



President's Message

Akira Uozu, President Representative Director

Become a Global Leading Company Through the Evolution of Architectural Products

In April of this year, YKK AP transitioned to a new management structure. Following in the footsteps of the founder and first president Tadahiro Yoshida and the second president Hidemitsu Hori, I am once again humbled by the great responsibility of ensuring the sustainable growth of the business.

From the time I joined the company in 1985 until FY2021, I have dedicated myself to the sales of architectural products. From my experience as a sales representative, I have come to believe that our first priority is to solve issues faced by our business partners and generate profits for them, and that our products are the means to that end. Since FY2012, I have been responsible for the window business and have been promoting vinyl windows nationwide. By continuing to communicate that vinyl windows, which were not yet widely accepted in the market, would benefit our business partners and contribute to homeowners' healthy and comfortable lives, I laid the foundation for the current window business. Thereafter, I took charge of international business as Executive Vice President in FY2022 before I assumed the presidency.

As my personal motto, "moving forward" suggests, I have been pressing ahead with enthusiasm, placing the highest priority on providing value to homeowners and our business partners. As president, I am determined to move the company onward with even more vigor and strength than before.

Developing the "Evolution 2030" vision

In March of this year, upon assuming the position of president, I developed "Evolution 2030," which sets a global leading company, as a vision for "how we seek to be in 2030 and how we ought to be," and defines how to make that vision a reality. For the past 12 years since 2011, former president Hori has pursued monozukuri and achieved sustainable growth under the policy of being "a company committed to products and manufacturing." It is my aim to uphold this policy and become a global leading company through the evolution of Architectural Products.

Specifically, focusing on the three key themes of "contributing to the global environment," "creating new value for our customers," and "prioritizing employee well being and

engagement," we have set out such targets as reducing internal CO₂ emissions by 80% (relative to FY2013), achieving a 100% recycling rate of aluminum from external suppliers (in Japan), and increasing our overseas sales rate from the current 17% to 30% by FY2030.

In order to provide new customer value, we will also proceed with the transformation of our business model. One example is the "Integrated insulated building envelope solutions," which starts with high thermal insulation windows and combines products with insulating structures for the building envelope, such as walls and roofs, with design, installation methods, and consulting services. As a high value-added curtain wall (CW) for commercial buildings, we are also working on development and proposals of "unitized CWs" for mid-rise buildings, which contribute to labor savings and shortened installation periods.

Active investment will be essential to achieve these goals. From FY2023 to FY2030, we expect to make a total of 50 billion yen in domestic and overseas sustainability-related investments, and 100 billion yen in overseas investments. Particularly with respect to overseas investments, we intend to renew aging facilities, introduce automation equipment, etc., and rebuild buildings. The need for mid- to long-term investment planning in foreign countries is something I became keenly aware of while actually visiting the areas concerned.

