

Fiscal 2007 Results

(For the Period from January 1, 2007, to December 31, 2007)

Yamazaki Baking Co., Ltd.

(February 14, 2008)

Consolidated Results

1. Overview

(Millions of yen)

	Fiscal 2006		Fiscal 2007		Increase/ (decrease)	Percentage change
		%		%		
Net sales	749,169	100.0	773,245	100.0	24,076	3.2
Operating income	17,079	2.3	20,637	2.7	3,558	20.8
Ordinary income	17,254	2.3	18,688	2.4	1,434	8.3
Net income	4,541	0.6	6,479	0.8	1,938	42.7

	First quarter	Second quarter	Third quarter	Fourth quarter	Fiscal 2007
Net sales	185,566	196,916	191,122	199,640	773,245
Operating income	4,733	5,902	4,131	5,870	20,637

(Note) Fujiya Co., Ltd. was changed to an equity method affiliate from the second half of fiscal 2007.

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)
Number of consolidated subsidiaries	16	16	0
Number of equity-method subsidiaries	0	1	1

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2006		Fiscal 2007		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Food business	691,706	92.3	716,452	92.7	24,745	3.6
Bread	87,173	11.6	86,970	11.3	(202)	(0.2)
Sweet buns	282,226	37.7	293,177	37.9	10,951	3.9
Japanese-style confectionery	64,099	8.6	63,748	8.2	(350)	(0.5)
Western-style confectionery	76,612	10.2	79,297	10.3	2,684	3.5
Processed bread and prepared	97,201	13.0	96,214	12.4	(986)	(1.0)
Biscuits, crackers, <i>sembei</i> and other merchandise	84,393	11.2	97,043	12.6	12,649	15.0
Retail business	56,326	7.5	55,350	7.1	(976)	(1.7)
Other businesses	1,136	0.2	1,442	0.2	306	27.0
Total	749,169	100.0	773,245	100.0	24,076	3.2

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)	Percentage change
Food business	15,584	19,012	3,427	22.0
Retail business	747	946	199	26.6
Other businesses	438	470	32	7.4
Subtotal	16,769	20,429	3,659	21.8
Elimination and corporate	309	208	(101)	
Total	17,079	20,637	3,558	20.8

Consolidated Results

4. Income and Expenses

(Millions of yen)

	Fiscal 2006		Fiscal 2007		Increase/ (decrease)	Percentage change	Reasons
		%		%			
Gross profit	266,492	35.6	277,488	35.9	10,995	4.1	
Selling, general and administrative expenses	249,413	33.3	256,851	33.2	7,437	3.0	
Advertising expenses	25,285		27,723		2,437		Increase in sales promotion expense
Shipping and transport expenses	40,334		42,673		2,338		Increase in consigned transport expense
Provision for allowance for doubtful accounts	248		168		(79)		
Personnel expenses	108,648		108,972		324		
Depreciation and amortization	8,376		8,289		(86)		
Rental fees	24,336		24,211		(125)		
Others	42,183		44,812		2,628		Increase in commission fees: ¥1.1 billion
Operating income	17,079	2.3	20,637	2.7	3,558	20.8	
Nonoperating income	2,526	0.3	2,583	0.3	56	2.2	
Interest and dividend income	725		875		150		
Other nonoperating income	1,781		1,707		(74)		
Foreign exchange gains	19		–		(19)		Loans to affiliated companies
Nonoperating expenses	2,351	0.3	4,531	0.6	2,179	92.7	
Interest expense	1,370		1,989		618		
Equity in loss	–		1,402		1,402		
Bond issue expenses	189		–		(189)		
Other nonoperating expenses	791		938		146		
Foreign exchange losses	–		201		201		Loans to affiliated companies
Ordinary income	17,254	2.3	18,688	2.4	1,434	8.3	
Extraordinary gains	657	0.1	25	0.0	(631)	(96.1)	
Gain on sales of fixed assets	24		5		(18)		
Compensation for expropriation of fixed assets	3		19		16		
Gain on sales of investment securities	329		–		(329)		
Reversal of allowance for doubtful accounts	300		–		(300)		
Extraordinary losses	6,873	0.9	4,730	0.6	(2,142)	(31.2)	
Loss on sales and disposal of fixed assets	2,250		2,207		(42)		
Impairment loss	3,557		168		(3,388)		
Expenses related to early retirement program	54		6		(48)		
Provision for allowance for losses from acceptances and guarantees	394		1,697		1,303		Affiliated companies
Loss on store closures	493		386		(106)		
Other extraordinary losses	122		263		141		
Income before income taxes	11,038	1.5	13,984	1.8	2,945	26.7	
Income and other taxes	6,395	0.9	7,425	1.0	1,030	16.1	
Minority interests	101	0.0	78	0.0	(22)	(22.6)	
Net income	4,541	0.6	6,479	0.8	1,938	42.7	

