

Fiscal 2008 Results

(For the Period from January 1, 2008, to December 31, 2008)

Yamazaki Baking Co., Ltd.

(February 12, 2009)

Consolidated Results

1. Overview

(Millions of yen)

	Fiscal 2007		Fiscal 2008		Increase/ (decrease)	Percentage change
		%		%		
Net sales	773,245	100.0	811,738	100.0	38,492	5.0
Operating income	20,637	2.7	25,821	3.2	5,184	25.1
Ordinary income	18,688	2.4	21,555	2.7	2,866	15.3
Net income	6,479	0.8	5,987	0.7	(491)	(7.6)

	First quarter	Second quarter	Third quarter	Fourth quarter	Fiscal 2008
Net sales	193,354	205,815	202,076	210,492	811,738
Operating income	6,532	7,509	5,463	6,316	25,821

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)
Number of consolidated subsidiaries	16	23	7
Number of equity-method subsidiaries	1	3	2

(Note) Fujiya Co., Ltd. and its six (6) subsidiaries were consolidated from the end of fiscal 2008.

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2007		Fiscal 2008		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Food business	716,452	92.7	750,953	92.5	34,501	4.8
Bread	86,970	11.3	91,334	11.2	4,364	5.0
Sweet buns	293,177	37.9	310,513	38.2	17,336	5.9
Japanese-style confectionery	63,748	8.2	68,645	8.5	4,897	7.7
Western-style confectionery	79,297	10.3	82,754	10.2	3,457	4.4
Processed bread and prepared rice and side dishes	96,214	12.4	99,450	12.3	3,235	3.4
Biscuits, crackers, <i>sembei</i> and other merchandise	97,043	12.6	98,254	12.1	1,211	1.2
Retail business	55,350	7.1	59,369	7.3	4,018	7.3
Other businesses	1,442	0.2	1,415	0.2	(27)	(1.9)
Total	773,245	100.0	811,738	100.0	38,492	5.0

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)	Percentage change
Food business	19,012	24,120	5,107	26.9
Retail business	946	1,096	150	15.9
Other businesses	470	572	101	21.5
Subtotal	20,429	25,789	5,359	26.2
Elimination and corporate	208	32	175	
Total	20,637	25,821	5,184	25.1

Consolidated Results

4. Income and Expenses

(Millions of yen)

	Fiscal 2007		Fiscal 2008		Increase/ (decrease)	Percentage change	Reasons
		%		%			
Gross profit	277,488	35.9	290,828	35.8	13,340	4.8	
Selling, general and administrative expenses	256,851	33.2	265,006	32.6	8,155	3.2	
Advertising expenses	27,723		27,338		(384)		
Shipping and transport expenses	42,673		45,536		2,863		Increase in consigned transport expenses
Provision for allowance for doubtful accounts	168		87		(81)		
Personnel expenses	108,972		111,250		2,278		Increase in retirement benefit expenses
Depreciation and amortization	8,289		9,037		748		
Rental fees	24,211		25,113		902		
Others	44,812		46,641		1,829		Increase in royalty
Operating income	20,637	2.7	25,821	3.2	5,184	25.1	
Nonoperating income	2,583	0.3	2,586	0.3	3	0.1	
Interest and dividend income	875		834		(41)		
Other nonoperating income	1,707		1,751		44		
Nonoperating expenses	4,531	0.6	6,852	0.8	2,321	51.2	
Interest expense	1,989		2,065		75		
Equity in losses of affiliates	1,402		2,564		1,162		Fujiya Co., Ltd.
Other nonoperating expenses	938		1,151		213		
Foreign exchange losses	201		1,071		869		Loans to affiliated companies
Ordinary income	18,688	2.4	21,555	2.7	2,866	15.3	
Extraordinary gains	25	0.0	29	0.0	3	14.0	
Gain on sales of fixed assets	5		6		0		
Compensation for expropriation of fixed assets	19		-		(19)		
Gain on sales of investment securities	-		22		22		
Extraordinary losses	4,730	0.6	7,895	1.0	3,164	66.9	
Loss on sales and disposal of fixed assets	2,207		2,333		126		
Provision of reserve for retirement benefits for directors and corporate auditors	-		2,704		2,704		
Provision for allowance for losses from acceptances and guarantees	1,697		110		(1,586)		Affiliated companies
Loss on devaluation of investment securities	-		968		968		
Provision for allowance for doubtful accounts	-		866		866		
Loss on store closures	386		401		14		
Impairment loss	168		184		15		
Other extraordinary losses	269		325		55		
Income before income taxes	13,984	1.8	13,689	1.7	(294)	(2.1)	
Income and other taxes	7,425	1.0	7,707	1.0	282	3.8	
Minority interest or loss	78	0.0	(5)	0.0	(84)	(107.6)	
Net income	6,479	0.8	5,987	0.7	(491)	(7.6)	