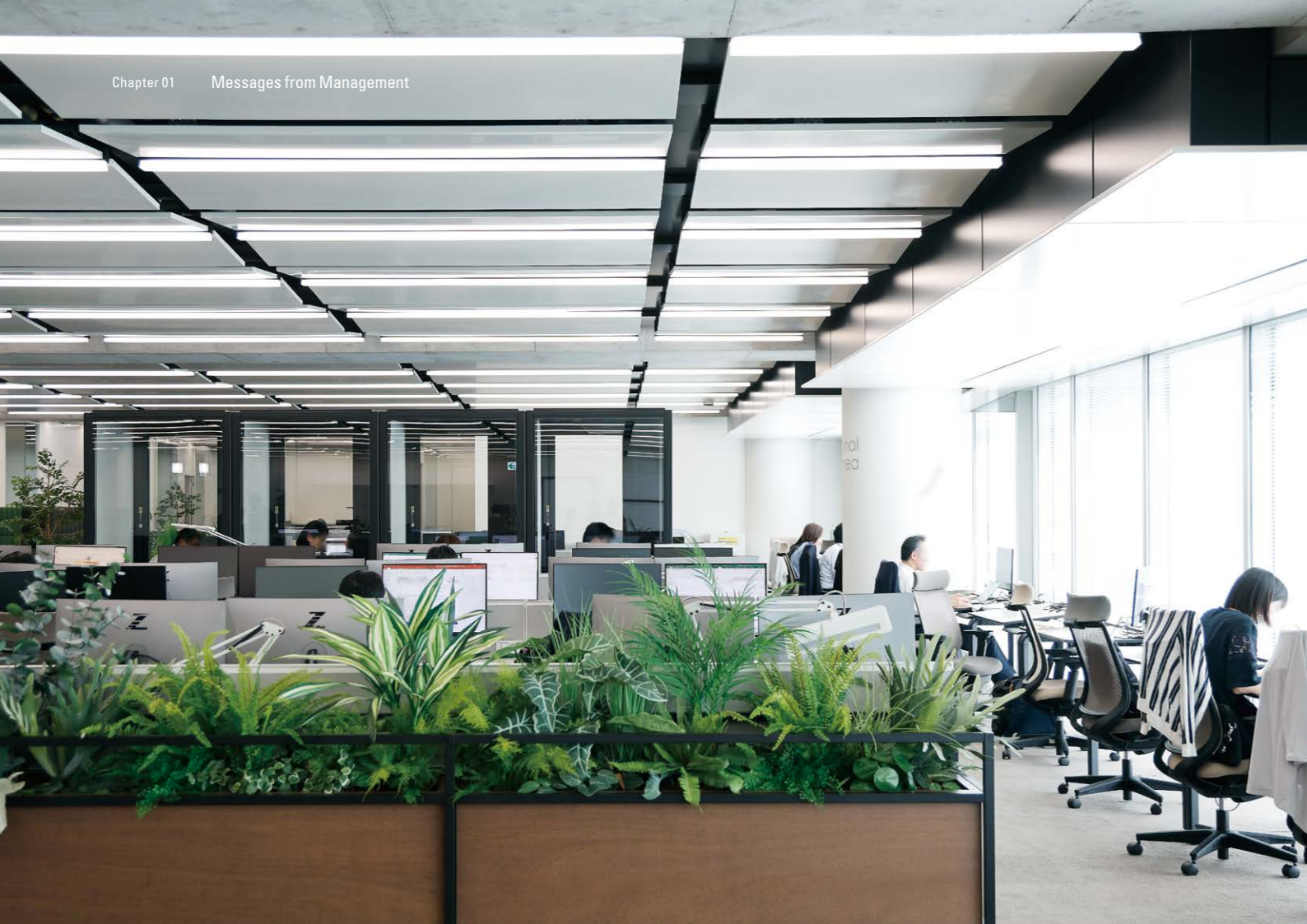
→ Overseas sales ratio P56

→ Unitized CWs P45

→ Investment plan P11

The Three Policies of Evolution 2030





Fostering an organizational culture in which a diverse range of employees can thrive

In terms of "Prioritize employee well being and engagement," in accordance with the YKK philosophy of the "Cycle of Goodness," we aim to become a company that is chosen by a diverse range of individuals by creating a comfortable work environment, investing in our employees, providing opportunities for growth, and running a business cycle that creates jobs. As a basic premise for this approach, we established the "YKK AP Human Rights Policy" in April. Although we have been striving to respect human rights in accordance with the "YKK Group Human Rights Policy," this time, the policy was established independently to reflect our company's business activities. Furthermore, we would like to lay the groundwork for an environment in which a diverse range of personnel can play an active role, and raise the proportion of management positions held by women from the current level of approximately 6% to the same level as the proportion of women among our employees.

By steadily implementing these measures, we aim to

become a leading company with net sales on the order of one trillion yen. We have set this ambitious number in the hope that each employee will energize their ideas and activities by backcasting from there to think "what I can do to make it happen?"

I was also impressed by the fact that when, in the process of developing the vision, I mentioned specific numerical targets in front of the employees, the relevant departments immediately moved to explore the possibility of realizing them. Former president Hori once told me, "A single word from the president can encourage employees," and once again I am made aware of the president's responsibilities and the importance of presenting figures.

Expanding production capacity, enhancing our ability to respond to demand

In FY2022, net sales reached 508.6 billion yen, a record high for the second consecutive year, with significant growth both in Japan and overseas. In response to soaring material prices, which have been a major issue in Japan, we have steadily

→ [Human rights and human resources](#)
P29-32

→ [YKK philosophy – "Cycle of Goodness"](#)
P4

→ [The 6th Mid-term Business Plan](#)
P21

→ [Overseas AP Business](#)
P48-49

→ [Expansion of production capacity for inner windows](#)
P43

→ [DX Promotion](#)
P41

→ [Labor-saving in installation work](#)
P54

implemented price revisions. Operating income was 17.8 billion yen, or 103% of the previous year's level, thanks to strong growth in the overseas AP business, marking the first time in four years that both revenues and profits have increased.

