

**Fiscal 2017**  
**Second Quarter Results**  
(For the Period from January 1, 2017, to June 30, 2017)

Yamazaki Baking Co., Ltd.

(August 2, 2017)

# I. Consolidated Results for the Second Quarter of Fiscal 2017

## Consolidated Results

### 1. Overview

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Net sales	520,668	100.0	522,979	100.0	2,311	0.4
Operating income	19,458	3.7	16,816	3.2	(2,642)	(13.6)
Ordinary income	19,767	3.8	17,823	3.4	(1,944)	(9.8)
Profit attributable to owners of parent	9,398	1.8	10,503	2.0	1,105	11.8

Comprehensive income	4,532	0.9	13,790	2.6	9,257	204.3
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	1st Quarter	2nd Quarter
Net sales	256,366	266,613
Operating income	7,951	8,864

	Fiscal 2016 2nd Quarter	Fiscal 2017 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 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
	2nd Quarter	Percentage of total	2nd Quarter	Percentage of total		
Food business	485,913	93.3	488,378	93.4	2,464	0.5
Bread	50,286	9.7	50,766	9.7	480	1.0
Sweet buns	182,014	35.0	180,797	34.6	(1,216)	(0.7)
Japanese-style confectionery	33,991	6.5	34,334	6.6	342	1.0
Western-style confectionery	66,508	12.8	66,566	12.7	57	0.1
Processed bread, prepared rice and processed noodles	72,114	13.8	76,280	14.6	4,166	5.8
Biscuits, crackers, <i>sembei</i> and other merchandise	80,997	15.5	79,632	15.2	(1,365)	(1.7)
Retail business	29,954	5.8	29,445	5.6	(509)	(1.7)
Other businesses	4,800	0.9	5,155	1.0	355	7.4
Total	520,668	100.0	522,979	100.0	2,311	0.4

### 3. Operating Income by Segment

(Millions of yen)

	Fiscal 2016 2nd Quarter	Fiscal 2017 2nd Quarter	Increase/ (decrease)	Percentage change
Food business	19,468	16,564	(2,904)	(14.9)
Retail business	(983)	(813)	170	-
Other businesses	689	801	112	16.2
Subtotal	19,174	16,553	(2,621)	(13.7)
Adjustment	284	263	(21)	
Total	19,458	16,816	(2,642)	(13.6)

#### 4. Income and Expenses

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change	Reasons
	2nd Quarter	%	2nd Quarter	%			
<b>Gross profit</b>	192,031	36.9	191,009	36.5	(1,022)	(0.5)	
Selling, general and administrative expenses	172,572	33.2	174,192	33.3	1,620	0.9	Increase in subcontracted freight charges: ¥0.6 billion
Sales promotion expenses	18,313		18,326		13		
Advertising expenses	6,491		6,338		(153)		
Haulage expenses	30,646		31,661		1,014		
Personnel expenses	68,735		69,283		547		
Depreciation and amortization	6,567		6,719		151		
Rental fees	12,189		12,092		(96)		
Others	29,628		29,771		143		
<b>Operating income</b>	19,458	3.7	16,816	3.2	(2,642)	(13.6)	
<b>Nonoperating income</b>	1,483	0.3	1,767	0.3	283	19.1	
Interest income	50		42		(7)		
Dividend income	530		569		38		
Rent income on fixed assets	312		358		46		
Equity in earnings of affiliates	36		53		17		
Other nonoperating income	553		742		188		
<b>Nonoperating expenses</b>	1,174	0.2	760	0.1	(414)	(35.3)	
Interest expense	546		426		(120)		
Foreign exchange losses	455		136		(318)		
Other nonoperating expenses	172		197		24		
<b>Ordinary income</b>	19,767	3.8	17,823	3.4	(1,944)	(9.8)	
<b>Extraordinary gains</b>	644	0.1	293	0.0	(351)	(54.5)	
Gain on sales of fixed assets	64		36		(27)		
Compensation for expropriation	–		244		244		
Gain on sales of investment securities	443		12		(431)		
Subsidy income	136		–		(136)		
<b>Extraordinary losses</b>	1,881	0.3	1,293	0.2	(587)	(31.2)	
Loss on sales and retirement of fixed assets	875		704		(171)		
Impairment loss	444		454		9		
Other extraordinary losses	560		134		(426)		
<b>Income before income taxes</b>	18,530	3.6	16,823	3.2	(1,707)	(9.2)	
<b>Income and other taxes</b>	8,587	1.7	6,184	1.2	(2,402)	(28.0)	
<b>Profit</b>	9,943	1.9	10,638	2.0	695	7.0	
Profit attributable to non-controlling interests	544	0.1	134	0.0	(410)	(75.3)	
Profit attributable to owners of parent	9,398	1.8	10,503	2.0	1,105	11.8	
<b>Comprehensive income</b>	4,532	0.9	13,790	2.6	9,257	204.3	Increase in valuation difference on available-for-sale securities: ¥7.2 billion

