

# Governance

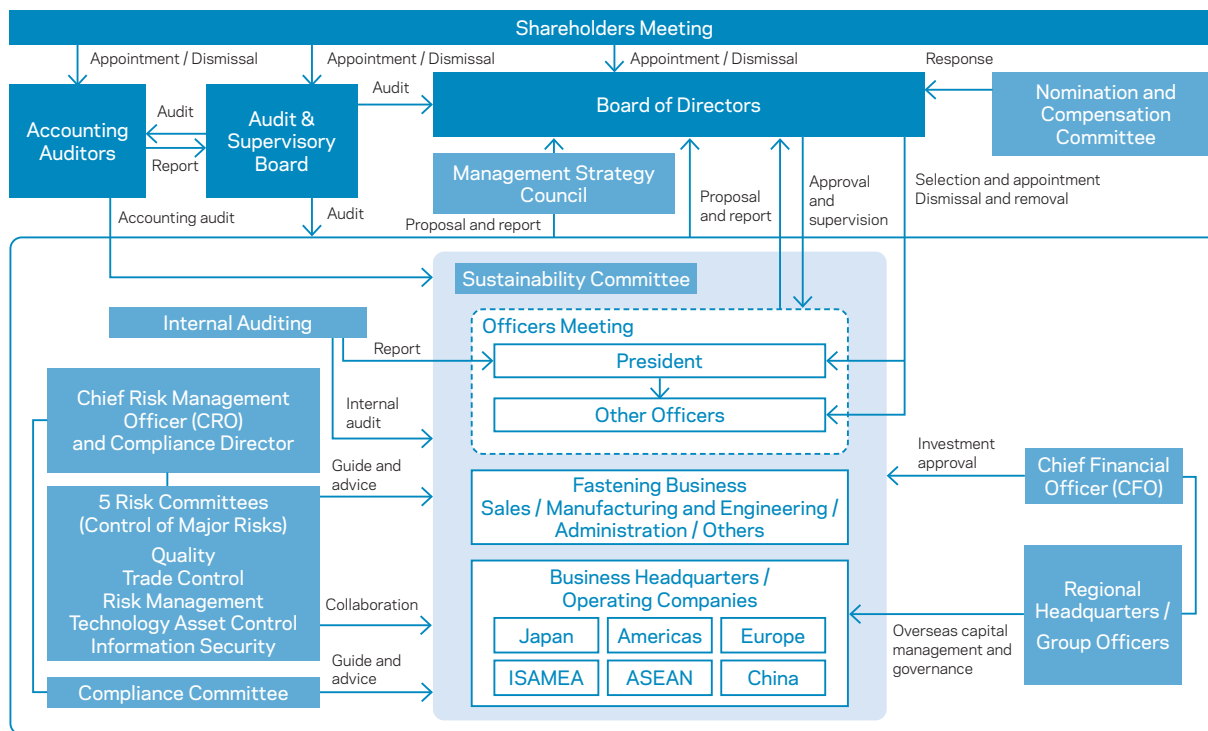
## Corporate Governance

### Fundamental Approach and System

The philosophy of the YKK Group in conducting our corporate activities is based on the philosophy of the Cycle of Goodness®. In other words, “No one prospers without rendering benefit to others.” This principle of consistent fairness is the foundation of all our management activities. In line with these ideas, we are working to enhance our corporate governance system with the aim of further increasing corporate value.

The governance structure of the Fastening Business, which is the mainstay of YKK Corporation, is as follows.

#### Fastening Business Corporate Governance Structure



### Internal Control Systems Related to the Execution of Operations

- The company's directors establish the Board of Directors regulations and other necessary internal rules and otherwise conduct business appropriately in compliance with laws, regulations, and the articles of incorporation.
- The company established its Management Strategy Meeting to make careful decisions after thoroughly discussing, from multiple perspectives, the YKK Group Management Principles, management policies, management strategies, and important matters for resolution by the Board of Directors, etc.
- Important committees are established to appropriately deliberate, manage, and oversee important issues related to management. Based on the basic policy of contribution

to creating a sustainable society, the Sustainability Committee that was established in FY2021, reports to the Management Meeting, under which it was established, on the progress of relevant policies from the perspective of achieving the YKK Sustainability Vision 2050 targets.

