

Fiscal 2008 Interim Results

(For the Period from January 1, 2008, to June 30, 2008)

Yamazaki Baking Co., Ltd.

(August 1, 2008)

Consolidated Results

1. Overview

(Millions of yen)

	Fiscal 2007 interim		Fiscal 2008 interim		Increase/ (decrease)	Percentage change
		%		%		
Net sales	382,483	100.0	399,169	100.0	16,685	4.4
Operating income	10,635	2.8	14,042	3.5	3,407	32.0
Ordinary income	10,839	2.8	12,300	3.1	1,460	13.5
Net income	5,173	1.4	3,031	0.8	(2,141)	(41.4)

	First quarter	Second quarter
Net sales	193,354	205,815
Operating income	6,532	7,509

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)
Number of consolidated subsidiaries	16	16	0
Number of equity-method affiliates	0	1	1

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2007 interim		Fiscal 2008 interim		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Food business	354,934	92.8	370,748	92.9	15,813	4.5
Bread	44,510	11.6	46,958	11.8	2,448	5.5
Sweet buns	147,236	38.5	156,129	39.1	8,893	6.0
Japanese-style confectionery	30,825	8.1	33,036	8.3	2,210	7.2
Western-style confectionery	38,875	10.2	39,593	9.9	718	1.8
Processed bread and prepared rice and side dishes	45,878	12.0	47,247	11.8	1,369	3.0
Biscuits, crackers, <i>sembei</i> and other merchandise	47,608	12.4	47,782	12.0	174	0.4
Retail business	26,846	7.0	27,663	6.9	817	3.0
Other businesses	702	0.2	757	0.2	54	7.8
Total	382,483	100.0	399,169	100.0	16,685	4.4

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)	Percentage change
Food business	10,295	13,679	3,384	32.9
Retail business	96	100	3	3.7
Other businesses	191	158	(32)	(17.1)
Subtotal	10,583	13,938	3,355	31.7
Elimination and corporate	52	104	51	
Total	10,635	14,042	3,407	32.0

4. Income and Expenses

(Millions of yen)

	Fiscal 2007		Fiscal 2008		Increase/ (decrease)	Percentage change	Reasons
	interim	%	interim	%			
Gross profit	138,675	36.3	145,367	36.4	6,692	4.8	
Selling, general and administrative expenses	128,040	33.5	131,324	32.9	3,284	2.6	Increase in consigned transport expense
Advertising expenses	14,442		13,631		(811)		
Shipping and transport expenses	20,923		22,105		1,182		
Provision for allowance for doubtful accounts	22		40		17		
Personnel expenses	54,450		55,579		1,128		
Depreciation and amortization	3,836		4,232		396		
Rental fees	12,148		12,429		281		
Others	22,215		23,304		1,089		
Operating income	10,635	2.8	14,042	3.5	3,407	32.0	
Nonoperating income	1,502	0.3	1,286	0.3	(216)	(14.4)	Loans to affiliated companies
Interest and dividend income	511		475		(36)		
Income from lease of fixed assets	–		352		352		
Other nonoperating income	805		458		(346)		
Foreign exchange gains	186		–		(186)		
Nonoperating expenses	1,298	0.3	3,028	0.7	1,729	133.2	Fujiya Co., Ltd. Loans to affiliated companies
Interest expense	938		1,025		86		
Equity in losses of affiliates	–		1,106		1,106		
Foreign exchange losses	–		337		337		
Other nonoperating expenses	360		559		199		
Ordinary income	10,839	2.8	12,300	3.1	1,460	13.5	
Extraordinary gains	22	0.0	0	0.0	(22)	(97.4)	
Gain on sales of fixed assets	2		0		(2)		
Compensation for expropriation of fixed assets	19		–		(19)		
Extraordinary losses	1,345	0.3	4,376	1.1	3,030	225.3	
Loss on sales and disposal of fixed assets	806		849		42		
Provision of reserve for retirement benefits for directors and corporate auditors	–		2,704		2,704		
Loss on store closures	134		283		149		
Provision for allowance for losses from acceptances and guarantees	289		175		(114)		
Expenses related to early retirement program	6		–		(6)		
Other extraordinary losses	108		363		254		
Income before income taxes	9,516	2.5	7,924	2.0	(1,592)	(16.7)	
Income and other taxes	4,311	1.1	4,943	1.2	631	14.7	
Minority interest or loss	32	0.0	(50)	(0.0)	(82)	(257.1)	
Net income	5,173	1.4	3,031	0.8	(2,141)	(41.4)	