Consolidated Results

5. Consolidated Balance Sheets (Including Reasons for Major Changes)

(Millions of yen)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)	Reasons
Current assets	149,696	144,549	(5,147)	
Cash and deposits	49,973	41,035	(8,937)	Decrease resulting from repayments of bank loans
Notes and accounts receivable	71,647	75,185	3,538	Increase resulting from a rise in sales to supermarkets
Marketable securities	1,382	-	(1,382)	Decrease resulting from transfer to investment securities
Inventories	12,783	13,537	753	
Deferred tax assets	2,042	2,101	58	
Other current assets	13,096	13,995	899	
Allowance for doubtful accounts	(1,229)	(1,306)	(76)	
Fixed assets	387,069	400,299	13,230	
Tangible fixed assets	253,109	253,803	693	Capital investment: ¥29.5 billion/ Depreciation and amortization: ¥26.3 billion
Buildings and structures	83,549	83,935	386	
Machinery, equipment and vehicles	70,898	72,177	1,278	
Tools, furniture and fixtures	4,755	4,550	(204)	
Land	92,569	92,565	(3)	
Construction in progress	1,337	574	(762)	
Intangible fixed assets	25,118	24,797	(320)	
Investments and other assets	108,840	121,698	12,857	
Investment securities	43,655	55,840	12,184	Stock acquisition of Fujiya Co., Ltd.: ¥16.4 billion
Long-term loans receivable	1,560	1,552	(8)	
Deferred tax assets	25,221	25,559	338	
Other investments and other assets	41,425	41,616	190	
Allowance for doubtful accounts	(3,022)	(2,869)	152	
Total assets	536,766	544,849	8,083	
Current liabilities	178,466	182,081	3,615	
Notes and accounts payable	62,558	65,066	2,508	Increase in Accounts payable-trade: ¥2.9 billion
Short-term loans payable	56,234	53,620	(2,614)	Decrease resulting from refund of bond
Accrued income tax	2,879	3,805	925	
Accrued expenses	29,187	31,270	2,083	
Allowance for employees' bonuses	2,868	2,854	(13)	
Other current liabilities	24,737	25,463	726	
Long-term liabilities	146,068	149,061	2,993	
Bonds	8,000	7,120	(880)	
Long-term loans payable	46,484	53,041	6,557	Increase resulting from new loans
Allowance for employees' retirement benefits	78,874	74,805	(4,068)	Decrease in retirement benefit expenses
Reserve for loss on guarantees	7,256	8,953	1,697	Affiliated companies
Other long-term liabilities	5,453	5,141	(312)	
Total liabilities	324,534	331,143	6,609	
Total net assets	212,231	213,705	1,474	Minority interests: ¥3.3 billion
Total liabilities and net assets	536,766	544,849	8,083	

Consolidated Results

6. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)
Capital investment	28,747	29,524	776
Depreciation and amortization	25,267	26,295	1,027

7. Interest-Bearing Debt

(Millions of yen)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)	Reasons
Interest-bearing debt	115,901	120,064	4,162	Increase resulting from new loans

8. Cash Flows

(Millions of yen)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)	Reasons
Net cash provided by operating activities	30,273	38,848	8,574	Increase in income before income taxes
Net cash used in investing activities	(45,993)	(46,378)	(384)	
Net cash provided by financing activities	12,406	1,184	(11,221)	Decrease resulting from net cash used in issuance of bonds in previous fiscal year
Cash and cash equivalents at beginning of period	50,208	46,951	(3,256)	
Cash and cash equivalents at end of period	46,951	40,591	(6,360)	

9. Number of Employees by Segment

(Number of employees)

	Fiscal 2006		Fiscal 2007		Increase/(decrease)	
Food business	20,270	[16,955]	20,227	[16,951]	(43)	[(4)]
Retail business	750	[295]	751	[265]	1	[(30)]
Other businesses	56	[27]	50	[32]	(6)	[5]
Total	21,076	[17,277]	21,028	[17,248]	(48)	[(29)]

(Note) Figures given are for the total number of employees as of the end of each period. Figures in brackets, [], are the average number of temporary employees for each period, which are in addition to the number of permanent employees shown in the left-hand column.