- As for the management structure in the Fastening Business, there is a clear separation between role of governance by the regional business headquarters and the role of promoting business through supervision in each business region in light of the characteristics, etc., of products and commercial distribution.

















The status of the internal control structure and operation has been disclosed on page 40 of the 88<sup>th</sup> annual securities report (in Japanese only).

<https://www.ykk.co.jp/japanese/corporate/financial/securities/index.html>

## State of Directors and Audit & Supervisory Board Members (as of June 29, 2023)

The company selects inside directors from the perspective of global business management that is critical to the Group's consolidated management. We have selected two outside directors to obtain advice and oversight related to the company's management, based on a broad range of insight and abundant experience from the perspective of enhancing corporate governance. In addition, we have selected Audit & Supervisory Board members who have the appropriate experiences and abilities and the necessary knowledge regarding finance, accounting, and legal affairs.

(Numbers in brackets are board attendance in FY2022) \*1. Outside director \*2. Outside auditor

 <p><b>Masayuki Sarumaru</b> Chairman  (Board meetings: 13/13)</p> <p>After working for many years in the fastening business, including being stationed in the United States, became a director of the company in June 2008. Served as president of the company from June 2011 to March 2017. Appointed Representative Director and Chairman (Chairman of the Board) in June 2018.</p>	 <p><b>Fumio Ikeda</b> Director Research &amp; Development  (Board meetings: 13/13)</p> <p>After working for many years in the company's Machinery and Engineering Division, including being stationed in the United States and Asia, was appointed executive vice president over the Machinery &amp; Engineering Group in April 2017. In June 2018, became a director of the company.</p>	 <p><b>Satoshi Kawai</b> Audit &amp; Supervisory Board Member*2  (Board meetings: 13/13) (Audit &amp; Supervisory Board meetings: 14/14)</p> <p>In addition to having served as an attorney in legal work for many years, has experience as an outside director for other companies. In June 2004, appointed as an outside Audit &amp; Supervisory Board member.</p>
 <p><b>Hiroaki Otani</b> President  (Board meetings: 13/13)</p> <p>After working for many years in the fastening business, including being stationed in China, became a director of the company in June 2014. Appointed president of the company in April 2017.</p>	 <p><b>Yoshimine Kobayashi</b> Director  (Board meetings: 13/13)</p> <p>After working for many years in the company's Machinery and Engineering Division, including being stationed in the United States and Asia, was appointed executive vice president over the Manufacturing &amp; Engineering Division in April 2023. In June 2023, became a director of the company.</p>	 <p><b>Kiyotaka Nagata</b> Audit &amp; Supervisory Board Member (Full-time)  (Board meetings: 13/13) (Audit &amp; Supervisory Board meetings: 14/14)</p> <p>After working for many years in the company's accounting and finance division, served as head of the Internal Auditing Department. In June 2013, appointed as a full-time corporate auditor.</p>
 <p><b>Koichi Matsushima</b> Director  (Board meetings: 13/13)</p> <p>After working for many years in the fastening business, including being stationed in Europe, China, and Asia, became executive vice president over the Fastening Products Group of the company in April 2017. In June 2018, became a director of the company.</p>	 <p><b>Hidemitsu Hori</b> Director  (Board meetings: 13/13)</p> <p>After working in the United States, served as vice president of YKK AP Inc. from April 2007, then was appointed director of the same company in June 2009, president in June 2011, and Chairman Representative Director in April 2023. In June 2023, became a director of the company.</p>	 <p><b>Naoki Yanagida</b> Audit &amp; Supervisory Board Member*2  (Board meetings: 13/13) (Audit &amp; Supervisory Board meetings: 12/14)</p> <p>In addition to having served as an attorney in legal work for many years, has experience as an outside director for other companies. In June 2016, appointed as an outside Audit &amp; Supervisory Board member.</p>
 <p><b>Satoshi Honda</b> Director Pension Policies CFO  (Board meetings: 13/13)</p> <p>After working for many years in corporate planning, including being stationed in the United States, was appointed executive vice president over business administration in April 2019. Became director of the company assigned to pension policies and was appointed Chief Financial Officer (CFO) in June 2020.</p>	 <p><b>Keinosuke Ono</b> Director*1  (Board meetings: 12/13)</p> <p>Has served as a professor at Keio University and Chubu University, has a deep understanding of management and experience as an outside director for other companies. In June 2007, appointed as an outside director.</p>	 <p><b>Saeko Arai</b> Audit &amp; Supervisory Board Member*2  (Board meetings: 13/13)</p> <p>Possess specialized knowledge as a certified public accountant and has experience as an outside director for other companies. In June 2023, appointed as an outside Audit &amp; Supervisory Board member.</p>
 <p><b>Katsuya Yumoto</b> Director Compliance Director &amp; CRO  (Board meetings: 10/10)</p> <p>After working in the United States, was appointed vice president over the Legal and IP Center in April 2010. In June 2022, became compliance director and CRO (Chief Risk Management Officer).</p>	 <p><b>Erica Okada</b> Director*1  (Board meetings: 10/10)</p> <p>Has conducted research related to consumer behavior for many years at universities and graduate schools in Japan and overseas, giving her a high level of expertise related to marketing. Also has experience as an outside director for other companies. In June 2022, appointed as an outside director.</p>	

