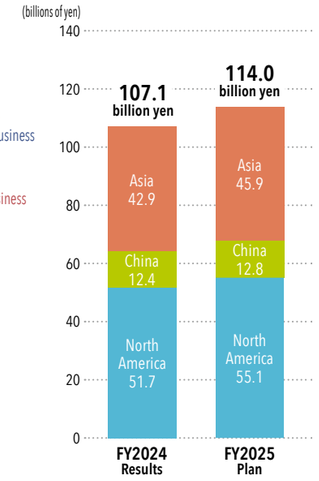
	FY2021 (Results)	FY2022 (Results)	FY2023 (Results)	FY2024 (Results)
Return on assets (ROA)	2.7 %	3.5 %	4.0 %	3.2 %
Equity ratio	56.2 %	57.9 %	64.6 %	66.0 %
Return on equity (ROE)	4.8 %	6.1 %	6.6 %	4.8 %

YKK AP's business portfolio

Net sales by business



Net sales by overseas region



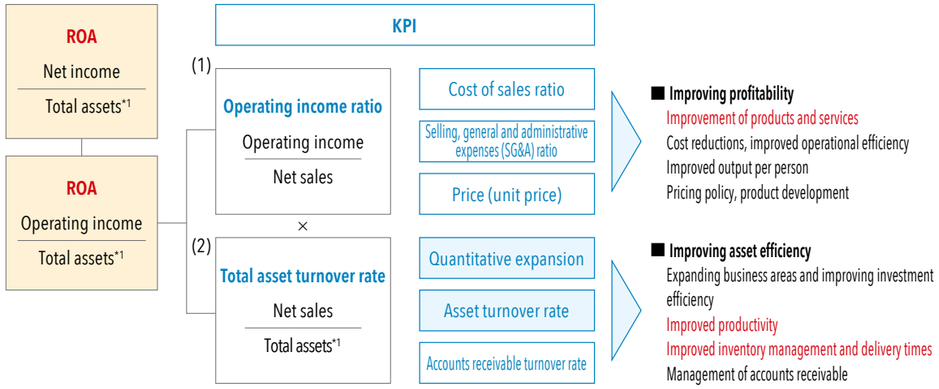
FY2025 investment plan—Based on orders

Objective: Enhancing profitability and driving further growth of the overseas business

	Investment details	FY2024 (Results)	FY2025 (Plan)
Japan	Streamlining support	4.9 billion yen	6.6 billion yen
	Increase production capacity and support new products	3.7 billion yen	3.3 billion yen
	Digital-related	6.5 billion yen	5.3 billion yen
	Sustainability-related	2.8 billion yen	3.5 billion yen
	YKK AP30 Building, Technology Museum – additional investment	1.8 billion yen	—
	Infrastructure development, etc.	4.9 billion yen	2.9 billion yen
	Subtotal	24.8 billion yen	21.9 billion yen
Overseas	China: YKK AP (Jiangsu) New MFG facility	—	7.7 billion yen
	Indonesia: MFG facility rebuilding	3.7 billion yen	6.9 billion yen
	North America: Production increase, etc.	3.2 billion yen	5.2 billion yen
	Asia: Others	2.4 billion yen	1.9 billion yen
	Subtotal	9.4 billion yen	21.8 billion yen
Total		**34.2 billion yen**	**43.7 billion yen**

7th Mid-term Plan (FY2025–FY2028) Total Investment: 136.3 billion yen (FY2025 Total Investment: 43.7 billion yen)

An approach based on breaking down and improving management indicators, centered on ROA



(1) Improve profitability by enhancing the added value of products and services and pursuing cost reductions
(2) Improve asset efficiency by efficiently utilizing assets and expanding the business

*1 (Total assets at the end of the current fiscal year + total assets at the end of the previous fiscal year) ÷ 2

Examining cost ratios by product and channel to improve efficiency

In order to reduce selling, general and administrative (SG&A) expenses, we are placing particular emphasis on reducing logistics costs. Logistics costs vary greatly depending on where and what is manufactured at each of our 25 production sites in Japan. We calculate the logistics cost ratio for each product based on net sales, and establish an optimized manufacturing and supply system that takes into account sales markets and transportation efficiency.

We will also work to reduce costs incurred in sales activities. Selling different products via each channel leads to varied transaction conditions, which complicates operations and increases system costs. We will consolidate products while closely monitoring SG&A ratios by channel, and strive to standardize and streamline operations.