**Consolidated Results**

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

(Millions of yen)

	Fiscal 2016 End of Period	Fiscal 2017 2nd Quarter	Increase/ (decrease)	Reasons
<b>Current assets</b>	251,045	223,991	(27,054)	
Cash and deposits	107,327	104,128	(3,199)	
Notes and accounts receivable	106,693	83,014	(23,679)	Delay in deposit due to financial institution holiday at the end of the previous period
Merchandise and finished goods	10,928	11,381	453	
Work in process	613	1,065	452	
Raw materials and supplies	9,255	8,342	(913)	
Deferred tax assets	4,027	4,244	217	
Other current assets	12,566	12,160	(405)	
Allowance for doubtful accounts	(365)	(345)	19	
<b>Fixed assets</b>	452,840	459,145	6,305	Capital investment: ¥22.3 billion Depreciation and amortization: ¥17.6 billion
Tangible fixed assets	303,702	308,246	4,543	
Buildings and structures	94,349	94,349	(0)	
Machinery, equipment and vehicles	73,749	74,490	740	
Tools, furniture and fixtures	5,647	7,308	1,661	
Land	116,430	116,500	69	
Lease assets	7,427	6,307	(1,119)	
Construction in progress	6,097	9,290	3,192	Contract deposit for construction of the Kobe Plant: ¥4.4 billion
Intangible fixed assets	21,664	20,241	(1,423)	
Investments and other assets	127,472	130,657	3,184	
Investment securities	73,757	76,141	2,384	
Long-term loans receivable	442	422	(19)	
Net defined benefit asset	530	554	24	
Deferred tax assets	24,428	24,027	(401)	
Other investments and other assets	31,114	32,383	1,269	Increase in fixed lease assets
Allowance for doubtful accounts	(2,799)	(2,872)	(73)	
<b>Total assets</b>	<b>703,886</b>	<b>683,136</b>	<b>(20,749)</b>	
<b>Current liabilities</b>	239,636	214,253	(25,383)	
Notes and accounts payable	78,799	73,158	(5,640)	Decrease in accounts payable-trade: ¥5.2 billion
Short-term loans payable	59,384	57,237	(2,146)	
Lease obligations	2,783	2,382	(400)	
Current portion of bonds	390	140	(250)	
Accrued income tax	8,188	8,257	69	
Accrued expenses	38,493	34,223	(4,269)	
Allowance for employees' bonuses	5,093	4,585	(507)	
Reserve for sales promotion expenses	1,157	1,090	(66)	
Asset retirement obligations	4	53	48	
Other current liabilities	45,343	33,124	(12,219)	Decrease in notes payable - facilities: ¥7.9 billion Decrease in other payables: ¥4.6 billion
<b>Long-term liabilities</b>	161,327	155,935	(5,392)	
Bonds	510	440	(70)	
Long-term loans payable	26,121	21,154	(4,966)	Increase in new loans payable: ¥2.1 billion Transfer to short-term loans payable: ¥7.0 billion
Lease obligations	4,837	4,336	(500)	
Reserve for retirement benefits for directors and corporate auditors	3,877	3,955	78	
Provision for environmental measures	92	88	(3)	
Net defined benefit liability	112,409	111,695	(714)	
Asset retirement obligations	4,384	4,421	37	
Other long-term liabilities	9,095	9,843	747	
<b>Total liabilities</b>	<b>400,963</b>	<b>370,188</b>	<b>(30,775)</b>	
<b>Total net assets</b>	<b>302,922</b>	<b>312,948</b>	<b>10,026</b>	Non-controlling interests: ¥23.8 billion (down ¥0.2 billion)
<b>Total liabilities and net assets</b>	<b>703,886</b>	<b>683,136</b>	<b>(20,749)</b>	

## 6. Major Subsidiaries

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

	Fiscal 2016 2nd Quarter	Fiscal 2017 2nd Quarter	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	50,316	51,507	1,191
Sun-Delica Co., Ltd.	52,307	55,891	3,583
Vie de France Co., Ltd.	17,352	16,788	(564)
Yamazaki Biscuits Co., Ltd.	20,968	16,093	(4,875)
Tohato Inc.	11,708	12,383	675

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

	Fiscal 2016 2nd Quarter	Fiscal 2017 2nd Quarter	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	638	200	(437)
Sun-Delica Co., Ltd.	1,239	1,306	67
Vie de France Co., Ltd.	587	134	(453)
Yamazaki Biscuits Co., Ltd.	2,123	412	(1,710)
Tohato Inc.	423	556	133