Consolidated Results

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

(Millions of yen)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)	Reasons
Current assets	144,549	187,684	43,134	
Cash and deposits	41,035	69,199	28,163	Increase resulting from a revenue increase and new loans
Notes and accounts receivable	75,185	85,402	10,216	Additional accounts receivable of newly consolidated Fujiya Co., Ltd.: ¥6.4 billion
Inventories	13,537	18,518	4,980	Additions of newly consolidated Fujiya Co., Ltd.: ¥4.4 billion
Deferred tax assets	2,101	3,347	1,245	
Other current assets	13,995	13,760	(235)	
Allowance for doubtful accounts	(1,306)	(2,543)	(1,237)	
Fixed assets	400,299	426,715	26,416	
Tangible fixed assets	253,803	282,525	28,721	Capital investment: ¥30.0 billion/ Depreciation and amortization: ¥29.8 billion
Buildings and structures	83,935	91,040	7,105	Additions of newly consolidated Fujiya Co., Ltd.: ¥7.5 billion
Machinery, equipment and vehicles	72,177	77,971	5,794	Additions of newly consolidated Fujiya Co., Ltd.: ¥6.7 billion
Tools, furniture and fixtures	4,550	4,844	293	
Land	92,565	108,000	15,435	Additions of newly consolidated Fujiya Co., Ltd.: ¥15.9 billion
Construction in progress	574	668	93	
Intangible fixed assets	24,797	33,204	8,406	Increase in software: ¥5.7 billion
Investments and other assets	121,698	110,985	(10,712)	
Investment securities	55,840	41,203	(14,636)	Decrease in the number of shares resulting from changes in the scope of consolidation
Long-term loans receivable	1,552	1,723	171	
Deferred tax assets	25,559	26,207	648	
Other investments and other assets	41,616	44,977	3,360	Additional guarantees of newly consolidated Fujiya Co., Ltd.: ¥2.9 billion
Allowance for doubtful accounts	(2,869)	(3,125)	(255)	
Total assets	544,849	614,399	69,550	
Current liabilities	182,081	212,408	30,326	
Notes and accounts payable	65,066	73,121	8,054	Additional accounts payable of newly consolidated Fujiya Co., Ltd.: ¥4.3 billion
Short-term loans payable	53,620	60,982	7,361	Additions of newly consolidated Fujiya Co., Ltd.: ¥7.6 billion
Accrued income tax	3,805	6,002	2,196	Increase in taxable income
Accrued expenses	31,270	34,017	2,746	Additions of newly consolidated Fujiya Co., Ltd.: ¥0.6 billion
Allowance for employees' bonuses	2,854	3,973	1,118	
Allowance for loss on store closures	-	153	153	
Other current liabilities	25,463	34,158	8,694	Increase in construction notes payable and other accounts payable: ¥7.4 billion
Long-term liabilities	149,061	170,659	21,597	
Bonds	7,120	6,290	(830)	
Long-term loans payable	53,041	67,768	14,726	Increase resulting from new loans
Allowance for employees' retirement benefits	74,805	74,015	(789)	
Reserve for retirement benefits for directors and corporate auditors	-	2,644	2,644	
Reserve for loss on guarantees	8,953	9,063	110	
Other long-term liabilities	5,141	10,876	5,734	Increase in deferred tax liabilities: ¥5.3 billion
Total liabilities	331,143	383,067	51,923	
Total net assets	213,705	231,332	17,626	Minority interests: ¥19.3 billion (up ¥16.0 billion)
Total liabilities and net assets	544,849	614,399	69,550	

6. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)
Capital investment	29,524	30,030	506
Depreciation and amortization	26,295	29,852	3,557

7. Interest-Bearing Debt

(Millions of yen)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)	Reasons
Interest-bearing debt	120,064	141,364	21,299	Increase resulting from new loans

8. Cash Flows

(Millions of yen)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)	Reasons
Net cash provided by operating activities	38,848	51,092	12,243	Increase in depreciation and amortization
Net cash used in investing activities	(46,378)	(31,232)	15,145	Payments for purchases of investment securities in the previous fiscal period
Net cash provided by financing activities	1,184	8,189	7,005	Increase resulting from new loans
Cash and cash equivalents at beginning of period	46,951	40,591	(6,360)	
Cash and cash equivalents at end of period	40,591	68,539	27,948	

9. Number of Employees by Segment

(Number of employees)

	Fiscal 2007		Fiscal 2008		Increase/(decrease)	
Food business	20,227	[16,951]	21,680*	[20,911]*	1,453	[3,960]
Retail business	751	[265]	780	[268]	29	[3]
Other businesses	50	[32]	46	[37]	(4)	[5]
Total	21,028	[17,248]	22,506	[21,216]	1,478	[3,968]

(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.