The 7th Mid-term Management Plan, which began in FY2025, calls for "Transform Our Revenue Models" and "Create Value Through Technological Innovation" as our mid-term business policies, and we are working diligently to implement these measures. Particular emphasis is being placed on investment in digital-related areas. The number of new residential and commercial construction starts in Japan is certain to decline in the future, necessitating bold streamlining measures. One prerequisite for investment in digital is business design. We will consider standardizing and centralizing our operations, invest in digital technology, and implement reforms to our production and business processes through automation and labor saving.

System updates to realize smart factorization

YKK AP is implementing company-wide initiatives to use digital technology to connect all information related to its business activities, thereby improving operational efficiency. This will also lead to smart factorization at major plants in Japan and overseas. For example, by applying computer-based digital twin technology to existing manufacturing lines, it becomes possible to simulate equipment layout, production processes, quality, and other factors in a digital space, eliminating work that depends on specific individuals and enabling greater efficiency.

Since the development of an information infrastructure is essential for smart factorization initiatives, we are also working to update our core systems. Over the previous Mid-term Management Plan, we worked on building an Enterprise Resource Planning (ERP) system, but due to the complexity involved, the implementation is taking some time. System updates require enormous costs, but we will continue to expand and strengthen our business foundation for medium- to long-term growth.

		FY2021	FY2022	FY2023	FY2024
Profit and loss	Ordinary income	18.6 billion yen	21.3 billion yen	28.3 billion yen	21.8 billion yen
	Net income attributable to owners of parent company	11.1 billion yen	15.2 billion yen	18.8 billion yen	15.4 billion yen
	Comprehensive income	19.7 billion yen	27.6 billion yen	48.7 billion yen	21.5 billion yen
Financial status	Net assets	241.8 billion yen	266.0 billion yen	312.1 billion yen	329.3 billion yen
	Total assets	426.5 billion yen	455.8 billion yen	478.8 billion yen	494.7 billion yen
Cash flow	Cash flow from operating activities	26.9 billion yen	32.3 billion yen	53.4 billion yen	39.4 billion yen
	Cash flow from investing activities	△19.8 billion yen	△22.8 billion yen	△44.1 billion yen	△40.5 billion yen
	Cash flow from financing activities	△5.4 billion yen	△4.9 billion yen	△5.6 billion yen	10.9 billion yen
	Ending balance of cash and cash equivalents	31.7 billion yen	37.6 billion yen	46.8 billion yen	54.1 billion yen
Capital investments/ R&D expenses	Capital investments	20.6 billion yen	29.6 billion yen	44.4 billion yen	38.8 billion yen
	Sustainability investments*2	—	—	3.9 billion yen	2.8 billion yen
	R&D expenses	9.0 billion yen	9.3 billion yen	10.6 billion yen	11.9 billion yen

These figures have not been audited by a certified public accountant or audit firm, but the consolidated financial data for profit and loss, financial status, and cash flow have been reviewed by an audit firm.

*2 Sustainability investments represents the amount ordered for the current fiscal year.

Creating new businesses in areas surrounding buildings

Since creating new products is also essential for transforming our revenue models, we will strive to create new businesses in areas surrounding buildings. In addition to developing Building Integrated Photovoltaics (BIPV) systems using perovskite solar cells that contribute to energy conservation and CO_2 reductions, we are also exploring new businesses in the healthcare field, which is becoming increasingly important in an aging society.

In order to establish a system for creating new businesses in terms of both seeds and needs, we have established a new organization within the Technical Research Division to explore new technologies globally, and a New Business Development organization within the Corporate Planning Department to consider new businesses from the market perspective. It is important that these two organizations collaborate and explore new business models that combine markets and technology.

We will also continue to invest in human capital for medium- to long-term growth. In order to expand our overseas business, it is necessary to systematically develop global human resources with extensive knowledge of finance, a thorough understanding of market and industry conditions, and strong language skills. We also need personnel who can work in the sectors of remodeling and renovation, and we will focus on developing the necessary skills while also investing in digital education. YKK AP plans to increase the percentage of net sales accounted for by overseas sales to 30% by FY2030. Many overseas companies are already at a stage where local employees are involved in management, indicating the importance we place on overseas human capital.

The strength of non-listed companies lies in their ability to make decisions that require significant investment to generate innovation with a medium- to long-term perspective, without being constrained by the need for immediate profits. In order to foster more in-depth discussions from a variety of perspectives, we appointed our first outside director in FY2024 and are now receiving a wide range of opinions at Board of Directors' meetings and other forums. We will continue to actively invest capital with a medium- to long-term perspective in order to enhance profitability and achieve steady growth.

