

# Fiscal 2010 Second Quarter Results

(For the Period from January 1, 2010, to June 30, 2010)

**Yamazaki Baking Co., Ltd.**

(August 3, 2010)

Fujiya Co., Ltd.'s consolidated earnings results for the nine-month period (from October 1, 2009 to June 30, 2010) have been included in the Consolidated Results, due to the change in the fiscal-year end of Fujiya and its five consolidated subsidiaries.

## Consolidated Results

### 1. Overview

(Millions of yen)

	Fiscal 2009		Fiscal 2010		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Net sales	446,065	100.0	471,899	100.0	25,833	5.8
Operating income	12,616	2.8	16,945	3.6	4,329	34.3
Ordinary income	13,028	2.9	17,432	3.7	4,404	33.8
Net income	5,805	1.3	7,733	1.6	1,927	33.2

	1st Quarter	2nd Quarter
Net sales	222,589	249,310
Operating income	8,381	8,564

	Fiscal 2009 2nd Quarter	Fiscal 2010 2nd Quarter	Increase/ (decrease)
Number of consolidated subsidiaries	23	27	4
Number of equity-method subsidiaries	2	3	1

Beginning in fiscal 2010, four subsidiaries have been newly included in the scope of consolidation.

Nichiryo Baking Co., LTD. has been newly accounted for by the equity method since the end of fiscal 2009.

### 2. Net Sales by Segment

(Millions of yen)

	Fiscal 2009		Fiscal 2010		Increase/ (decrease)	Percentage change
	2nd Quarter	Percentage of total	2nd Quarter	Percentage of total		
Food business	415,779	93.2	437,993	92.8	22,214	5.3
Bread	48,774	10.9	49,098	10.4	324	0.7
Sweet buns	154,277	34.6	156,039	33.1	1,762	1.1
Japanese-style confectionery	33,703	7.5	31,689	6.7	(2,014)	(6.0)
Western-style confectionery	55,161	12.4	63,277	13.4	8,116	14.7
Processed bread and prepared rice and side dishes	47,156	10.6	47,777	10.1	620	1.3
Biscuits, crackers, <i>sembei</i> and other merchandise	76,705	17.2	90,110	19.1	13,404	17.5
Retail business	29,302	6.6	30,119	6.4	817	2.8
Other businesses	984	0.2	3,786	0.8	2,801	284.5
Total	446,065	100.0	471,899	100.0	25,833	5.8

### 3. Operating Income by Segment

(Millions of yen)

	Fiscal 2009 2nd Quarter	Fiscal 2010 2nd Quarter	Increase/ (decrease)	Percentage change
Food business	12,511	16,331	3,820	30.5
Retail business	(287)	(520)	(232)	-
Other businesses	228	725	496	217.0
Subtotal	12,452	16,537	4,084	32.8
Elimination and corporate	164	408	244	
Total	12,616	16,945	4,329	34.3

<b>Consolidated Results</b>
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#### 4. Income and Expenses

(Millions of yen)

