

Fiscal 2016 Results

(For the Period from January 1, 2016, to December 31, 2016)

Yamazaki Baking Co., Ltd.

(February 14, 2017)

I. Fiscal 2016 Consolidated Results

Consolidated Results

1. Overview

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change
		%		%		
Net sales	1,027,199	100.0	1,041,943	100.0	14,743	1.4
Operating income	27,001	2.6	35,169	3.4	8,168	30.3
Ordinary income	28,303	2.8	36,905	3.5	8,601	30.4
Profit attributable to owners of parent	11,095	1.1	18,175	1.7	7,079	63.8

Comprehensive income	27,025	2.6	11,187	1.1	(15,837)	(58.6)
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	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal 2016
Net sales	257,953	262,714	252,012	269,262	1,041,943
Operating income	9,178	10,280	6,425	9,285	35,169

	Fiscal 2015	Fiscal 2016	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
		Percentage of total		Percentage of total		
Food business	953,610	92.8	969,941	93.0	16,330	1.7
Bread	92,031	9.0	94,100	9.0	2,069	2.2
Sweet buns	351,708	34.2	356,341	34.2	4,633	1.3
Japanese-style confectionery	69,922	6.8	71,217	6.8	1,294	1.9
Western-style confectionery	133,883	13.0	133,993	12.9	110	0.1
Processed bread, prepared rice and processed noodles	141,449	13.8	148,311	14.2	6,861	4.9
Biscuits, crackers, <i>sembei</i> and other merchandise	164,613	16.0	165,976	15.9	1,362	0.8
Retail business	63,918	6.2	61,944	6.0	(1,973)	(3.1)
Other businesses	9,671	1.0	10,057	1.0	386	4.0
Total	1,027,199	100.0	1,041,943	100.0	14,743	1.4

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)	Percentage change
Food business	26,847	34,202	7,355	27.4
Retail business	(1,395)	(852)	542	–
Other businesses	1,165	1,430	264	22.7
Subtotal	26,616	34,779	8,162	30.7
Adjustment	384	390	5	
Total	27,001	35,169	8,168	30.3

4. Income and Expenses

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change	Reasons
		%		%			
Gross profit	368,561	35.9	380,174	36.5	11,613	3.2	
Selling, general and administrative expenses	341,559	33.3	345,004	33.1	3,444	1.0	
Advertising expenses	48,407		48,454		46		
Haulage expenses	60,481		62,300		1,818		
Personnel expenses	135,104		137,120		2,016		
Depreciation and amortization	14,265		13,692		(572)		
Rental fees	24,686		24,385		(300)		
Others	58,614		59,050		436		
Operating income	27,001	2.6	35,169	3.4	8,168	30.3	
Nonoperating income	2,973	0.3	3,216	0.3	242	8.2	
Interest income	131		95		(36)		
Dividend income	934		941		6		
Rent income on fixed assets	582		633		50		
Equity in earnings of affiliates	85		254		169		
Other nonoperating income	1,239		1,291		52		
Nonoperating expenses	1,671	0.1	1,480	0.2	(190)	(11.4)	
Interest expense	1,288		1,021		(267)		
Other nonoperating expenses	382		459		76		
Ordinary income	28,303	2.8	36,905	3.5	8,601	30.4	
Extraordinary gains	822	0.0	792	0.1	(29)	(3.6)	
Gain on sales of fixed assets	73		87		14		
Gain on sales of investment securities	322		443		120		
Subsidy income	–		245		245		
Gain on transfer of benefit obligation relating to employees' pension fund	425		–		(425)		
Other extraordinary gains	–		14		14		
Extraordinary losses	3,536	0.3	5,062	0.5	1,525	43.1	
Loss on sales and retirement of fixed assets	1,817		2,162		345		
Impairment loss	1,322		1,052		(270)		
Expenses related to change of trade name	–		661		661		
Laboratory relocation expenses	–		572		572		
Other extraordinary losses	397		613		216		
Income before income taxes	25,588	2.5	32,634	3.1	7,046	27.5	
Income and other taxes	13,382	1.3	13,066	1.2	(316)	(2.4)	
Profit	12,205	1.2	19,568	1.9	7,362	60.3	
Profit attributable to non-controlling interests	1,110	0.1	1,393	0.2	283	25.5	
Profit attributable to owners of parent	11,095	1.1	18,175	1.7	7,079	63.8	
Comprehensive income	27,025	2.6	11,187	1.1	(15,837)	(58.6)	