Corporate Governance Strategy

Roundtable Discussion: Chairman of the Board, Outside Director, and YKK Outside Director

The Chairman of the Board and Two Outside Directors Discuss the Implementation of Governance Essential for Corporate Growth

Photo, from left

YKK Outside Director
Keinosuke Ono
Ono has served extensively in various positions, including Professor and Dean of the Graduate School of Business Administration at Keio University, as well as Executive Vice-President of Chubu University. He is currently Professor Emeritus at Keio University and Chubu University. Since June 2007, he has served as an outside director at YKK.

YKK AP Outside Director
Tomoko Inoue
Inoue began her career at Hino Motors, where she acquired experience in human resources and finance. After serving as Audit Division General Manager, Senior General Manager and Audit Division General Manager, and Senior General Manager and Internal Audit Vice Officer, she was appointed as a member of the company's Audit & Supervisory Board. Since June 2024, she has served as an outside director at YKK AP.

Chairman Representative Director, YKK AP
Chairman of the Board
Hidemitsu Hori
Hori joined Yoshida Kogyo (now YKK) in 1981. From 1989 to 2006, he worked in the U.S.A. After returning to Japan, he served as Vice President, Head of the Corporate Planning Department, Director, Senior Vice President, and Head of Business Groups at YKK AP. Then, from 2011 to March 2023, he served as President Representative Director. He has been in his current position since April 2023.

Appointing our first outside director to enrich discussions by incorporating a wide range of perspectives

——Could you tell us why YKK AP, a non-listed company, made the decision to appoint an outside director?

Hori: In recent years, with the business environment changing rapidly, I felt uneasy about whether YKK AP was on the right track. In 2009, when I was appointed as the head of the Business Division, Mr. Ono, who is joining us today, advised me to take the top spot in market share and become the price leader. With his guidance, I was able to move forward without hesitation. We have grown in size to become a leading company in the industry, but the situation today is very different from what it was back then. The Japanese market is saturated, with the number of new housing starts on a downward trend, and profits are almost negligible due to soaring material prices. With the number of essential requirements placed upon businesses continuing to grow, I felt that we needed outside expertise to help us identify new directions.

——In June 2024, Tomoko Inoue joined YKK AP as its first outside director.

Hori: Ms. Inoue is well versed in manufacturing and has extensive auditing experience. Another factor in her selection was her ability to provide accurate advice as YKK AP strengthens its internal control systems. With the appointment of our first outside director, I feel that we have gained a diverse range of perspectives on the Board of Directors.

Inoue: Thank you very much. I have worked for a commercial vehicle manufacturer for 42 years, where I was responsible for human resources, finance, and internal auditing. What I realized as I gained experience in my career was that while it is easy to come up with ideas on paper, it is difficult to apply them in real life. At meetings of YKK AP's Board of Directors, I try to convey my opinions while considering the basis for on-site decisions and business processes in as specific terms as possible.

Ono: I have been serving as an outside director at YKK since 2007, and at YKK, outside directors and outside members of the Audit & Supervisory Board are very active in expressing their opinions. There is an organizational culture of listening carefully to what people on the outside have to say, and I believe that this can also extend to YKK AP. It is my hope that incorporating the opinions of outside directors will enable the company to achieve further growth.

——Mr. Ono, you also serve as a member of the YKK Nomination and Compensation Committee, which was established in 2008.

Ono: The YKK Nomination and Compensation Committee is an advisory body to the Board of Directors that is primarily responsible for personnel matters relating to directors, Audit & Supervisory Board members, vice presidents, and specialized officers of YKK and YKK AP, as well as the design of the compensation system for corporate officers. It may be fairly unusual for a non-listed company to establish a nomination and compensation committee. Fairness is at the core of the management principles established by Tadahiro Yoshida, YKK AP's founder and corporate advisor, and fairness is also incorporated into the company's employee evaluation system as a standard of conduct. The fact that we are not listed on the stock exchange means that it is even more important to make decisions fairly and ensure transparency in the decision-making process. This belief is deeply rooted in the entire YKK Group. YKK AP has not established its own committee because it intends to ensure effective governance by maintaining a consistent perspective across the entire group.

Identifying areas for improvement from an outside perspective and holding thorough discussions at Board of Directors' meetings

——Ms. Inoue, based on your experience in human resources and auditing, what points do you focus on at meetings of the Board of Directors?