Consolidated Results

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

(Millions of yen)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)	Reasons
Current assets	144,010	143,858	(152)	
Cash and deposits	49,076	53,798	4,722	Increase in cash and deposits resulting from decrease in accounts receivable
Notes and accounts receivable	67,958	61,885	(6,073)	Decrease in accounts receivable resulting from bank holiday in previous year
Inventories	13,605	14,534	928	
Deferred tax assets	2,251	2,604	352	
Other current assets	12,265	12,391	126	
Allowance for doubtful accounts	(1,146)	(1,356)	(209)	
Fixed assets	403,886	395,558	(8,328)	
Tangible fixed assets	252,299	250,182	(2,117)	Capital investment: ¥11.4 billion/ Depreciation and amortization: ¥14.0 billion
Buildings and structures	83,231	83,120	(110)	
Machinery, equipment and vehicles	71,192	69,627	(1,564)	
Tools, furniture and fixtures	4,696	4,393	(303)	
Land	92,532	92,339	(192)	
Construction in progress	647	701	53	
Intangible fixed assets	24,575	25,467	892	
Investments and other assets	127,010	119,907	(7,103)	
Investment securities	62,421	56,657	(5,764)	Decrease in market value of other securities: ¥3.2 billion
Long-term loans receivable	1,674	1,415	(258)	
Deferred tax assets	23,972	24,166	194	
Other investments and other assets	42,022	40,541	(1,481)	Transfer long-term deposit within one year to current assets
Allowance for doubtful accounts	(3,079)	(2,872)	207	
Total assets	547,897	539,416	(8,480)	
Current liabilities	175,743	182,126	6,382	
Notes and accounts payable	61,695	62,286	590	
Short-term loans payable	52,740	57,462	4,721	Increase in short-term loans payable resulting from overdraft
Accrued income tax	4,304	5,375	1,070	Increase in taxable income
Accrued expenses	29,681	29,826	145	
Allowance for employees' bonuses	2,917	3,170	253	
Other current liabilities	24,404	24,005	(399)	
Long-term liabilities	156,788	142,172	(14,616)	
Bonds	7,560	6,680	(880)	
Long-term loans payable	59,285	45,464	(13,821)	Decrease resulting from refund of bond
Allowance for employees' retirement benefits	76,959	73,545	(3,414)	Decrease in amount paid for retirement benefits
Reserve for retirement benefits for directors and corporate auditors	-	2,545	2,545	
Reserve for loss on guarantees	7,545	9,128	1,583	Affiliated companies
Other long-term liabilities	5,439	4,809	(629)	
Total liabilities	332,532	324,298	(8,234)	
Total net assets	215,364	215,117	(246)	Minority interests: ¥3.2 billion
Total liabilities and net assets	547,897	539,416	(8,480)	

6. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)
Capital investment	12,918	11,441	(1,477)
Depreciation and amortization	12,237	14,035	1,797

7. Interest-Bearing Debt

(Millions of yen)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)	Reasons
Interest-bearing debt	125,144	115,702	(9,442)	Decrease resulting from refund of bond

8. Cash Flows

(Millions of yen)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)	Reasons
Net cash provided by operating activities	24,383	35,936	11,553	Increase resulting from decrease in trade receivables
Net cash used in investing activities	(29,423)	(18,035)	11,388	Increase resulting from purchase of investment securities in previous year
Net cash provided by financing activities	6,574	(6,897)	(13,471)	Decrease resulting from refund of bond
Cash and cash equivalents at beginning of period	46,951	40,591	(6,360)	
Cash and cash equivalents at end of period	48,488	51,523	3,035	

9. Number of Employees by Segment

(Number of employees)

	Fiscal 2007 interim		Fiscal 2008 interim		Increase/(decrease)	
Food business	20,686	[16,830]	20,867	[17,237]	181	[407]
Retail business	771	[269]	779	[262]	8	[(7)]
Other businesses	54	[29]	48	[36]	(6)	[7]
Total	21,511	[17,128]	21,694	[17,535]	183	[407]

(Note) Figures given are 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 2007 interim	Fiscal 2008 interim	Increase/ (decrease)
Total Daily Yamazaki	1,669	1,602	(67)
[Yamazaki Daily store]	[236]	[195]	[(41)]
[Directly operated]	[250]	[252]	[2]

(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 2007 interim	Fiscal 2008 interim	Increase/ (decrease)
Vie de France	192	201	9
[Directly operated]	[161]	[165]	[4]

(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	399,169	16,685	4.4	392,830	2,068	0.5
Operating income	14,042	3,407	32.0	8,957	(1,044)	(10.4)
Ordinary income	12,300	1,460	13.5	7,999	150	1.9
Net income	3,031	(2,141)	(41.4)	3,468	2,161	165.4

*Full-term projections for Fiscal 2008 are not changed.