### Skill Matrix

Type	Name	Company Management	Global	Specialist Fields				
				Sales/Marketing	Manufacturing/Engineering	Financial/Accounting	Organization/HR	Legal/Compliance
Director	Masayuki Sarumaru	●	●	●			●	
	Hiroaki Otani	●	●	●				
	Koichi Matsushima	●	●	●				
	Satoshi Honda		●			●	●	
	Katsuya Yumoto		●					●
	Fumio Ikeda				●			
	Yoshimine Kobayashi		●			●		
	Hidemitsu Hori	●	●	●		●		
	Keinosuke Ono (Outside)	●	●	●		●		
	Erica Okada (Outside)	●	●	●			●	
Audit & Supervisory Board Member	Satoshi Kawai (Outside)		●					●
	Kiyotaka Nagata					●		
	Naoki Yanagida (Outside)							●
	Saeko Arai (Outside)	●	●			●		

### State of Directors, Audit & Supervisory Board Members, Operating Officers, Specialized Officers, and Group Vice Presidents

Total number	54
Number and ratio of female officers	4 (7.4%)
Number and ratio of foreign national officers	2 (3.7%)

Note: The text on the left does not include all the specialized expertise, knowledge, and experience of the individuals concerned.

## The History of the Strengthening of Corporate Governance

	- 1990s	2000 -	2010 -	2020 -
Management Structure		June 1999: Reform of the management organization executed (Reform of the Board of Directors, and adoption of the Officer System)	2003 - Strengthening of the consolidated management of the YKK Group (Persons from YKK and YKK AP responsible for each organization appointed as directors) 2004 - Appointment of Group officers 2004 - Appointment of the Pension Policies Director	2005 - Appointment of Chief Financial Officer (CFO) and Chief Risk Management Officer (CRO)  2020 - Execution of recapitalization of subsidiaries, etc., between YKK Corporation and YKK AP Inc.; commencement of the capital management of the Architectural Products Business by YKK AP Inc.
Outside Directors		2003 Introduction of outside directors (1 director)	2007 - Increase in the number of outside directors (2 directors)	
Outside Audit & Supervisory Board Members	1994 Outside Audit & Supervisory Board Members (2 members)	2001 - 2006 (1 - 3 members)	2007 - (3 members)	
Other		2001 - Advisory Boards established and meeting held (until 2019, since 2022)	2008 - Voluntary establishment of Nomination and Compensation Committee, which includes two outside directors as members	