Consolidated Results

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

(Millions of yen)

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)	Reasons
Current assets	257,669	251,045	(6,623)	
Cash and deposits	113,173	107,327	(5,845)	
Notes and accounts receivable	107,054	106,693	(361)	
Merchandise and finished goods	10,868	10,928	59	
Work in process	646	613	(33)	
Raw materials and supplies	9,702	9,255	(447)	
Deferred tax assets	3,845	4,027	181	
Other current assets	12,965	12,566	(399)	
Allowance for doubtful accounts	(587)	(365)	222	
Fixed assets	443,328	452,840	9,512	Capital investment: ¥45.2 billion Depreciation and amortization: ¥36.6 billion
Tangible fixed assets	296,269	303,702	7,433	
Buildings and structures	84,435	94,349	9,913	
Machinery, equipment and vehicles	73,049	73,749	700	
Tools, furniture and fixtures	4,096	5,647	1,550	
Land	115,671	116,430	759	
Lease assets	9,033	7,427	(1,606)	
Construction in progress	9,982	6,097	(3,885)	
Intangible fixed assets	24,243	21,664	(2,578)	Amortization of goodwill: ¥1.2 billion
Investments and other assets	122,815	127,472	4,657	
Investment securities	70,658	73,757	3,098	
Long-term loans receivable	445	442	(2)	
Net defined benefit asset	485	530	44	
Deferred tax assets	21,113	24,428	3,315	Valuation difference on available-for-sale securities: ¥1.9 billion
Other investments and other assets	32,831	31,114	(1,717)	
Allowance for doubtful accounts	(2,719)	(2,799)	(80)	
Total assets	700,997	703,886	2,889	
Current liabilities	240,005	239,636	(369)	
Notes and accounts payable	78,903	78,799	(103)	
Short-term loans payable	61,424	59,384	(2,040)	
Lease obligations	3,707	2,783	(924)	
Current portion of bonds	1,371	390	(981)	
Accrued income tax	7,874	8,188	314	
Accrued expenses	38,291	38,493	201	
Allowance for employees' bonuses	4,902	5,093	190	
Reserve for sales promotion expenses	987	1,157	169	
Provision for loss on store closures	1	-	(1)	
Asset retirement obligations	92	4	(88)	
Other current liabilities	42,449	45,343	2,894	
Long-term liabilities	165,376	161,327	(4,049)	
Bonds	900	510	(390)	
Long-term loans payable	39,172	26,121	(13,051)	Transfer to short-term loans payable: ¥19.2 billion Increase in new loans payable, etc.: ¥6.1 billion
Lease obligations	5,768	4,837	(930)	
Reserve for retirement benefits for directors and corporate auditors	3,617	3,877	259	
Provision for environmental measures	144	92	(51)	
Net defined benefit liability	102,102	112,409	10,307	Increase in retirement benefit obligations (due to drop in discount rate, etc.): ¥10.2 billion
Asset retirement obligations	4,190	4,384	193	
Other long-term liabilities	9,480	9,095	(385)	
Total liabilities	405,382	400,963	(4,418)	
Total net assets	295,614	302,922	7,307	Non-controlling interests: ¥24.1 billion (up ¥0.8 billion)
Total liabilities and net assets	700,997	703,886	2,889	

6. Major Subsidiaries

(1) Net sales (Millions of yen)

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	104,021	104,400	378
Sun-Delica Co., Ltd.	103,961	110,065	6,103
Yamazaki Biscuits Co., Ltd.	40,291	38,813	(1,477)
Vie de France Co., Ltd.	33,411	34,037	625
Tohato Inc.	23,716	23,033	(682)

(2) Operating income (Millions of yen)