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

4. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2007	Fiscal 2008 projection	Increase/ (decrease)
Capital investment	29,524	29,710	185
Depreciation and amortization	26,295	30,290	3,994

Nonconsolidated Results

1. Overview

(Millions of yen)

	Fiscal 2007 interim		Fiscal 2008 interim		Increase/ (decrease)	Percentage change
		%		%		
Net sales	290,469	100.0	304,805	100.0	14,336	4.9
Operating income	8,262	2.8	10,935	3.6	2,672	32.3
Ordinary income	9,408	3.2	11,292	3.7	1,884	20.0
Net income	4,803	1.7	3,631	1.2	(1,171)	(24.4)

	First quarter	Second quarter
Net sales	148,635	156,169
Operating income	5,266	5,669

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2007 interim		Fiscal 2008 interim		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	44,517	15.3	46,970	15.4	2,453	5.5
Sweet buns	134,521	46.3	143,962	47.2	9,440	7.0
Japanese-style confectionery	30,555	10.5	32,787	10.8	2,231	7.3
Western-style confectionery	36,342	12.5	37,080	12.2	738	2.0
Processed bread and prepared rice and side dishes	21,122	7.3	21,766	7.1	644	3.1
Biscuits, crackers, <i>sembei</i> and other merchandise	23,409	8.1	22,237	7.3	(1,172)	(5.0)
Total	290,469	100.0	304,805	100.0	14,336	4.9

3. Income and Expenses

(Millions of yen)

	Fiscal 2007		Fiscal 2008		Increase/ (decrease)	Percentage change	Reasons
	interim	%	interim	%			
Gross profit	91,671	31.6	96,727	31.7	5,055	5.5	
Selling, general and administrative expenses	83,408	28.8	85,792	28.1	2,383	2.9	
Advertising expenses	8,594		7,902		(692)		
Shipping and transport expenses	15,598		16,379		780		
Provision for allowance for doubtful accounts	-		33		33		
Personnel expenses	38,613		39,611		998		
Depreciation and amortization	2,890		3,219		328		
Rental fees	3,436		3,436		0		
Others	14,275		15,209		934		
Operating income	8,262	2.8	10,935	3.6	2,672	32.3	
Nonoperating income	1,939	0.7	1,691	0.0	(247)	(12.8)	
Interest and dividend income	760		718		(42)		
Income from lease of fixed assets	-		239		239		
Other nonoperating income	992		733		(259)		
Foreign exchange gains	186		-		(186)		Loans to affiliated companies
Nonoperating expenses	794	0.3	1,334	0.4	540	68.0	
Interest expense	523		589		65		
Other nonoperating expenses	270		407		137		
Foreign exchange losses	-		337		337		Loans to affiliated companies
Ordinary income	9,408	3.2	11,292	3.7	1,884	20.0	
Extraordinary gains	8	0.0	0	0.0	(8)	(98.2)	
Gain on sales of fixed assets	7		-		(7)		
Gain on sales of investment securities	0		0		(0)		
Extraordinary losses	895	0.3	3,264	1.1	2,368	264.3	
Loss on sales and disposal of fixed assets	555		585		29		
Provision of reserve for retirement benefits for directors and corporate auditors	-		2,000		2,000		
Provision for allowance for doubtful accounts	25		181		156		
Provision for allowance for losses from acceptances and guarantees	289		175		(114)		
Loss on revaluation of stocks of affiliates	-		169		169		
Loss on devaluation of investment securities	-		92		92		
Loss on devaluation of membership	26		59		33		
Interim net income before income taxes	8,520	2.9	8,028	2.6	(491)	(5.8)	
Income and other taxes	3,717	1.2	4,396	1.4	679	18.3	
Interim net income	4,803	1.7	3,631	1.2	(1,171)	(24.4)	