10. Number of Daily Yamazaki and Vie de France Stores

(1) Daily Yamazaki Co., Ltd.

(Number of stores)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)
Total Daily Yamazaki	1,706	1,622	(84)
[Yamazaki Daily store]	[269]	[213]	[(56)]
[Directly operated]	[263]	[250]	[(13)]

(Notes) 1. All "Directly operated" are Daily Yamazaki stores.

2. Figures in brackets, [], represent partial breakdown of total.

(2) Vie de France Co., Ltd.

(Number of stores)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)
Vie de France	189	193	4
[Directly operated]	[156]	[159]	[3]

(Note) Figures in brackets, [], represent partial breakdown of total.

Projections for Fiscal 2008

Consolidated Results

1. Overview

(Millions of yen)

	Fiscal 2007		Fiscal 2008 projection		Increase/(decrease)	Percentage change
		%		%		
Net sales	773,245	100.0	792,000	100.0	18,754	2.4
Gross profit	277,488	35.9	285,710	36.1	8,221	3.0
Selling, general and administrative expenses	256,851	33.2	262,710	33.2	5,858	2.3
Operating income	20,637	2.7	23,000	2.9	2,362	11.4
Ordinary income	18,688	2.4	20,300	2.6	1,611	8.6
Extraordinary loss	(4,704)	(0.6)	(6,790)	(0.9)	(2,085)	-
Net income	6,479	0.8	6,500	0.8	20	0.3

	Fiscal 2008 first half projection			Fiscal 2008 second half projection		
		Increase/(decrease)	Percentage change		Increase/(decrease)	Percentage change
Net sales	391,000	8,516	2.2	401,000	10,237	2.6
Operating income	11,700	1,064	10.0	11,300	1,298	13.0
Ordinary income	10,600	(239)	(2.2)	9,700	1,850	23.6
Net income	2,400	(2,773)	(53.6)	4,100	2,793	213.8

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2007	Fiscal 2008 projection	Increase/(decrease)	Percentage change
Food business	716,452	735,620	19,167	2.7
Bread	86,970	88,710	1,739	2.0
Sweet buns	293,177	305,800	12,622	4.3
Japanese-style confectionery	63,748	64,090	341	0.5
Western-style confectionery	79,297	81,520	2,222	2.8
Processed bread and prepared rice and side dishes	96,214	97,190	975	1.0
Biscuits, crackers, <i>sembei</i> and other merchandise	97,043	98,310	1,266	1.3
Retail business	55,350	54,990	(360)	(0.7)
Other businesses	1,442	1,390	(52)	(3.7)
Total	773,245	792,000	18,754	2.4

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2007	Fiscal 2008 projection	Increase/(decrease)	Percentage change
Food business	19,012	21,400	2,387	12.6
Retail business	946	950	3	0.4
Other businesses	470	420	(50)	(10.6)
Subtotal	20,429	22,770	2,340	11.5
Elimination and corporate	208	230		
Total	20,637	23,000	2,362	11.4

Projections for Fiscal 2008**Consolidated Results**

4. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2007	Fiscal 2008 projection	Increase/ (decrease)
Capital investment	29,524	29,550	25
Depreciation and amortization	26,295	31,040	4,744

Nonconsolidated Results

1. Overview

(Millions of yen)

	Fiscal 2006		Fiscal 2007		Increase/ (decrease)	Percentage change
		%		%		
Net sales	572,067	100.0	585,595	100.0	13,527	2.4
Operating income	12,182	2.1	14,883	2.5	2,700	22.2
Ordinary income	14,061	2.5	16,012	2.7	1,951	13.9
Net income	6,434	1.1	6,528	1.1	94	1.5

	First quarter	Second quarter	Third quarter	Fourth quarter	Fiscal 2007
Net sales	141,599	148,869	143,059	152,066	585,595
Operating income	3,868	4,393	2,241	4,379	14,883

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2006		Fiscal 2007		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	87,442	15.3	87,223	14.9	(219)	(0.3)
Sweet buns	258,178	45.1	268,943	45.9	10,765	4.2
Japanese-style confectionery	63,387	11.1	63,071	10.8	(316)	(0.5)
Western-style confectionery	71,580	12.5	74,064	12.6	2,484	3.5
Processed bread and prepared rice and side dishes	43,223	7.6	44,450	7.6	1,226	2.8
Biscuits, crackers, <i>sembei</i> and other merchandise	48,254	8.4	47,841	8.2	(412)	(0.9)
Total	572,067	100.0	585,595	100.0	13,527	2.4

Nonconsolidated Results

3. Income and Expenses

(Millions of yen)