## Overview of the Board of Directors and Individual Committees and the Status of Holding Meetings

	Overview	Number of meetings in FY2022
<b>Board of Directors</b>	Composed of ten directors, two of whom are outside directors. In accordance with the Companies Act and the YKK Board of Directors regulations, the Board of Directors provides a wide range of oversight from overseeing basic Group management policies, mid-term management plans and annual business plans to important investments, basic policies on personnel systems, risk management, basic compliance policies and all other matters related to decision-making and the progress of business execution by the Directors and Vice Presidents of YKK and its subsidiary companies.	13 times
<b>Audit &amp; Supervisory Board</b>	Composed of four corporate auditors (three of whom are outside auditors). Evaluates auditing policies and audit plans, the status of establishment and operation of internal control systems, accounting auditors, etc.	14 times
<b>Nomination and Compensation Committee</b>	Established as an advisory committee for the Board of Directors. Deliberates on policy and systems related to the compensation of directors, vice presidents, etc., criteria and amounts of compensation, establishment, revision, and abolition of internal rules for compensation, and matters related to evaluation of performance, etc., and reports the results to the Board of Directors. Composed of five members, two of whom were outside directors, in FY2022. Nominates candidates for director and corporate auditor, appoints vice presidents and specialized officers, revises internal rules, and reviews performance evaluations and other such matters.	10 times
<b>Management Strategy Council</b>	Makes careful decisions after thoroughly discussing, from multiple perspectives, the YKK Group Management Principles, management policies, management strategies, and important matters for resolution by the Board of Directors, etc.	13 times

## Directors and Corporate Auditors' Remuneration

The basic policy for the compensation of the company's directors is to have a compensation structure that takes into consideration consistency with continued improvement of corporate value and stable provision of dividends to shareholders, as well as the company's performance to increase the awareness of improving performance, and to set it at an appropriate level in light of the individual's responsibilities and duties, when determining the compensation for each director. Specifically, the compensation of directors consists of basic compensation and officer bonuses as short-term compensation and retirement bonuses as long-term compensation.

The composition of officer compensation and the amount of compensation have been disclosed from page 44 of the 88<sup>th</sup> annual securities report (in Japanese only).



<https://www.ykk.co.jp/japanese/corporate/financial/securities/index.html>

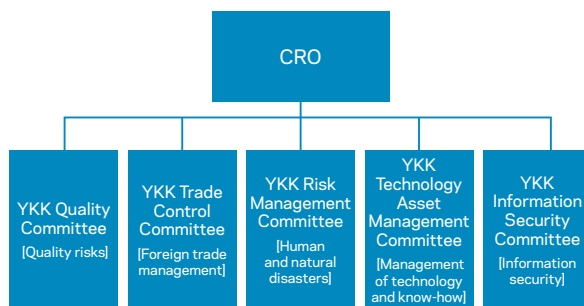
# Risk Management

## Fundamental Approach and System

YKK has established a Group Risk Management Policy and is engaged in risk management. A Chief Risk Management Officer (CRO) has been appointed to promote risk management. Various committees – Quality Committee, Foreign Trade Control Committee, Crisis Management Committee, Technical Asset Management Committee, and Information Security Committee – have been established, with regulations on risk management adopted and enforced. Furthermore, a Chief Financial Officer (CFO) has also been appointed, and a system established for appropriately managing financial and investment risks at YKK. In addition, YKK has established "Risk Response Guidelines" to ensure that it responds appropriately and promptly to any risks that may arise.

**YKK Group Risk Management Policy**  
 By actively controlling risk levels and preventing various corporate risks, we will reduce or avoid the loss of human, material, and other management resources, and in the event of an emergency, we will promote risk management throughout the Group to minimize damage and losses, thereby leading to sustainable growth and increasing corporate value.

### ▶ Risk Management Structure



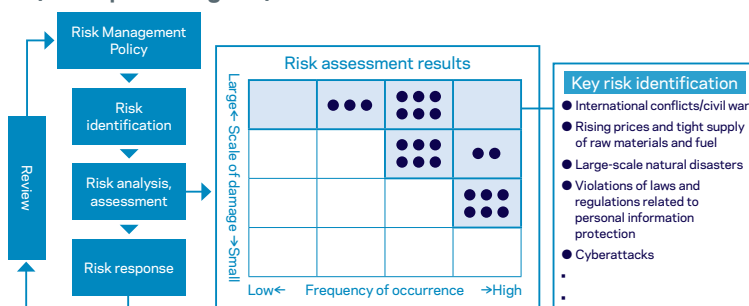
## Risk Assessment Process and the Flow of Identifying Key Risks

In accordance with the Risk Management Policy, risks are identified once each year by each organization, worst-case scenarios and the status of response are confirmed, and the risks are assessed according to the scale of loss and damage (¥100 million or less to ¥5 billion or more) and the frequency of occurrence (5 years or less to 50 years or more). In addition, risks that are anticipated to have an impact of ¥100 million or more per year are deemed to be key risks that should be managed at the corporate management level, and the risks are managed while identifying their trends and making the status of progress of the response visible.