	Fiscal 2009		Fiscal 2010		Increase/ (decrease)	Percentage change	Reasons
	2nd Quarter	%	2nd Quarter	%			
Gross profit	164,641	36.9	179,351	38.0	14,709	8.9	
Selling, general and administrative expenses	152,024	34.1	162,405	34.4	10,380	6.8	Amount resulted from the change in the fiscal-year end of Fujiya Co., Ltd.; and portion of newly consolidated companies
Advertising expenses	21,808		27,559		5,751		
Shipping and transport expenses	24,288		23,442		(846)		
Personnel expenses	61,084		64,644		3,559		
Depreciation and amortization	5,000		7,197		2,197		
Rental fees	14,097		14,096		(1)		
Others	25,743		25,464		(279)		
Operating income	12,616	2.8	16,945	3.6	4,329	34.3	
Nonoperating income	1,982	0.4	2,151	0.5	169	8.5	
Interest income	72		48		(24)		
Dividends income	367		473		105		
Rent income on fixed assets	364		280		(84)		
Foreign exchange gains	228		–		(228)		Loans to affiliated companies
Equity in earnings of affiliates	339		645		306		Portion of Fujiya Co., Ltd.'s affiliated companies
Other nonoperating income	610		703		93		
Nonoperating expenses	1,571	0.3	1,665	0.4	94	6.0	
Interest expense	1,254		1,205		(48)		
Foreign exchange losses	–		161		161		Loans to affiliated companies
Other nonoperating expenses	317		297		(19)		
Ordinary income	13,028	2.9	17,432	3.7	4,404	33.8	
Extraordinary gains	22	0.0	68	0.0	45	199.4	
Gain on sales of fixed assets	14		2		(12)		
Reversal of provision for loss on store closing	–		41		41		
Reversal of provision for loss on guarantees	7		24		16		
Other extraordinary gains	–		0		0		
Extraordinary losses	1,765	0.4	2,500	0.5	735	41.7	
Loss on sales and retirement of fixed assets	1,021		633		(387)		
Loss on closing of stores	364		208		(155)		
Provision for loss on store closing	200		–		(200)		
Loss on devaluation of investment securities	162		515		353		
Provision for employees' retirement benefits	–		920		920		Portion of newly consolidated companies
Provision of reserve for retirement benefits for directors and corporate auditors	–		45		45		Same as the above
Other extraordinary losses	17		175		158		
Income before income taxes	11,285	2.5	14,999	3.2	3,714	32.9	
Income and other taxes	6,226	1.4	6,322	1.4	96	1.6	
Minority interests (loss)	(746)	(0.2)	943	0.2	1,690	(226.4)	
Net income	5,805	1.3	7,733	1.6	1,927	33.2	

## Consolidated Results

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

(Millions of yen)

	Fiscal 2010 2nd Quarter	Fiscal 2009 End of Period	Increase/ (decrease)	Reasons
<b>Current assets</b>	165,150	172,663	(7,512)	
Cash and deposits	63,443	54,807	8,636	Increase due to receipt of accounts receivable
Notes and accounts receivable	69,004	84,702	(15,698)	Decrease in accounts receivable resulting from bank holiday in the end of previous fiscal period
Merchandise and finished goods	9,919	9,210	708	
Work in process	785	752	32	
Raw materials and supplies	6,736	7,831	(1,095)	
Deferred tax assets	3,845	3,657	188	
Other current assets	12,447	12,670	(223)	
Allowance for doubtful accounts	(1,031)	(969)	(61)	
<b>Fixed assets</b>	430,889	437,118	(6,228)	Capital investment: ¥15.2 billion / Depreciation and amortization: ¥19.5 billion
<b>Tangible fixed assets</b>	296,676	296,025	650	
Buildings and structures	90,117	90,378	(261)	
Machinery, equipment and vehicles	74,929	77,782	(2,853)	
Tools, furniture and fixtures	3,819	4,023	(204)	
Land	111,950	108,839	3,111	Transfer of fixed assets leased to newly consolidated companies to land: ¥3.0 billion
Lease assets	15,114	13,866	1,248	
Construction in progress	744	1,134	(390)	
<b>Intangible fixed assets</b>	32,421	32,850	(428)	
<b>Investments and other assets</b>	101,792	108,242	(6,449)	
Investment securities	39,362	43,722	(4,360)	Decrease due to recording of valuation differences: ¥3.2 billion
Long-term loans receivable	1,576	1,679	(102)	
Deferred tax assets	24,323	22,479	1,843	Increase resulting from valuation differences: ¥1.3 billion
Other investments and other assets	40,049	43,957	(3,907)	Transfer of fixed assets leased to newly consolidated companies to tangible fixed assets: ¥3.2 billion
Allowance for doubtful accounts	(3,519)	(3,596)	76	
<b>Total assets</b>	596,040	609,781	(13,740)	
<b>Current liabilities</b>	202,121	213,932	(11,811)	
Notes and accounts payable	64,684	68,710	(4,025)	Decrease in accounts payable-trade: ¥3.9 billion
Short-term loans payable	63,271	69,149	(5,878)	Decrease due to scheduled repayment
Lease obligations	3,382	2,811	570	
Current portion of bonds	1,234	1,284	(50)	
Accrued income tax	7,599	3,961	3,637	Increase in taxable income
Accrued expenses	29,305	32,904	(3,598)	
Allowance for employees' bonuses	3,734	3,802	(67)	
Reserve for sales promotion expenses	1,171	896	274	
Provision for loss on store closing	57	136	(78)	
Other current liabilities	27,681	30,275	(2,593)	Decrease in accounts payable: ¥2.1 billion
<b>Long-term liabilities</b>	152,402	160,533	(8,131)	
Bonds	6,784	7,506	(722)	
Long-term loans payable	41,002	51,092	(10,089)	Transfer to current portion of current liabilities
Lease obligations	12,164	11,332	832	
Allowance for employees' retirement benefits	77,930	75,969	1,961	Increase in retirement benefit expenses due to newly consolidated companies
Reserve for retirement benefits for directors and corporate auditors	2,931	2,833	98	
Reserve for loss on guarantees	1,338	1,364	(25)	
Other long-term liabilities	10,249	10,435	(185)	
<b>Total liabilities</b>	354,523	374,466	(19,942)	
<b>Total net assets</b>	241,516	235,314	6,201	Minority interests: ¥18.9 billion (down ¥0.9 billion)
<b>Total liabilities and net assets</b>	596,040	609,781	(13,740)	