	Fiscal 2006		Fiscal 2007		Increase/ (decrease)	Percentage change	Reasons
		%		%			
Gross profit	177,207	31.0	181,827	31.0	4,619	2.6	
Selling, general and administrative expenses	165,024	28.9	166,944	28.5	1,919	1.2	
Advertising expenses	16,015		15,740		(274)		
Shipping and transport expenses	30,801		31,668		867		
Provision for allowance for doubtful accounts	37		1		(35)		
Personnel expenses	77,566		77,554		(12)		
Depreciation and amortization	6,367		6,279		(87)		
Rental fees	6,946		6,836		(110)		
Others	27,289		28,862		1,573		Increase in commission fees: ¥0.9 billion
Operating income	12,182	2.1	14,883	2.5	2,700	22.2	
Nonoperating income	3,149	0.6	3,144	0.5	(5)	(0.2)	
Interest and dividend income	1,018		1,120		101		
Other nonoperating income	2,111		2,023		(87)		
Foreign exchange gains	19		–		(19)		Loans to affiliated companies
Nonoperating expenses	1,270	0.2	2,014	0.3	743	58.5	
Interest expense	752		1,146		393		
Other nonoperating expenses	518		667		149		
Foreign exchange losses	–		201		201		Loans to affiliated companies
Ordinary income	14,061	2.5	16,012	2.7	1,951	13.9	
Extraordinary gains	349	0.0	1	0.0	(347)	(99.6)	
Gain on sales of fixed assets	20		1		(18)		
Gain on sales of investment securities	329		–		(329)		
Extraordinary losses	2,844	0.5	3,381	0.6	537	18.9	
Loss on sales and disposal of fixed assets	1,642		1,552		(90)		
Impairment loss	475		–		(475)		
Provision for allowance for losses from acceptances and guarantees	394		1,697		1,303		Affiliated companies
Provision for allowance for doubtful accounts	325		25		(300)		
Other extraordinary losses	7		107		99		
Income before income taxes	11,565	2.0	12,632	2.1	1,066	9.2	
Income and other taxes	5,131	0.9	6,103	1.0	971	18.9	
Net income	6,434	1.1	6,528	1.1	94	1.5	

Nonconsolidated Results

4. Nonconsolidated Balance Sheets (Including Reasons for Major Changes)

(Millions of yen)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)	Reasons
Current assets	101,645	95,006	(6,638)	
Cash and deposits	27,037	18,459	(8,577)	Decrease resulting from repayments of bank loans
Notes and accounts receivable	59,791	62,408	2,616	Increase resulting from a rise in sales to supermarkets
Marketable securities	1,335	–	(1,335)	Decrease resulting from transfer to investment securities
Inventories	7,261	7,805	543	
Deferred tax assets	1,509	1,608	99	
Other current assets	5,518	5,516	(2)	
Allowance for doubtful accounts	(808)	(791)	16	
Fixed assets	322,401	337,376	14,975	
Tangible fixed assets	199,559	200,647	1,087	Capital investment: ¥22.8 billion/ Depreciation and amortization: ¥20.5 billion
Buildings and structures	60,201	60,033	(167)	
Machinery, equipment and vehicles	58,174	59,934	1,760	
Tools, furniture and fixtures	3,800	3,624	(176)	
Land	76,310	76,877	566	
Construction in progress	1,072	177	(895)	
Intangible fixed assets	3,195	3,395	200	
Investments and other assets	119,646	133,333	13,687	
Investment securities	37,123	34,357	(2,765)	Decrease in difference between market value and appraised value of other investment securities: ¥3.8 billion
Shares in subsidiaries	42,625	59,161	16,536	Stock acquisition of Fujiya Co., Ltd.: ¥16.4 billion
Long-term loans receivable	4,952	4,800	(151)	
Deferred tax assets	23,586	23,830	243	
Other investments and other assets	14,172	13,848	(323)	
Allowance for doubtful accounts	(2,814)	(2,665)	148	
Total assets	424,046	432,383	8,336	
Current liabilities	112,863	115,898	3,035	
Notes and accounts payable	43,360	44,886	1,526	Increase in Accounts payable-trade: ¥1.5 billion
Short-term loans payable	28,986	28,644	(342)	
Accrued income tax	2,156	2,830	674	
Accrued expenses	20,246	21,476	1,230	
Other current liabilities	18,114	18,060	(53)	
Long-term liabilities	102,958	106,692	3,733	
Long-term loans payable	32,392	37,798	5,406	Increase resulting from new loans: ¥16.0 billion/Decrease resulting from agreed repayments of loans: ¥10.9 billion
Allowance for employees' retirement benefits	61,156	57,562	(3,594)	Decrease in retirement benefit expenses
Reserve for loss on guarantees	8,196	9,893	1,697	Affiliated companies
Other long-term liabilities	1,213	1,438	224	
Total liabilities	215,821	222,590	6,769	
Total net assets	208,225	209,792	1,567	
Total liabilities and net assets	424,046	432,383	8,336	