Inoue: I believe that people's capabilities are greatly influenced by their feelings. In human resources, we place great importance on how employees and stakeholders feel.

Furthermore, I believe that misconduct occurs when people are mentally drained and the opportunity to make such mistakes arises. It is the company's responsibility to make sure that nobody is presented with these opportunities. Therefore, in our audits, I place emphasis on whether there are any deficiencies in the internal control systems for business processes.

Hori: Last fiscal year, Ms. Inoue asked us to confirm whether we had standards and regulations regarding misconduct, and YKK AP believes that these were insufficient. We became keenly aware that there was a lack of mechanisms to prevent impulsive behavior.

Inoue: In large organizations, establishing standards and regulations helps prevent mistakes. I believe that it is also the responsibility of the Board of Directors to prevent employees from becoming unhappy.

——I have heard that operations are being reviewed in order to strengthen the functions of the Board of Directors.

Hori: Previously, the Board of Directors mostly had reports and resolutions on the same day, but following advice from an outside member of the Audit & Supervisory Board that discussion is important and that members of the Audit & Supervisory Board observe the discussion process, we have been setting aside time for discussion since FY2023.

Inoue: We make sure to discuss major items over at least two meetings of the Board of Directors, and then make a resolution at the third meeting. The exchange of opinions during the discussions is very lively, and I myself also ask many questions.

Hori: The outside members of the Audit & Supervisory Board also taught us the "etiquette" of what to focus on and what to prepare for the resolution. Ms. Inoue also frequently requested additional materials and asked questions. I have been reminded of the importance of ensuring sufficient time for discussion, and I feel that the attitudes of the company's inside directors are gradually changing.

Ono: I believe that bringing in an outside perspective has been important in

terms of ensuring proper procedures are followed and that active discussion takes place.

Hori: What has changed most of all is the topics of discussion. When only inside directors were attending meetings, discussions tended to be little more than continuations of what had been spoken about in business meetings. Now, it has become a forum to consider what is important for the company while also paying attention to risks and compliance. Regardless of whether a company is listed or not, I believe that this kind of governance system and its further strengthening are essential for a company's growth.

Improving strategic accuracy and Board of Directors effectiveness with a broad outlook and long-term perspective

——What discussions took place during the formulation of the 7th Mid-term Management Plan?

Hori: We have not yet been able to adapt to the recent surge in material prices. Although we have expanded our business areas and reviewed our personnel allocation, we still have much to do in terms of pursuing productivity and efficiency. We spent a great deal of time discussing our policy of shifting our focus to the high-margin remodeling sector and pursuing added value, as well as passing on price increases to customers and expanding into new regions.

Inoue: There was also discussion about the importance of investing in people. In order to achieve what is set out in the 7th Mid-term Management Plan, it is important to enhance the capabilities of our employees and maintain their motivation.

——From an outside perspective, what are your thoughts on YKK AP's management?

Inoue: I feel that the management style is very aggressive. The company takes appropriate risks in terms of both regions and businesses, and is expanding its value chain.

Ono: I believe that YKK AP should not only take the top market share, but also become the undisputed leader. Only by pulling ahead of our competitors can we reap the benefits. YKK's fastening business has grown by expanding applications for fasteners. Similarly, YKK AP has gained market share in Japan and expanded overseas, broadening the scope of its business from windows to related housing fixtures. If you capture the market and value the trust your customers place in you, profits will naturally follow.

Hori: That's exactly right. We have also spoken about the need to differentiate ourselves from the competition at the Board of Directors. Naturally, simply protecting our existing businesses is not enough to secure our future. We are currently at a turning point and are exploring what steps to take next.

——Please tell us about the future prospects and challenges for the Board of Directors.

Inoue: When considering individual proposals, I feel that discussions would be more thorough if the approach of always referring back to the overall portfolio was shared among the Board of Directors. YKK AP has its figures for each business neatly laid out, so by assessing the current state of affairs and where we want to be, we can determine how much capital to invest where, which should lead to greater precision in terms of the management strategy and human resources strategy needed to achieve these goals. In order to further improve effectiveness, I think it would be a good idea to seek external evaluation.