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	1,480	2,514	1,034
Sun-Delica Co., Ltd.	2,168	2,966	797
Yamazaki Biscuits Co., Ltd.	3,414	2,507	(907)
Vie de France Co., Ltd.	885	732	(152)
Tohato Inc.	(177)	738	915

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

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)
Capital investment	38,055	45,253	7,197
Depreciation and amortization	36,968	36,698	(270)

* 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. Interest-bearing Debt

(Millions of yen)

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)	Reasons
Interest-bearing debt	118,556	100,260	(18,295)	Decrease due to repayment of loans payable

Consolidated Results

9. Cash Flows

(Millions of yen)

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)	Reasons
Net cash provided by operating activities	55,416	62,763	7,347	Increase in income before income taxes
Net cash used in investing activities	(34,669)	(42,793)	(8,124)	Increase in expenditure due to purchase of investment securities
Net cash used in financing activities	(24,265)	(24,224)	40	
Cash and cash equivalents at beginning of period	112,181	108,716	(3,465)	
Cash and cash equivalents at end of period	108,716	104,344	(4,371)	

10. Number of Employees by Segment

(Number of employees)

	Fiscal 2015		Fiscal 2016		Increase/(decrease)	
Food business	24,733	[23,189]	25,593	[22,175]	860	[(1,014)]
Retail business	758	[240]	786	[216]	28	[(24)]
Other businesses	731	[756]	801	[815]	70	[59]
Total	26,222	[24,185]	27,180	[23,206]	958	[(979)]

* Figures without brackets indicate permanent employees, and figures with brackets indicate the average number of temporary employees for each respective period.

11. Number of Stores

(Number of stores)

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)
Daily Yamazaki	1,561	1,571	10
Fujiya [Western-style confectionery]	986	941	(45)
Vie de France	255	263	8

II. Projections for Fiscal 2017

Consolidated Projection

1. Overview

(Millions of yen)

	Fiscal 2016		Fiscal 2017 projection		Increase/ (decrease)	Percentage change
		%		%		
Net sales	1,041,943	100.0	1,051,000	100.0	9,056	0.9
Gross profit	380,174	36.5	385,000	36.6	4,825	1.3
Selling, general and administrative expenses	345,004	33.1	348,000	33.1	2,995	0.9
Operating income	35,169	3.4	37,000	3.5	1,830	5.2
Ordinary income	36,905	3.5	38,000	3.6	1,094	3.0
Extraordinary losses	(4,270)	(0.4)	(4,200)	(0.4)	70	(1.6)
Profit attributable to owners of parent	18,175	1.7	19,700	1.9	1,524	8.4

	Fiscal 2017 first half projection			Fiscal 2017 second half projection		
		Increase/ (decrease)	Percentage change		Increase/ (decrease)	Percentage change
Net sales	522,000	1,331	0.3	529,000	7,725	1.5
Operating income	19,000	(458)	(2.4)	18,000	2,289	14.6
Ordinary income	19,300	(467)	(2.4)	18,700	1,562	9.1
Profit attributable to owners of parent	10,000	601	6.4	9,700	923	10.5

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2016	Fiscal 2017 projection	Increase/ (decrease)	Percentage change
Food business	969,941	979,730	9,788	1.0
Bread	94,100	94,720	619	0.7
Sweet buns	356,341	359,510	3,168	0.9
Japanese-style confectionery	71,217	71,920	702	1.0
Western-style confectionery	133,993	135,550	1,556	1.2
Processed bread, prepared rice and processed noodles	148,311	151,220	2,908	2.0
Biscuits, crackers, <i>sembei</i> and other merchandise	165,976	166,810	833	0.5
Retail business	61,944	60,850	(1,094)	(1.8)
Other businesses	10,057	10,420	362	3.6
Total	1,041,943	1,051,000	9,056	0.9

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2016	Fiscal 2017 projection	Increase/ (decrease)	Percentage change
Food business	34,202	35,500	1,297	3.8
Retail business	(852)	(390)	462	-
Other businesses	1,430	1,480	49	3.5
Subtotal	34,779	36,590	1,810	5.2
Adjustment	390	410	19	
Total	35,169	37,000	1,830	5.2