<b>Consolidated Results</b>
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### 6. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2009 2nd Quarter	Fiscal 2010 2nd Quarter	Increase/ (decrease)
Capital investment	22,284	15,261	(7,023)
Depreciation and amortization	16,484	19,570	3,085

\* The amounts of capital investment and depreciation and amortization of tangible fixed assets and of intangible fixed assets have been disclosed.

### 7. Interest-bearing Debt

(Millions of yen)

	Fiscal 2010 2nd Quarter	Fiscal 2009 End of Period	Increase/ (decrease)	Reasons
Interest-bearing debt	117,868	134,561	(16,692)	Decrease resulting from repayments of loans payable

### 8. Cash Flows

(Millions of yen)

	Fiscal 2009 2nd Quarter	Fiscal 2010 2nd Quarter	Increase/ (decrease)	Reasons
Net cash provided by operating activities	23,801	44,633	20,832	Increase in income before income taxes
Net cash used in investing activities	(24,069)	(16,869)	7,199	Increase due to a decrease in the acquisition of fixed assets
Net cash used in financing activities	(2,049)	(22,809)	(20,759)	Decrease in new loans / Increase in repayments
Cash and cash equivalents at beginning of period	68,539	52,917	(15,622)	
Cash and cash equivalents at end of quarter	66,211	60,116	(6,095)	

## Projections for Fiscal 2010

## Consolidated Results

### 1. Overview

(Millions of yen)

	Fiscal 2009		Fiscal 2010 projection		Increase/ (decrease)	Percentage change
		%		%		
Net sales	885,683	100.0	930,000	100.0	44,316	5.0
Operating income	22,738	2.6	32,000	3.4	9,261	40.7
Ordinary income	22,852	2.6	32,000	3.4	9,147	40.0
Net income	8,640	1.0	14,800	1.6	6,159	71.3

### 2. Net Sales by Segment

(Millions of yen)

	Fiscal 2009	Fiscal 2010 projection	Increase/ (decrease)	Percentage change
Food business	824,101	861,890	37,788	4.6
Bread	93,239	93,890	650	0.7
Sweet buns	305,913	311,220	5,306	1.7
Japanese-style confectionery	67,589	68,270	680	1.0
Western-style confectionery	110,819	121,930	11,110	10.0
Processed bread and prepared rice and side dishes	97,372	97,910	537	0.6
Biscuits, crackers, <i>sembei</i> and other merchandise	149,167	168,670	19,502	13.1
Retail business	59,457	61,020	1,562	2.6
Other businesses	2,124	7,090	4,965	233.7
Total	885,683	930,000	44,316	5.0

### 3. Operating Income by Segment

(Millions of yen)

	Fiscal 2009	Fiscal 2010 projection	Increase/ (decrease)	Percentage change
Food business	22,691	28,590	5,898	26.0
Retail business	78	1,090	1,011	1,285.7
Other businesses	698	1,510	811	116.3
Subtotal	23,468	31,190	7,721	32.9
Elimination and corporate	(730)	810		
Total	22,738	32,000	9,261	40.7

## Nonconsolidated Results

### 1. Overview

(Millions of yen)

	Fiscal 2009 2nd Quarter		Fiscal 2010 2nd Quarter		Increase/ (decrease)	Percentage change
		%		%		
Net sales	307,326	100.0	308,074	100.0	747	0.2
Operating income	10,393	3.4	11,281	3.7	887	8.5
Ordinary income	11,522	3.7	12,539	4.1	1,016	8.8
Net income	5,454	1.8	6,828	2.2	1,374	25.2

