

# Fiscal 2016

## Second Quarter Results

(For the Period from January 1, 2016, to June 30, 2016)

Yamazaki Baking Co., Ltd.

(August 2, 2016)

# I. Consolidated Results for the Second Quarter of Fiscal 2016

## Consolidated Results

### 1. Overview

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Net sales	508,652	100.0	520,668	100.0	12,016	2.4
Operating income	12,900	2.5	19,458	3.7	6,558	50.8
Ordinary income	13,573	2.7	19,767	3.8	6,194	45.6
Profit attributable to owners of parent	3,991	0.8	9,398	1.8	5,407	135.5

Comprehensive income	13,031	2.6	4,532	0.9	(8,499)	(65.2)
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	1st Quarter	2nd Quarter
Net sales	257,953	262,714
Operating income	9,178	10,280

	Fiscal 2015 2nd Quarter	Fiscal 2016 2nd Quarter	Increase/ (decrease)
Number of consolidated subsidiaries	28	28	0
Number of equity-method subsidiaries	3	3	0

### 2. Net Sales by Segment

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change
	2nd Quarter	Percentage of total	2nd Quarter	Percentage of total		
Food business	472,626	92.9	485,913	93.3	13,287	2.8
Bread	48,806	9.6	50,286	9.7	1,480	3.0
Sweet buns	177,725	34.9	182,014	35.0	4,289	2.4
Japanese-style confectionery	32,957	6.5	33,991	6.5	1,034	3.1
Western-style confectionery	66,643	13.1	66,508	12.8	(135)	(0.2)
Processed bread, prepared rice and processed noodles	68,158	13.4	72,114	13.8	3,955	5.8
Biscuits, crackers, <i>sembei</i> and other merchandise	78,334	15.4	80,997	15.5	2,663	3.4
Retail business	31,364	6.2	29,954	5.8	(1,410)	(4.5)
Other businesses	4,660	0.9	4,800	0.9	139	3.0
Total	508,652	100.0	520,668	100.0	12,016	2.4

### 3. Operating Income by Segment

(Millions of yen)

	Fiscal 2015 2nd Quarter	Fiscal 2016 2nd Quarter	Increase/ (decrease)	Percentage change
Food business	13,414	19,468	6,054	45.1
Retail business	(1,338)	(983)	354	—
Other businesses	537	689	151	28.2
Subtotal	12,613	19,174	6,560	52.0
Adjustment	287	284	(2)	
Total	12,900	19,458	6,558	50.8

**Consolidated Results**

4. Income and Expenses

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change	Reasons
	2nd Quarter	%	2nd Quarter	%			
Gross profit	182,801	35.9	192,031	36.9	9,229	5.0	
Selling, general and administrative expenses	169,901	33.4	172,572	33.2	2,671	1.6	
Advertising expenses	24,135		24,804		669		
Haulage expenses	29,655		30,646		990		
Personnel expenses	67,423		68,735		1,311		
Depreciation and amortization	7,071		6,567		(503)		
Rental fees	12,372		12,189		(183)		
Others	29,241		29,628		386		
Operating income	12,900	2.5	19,458	3.7	6,558	50.8	
Nonoperating income	1,532	0.3	1,483	0.3	(49)	(3.2)	
Interest income	65		50		(14)		
Dividend income	534		530		(3)		
Rent income on fixed assets	287		312		24		
Equity in earnings of affiliates	7		36		29		
Other nonoperating income	638		553		(84)		
Nonoperating expenses	860	0.1	1,174	0.2	314	36.6	
Interest expense	677		546		(130)		
Foreign exchange losses	–		455		455		
Other nonoperating expenses	182		172		(10)		
Ordinary income	13,573	2.7	19,767	3.8	6,194	45.6	
Extraordinary gains	51	0.0	644	0.1	593	1,156.2	
Gain on sales of fixed assets	51		64		13		
Gain on sales of investment securities	–		443		443		
Subsidy income	–		136		136		
Extraordinary losses	1,387	0.3	1,881	0.3	494	35.6	
Loss on sales and retirement of fixed assets	689		875		186		
Impairment loss	548		444		(103)		
Other extraordinary losses	149		560		411		
Income before income taxes	12,237	2.4	18,530	3.6	6,293	51.4	
Income and other taxes	8,123	1.6	8,587	1.7	464	5.7	
Profit	4,113	0.8	9,943	1.9	5,829	141.7	
Profit attributable to non-controlling interests	122	0.0	544	0.1	421	343.9	
Profit attributable to owners of parent	3,991	0.8	9,398	1.8	5,407	135.5	
Comprehensive income	13,031	2.6	4,532	0.9	(8,499)	(65.2)	Decrease in valuation difference on available-for-sale securities

