

## Message from the President



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**Hiroaki Otani**

President,  
YKK Corporation

## Under the YKK Philosophy of the Cycle of Goodness®

### The Cycle of Goodness places sustainability at the core of management to satisfy needs of our customers and local communities.

Aiming to be a “social good company” that serves not only the natural environment but also the social good and co-exists in mutual prosperity with all — the Purpose of our company is to practice the Cycle of Goodness to satisfy the needs of our customers and communities and help build a sustainable society.

#### In a constantly changing business environment

Over the two years since the 6<sup>th</sup> Mid-term Management Plan was launched in FY2021, the business environment surrounding YKK has changed dramatically. The world is experiencing change beyond anyone’s expectations, illustrated by the COVID-19 pandemic. At the same time, the SDGs, which have spotlighted environmental and social issues on a global scale, have become a word that we all hear on a daily basis. I also sense interest in eliminating any wastefulness is higher than it has ever been before.

For YKK to remain a company supported by its customers that continually fosters sustainable growth in this business environment, we must become a company that can satisfy the needs of our customers better than ever before. To do this, I believe it is important for YKK to not only satisfy customer demands but always identify and propose new needs. We shall also strive to continually cultivate new customers.

The YKK Philosophy of the Cycle of Goodness, based on the idea that “no one prospers without rendering benefit to others,” is in and of itself sustainability founded in a philosophy of co-existence and co-prosperity with our customers and stakeholders. To continue to provide the “social good” required by society after the COVID-19 pandemic, we will realize better products at a lower cost and greater speed, more sustainably, which I hope will foster sustainable growth both for YKK and society.

#### 6<sup>th</sup> Mid-term Management Plan and FY2022 Results

Under the management vision “Technology Oriented Value Creation,” which was inherited from the previous mid-term management plan, the 6<sup>th</sup> Mid-term Management Plan aims to realize “Creativity to Realize a Sustainable Society” by harnessing “product appeal and proposal capabilities” and “technological and manufacturing capabilities.” In addition to these four strengths, the company is committed to utilizing “diverse human assets” that transcend differences in age, gender, nationality and other factors.

During the second year of the Mid-term Management Plan in FY2022, the Fastening Business faced the Ukrainian crisis and other uncertainties in markets as well as more rapid global inflation. The future of the economy only became more uncertain in the second half of the year, while the retail garment market especially in Europe and the U.S. saw dwindling demand and increasing retail inventory. Despite the declining sales volume caused by this business environment, we were able to increase revenue and profits. Net sales were 380.5 billion yen thanks to proper price revisions in line with inflation and the foreign exchange impact due to depreciation of the Japanese yen, while operating income was 43.7 billion yen thanks to continual cost reductions.

During the COVID-19 pandemic, YKK improved logistics, reduced costs and undertook many other efforts to solve problems on various fronts to be ready and

waiting after demand recovers. I know we will continue to fully exhibit these strengths in the future and hope that YKK can satisfy the needs of our customers and society in all respects while placing sustainability at the core of management.

### Targets to be Achieved in the Next Two Years

The 6<sup>th</sup> Mid-term Business Policy advocates “sustainable growth under new normal – responding to diverse customer needs and acquiring customers.” Looking ahead to the new normal after the COVID-19 pandemic, we can anticipate customers will require the “right time, right material, and right amount” more than before. To satisfy these needs, YKK will continue to work exhaustively on three initiatives which have been raised as important points of business execution under the new normal: Promote sustainability, strengthen cost competitiveness, and promote digitalization.

As the second step to the organizational restructuring that has been underway since FY2021, we will establish a Business Strategy Division to handle essential marketing functions. We have also restructured the Global Sales Headquarters into an organization dedicated to strategies by sales function and moved the headquarters’ functions to Vietnam, which is the at the forefront of overseas garment manufacturing. All these initiatives have one unified goal to serve our customers. This organizational restructuring will reflect the needs of customers worldwide in sales strategies and leverage the strengths of our in-house integrated production system for product manufacturing equipment, which in turn should help further increase customer satisfaction.

One important part of this endeavor is speed. This is an important point from the perspective that sustainability is to eliminate wastefulness. Speed is also an important element to enhance competitiveness. I see this fiscal year as one that will test whether YKK can become a company that can immediately adapt to the requirements of customers and measure how much the company can increase non-price competitiveness. This is where we will focus our efforts.