	1st Quarter	2nd Quarter
Net sales	150,577	157,497
Operating income	5,061	6,219

### 2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2009 2nd Quarter		Fiscal 2010 2nd Quarter		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	48,400	15.8	48,767	15.8	366	0.8
Sweet buns	143,994	46.9	146,052	47.4	2,057	1.4
Japanese-style confectionery	33,451	10.9	31,636	10.3	(1,815)	(5.4)
Western-style confectionery	38,818	12.6	39,772	12.9	954	2.5
Processed bread and prepared rice and side dishes	20,731	6.7	19,811	6.4	(920)	(4.4)
Biscuits, crackers, <i>sembei</i> and other merchandise	21,929	7.1	22,034	7.2	105	0.5
Total	307,326	100.0	308,074	100.0	747	0.2

<b>Nonconsolidated Results</b>
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### 3. Income and Expenses

(Millions of yen)

	Fiscal 2009 2nd Quarter		Fiscal 2010 2nd Quarter		Increase/ (decrease)	Percentage change	Reasons
		%		%			
Gross profit	96,551	31.4	99,447	32.3	2,895	3.0	
Selling, general and administrative expenses	86,158	28.0	88,166	28.6	2,008	2.3	
Advertising expenses	7,680		8,392		711		
Shipping and transport expenses	16,244		16,917		672		
Personnel expenses	40,378		41,044		666		
Depreciation and amortization	3,336		4,142		806		
Rental fees	3,519		3,077		(441)		
Others	14,998		14,591		(407)		
Operating income	10,393	3.4	11,281	3.7	887	8.5	
Nonoperating income	1,956	0.6	2,175	0.7	218	11.2	
Interest income	71		46		(25)		
Dividends income	601		927		325		
Foreign exchange gains	228		–		(228)		Loans to affiliated companies
Other nonoperating income	1,055		1,201		146		
Nonoperating expenses	828	0.3	917	0.3	89	10.8	
Interest expense	674		563		(111)		
Foreign exchange losses	–		161		161		Loans to affiliated companies
Other nonoperating expenses	153		192		38		
Ordinary income	11,522	3.7	12,539	4.1	1,016	8.8	
Extraordinary gains	46	0.1	60	0.0	13	28.3	
Gain on sales of fixed assets	2		0		(2)		
Reversal of reserve for loss on guarantees	21		–		(21)		
Reversal of allowance for doubtful accounts	22		59		37		
Extraordinary losses	642	0.2	918	0.3	276	43.0	
Loss on sales and retirement of fixed assets	638		401		(236)		
Provision for loss on guarantees	–		1		1		
Loss on devaluation of investment securities	2		515		513		
Loss on retirement of stocks of affiliated companies	1		–		(1)		
Net income before income taxes	10,927	3.6	11,680	3.8	753	6.9	
Income and other taxes	5,472	1.8	4,851	1.6	(621)	(11.3)	
Net income	5,454	1.8	6,828	2.2	1,374	25.2	

**Nonconsolidated Results**

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

(Millions of yen)