4. Major Subsidiaries

(1) Net sales (Millions of yen)

	Fiscal 2016	Fiscal 2017 plan	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	104,400	106,000	1,599
Sun-Delica Co., Ltd.	110,065	113,370	3,304
Yamazaki Biscuits Co., Ltd.	38,813	36,760	(2,053)
Vie de France Co., Ltd.	34,037	34,850	812
Tohato Inc.	23,033	23,500	466

(2) Operating income (Millions of yen)

	Fiscal 2016	Fiscal 2017 plan	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	2,514	2,700	185
Sun-Delica Co., Ltd.	2,966	3,180	213
Yamazaki Biscuits Co., Ltd.	2,507	1,820	(687)
Vie de France Co., Ltd.	732	750	17
Tohato Inc.	738	770	31

5. Capital Investment and Depreciation and Amortization (Millions of yen)

	Fiscal 2016	Fiscal 2017 plan	Increase/ (decrease)
Capital investment	45,253	48,170	2,916
Depreciation and amortization	36,698	37,640	941

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

III. Fiscal 2016 Nonconsolidated Results

Nonconsolidated Results

1. Overview

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change
		%		%		
Net sales	720,205	100.0	735,103	100.0	14,898	2.1
Operating income	17,672	2.5	23,428	3.2	5,756	32.6
Ordinary income	20,548	2.9	26,341	3.6	5,793	28.2
Profit	9,239	1.3	14,724	2.0	5,484	59.4

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal 2016
Net sales	182,768	186,445	176,596	189,293	735,103
Operating income	5,924	7,283	4,501	5,719	23,428

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	92,972	12.9	94,998	12.9	2,025	2.2
Sweet buns	325,144	45.1	330,076	44.9	4,931	1.5
Japanese-style confectionery	69,063	9.6	70,496	9.6	1,433	2.1
Western-style confectionery	92,429	12.8	93,646	12.7	1,217	1.3
Processed bread, prepared rice and processed noodles	38,163	5.3	45,308	6.2	7,145	18.7
Biscuits, crackers, <i>sembei</i> and other merchandise	40,028	5.6	44,353	6.0	4,325	10.8
Subtotal	657,801	91.3	678,880	92.3	21,078	3.2
Daily Yamazaki business	70,738	9.8	68,515	9.3	(2,222)	(3.1)
Internal elimination	(8,335)	(1.1)	(12,292)	(1.6)	(3,957)	-
Total	720,205	100.0	735,103	100.0	14,898	2.1

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

Nonconsolidated Results

3. Operating Income

(Millions of yen)

	Fiscal 2015		Fiscal 2016		Increase/ (decrease)	Percentage change
		%		%		
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	19,067	2.9	24,281	3.6	5,213	27.3
Daily Yamazaki business	(1,395)	(2.0)	(852)	(1.2)	542	-

<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)
		%		%			
Gross profit	207,164	31.5	217,499	32.0	10,334	5.0	Increase in net sales ¥9.8 billion Decrease in raw material expenses ¥3.0 billion Increase in manufacturing labor cost (¥1.1 billion) Decrease in manufacturing expenses ¥2.4 billion Decrease in manufacturing amortization ¥0.1 billion Others (¥4.0 billion)
Selling, general and administrative expenses	188,096	28.6	193,217	28.5	5,120	2.7	Increase in personnel expenses (¥1.5 billion) Increase in expenses (¥3.5 billion) Increase in amortization (¥0.1 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).

4. Number of Employees

(Number of employees)

	Fiscal 2015		Fiscal 2016		Increase/(decrease)	
Number of employees	17,869	[9,243]	18,628	[8,746]	759	[(497)]

* Figures without brackets indicate permanent employees, and figures with brackets indicate the average number of temporary employees for each respective period.