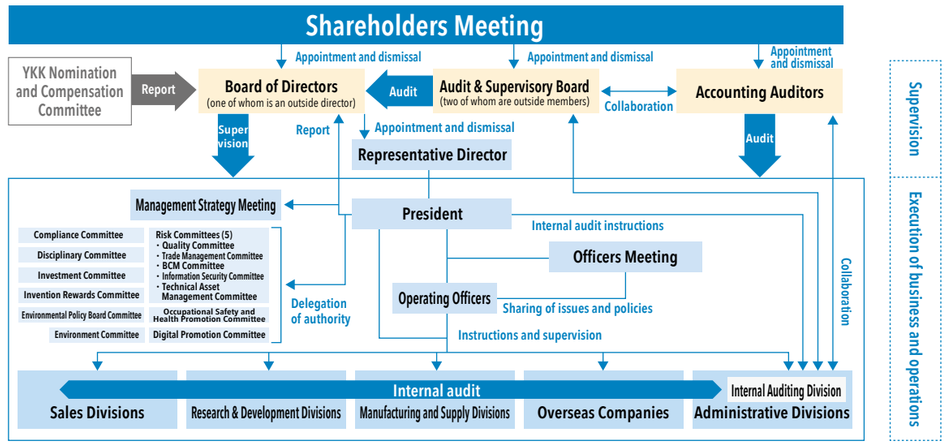
Ono: I have examined numerous companies, and I believe that YKK's governance is more than adequate. However, with so much time devoted to immediate issues, I feel that there is not enough time to discuss medium- to long-term issues. We are working to strengthen corporate governance through effectiveness evaluations by external expert organizations regarding the form of the Board of Directors itself and the scope of its discussions. How about YKK AP?

Hori: The lack of time for discussion regarding the medium- to long-term is also an issue at YKK AP. We will also need to reexamine the state of the company's governance and the matters discussed at meetings of the Board of Directors. We plan to evaluate the effectiveness of the Board of Directors in the 7th Mid-term Management Plan, but first we will work to improve ourselves by broadening our outlook and adopting a long-term perspective.

Basic Approach

Underlying YKK AP's corporate activities is the YKK philosophy — CYCLE OF GOODNESS®, which states that "no one prospers without rendering benefit to others." Accordingly, we have consistently made fairness the foundation of all our business activities. In line with this approach, we aim to enhance our corporate governance system with the goal of further increasing corporate value. Based on an organizational system in which the Board of Directors serves as the decision-making and supervisory body and the Audit & Supervisory Board serves as the auditing body, YKK AP has adopted an Operating Officer System to promote the execution of business and operations.

Corporate governance system



Separation of management and execution (Execution of duties by directors, Operating Officer System)

Directors comply with the regulations of the Board of Directors and follow the rules regarding director duties, and carry out business appropriately based on the division of duties. They regularly attend compliance training offered by lawyers, etc., and submit to the company written oaths pledging to comply with laws and regulations in performing their duties as directors. In addition, we have introduced the Operating Officer System to ensure the faster execution of business operations via the separation of management and execution. While directors dedicate themselves to realizing total optimization, operating officers execute individual businesses and operations with responsibility and authority, in accordance with the policies resolved on at the Board of Directors.

Main committees for executing business/duties

Committee		Number of committee members*	Number of meetings in FY2024
Compliance Committee		15	2
Disciplinary Committee		60	19
Investment Committee		7	10
Invention Rewards Committee		21	3
Environmental Policy Board Committee		12	1
	Environment Committee	65	4
Risk Committees (5)	Quality Committee	8	4
	Trade Management Committee	13	3
	BCM Committee	13	3
	Information Security Committee	12	3
	Technical Asset Management Committee	12	3
Occupational Safety and Health Promotion Committee		28	3
Digital Promotion Committee		57	2

*Number of committee members as of June 2025

Details of the main committees are presented in the Sustainability Data Book.
https://www.ykkapglobal.com/en/sustainability/activities-data/data/governance/#section01-08

Directors and Board of Directors (as of June 2025)

Chairman Representative Director
Chairman of the Board
Director, YKK Corporation
Hidemitsu Hori

President Representative Director
Akira Uozu

Vice Chairman Director
Shinichiro Yamaji

Director
Executive Vice President, Head of Internal Auditing Division
Kosuke Iwabuchi

Director
Executive Vice President
Hiroshi Abe

Director
Executive Vice President
Koichi Ebihara

Director
Kazuo Matsutani

Director
Shuichi Mizukami

Director
Chairman, YKK Corporation
Hiroaki Otani

Director
Executive Vice President,
Administration Division
Director in Charge of Pension Policies and CFO, YKK Corporation
Satoshi Honda

Director (outside)
Tomoko Inoue

Personal histories of directors and their attendance at meetings are presented in the Sustainability Data Book.
https://www.ykkapglobal.com/en/sustainability/activities-data/data/governance/#section01-04