Nonconsolidated Results

5. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)
Capital investment	22,434	22,886	451
Depreciation and amortization	19,804	20,584	780

6. Interest-Bearing Debt

(Millions of yen)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)	Reasons
Interest-bearing debt	66,560	71,684	5,123	Increase resulting from new loans

7. Number of Employees

(Number of employees)

	Fiscal 2006		Fiscal 2007		Increase/(decrease)	
Number of employees	15,874	[8,540]	15,798	[8,817]	(76)	[277]

(Note) Figures given are for the total number of employees as of the end of each period. Figures in brackets, [], are the average number of temporary employees for each period, which are in addition to the number of permanent employees shown in the left-hand column.

8. Number of Stores per Sales Channel

(Number of stores)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)
Daily Yamazaki	1,612	1,542	(70)
Yamazaki Shop	3,975	3,892	(83)
Sun Etoile	550	580	30
Other licensed stores	426	396	(30)
Supermarkets	14,892	14,976	84
Convenience stores	38,163	38,585	422
Other stores	37,386	36,894	(492)
Total	97,004	96,865	(139)

(Note) The number of stores in the Daily Yamazaki sales channel is the number of stores to which Yamazaki Baking sells directly. The total number of Daily Yamazaki stores is 1,622.

9. Sales by Sales Channel

(%)

	Fiscal 2006	Fiscal 2007	Increase/ (decrease)
Daily Yamazaki	3.7	3.3	(0.4)
Yamazaki Shop	5.7	5.5	(0.2)
Sun Etoile	2.6	2.4	(0.2)
Other licensed stores	1.3	1.2	(0.1)
Supermarkets	37.5	38.6	1.1
Convenience stores	22.7	22.4	(0.3)
Other stores	26.5	26.6	0.1
Total	100.0	100.0	0.0

Projections for Fiscal 2008

Nonconsolidated Results

1. Overview

(Millions of yen)

	Fiscal 2007		Fiscal 2008 projection		Increase/ (decrease)	Percentage change
		%		%		
Net sales	585,595	100.0	605,000	100.0	19,404	3.3
Gross profit	181,827	31.0	187,720	31.0	5,892	3.2
Selling, general and administrative expenses	166,944	28.5	170,720	28.2	3,775	2.3
Operating income	14,883	2.5	17,000	2.8	2,116	14.2
Ordinary income	16,012	2.7	18,000	3.0	1,987	12.4
Extraordinary loss	(3,380)	(0.6)	(5,090)	(0.8)	(1,709)	-
Net income	6,528	1.1	6,600	1.1	71	1.1

	Fiscal 2008 first half projection			Fiscal 2008 second half projection		
		Increase/(decrease)	Percentage change		Increase/(decrease)	Percentage change
Net sales	299,800	9,330	3.2	305,200	10,074	3.4
Operating income	9,300	1,037	12.6	7,700	1,079	16.3
Ordinary income	10,000	591	6.3	8,000	1,395	21.1
Net income	3,270	(1,533)	(31.9)	3,330	1,604	92.9

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2007		Fiscal 2008 projection		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	87,223	14.9	89,000	14.7	1,776	2.0
Sweet buns	268,943	45.9	282,840	46.8	13,896	5.2
Japanese-style confectionery	63,071	10.8	63,810	10.5	738	1.2
Western-style confectionery	74,064	12.6	76,610	12.7	2,545	3.4
Processed bread and prepared rice and side dishes	44,450	7.6	45,070	7.4	619	1.4
Biscuits, crackers, <i>sembei</i> and other merchandise	47,841	8.2	47,670	7.9	(171)	(0.4)
Total	585,595	100.0	605,000	100.0	19,404	3.3

3. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2007	Fiscal 2008 projection	Increase/ (decrease)
Capital investment	22,886	22,920	33
Depreciation and amortization	20,584	24,670	4,085

Cautionary Statements

This document contains discussions that include management plans, projections, strategies and estimates that are not historical facts.

Projections of future performance are based on management extrapolations from current data, but actual future performance may differ materially from projections.