Currently, demand for remodeling and renovation is rapidly increasing due to the "Housing Energy Conservation 2023 Campaign," a subsidy scheme to strengthen support for energy conservation in housing through collaboration between three ministries: the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Economy, Trade and Industry, and the Ministry of the Environment. Delivery delays have occurred due to an unexpected surge in order volumes, and we apologize for the inconvenience caused to our customers and business partners. Currently, we are tackling the urgent issue of expanding our production capacity by adding equipment for glass and remodeling products such as inner windows.

Meanwhile, the manufacturing sites are responding to the sudden demand by changing their work schedules, working overtime, and working on holidays. If this continues, we will not

be able to avoid a decline in employee engagement. In addition to promoting labor savings through automation equipment, we will take every possible measure, including outsourcing assembly operations, to meet demand while creating an environment in which employees can work comfortably and feel fulfilled.

Looking to FY2023 and beyond, further material price hikes are expected due to such factors as increased demand for materials in China. There may also be steep rises in electricity prices and labor shortages in the logistics and construction industries. We will assess the situation and take measures as appropriate. To address the labor shortage in the logistics industry, which has been called the "2024 problem," we have a plan to stock products in locations close to where they are needed and transport them to sites in a state close to that of finished products. Internally, we will focus on training engineers while increasing the number of mid-career hires in order to acquire talented engineers in design and installation management.

YKK AP's strength lies in its people. Pursuing evolution under the philosophy of the "Cycle of Goodness"

I believe that our greatest strength lies in the character of our employees. We are a group of people who can act in accordance with the "Cycle of Goodness" philosophy – that is, the spirit of rendering benefit to others. This is demonstrated by the fact that our Purpose, "We Build a Better Society Through Architectural Products," developed by our employees in 2021, shares a common foundation with the "Cycle of Goodness." As mentioned at the beginning of this section, I have been able to improve our results by solving the issues of our business partners. I am of the firm belief that the "Cycle of Goodness" provides us with a competitive advantage.

Accordingly, human resource development is one of our key

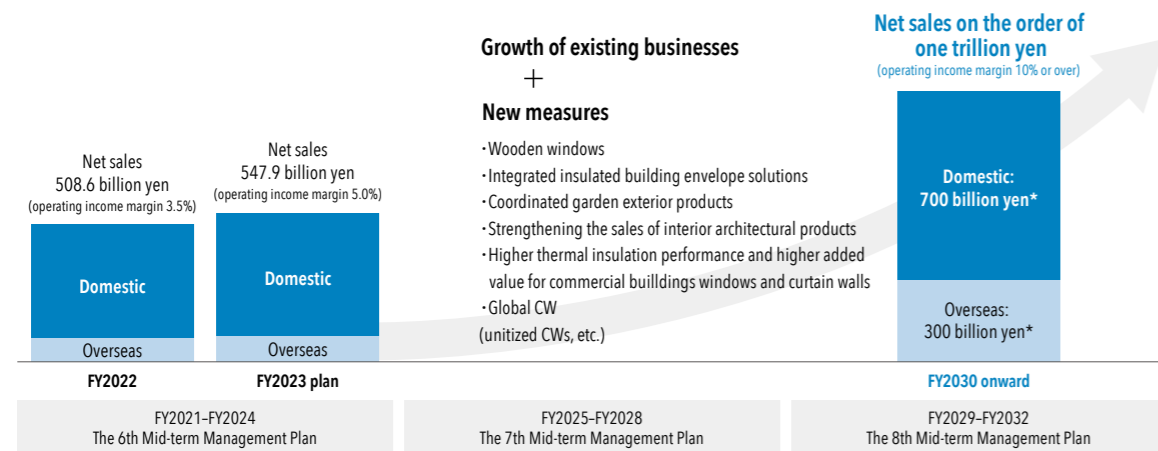
priorities. To enable employees to feel fulfilled and fully demonstrate their abilities, in addition to the aforementioned labor-saving measures at work sites, we are proactively reviewing our salary structure and expanding position and qualification allowances.