## Consolidated Results

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

(Millions of yen)

	Fiscal 2015 End of Period	Fiscal 2016 2nd Quarter	Increase/ (decrease)	Reasons
<b>Current assets</b>	257,669	244,061	(13,608)	
Cash and deposits	113,173	125,211	12,038	
Notes and accounts receivable	107,054	82,905	(24,148)	Delay in deposit due to financial institution holiday at the end of the previous period
Merchandise and finished goods	10,868	10,741	(127)	
Work in process	646	794	148	
Raw materials and supplies	9,702	8,212	(1,489)	
Deferred tax assets	3,845	3,810	(34)	
Other current assets	12,965	12,878	(86)	
Allowance for doubtful accounts	(587)	(494)	93	
<b>Fixed assets</b>	443,328	429,519	(13,808)	
<b>Tangible fixed assets</b>	296,269	293,563	(2,705)	
Buildings and structures	84,435	84,498	63	
Machinery, equipment and vehicles	73,049	71,014	(2,034)	
Tools, furniture and fixtures	4,096	4,439	342	
Land	115,671	115,534	(136)	
Lease assets	9,033	7,941	(1,092)	
Construction in progress	9,982	10,135	152	
<b>Intangible fixed assets</b>	24,243	22,281	(1,962)	Amortization of goodwill: ¥0.6 billion
Investments and other assets	122,815	113,674	(9,140)	
Investment securities	70,658	61,090	(9,567)	Decrease due to recording of mark-to-market valuation differences: ¥9.2 billion
Long-term loans receivable	445	426	(18)	
Net defined benefit asset	485	513	28	
Deferred tax assets	21,113	22,707	1,593	
Other investments and other assets	32,831	31,756	(1,074)	
Allowance for doubtful accounts	(2,719)	(2,820)	(101)	
<b>Total assets</b>	700,997	673,580	(27,416)	
<b>Current liabilities</b>	240,005	221,124	(18,881)	
Notes and accounts payable	78,903	72,640	(6,262)	Decrease in accounts payable-trade: ¥5.6 billion
Short-term loans payable	61,424	60,520	(903)	
Lease obligations	3,707	3,181	(526)	
Current portion of bonds	1,371	974	(397)	
Accrued income tax	7,874	8,740	866	
Accrued expenses	38,291	34,061	(4,229)	
Allowance for employees' bonuses	4,902	5,065	162	
Reserve for sales promotion expenses	987	1,199	211	
Provision for loss on store closures	1	1	(0)	
Asset retirement obligations	92	73	(19)	
Other current liabilities	42,449	34,665	(7,784)	
<b>Long-term liabilities</b>	165,376	156,155	(9,221)	
Bonds	900	580	(320)	
Long-term loans payable	39,172	31,364	(7,807)	Increase in new loans payable: ¥1.6 billion Transfer to short-term loans payable: ¥9.3 billion
Lease obligations	5,768	5,011	(756)	
Reserve for retirement benefits for directors and corporate auditors	3,617	3,745	127	
Provision for environmental measures	144	115	(28)	
Net defined benefit liability	102,102	101,977	(125)	
Asset retirement obligations	4,190	4,328	138	
Other long-term liabilities	9,480	9,031	(448)	
<b>Total liabilities</b>	405,382	377,279	(28,102)	
<b>Total net assets</b>	295,614	296,300	685	Non-controlling interests: ¥23.1 billion (down ¥0.1 billion)
<b>Total liabilities and net assets</b>	700,997	673,580	(27,416)	