Board of Directors meetings in FY2024

Number of meetings	14 (including extraordinary meetings)
Average number of agenda items	11
Average time per meeting	3.5 hours
Main agenda items and reporting items	・Matters related to the Shareholders Meeting ・Matters related to directors, operating officers, and executive specialists ・Matters related to organizations and personnel ・Matters related to business ・Matters related to the disposal and transfer of important assets ・Matters related to Japan and overseas affiliated companies

The Board of Directors deliberates and resolves on important matters, determines management policies, and supervises the execution of business operations. Currently, the Board has 11 directors (no more than 11 members), and the main results of deliberations in FY2024 are shown on the left. In order to promote active discussions, important matters are discussed at the Management Strategy Meeting before being brought up at Board of Directors' meetings, external Audit & Supervisory Board members attend and state their opinions, and the chairman, president, and Audit & Supervisory Board members exchange opinions (three times in FY2024).

Policy on determination of individual compensation for directors

In order to raise awareness of ensuring consistency between sustainably increases in corporate value and paying stable dividends to shareholders, as well as improving business performance, YKK AP's basic policy is to set compensation for directors in consideration of the company's results and to determine the appropriate level of compensation for each director in accordance with their responsibilities. Specifically, directors' compensation consists of base salary and bonuses.

YKK Nomination and Compensation Committee

Members: 5 (including 2 YKK outside directors)
Number of meetings in FY2024: 11

The YKK Group has set up the Nomination and Compensation Committee in YKK as an advisory body, and its members are appointed by resolution of the YKK Board of Directors. The committee deliberates on matters such as the election and dismissal of directors, Audit & Supervisory Board members, operating officers, and specialized officers, as well as their compensation, and reports back to the YKK Board of Directors and the YKK AP Board of Directors.

Audit & Supervisory Board and Members (as of June 2025)

Chairman of the Audit & Supervisory Board
Audit & Supervisory Board Member (outside)
Fuminao Hachiuma

Audit & Supervisory Board Member (full-time)
Hisao Miyamura

Audit & Supervisory Board Member (full-time)
Wataru Otani

Audit & Supervisory Board Member (outside)
Mina Sekiguchi

Audit & Supervisory Board meetings in FY2024

Number of meetings	14 (including extraordinary meetings)
Average number of agenda items	3
Average time per meeting	1.5 hours
Key audit items	・Initiatives for improving employee engagement ・Initiatives to establish a common infrastructure for AP business ・Compliance initiatives ・Sustainable management initiatives ・Initiatives to strengthen the business management system for overseas affiliated companies ・Confirmation of internal controls at Group affiliated companies ・Initiatives to strengthen the quality assurance system ・Initiatives to strengthen the safety management system ・Initiatives to strengthen governance

The Audit & Supervisory Board, which consists of four Audit & Supervisory Board members, held 14 meetings in FY2024 to audit the execution of duties by directors from the standpoint of legality and propriety. They also attend major meetings such as Board of Directors' meetings, express opinions as necessary, and visit each location to conduct audits in accordance with the audit policy. Two of the Audit & Supervisory Board members are invited from outside the company. With a high level of expertise, insight and experience in corporate management, they conduct impartial audits from an objective standpoint.

Personal histories of Audit & Supervisory Board members and their attendance at meetings are presented in the Sustainability Data Book.
https://www.ykkapglobal.com/en/sustainability/activities-data/data/governance/#section01-04

Skill matrices

Category	Name	Company management	Global	Specialist field				
				Sales and marketing	Manufacturing and technology	Financial and accounting	Organization and personnel	Legal and compliance
Director	Hidemitsu Hori	●	●	●		●	●	
	Akira Uozu	●	●	●				
	Shinichiro Yamaji			●				
	Kosuke Iwabuchi		●			●	●	●
	Hiroshi Abe				●			
	Koichi Ebihara			●				
	Kazuo Matsutani			●	●		●	
	Shuichi Mizukami				●			
	Hiroaki Otani	●	●	●				
	Satoshi Honda		●			●	●	
	Tomoko Inoue (outside)					●	●	●
Audit & Supervisory Board Member	Fuminao Hachiuma (outside)	●	●	●			●	
	Hisao Miyamura		●			●		
	Wataru Otani				●	●	●	●
	Mina Sekiguchi (outside)		●	●		●	●	

The above does not represent all of the expertise, knowledge, or experience possessed by each individual.