Nonconsolidated Results

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

(Millions of yen)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)	Reasons
Current assets	96,530	96,445	(84)	
Cash and deposits	27,125	32,120	4,995	Increase in cash and deposits resulting from decrease in accounts receivable
Notes and accounts receivable	56,031	50,605	(5,426)	Decrease in accounts receivable resulting from bank holiday in previous year
Inventories	7,618	8,080	462	
Deferred tax assets	1,597	1,852	255	
Other current assets	4,946	4,724	(221)	
Allowance for doubtful accounts	(789)	(939)	(149)	
Fixed assets	339,742	332,538	(7,204)	
Tangible fixed assets	199,591	196,775	(2,816)	Capital investment: ¥7.7 billion/ Depreciation and amortization: ¥11 billion
Buildings and structures	59,909	58,687	(1,222)	
Machinery, equipment and vehicles	58,834	57,413	(1,421)	
Tools, furniture and fixtures	3,769	3,481	(288)	
Land	76,888	76,877	(11)	
Construction in progress	188	315	126	
Intangible fixed assets	2,991	3,183	192	
Investments and other assets	137,158	132,578	(4,580)	
Investment securities	39,314	36,313	(3,000)	Decrease in market value of other securities: ¥3.1 billion
Investments in affiliated companies	59,161	58,992	(169)	
Long-term loans receivable	5,172	4,932	(240)	
Deferred tax assets	22,308	22,478	170	
Other investments and other assets	14,019	12,511	(1,508)	Transfer long-term deposit within one year to current assets
Allowance for doubtful accounts	(2,817)	(2,649)	168	
Total assets	436,272	428,983	(7,288)	
Current liabilities	111,987	115,265	3,278	
Notes and accounts payable	42,360	44,674	2,314	Increase in accounts payable-trade: ¥2.1 billion
Short-term loans payable	29,478	30,068	590	
Accrued income tax	3,376	4,418	1,042	Increase in taxable income
Accrued expenses	19,448	19,897	448	
Other current liabilities	17,323	16,206	(1,116)	
Long-term liabilities	113,100	101,739	(11,360)	
Long-term loans payable	43,807	31,789	(12,018)	Decrease resulting from agreed repayments of loans: ¥11.4 billion
Allowance for employees' retirement benefits	59,440	56,339	(3,101)	Decrease in amount paid for retirement benefits
Reserve for retirement benefits for directors and corporate auditors	-	1,989	1,989	
Reserve for loss on guarantees	8,485	10,068	1,583	Affiliated companies
Other long-term liabilities	1,367	1,553	186	
Total liabilities	225,087	217,005	(8,082)	
Total net assets	211,184	211,978	793	
Total liabilities and net assets	436,272	428,983	(7,288)	

5. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)
Capital investment	10,051	7,714	(2,337)
Depreciation and amortization	9,528	11,060	1,532

6. Interest-bearing Debt

(Millions of yen)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)	Reasons
Interest-bearing debt	78,403	67,073	(11,330)	Decrease resulting from agreed repayments of loans

7. Number of Employees

(Number of employees)

	Fiscal 2007 interim		Fiscal 2008 interim		Increase/(decrease)	
Number of employees	16,207	[8,682]	16,248	[9,135]	41	[453]

(Note) Figures given are 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

8. Number of Stores by Sales Channel

(Number of stores)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)
Daily Yamazaki	1,581	1,520	(61)
Yamazaki Shop	3,941	3,788	(153)
Sun Etoile	560	601	41
Other licensed stores	412	360	(52)
Supermarkets	14,736	14,765	29
Convenience stores	38,410	38,562	152
Other stores	36,697	36,160	(537)
Total	96,337	95,756	(581)

(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 1,602.

9. Sales by Sales Channel

(%)

	Fiscal 2007 interim	Fiscal 2008 interim	Increase/ (decrease)
Daily Yamazaki	3.3	3.0	(0.3)
Yamazaki Shop	5.4	5.1	(0.3)
Sun Etoile	2.5	2.4	(0.1)
Other licensed stores	1.3	1.3	0.0
Supermarkets	38.7	39.2	0.5
Convenience stores	22.6	22.5	(0.1)
Other stores	26.2	26.5	0.3
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	304,805	14,336	4.9	300,194	5,068	1.7
Operating income	10,935	2,672	32.3	6,064	(555)	(8.4)
Ordinary income	11,292	1,884	20.0	6,707	103	1.6
Net income	3,631	(1,171)	(24.4)	2,968	1,242	72.0

*Full-term projections for Fiscal 2008 are not changed.

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	23,930	3,345

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.