## 6. Major Subsidiaries

### (1) Net sales (Millions of yen)

	Fiscal 2015 2nd Quarter	Fiscal 2016 2nd Quarter	Increase/ (decrease)
Sun-Delica Co., Ltd.	49,650	52,307	2,656
Fujiya Co., Ltd. (Consolidated)	50,187	50,316	128
Yamazaki Nabisco Co., Ltd.	19,117	20,968	1,851
Vie de France Co., Ltd.	16,663	17,352	688
Tohato Inc.	12,357	11,708	(649)

### (2) Operating income (Millions of yen)

	Fiscal 2015 2nd Quarter	Fiscal 2016 2nd Quarter	Increase/ (decrease)
Sun-Delica Co., Ltd.	704	1,239	534
Fujiya Co., Ltd. (Consolidated)	(331)	638	969
Yamazaki Nabisco Co., Ltd.	1,700	2,123	422
Vie de France Co., Ltd.	553	587	34
Tohato Inc.	224	423	198

## 7. Capital Investment and Depreciation and Amortization (Millions of yen)

	Fiscal 2015 2nd Quarter	Fiscal 2016 2nd Quarter	Increase/ (decrease)
Capital investment	17,220	15,210	(2,010)
Depreciation and amortization	17,877	17,557	(320)

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

## 8. Cash Flows

(Millions of yen)

	Fiscal 2015 2nd Quarter	Fiscal 2016 2nd Quarter	Increase/ (decrease)	Reasons
Net cash provided by operating activities	35,199	45,102	9,902	Increase in income before income taxes
Net cash used in investing activities	(18,106)	(16,300)	1,806	Increase in revenue due to sales of investment securities
Net cash used in financing activities	(15,387)	(15,351)	35	
Cash and cash equivalents at beginning of period	112,181	108,716	(3,465)	
Cash and cash equivalents at end of quarter	113,999	122,013	8,014	

## II. Projections for Fiscal 2016

### Consolidated Projection

#### 1. Overview

(Millions of yen)

	Fiscal 2015		Fiscal 2016 projection		Increase/ (decrease)	Percentage change
		%		%		
Net sales	1,027,199	100.0	1,051,000	100.0	23,800	2.3
Operating income	27,001	2.6	34,000	3.2	6,998	25.9
Ordinary income	28,303	2.8	35,000	3.3	6,696	23.7
Profit attributable to owners of parent	11,095	1.1	17,000	1.6	5,904	53.2

#### 2. Net Sales by Segment

(Millions of yen)

	Fiscal 2015	Fiscal 2016 projection	Increase/ (decrease)	Percentage change
Food business	953,610	978,090	24,479	2.6
Bread	92,031	93,930	1,898	2.1
Sweet buns	351,708	358,520	6,811	1.9
Japanese-style confectionery	69,922	71,580	1,657	2.4
Western-style confectionery	133,883	135,560	1,676	1.3
Processed bread, prepared rice and processed noodles	141,449	150,240	8,790	6.2
Biscuits, crackers, <i>sembei</i> and other merchandise	164,613	168,260	3,646	2.2
Retail business	63,918	62,650	(1,268)	(2.0)
Other businesses	9,671	10,260	588	6.1
Total	1,027,199	1,051,000	23,800	2.3

#### 3. Operating Income by Segment

(Millions of yen)

	Fiscal 2015	Fiscal 2016 projection	Increase/ (decrease)	Percentage change
Food business	26,847	33,310	6,462	24.1
Retail business	(1,395)	(940)	455	-
Other businesses	1,165	1,230	64	5.6
Subtotal	26,616	33,600	6,983	26.2
Adjustment	384	400	15	
Total	27,001	34,000	6,998	25.9

### III. Nonconsolidated Results for Second Quarter of Fiscal 2016

Nonconsolidated Results
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#### 1. Overview

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Net sales	359,150	100.0	369,213	100.0	10,063	2.8
Operating income	9,102	2.5	13,208	3.6	4,106	45.1
Ordinary income	10,803	3.0	14,428	3.9	3,624	33.5
Profit	3,824	1.1	7,627	2.1	3,803	99.5