* Fujiya Co., Ltd. has 1,295 employees and 3,533 temporary employees.

10. Number of Daily Yamazaki and Vie de France Stores

(1) Daily Yamazaki Co., Ltd.

(Number of stores)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)
Total Daily Yamazaki	1,622	1,647	25
[Yamazaki Daily store]	[213]	[180]	[(33)]
[Directly operated]	[250]	[268]	[18]

(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	Fiscal 2008	Increase/ (decrease)
Vie de France	193	199	6
[Directly operated]	[159]	[163]	[4]

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

Projections for Fiscal 2009

Consolidated Results

1. Overview

(Millions of yen)

	Fiscal 2008		Fiscal 2009 projection		Increase/ (decrease)	Percentage change
		%		%		
Net sales	811,738	100.0	910,000	100.0	98,261	12.1
Gross profit	290,828	35.8	333,160	36.6	42,331	14.6
Selling, general and administrative expenses	265,006	32.6	307,160	33.7	42,153	15.9
Operating income	25,821	3.2	26,000	2.9	178	0.7
Ordinary income	21,555	2.7	23,200	2.5	1,644	7.6
Extraordinary loss	(7,866)	(1.0)	(7,000)	(0.8)	866	-
Net income	5,987	0.7	8,400	0.9	2,412	40.3

	Fiscal 2009 first half projection			Fiscal 2009 second half projection		
		Increase/(decrease)	Percentage change		Increase/(decrease)	Percentage change
Net sales	452,000	52,830	13.2	458,000	45,430	11.0
Operating income	14,200	157	1.1	11,800	20	0.2
Ordinary income	13,000	699	5.7	10,200	944	10.2
Net income	4,600	1,568	51.7	3,800	844	28.6

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2008	Fiscal 2009 projection	Increase/ (decrease)	Percentage change
Food business	750,953	844,600	93,646	12.5
Bread	91,334	93,460	2,125	2.3
Sweet buns	310,513	322,520	12,006	3.9
Japanese-style confectionery	68,645	70,100	1,454	2.1
Western-style confectionery	82,754	106,820	24,065	29.1
Processed bread and prepared rice and side dishes	99,450	100,430	979	1.0
Biscuits, crackers, <i>sembei</i> and other merchandise	98,254	151,270	53,015	54.0
Retail business	59,369	63,450	4,080	6.9
Other businesses	1,415	1,950	534	37.8
Total	811,738	910,000	98,261	12.1

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2008	Fiscal 2009 projection	Increase/ (decrease)	Percentage change
Food business	24,120	24,130	10	0.0
Retail business	1,096	1,310	213	19.5
Other businesses	572	520	(52)	(9.1)
Subtotal	25,789	25,960	170	0.7
Elimination and corporate	32	40		
Total	25,821	26,000	178	0.7

Projections for Fiscal 2009**Consolidated Results**

4. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2008	Fiscal 2009 projection	Increase/ (decrease)
Capital investment	30,030	41,170	11,139
Depreciation and amortization	29,852	35,340	5,487

Nonconsolidated Results

1. Overview

(Millions of yen)

	Fiscal 2007		Fiscal 2008		Increase/ (decrease)	Percentage change
		%		%		
Net sales	585,595	100.0	614,582	100.0	28,987	5.0
Operating income	14,883	2.5	18,591	3.0	3,707	24.9
Ordinary income	16,012	2.7	18,622	3.0	2,610	16.3
Net income	6,528	1.1	6,010	1.0	(517)	(7.9)

	First quarter	Second quarter	Third quarter	Fourth quarter	Fiscal 2008
Net sales	148,635	156,169	150,173	159,604	614,582
Operating income	5,266	5,669	3,055	4,600	18,591