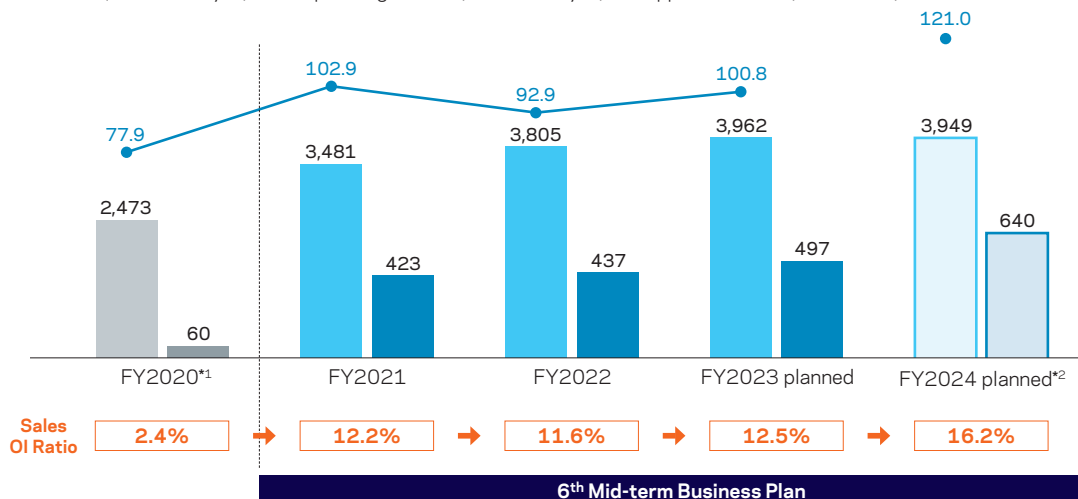
Additionally, we have added “delivering turnaround times demanded by customers” and “thorough health and safety management” as two new initiatives to the mid-term direction. At the very least, we will do everything we can to improve satisfaction from a customer-oriented perspective while ensuring safety for every employee and person working together with YKK. In FY2023, the Fastening Business will strive to reach its net sales target of 396.2 billion yen and operating income target of 49.7 billion yen.

### Reforms for Promoting Sustainability

YKK announced its support of the Task Force on Climate-Related Financial Disclosures (TCFD) in 2019. Our support of the TCFD will strengthen the disclosure of information about the progress toward the YKK Sustainability Vision 2050, which was established in 2020 as a roadmap for YKK to become climate neutral (no GHG emissions) by 2050. In the FY2022 Supplier Engagement Rating by CDP, an international environmental non-profit organization, praised us for our initiatives to reduce GHG emissions throughout our entire supply chain, selecting YKK as a company for its Supplier Engagement Rating Leaderboard.

#### Fastening Business 6<sup>th</sup> Mid-term Business Plan (FY2021-24) Progress

■ Net sales (100 million yen) ■ Operating income (100 million yen) — Zipper units sold (100 million)



\*1 After adjustment for reorganization

\*2 Annual plan established in FY2021

## 🕒 Key Points of Business Execution Under the New Normal

Promoting sustainability	• Promote carbon neutrality and eco-friendly product development
Strengthening cost competitiveness	• Strengthen exhaustive cost competitiveness of core products
Promoting digitalization	• Solve customers' problems and reform employees' ways of working

In the development of products, I am highly aware of the need for YKK to satisfy diverse customer needs, including those related to sustainability. As part of our recent digital transformation (DX) initiatives, we have reinforced human assets versed in robotics and AI technologies. Our plan aims to actualize smart factories that run around the clock every day of the year to solidify a new business model that can adapt with explosiveness, even when responding to sudden orders from customers.

YKK is also seeking out diverse human assets in addition to those versed in digital technologies based on our "Forest Management" ideal to respect each and every employee. For example, employees active at the Global Sales Headquarters in Vietnam have diverse local and national backgrounds not only in Vietnam but throughout Asia and the rest of the world. In the future, we will continue to further our human resource systems so that every human asset familiar with local languages, business practices, and market conditions can reach their full potential. In 2021, we established the Diverse Human Assets Promotion Committee, which I chair, to promote various measures to further diversify our human resources, so that all employees can utilize their own abilities and work hard together in a friendly competition for the right positions. Moreover, YKK has consistently hosted roundtable meetings that emphasize talks between employees and management since 2008.

We have also made progress diversifying our corporate governance. As the first woman to serve as an outside director, Erica Okada was appointed in June last year and has helped build systems that help women to more actively participate as well as enhance sustainability. YKK is also increasing the number of vice presidents from operating companies overseas this fiscal year to further strengthen a global mindset within the organization.

The important part of these reforms is to not only illustrate performance numerically but also gauge how happy customers are through YKK products and services. I hope to always keep these various perspectives in mind as YKK continues to evolve as a corporate enterprise.

## As a Company Indispensable to Society

Amid all the ongoing changes both inside and outside of the company that I have mentioned thus far, YKK is once again returning to its origins and announced a new corporate logo in March 2023. The tagline "Little Parts. Big Difference." that accompanies the logo signifies the common wish of YKK employees across the world: "Little parts, but big value."

Whenever we develop our business in any country/region, we will co-exist with local communities and society at large as well as provide new value in the hope everyone is glad YKK has become part of those communities. The principles YKK has held since its founding live on in our business activities today. We will continue to put the Cycle of Goodness into practice with the hope of always being a company indispensable to society.