	1st Quarter	2nd Quarter
Net sales	182,768	186,445
Operating income	5,924	7,283

#### 2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change
	2nd Quarter	Percentage of total	2nd Quarter	Percentage of total		
Bread	48,306	13.5	49,776	13.5	1,470	3.0
Sweet buns	164,958	45.9	168,922	45.7	3,964	2.4
Japanese-style confectionery	32,807	9.1	33,840	9.2	1,032	3.1
Western-style confectionery	45,614	12.7	46,151	12.5	536	1.2
Processed bread, prepared rice and processed noodles	17,459	4.9	21,654	5.9	4,194	24.0
Biscuits, crackers, <i>sembei</i> and other merchandise	18,612	5.2	21,163	5.7	2,550	13.7
Subtotal	327,759	91.3	341,508	92.5	13,748	4.2
Daily Yamazaki business	34,816	9.7	33,344	9.0	(1,472)	(4.2)
Internal elimination	(3,426)	(1.0)	(5,639)	(1.5)	(2,212)	-
Total	359,150	100.0	369,213	100.0	10,063	2.8

\* "Internal elimination" represents the elimination amount of intercompany transactions between the Food business and the Daily Yamazaki business of Yamazaki Baking Co., Ltd.



<b>Nonconsolidated Results</b>
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### 3. Operating Income

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	10,440	3.2	14,192	4.2	3,751	35.9
Daily Yamazaki business	(1,338)	(3.8)	(983)	(3.0)	354	-

<Increase or Decrease in the Results of Yamazaki Baking Company's Primary Business (excluding the Daily Yamazaki Business)>

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change	Factors affecting operating income increase/(decrease)
	2nd Quarter	%	2nd Quarter	%			
Gross profit	104,654	31.9	111,292	32.6	6,637	6.3	Increase in net sales      ¥6.4 billion Decrease in raw material expenses      ¥1.9 billion Increase in labor cost      (¥0.5 billion) Decrease in expenses      ¥1.1 billion Decrease in amortization      ¥0.1 billion Other cost      (¥2.4 billion)
Selling, general and administrative expenses	94,213	28.7	97,099	28.4	2,886	3.1	Increase in personnel expenses      (¥0.9 billion) Increase in expenses      (¥2.0 billion)

\* Negative impacts on operating income are shown in parentheses in the column of "Factors affecting operating income increase/(decrease)."

\* The value of the "%" field represents the ratio of each account title to net sales of Yamazaki Baking Company's primary business (excluding those of the Daily Yamazaki business).

## IV. Plans for Fiscal 2016

### Nonconsolidated Plan

#### 1. Overview

(Millions of yen)

	Fiscal 2015		Fiscal 2016 plan		Increase/ (decrease)	Percentage change
		%		%		
Net sales	720,205	100.0	740,000	100.0	19,794	2.7
Operating income	17,672	2.5	22,000	3.0	4,327	24.5
Ordinary income	20,548	2.9	24,200	3.3	3,651	17.8
Profit	9,239	1.3	13,100	1.8	3,860	41.8

#### 2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2015		Fiscal 2016 plan		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	92,972	12.9	94,880	12.8	1,907	2.1
Sweet buns	325,144	45.1	331,190	44.8	6,045	1.9
Japanese-style confectionery	69,063	9.6	70,610	9.5	1,546	2.2
Western-style confectionery	92,429	12.8	94,170	12.7	1,740	1.9
Processed bread, prepared rice and processed noodles	38,163	5.3	45,140	6.1	6,976	18.3
Biscuits, crackers, <i>sembei</i> and other merchandise	40,028	5.6	46,220	6.3	6,191	15.5
Subtotal	657,801	91.3	682,210	92.2	24,408	3.7
Daily Yamazaki business	70,738	9.8	69,700	9.4	(1,038)	(1.5)
Internal elimination	(8,335)	(1.1)	(11,910)	(1.6)	(3,574)	-
Total	720,205	100.0	740,000	100.0	19,794	2.7

\* "Internal elimination" represents the elimination amount of intercompany transactions between the Food Business and the Daily Yamazaki business of Yamazaki Baking Co., Ltd.

#### 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.