YKK categorizes the key risks identified through the process into four classifications: (1) financial risks, (2) risks in specialized fields, (3) risks addressed by the Committee, and (4) risks in the execution of business, and the CRO, CFO, and each of the responsible persons take the lead in addressing those risks.

Details of risk analysis have been disclosed from page 22 of the 88<sup>th</sup> annual securities report (in Japanese only).

### ▶ Risk Assessment Process and the Flow of Identifying Key Risks (conceptual diagram)



### ▶ Risk Item Classification

<b>Financial risks (Responsibility of each assigned department)</b>	Fluctuating exchange rates, projected benefit obligations, drop in the share prices of held stock, etc.
<b>Risks in specialized fields (Responsibility of each assigned department)</b>	Outbreak of disease, the Anti-monopoly Act/Subcontract Act, transfer pricing taxation, infringing on third-party patents or having YKK patents infringed on, bribery, response to more stringent environmental regulations, workplace injuries, etc.
<b>Risks addressed by the committee (Responsibility of each Risk Committee)</b>	International conflicts/civil war, large-scale natural disasters, violations of laws and regulations related to personal information protection, cyberattacks, terrorism/demonstrations, product defects/recalls, fires/explosions, technology leaks, etc.
<b>Risks in the execution of business (Responsibility of the person responsible at each division)</b>	Rising prices and tight supply of raw materials and fuel, declining demand/sluggish economy/intensifying competition, failed capital investments, delayed response to technological advancements, failed marketing/delayed entry into markets, delayed development of human assets, rumors, etc.


# Compliance

## Fundamental Approach and System

YKK considers compliance as “responding to societal demands.” Which means, in addition to abiding by laws, regulations, and internal rules, the company must conform to social standards when conducting business activities. The company has appointed a Compliance Director and established a Corporate Legal and Compliance Group under the Officer in charge of compliance. They work with external advisors to maintain a compliance system for YKK. In addition, a Compliance Committee was established to undertake appropriate compliance promotion measures from the perspective of business management and to deliberate on the operational status of compliance and responses to issues, and the latest regulatory developments.

## YKK Group Code of Conduct

The YKK Group Code of Conduct that was revised in June 2021 is composed of seven principles and 29 detailed rules. They use as reference and conform to the Ten Principles of the UN Global Compact and the eight fundamental conventions of the International Labour Organization (ILO). They are also linked to the SDGs. We will work to ensure that every one of our employees implements the YKK Group Code of Conduct to “build trust, transparency and respect” with all our stakeholders, as stipulated in our Core Values.

 [YKK Group Code of Conduct \(entire text\)  
https://www.ykk.com/english/philosophy/index.html](https://www.ykk.com/english/philosophy/index.html)

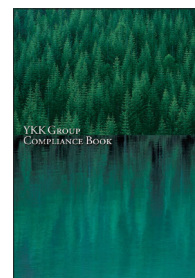
### Seven Principles of the YKK Group Code of Conduct

- Compliance
- Fair operating practices
- Respect for human rights
- Harmony with the environment
- Health and safety
- Product quality and safety
- Contribution to communities

## Revision and Distribution of the Compliance Book

In light of revision of the “YKK Group Code of Conduct,” we updated the “YKK Group Compliance Book” and have been distributing it to all relevant officers and employees.\* In addition to providing easy-to-understand explanations of the contents and behavior that should be followed in each stipulation of the Code of Conduct, we have included a column for past compliance-related cases, and sections on the main relevant internal rules and laws and regulations, and information on the whistleblowing system, etc.