5. Number of Stores by Sales Channel

(Number of stores)

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)
Daily Yamazaki	1,518	1,533	15
Yamazaki Shop	3,139	3,018	(121)
Saint Etoile	582	597	15
Other licensed stores	283	285	2
Supermarkets	18,219	18,283	64
Convenience stores	50,444	51,716	1,272
General stores and other	34,434	33,861	(573)
Total	108,619	109,293	674

* The total number of stores of Daily Yamazaki including area franchise stores is 1,571.

6. Sales by Sales Channel

(%)

	Fiscal 2015	Fiscal 2016	Increase/ (decrease)
Daily Yamazaki	2.2	2.3	0.1
Yamazaki Shop	4.2	4.0	(0.2)
Saint Etoile	2.0	2.0	0.0
Other licensed stores	1.3	1.3	0.0
Supermarkets	41.6	42.5	0.9
Convenience stores	25.5	25.8	0.3
General stores and other	23.2	22.1	(1.1)
Total	100.0	100.0	0.0

IV. Plans for Fiscal 2017

Nonconsolidated Plan

1. Overview

(Millions of yen)

	Fiscal 2016		Fiscal 2017 plan		Increase/ (decrease)	Percentage change
		%		%		
Net sales	735,103	100.0	743,500	100.0	8,396	1.1
Gross profit	245,413	33.4	248,790	33.5	3,376	1.4
Selling, general and administrative expenses	221,984	30.2	224,290	30.2	2,305	1.0
Operating income	23,428	3.2	24,500	3.3	1,071	4.6
Ordinary income	26,341	3.6	27,000	3.6	658	2.5
Extraordinary losses	(2,653)	(0.4)	(2,520)	(0.3)	133	(5.0)
Profit	14,724	2.0	16,500	2.2	1,775	12.1

	Fiscal 2017 first half plan			Fiscal 2017 second half plan		
		Increase/ (decrease)	Percentage change		Increase/ (decrease)	Percentage change
Net sales	372,000	2,786	0.8	371,500	5,609	1.5
Operating income	13,500	291	2.2	11,000	779	7.6
Ordinary income	15,000	571	4.0	12,000	87	0.7
Profit	9,000	1,372	18.0	7,500	403	5.7

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2016		Fiscal 2017 plan		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	94,998	12.9	96,230	12.9	1,231	1.3
Sweet buns	330,076	44.9	333,950	44.9	3,873	1.2
Japanese-style confectionery	70,496	9.6	71,340	9.6	843	1.2
Western-style confectionery	93,646	12.7	96,740	13.0	3,093	3.3
Processed bread, prepared rice and processed noodles	45,308	6.2	46,410	6.3	1,101	2.4
Biscuits, crackers, <i>sembei</i> and other merchandise	44,353	6.0	45,300	6.1	946	2.1
Subtotal	678,880	92.3	689,970	92.8	11,089	1.6
Daily Yamazaki business	68,515	9.3	67,290	9.1	(1,225)	(1.8)
Internal elimination	(12,292)	(1.6)	(13,760)	(1.9)	(1,467)	-
Total	735,103	100.0	743,500	100.0	8,396	1.1

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

3. Operating Income

(Millions of yen)

	Fiscal 2016		Fiscal 2017 plan		Increase/ (decrease)	Percentage change
		%		%		
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	24,281	3.6	24,890	3.6	608	2.5
Daily Yamazaki business	(852)	(1.2)	(390)	(0.6)	462	-

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

	Fiscal 2016		Fiscal 2017 plan		Increase/ (decrease)	Percentage change	Factors affecting operating income increase/ (decrease)
		%		%			
Gross profit	217,499	32.0	220,830	32.0	3,330	1.5	Increase in net sales ¥5.0 billion Increase in raw material expenses (¥0.2 billion) Increase in manufacturing labor cost (¥0.9 billion) Decrease in manufacturing expenses ¥0.4 billion Increase in manufacturing amortization (¥0.2 billion) Others (¥0.8 billion)
Selling, general and administrative expenses	193,217	28.5	195,940	28.4	2,722	1.4	Increase in personnel expenses (¥1.3 billion) Increase in expenses (¥1.2 billion) Increase in amortization (¥0.2 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).

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.