Efforts to develop human resources across departments have also begun, led by the Chief Human Resources Officer (CHRO), a position established in 2021. We invite ideas for new businesses from within the company, and employees who come up with innovative and promising ideas are asked to work on the actual launch of the business.

The next stage is "Evolution." Together with our diverse workforce, we will move forward to become a global leading company.

- [YKK philosophy – the "Cycle of Goodness" P4](#)
- [Open call for new business themes and promotion leaders P32](#)
- [Purpose P5](#)
- [Human resources strategy P31](#)

Targets set in "Evolution 2030"



*External sales

- [Evolution 2030 P7](#)
- [Rate of sales from overseas businesses P56](#)

- [Smart factory P41](#)



President Representative Director

Akira 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 Business 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.

Message from the Financial Officer

Building a foundation for growth through mid- to long-term strategic investment

Maximizing capital efficiency to strengthen financial base

For YKK AP to continue to grow, it must respond flexibly to the changing times through appropriate investment and cash flow management. When making decisions about whether or not to invest large amounts of capital, we place importance on the returns that can be obtained over the medium to long term. Therefore, we are focusing on return on assets (ROA) as a financial indicator, with an indicator of 6-7% (3.5% in FY2022). We conduct constant reviews to ensure that we are making investments that will lead to sustainable increases in corporate value.

Profitability as a percentage of net sales is an important factor in improving ROA. As such, we require the managers of each business to consciously improve their operating income margins. We will subdivide each business into smaller segments to increase their respective earning power. We will set KPIs to achieve an operating income margin of 5% for all businesses first, and in the future, an operating income margin of 10% for the entire company.

As strategic investments that anticipate future growth, we are also mindful of the growth rate of each individual field. Over the last decade or so, we have increased our domestic market share by investing aggressively in our window business. Going forward, we will invest capital in areas such as exteriors and interiors, where there is significant room for expansion.

In addition, under our vision "Evolution 2030," we aim to increase the proportion of our sales generated from overseas business from 17% to 30%. To achieve this goal, we envision a scenario in which Japan first takes the lead in encouraging independence, followed by each company growing through their own unique strategies that take regional characteristics into account.

Increasing corporate value through offensive and defensive investments

Our capital investment plan for FY2023 is 50.3 billion yen. In order to make the most of this capital investment, the largest in our history, I believe it is also important to standardize our operations and improve our information infrastructure. By harnessing centralized data, and applying it to the deployment of smart factories and the improvement of services for customers, we will further step up the pace of growth. I believe



Director and Executive Vice President, General & Administration

Kosuke Iwabuchi

that the centralization of information will also expedite DX and enable swift offensive investment. This enhanced business management infrastructure will also allow for the speedy launch of new businesses.

Meanwhile, the standardization of operations and the development of an information infrastructure will also make operations more visible, which will strengthen internal controls and at the same time help maintain the corporate brand.

As a manufacturer, it is essential for us to invest not only in equipment but also in the people who make that equipment function. By investing in equipment and human resources and developing the infrastructure in parallel, we will encourage further growth in corporate value. "We will develop a long-term investment plan by backcasting, also assuming that we will stop investing if we do not see a return, and make decisions based on data while conducting repeated empirical testing." With this approach, we aim to become a company with net sales of one trillion yen, as indicated in "Evolution 2030." We also place great importance on environmental issues, and we expect to make cumulative sustainability-related investments of 50 billion yen over the eight-year period from 2023 to 2030 to achieve our goal of becoming carbon neutral by 2040, among others.

FY2023 Investment Plan (based on orders)

		Unit: 100 million yen	
Nature of investment		FY2022 (Results)	FY2023 (Plan)
Japan	Increase production capacity and support new products	60	101
	Streamlining support	44	64
	Digital-related	31	55
	Sustainability-related	29	38
	YKK AP 3D Building, Architectural Products Technology Center (provisional name), etc.	—	76
	Infrastructure development, etc.	36	41
Total		201	378
Overseas	U.S.A.: Increase production capacity, streamlining support, etc.	120	63
	Indonesia, India, etc.: Increase production capacity, streamlining support, etc.	15	61
Total		337	503

Difference from the previous year +166