	Fiscal 2010 2nd Quarter	Fiscal 2009 End of Period	Increase/ (decrease)	Reasons
<b>Current assets</b>	92,137	101,266	(9,129)	
Cash and deposits	27,938	23,040	4,897	Increase due to receipt of accounts receivable
Notes and accounts receivable	50,105	64,288	(14,182)	Decrease in accounts receivable resulting from bank holiday in the end of previous fiscal period
Merchandise and finished goods	3,569	2,949	620	
Work in process	80	78	1	
Raw materials and supplies	3,378	4,300	(922)	
Deferred tax assets	2,336	1,991	344	
Other current assets	4,781	4,669	111	
Allowance for doubtful accounts	(52)	(52)	-	
<b>Fixed assets</b>	337,590	344,973	(7,382)	Capital investment: ¥7.7 billion / Depreciation and amortization: ¥12.3 billion
Tangible fixed assets	195,299	200,326	(5,026)	
Buildings	51,540	52,819	(1,278)	
Structures	3,515	3,643	(127)	
Machinery and equipment	51,568	55,259	(3,690)	
Vehicles and delivery equipment	3,665	3,648	17	
Tools, furniture and fixtures	2,750	2,922	(172)	
Land	76,673	76,643	29	
Lease assets	5,162	4,823	338	
Construction in progress	423	566	(143)	
Intangible fixed assets	7,332	7,382	(50)	
Investments and other assets	134,958	137,264	(2,305)	
Investment securities	28,380	32,160	(3,779)	Decrease in market value: ¥3.3 billion
Investments in affiliated companies	72,281	71,856	424	
Long-term loans receivable	4,547	4,712	(165)	
Deferred tax assets	21,094	19,746	1,348	Increase resulting from valuation differences: ¥1.3 billion
Other investments and other assets	11,479	11,671	(191)	
Allowance for doubtful accounts	(2,823)	(2,882)	58	
<b>Total assets</b>	<b>429,728</b>	<b>446,240</b>	<b>(16,512)</b>	
<b>Current liabilities</b>	121,557	132,897	(11,340)	
Notes and accounts payable	42,943	45,446	(2,502)	Decrease in accounts payable-trade: ¥2.7 billion
Short-term loans payable	35,099	40,953	(5,854)	Decrease due to scheduled repayment
Lease obligations	1,307	1,117	190	
Accrued income tax	5,804	1,924	3,880	Increase in taxable income
Accrued expenses	20,157	23,055	(2,898)	Decrease in periodic and occasional payments: ¥1.9 billion
Allowance for employees' bonuses	2,776	2,689	87	
Other current liabilities	13,467	17,710	(4,242)	Decrease in accounts payable: ¥3.2 billion
<b>Long-term liabilities</b>	89,167	96,027	(6,860)	
Long-term loans payable	22,458	30,101	(7,643)	Transfer to current portion of current liabilities
Lease obligations	3,546	3,411	134	
Allowance for employees' retirement benefits	56,740	56,290	450	
Reserve for retirement benefits for directors and corporate auditors	2,202	2,172	29	
Reserve for loss on guarantees	2,200	2,200	(0)	
Other long-term liabilities	2,019	1,851	168	
<b>Total liabilities</b>	<b>210,724</b>	<b>228,925</b>	<b>(18,200)</b>	
<b>Total net assets</b>	<b>219,003</b>	<b>217,315</b>	<b>1,688</b>	
<b>Total liabilities and net assets</b>	<b>429,728</b>	<b>446,240</b>	<b>(16,512)</b>	

## Nonconsolidated Results

### 5. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2009 2nd Quarter	Fiscal 2010 2nd Quarter	Increase/ (decrease)
Capital investment	12,104	7,711	(4,393)
Depreciation and amortization	11,468	12,367	899

\* The amounts of capital investment and depreciation and amortization of tangible fixed assets and of intangible fixed assets have been disclosed.

### 6. Interest-bearing Debt

(Millions of yen)

	Fiscal 2010 2nd Quarter	Fiscal 2009 End of Period	Increase/ (decrease)	Reasons
Interest-bearing debt	63,133	76,583	(13,449)	Decrease resulting from repayments of loans payable

## Projections for Fiscal 2010

## Nonconsolidated Results

### 1. Overview

(Millions of yen)

	Fiscal 2009		Fiscal 2010 projection		Increase/ (decrease)	Percentage change
		%		%		
Net sales	615,313	100.0	623,000	100.0	7,686	1.2
Operating income	18,685	3.0	19,600	3.1	914	4.9
Ordinary income	20,219	3.3	21,000	3.4	780	3.9
Net income	9,021	1.5	10,300	1.7	1,278	14.2

### 2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2009		Fiscal 2010 projection		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	94,384	15.3	95,330	15.3	945	1.0
Sweet buns	285,601	46.4	291,310	46.8	5,708	2.0
Japanese-style confectionery	67,009	10.9	67,660	10.9	650	1.0
Western-style confectionery	80,813	13.1	81,550	13.1	736	0.9
Processed bread and prepared rice and side dishes	42,773	7.0	42,050	6.7	(723)	(1.7)
Biscuits, crackers, <i>sembei</i> and other merchandise	44,730	7.3	45,100	7.2	369	0.8
<b>Total</b>	<b>615,313</b>	<b>100.0</b>	<b>623,000</b>	<b>100.0</b>	<b>7,686</b>	<b>1.2</b>

#### 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.