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2007		Fiscal 2008		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	87,223	14.9	92,161	15.0	4,937	5.7
Sweet buns	268,943	45.9	286,460	46.6	17,516	6.5
Japanese-style confectionery	63,071	10.8	68,027	11.1	4,956	7.9
Western-style confectionery	74,064	12.6	77,482	12.6	3,417	4.6
Processed bread and prepared rice and side dishes	44,450	7.6	44,648	7.3	198	0.4
Biscuits, crackers, <i>sembei</i> and other merchandise	47,841	8.2	45,802	7.4	(2,039)	(4.3)
Total	585,595	100.0	614,582	100.0	28,987	5.0

Nonconsolidated Results

3. Income and Expenses

(Millions of yen)

	Fiscal 2007		Fiscal 2008		Increase/ (decrease)	Percentage change	Reasons
		%		%			
Gross profit	181,827	31.0	190,320	31.0	8,493	4.7	
Selling, general and administrative expenses	166,944	28.5	171,729	28.0	4,785	2.9	
Advertising expenses	15,740		14,977		(763)		
Shipping and transport expenses	31,668		33,637		1,968		Increase in consigned transport expenses and Center Fees
Provision for allowance for doubtful accounts	1		61		59		
Personnel expenses	77,554		79,254		1,700		Increase in retirement benefit expenses
Depreciation and amortization	6,279		6,871		591		
Rental fees	6,836		6,941		105		
Others	28,862		29,986		1,123		Increase in commission fees: ¥0.2 billion
Operating income	14,883	2.5	18,591	3.0	3,707	24.9	
Nonoperating income	3,144	0.5	3,179	0.5	35	1.1	
Interest and dividend income	1,120		1,075		(44)		
Other nonoperating income	2,023		2,103		80		
Nonoperating expenses	2,014	0.3	3,148	0.5	1,133	56.2	
Interest expense	1,146		1,187		41		
Other nonoperating expenses	667		889		221		
Foreign exchange losses	201		1,071		869		Loans to affiliated companies
Ordinary income	16,012	2.7	18,622	3.0	2,610	16.3	
Extraordinary gains	1	0.0	27	0.0	26	1,815.2	
Gain on sales of fixed assets	1		4		3		
Gain on sales of investment securities	-		22		22		
Extraordinary losses	3,381	0.6	5,997	0.9	2,615	77.3	
Loss on sales and disposal of fixed assets	1,552		1,777		224		
Provision of reserve for retirement benefits for directors and corporate auditors	-		2,000		2,000		
Loss on devaluation of investment securities	-		931		931		
Provision for allowance for doubtful accounts	25		900		875		
Provision for allowance for losses from acceptances and guarantees	1,697		42		(1,654)		Affiliated companies
Other extraordinary losses	107		345		237		
Net income before income taxes	12,632	2.1	12,653	2.1	20	0.2	
Income and other taxes	6,103	1.0	6,642	1.1	538	8.8	
Net income	6,528	1.1	6,010	1.0	(517)	(7.9)	

Nonconsolidated Results

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

(Millions of yen)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)	Reasons
Current assets	95,006	112,167	17,160	
Cash and deposits	18,459	33,470	15,010	Increase resulting from new loans
Notes and accounts receivable	62,408	65,295	2,886	Increase resulting from increase in sales to supermarkets
Inventories	7,805	7,922	117	
Deferred tax assets	1,608	1,982	374	
Other current assets	5,516	5,157	(359)	
Allowance for doubtful accounts	(791)	(1,660)	(868)	
Fixed assets	337,376	338,735	1,359	
Tangible fixed assets	200,647	197,587	(3,059)	Capital investment: ¥22.1 billion/ Depreciation and amortization: ¥23.5 billion
Buildings and structures	60,033	58,341	(1,692)	
Machinery, equipment and vehicles	59,934	59,003	(931)	
Tools, furniture and fixtures	3,624	3,338	(286)	
Land	76,877	76,553	(324)	
Construction in progress	177	351	174	
Intangible fixed assets	3,395	5,009	1,613	Increase in software: ¥1.6 billion
Investments and other assets	133,333	136,139	2,805	
Investment securities	34,357	29,797	(4,560)	Decrease in market value of other securities: ¥3.6 billion
Investments in affiliated companies	59,161	67,253	8,091	Stock acquisition of Fujiya Co., Ltd.: ¥8.0 billion
Long-term loans receivable	4,800	4,678	(122)	
Deferred tax assets	23,830	24,531	700	
Other investments and other assets	13,848	12,550	(1,298)	Transfer of long-term deposits within one year to current assets
Allowance for doubtful accounts	(2,665)	(2,671)	(5)	
Total assets	432,383	450,903	18,520	
Current liabilities	115,898	125,238	9,339	
Notes and accounts payable	44,886	47,237	2,350	Increase in accounts payable-trade: ¥2.1 billion
Short-term loans payable	28,644	30,844	2,200	Increase in the current portion of long-term debt
Accrued income tax	2,830	4,135	1,305	Increase in taxable income
Accrued expenses	21,476	22,856	1,379	Increase in periodic and occasional payments: ¥0.8 billion
Other current liabilities	18,060	20,163	2,102	Increase in construction notes payable: ¥0.7 billion
Long-term liabilities	106,692	114,756	8,064	
Long-term loans payable	37,798	46,004	8,206	Increase resulting from new loans
Allowance for employees' retirement benefits	57,562	55,139	(2,422)	Decrease in the remaining amount for the allowance due to the increased payment for retirement benefits
Reserve for retirement benefits for directors and corporate auditors	-	2,051	2,051	
Reserve for loss on guarantees	9,893	9,935	42	Affiliated companies
Other long-term liabilities	1,438	1,624	186	
Total liabilities	222,590	239,994	17,403	
Total net assets	209,792	210,908	1,116	
Total liabilities and net assets	432,383	450,903	18,520	