\*The pictured book is an example from the East Asia Region (Japan, YKK Korea Co., Ltd., and YKK Taiwan Co., Ltd.). Creation and distribution of the Compliance Book based on the laws and regulations of each country and area in other regions.



## YKK Global Criteria of Compliance (YGCC)

YKK established the YKK Global Criteria of Compliance (YGCC) to ensure that YKK deploys and carries out proper and effective compliance programs to conduct transparent business activities. Based on the YGCC, each YKK Group company in the world conducts internal and external audits of management systems, human rights, labor practices, the environment, health and safety, and fair business practices, working to strengthen and continuously improve YKK’s compliance system. The standards are regularly revised based on the societal demands. In FY2023, we updated the YGCC to version 4.0 and audits are being conducted according to the new standards, which are in line with current trends.

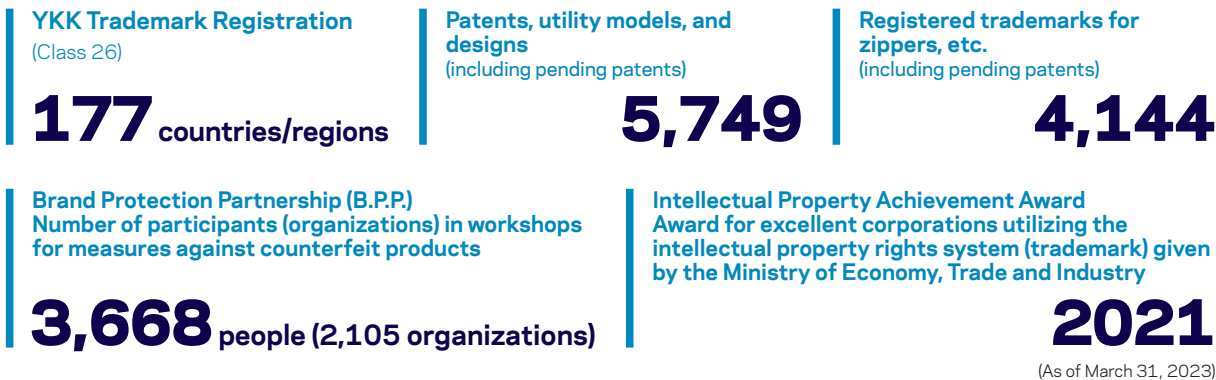


# Intellectual Property Management

## Fundamental Approach and System

YKK conducts intellectual property activities on a global basis as part of its business activities. Intellectual Property Department sites are located at the Kurobe Manufacturing Center, as well as in China, Singapore, England, and the United States. A system that can deal appropriately with requests and consultations from business and development departments in any country or region of the world has been established. Under this system, in the event, for example, that an invention is created at a development site somewhere in the world, it is promptly reported to the Patent Review Committee in Japan and the optimal rights are secured in accordance with YKK business strategy. In addition, when enforcing rights against a patent infringer or company making similar products, etc., the Intellectual Property Department in each country/region collaborates with the business division to devise measures concurrently for the country where the violating items were manufactured and the country in which they were distributed. This is to ensure that customers purchase authentic products, etc. Moreover, with the Trademark Committee in Japan taking the lead, we manage and operate trademarks including NATULON® and AcroPlating®, according to standardized Group rules so as to increase value from the perspective of the intellectual property under the YKK brand. In addition, to effectively promote measures against counterfeit products, we have established a Brand Counterfeit Product Countermeasures Committee in the company. We also partner with customers and many other companies and organizations outside the company to operate a Brand Protection Partnership (B.P.P.), an association for the exchange of opinions on measures against counterfeit products.

## Status of Trademarks/Patents



### Strategic Intellectual Property Protection Initiatives

YKK generally files patents for its inventions to maximize the protection of original products and equipment, which are key to the unique ideas and technology capabilities of the company, through intellectual property rights. One intellectual property strategy is to file bundled patents to acquire multiple patent licenses for a single product. For example, the AiryString® zipper has received a primary patent for an element sewing method as well as multiple secondary patents. These types of patents protect original products born from YKK technology capabilities while preventing counterfeit products and ensuring the high-quality products that our customers can use with confidence.