Nonconsolidated Results

5. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)
Capital investment	22,886	22,134	(751)
Depreciation and amortization	20,584	23,561	2,976

6. Interest-bearing Debt

(Millions of yen)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)	Reasons
Interest-bearing debt	71,684	82,191	10,506	Increase resulting from new loans

7. Number of Employees

(Number of employees)

	Fiscal 2007		Fiscal 2008		Increase/(decrease)	
Number of employees	15,798	[8,817]	15,879	[9,230]	81	[413]

(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.

8. Number of Stores by Sales Channel

(Number of stores)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)
Daily Yamazaki	1,542	1,568	26
Yamazaki Shop	3,892	3,775	(117)
Sun Etoile	580	607	27
Other licensed stores	396	355	(41)
Supermarkets	14,976	15,057	81
Convenience stores	38,585	38,809	224
Other stores	36,894	36,338	(556)
Total	96,865	96,509	(356)

(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 1,647.

9. Sales by Sales Channel

(%)

	Fiscal 2007	Fiscal 2008	Increase/ (decrease)
Daily Yamazaki	3.3	3.1	(0.2)
Yamazaki Shop	5.5	5.2	(0.3)
Sun Etoile	2.4	2.3	(0.1)
Other licensed stores	1.2	1.3	0.1
Supermarkets	38.6	39.2	0.6
Convenience stores	22.4	22.1	(0.3)
Other stores	26.6	26.8	0.2
Total	100.0	100.0	0.0

Projections for Fiscal 2009

Nonconsolidated Results

1. Overview

(Millions of yen)

	Fiscal 2008		Fiscal 2009 projection		Increase/ (decrease)	Percentage change
		%		%		
Net sales	614,582	100.0	632,200	100.0	17,617	2.9
Gross profit	190,320	31.0	196,210	31.0	5,889	3.1
Selling, general and administrative expenses	171,729	28.0	176,610	27.9	4,880	2.8
Operating income	18,591	3.0	19,600	3.1	1,008	5.4
Ordinary income	18,622	3.0	20,200	3.2	1,577	8.5
Extraordinary loss	(5,969)	(0.9)	(4,550)	(0.7)	1,419	-
Net income	6,010	1.0	7,400	1.2	1,389	23.1

	Fiscal 2009 first half projection			Fiscal 2009 second half projection		
		Increase/(decrease)	Percentage change		Increase/(decrease)	Percentage change
Net sales	313,700	8,894	2.9	318,500	8,722	2.8
Operating income	11,300	364	3.3	8,300	643	8.4
Ordinary income	11,700	407	3.6	8,500	1,169	16.0
Net income	4,600	968	26.7	2,800	420	17.7

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2008		Fiscal 2009 projection		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	92,161	15.0	94,460	14.9	2,298	2.5
Sweet buns	286,460	46.6	297,890	47.1	11,429	4.0
Japanese-style confectionery	68,027	11.1	69,390	11.0	1,362	2.0
Western-style confectionery	77,482	12.6	79,320	12.6	1,837	2.4
Processed bread and prepared rice and side dishes	44,648	7.3	45,130	7.1	481	1.1
Biscuits, crackers, <i>sembei</i> and other merchandise	45,802	7.4	46,010	7.3	207	0.5
Total	614,582	100.0	632,200	100.0	17,617	2.9

3. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2008	Fiscal 2009 projection	Increase/ (decrease)
Capital investment	22,134	22,980	845
Depreciation and amortization	23,561	25,150	1,588

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.