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

	Fiscal 2016 2nd Quarter	Fiscal 2017 2nd Quarter	Increase/ (decrease)
Capital investment	15,210	22,331	7,121
Depreciation and amortization	17,557	17,640	82

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

Consolidated Results
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8. Cash Flows

(Millions of yen)

	Fiscal 2016 2nd Quarter	Fiscal 2017 2nd Quarter	Increase/ (decrease)	Reasons
Net cash provided by operating activities	45,102	43,114	(1,988)	Decrease in income before income taxes Increase in payments for purchase of fixed assets
Net cash used in investing activities	(16,300)	(32,617)	(16,317)	
Net cash used in financing activities	(15,351)	(13,451)	1,900	
Cash and cash equivalents at beginning of period	108,716	104,344	(4,371)	
Cash and cash equivalents at end of quarter	122,013	101,410	(20,602)	

## II. Projections for Fiscal 2017

Consolidated Projection

### 1. Overview

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
		%	projection	%		
Net sales	1,041,943	100.0	1,051,000	100.0	9,056	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
Profit attributable to owners of parent	18,175	1.7	19,700	1.9	1,524	8.4

### 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	95,220	1,119	1.2
Sweet buns	356,341	357,010	668	0.2
Japanese-style confectionery	71,217	71,920	702	1.0
Western-style confectionery	133,993	134,250	256	0.2
Processed bread, prepared rice and processed noodles	148,311	155,020	6,708	4.5
Biscuits, crackers, <i>sembei</i> and other merchandise	165,976	166,310	333	0.2
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

### III. Nonconsolidated Results for Second Quarter of Fiscal 2017

Nonconsolidated Results
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#### 1. Overview

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Net sales	369,213	100.0	372,543	100.0	3,330	0.9
Operating income	13,208	3.6	13,094	3.5	(113)	(0.9)
Ordinary income	14,428	3.9	15,030	4.0	602	4.2
Profit	7,627	2.1	9,867	2.6	2,239	29.4

	1st Quarter	2nd Quarter
Net sales	183,570	188,973
Operating income	6,062	7,031

#### 2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
	2nd Quarter	Percentage of total	2nd Quarter	Percentage of total		
Bread	49,776	13.5	51,162	13.7	1,385	2.8
Sweet buns	168,922	45.7	167,606	45.0	(1,316)	(0.8)
Japanese-style confectionery	33,840	9.2	34,337	9.2	497	1.5
Western-style confectionery	46,151	12.5	46,828	12.6	676	1.5
Processed bread, prepared rice and processed noodles	21,654	5.9	23,870	6.4	2,216	10.2
Biscuits, crackers, <i>sembei</i> and other merchandise	21,163	5.7	22,440	6.0	1,277	6.0
Subtotal	341,508	92.5	346,245	92.9	4,737	1.4
Daily Yamazaki business	33,344	9.0	32,839	8.8	(504)	(1.5)
Internal elimination	(5,639)	(1.5)	(6,541)	(1.7)	(902)	—
Total	369,213	100.0	372,543	100.0	3,330	0.9

\* "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		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	14,192	4.2	13,907	4.0	(284)	(2.0)
Daily Yamazaki business	(983)	(3.0)	(813)	(2.5)	170	—

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

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change	Factors affecting operating income increase/(decrease)
	2nd Quarter	%	2nd Quarter	%			
Gross profit	111,292	32.6	112,652	32.5	1,359	1.2	Increase in net sales            ¥2.2 billion Decrease in raw material expenses                            ¥0.4 billion Increase in manufacturing labor cost                            (¥0.7 billion) Decrease in manufacturing expenses                            ¥0.4 billion Decrease in manufacturing amortization                        ¥0.2 billion Others                                (¥1.2 billion)
Selling, general and administrative expenses	97,099	28.4	98,744	28.5	1,644	1.7	Increase in personnel expenses                            (¥0.2 billion) Increase in expenses            (¥1.1 billion) Increase in amortization        (¥0.3 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 2017

Nonconsolidated Plan

### 1. Overview

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
		%	plan	%		
Net sales	735,103	100.0	743,500	100.0	8,396	1.1
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
Profit	14,724	2.0	16,500	2.2	1,775	12.1

### 2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
		Percentage of total	plan	Percentage of total		
Bread	94,998	12.9	97,630	13.1	2,631	2.8
Sweet buns	330,076	44.9	330,630	44.5	553	0.2
Japanese-style confectionery	70,496	9.6	71,340	9.6	843	1.2
Western-style confectionery	93,646	12.7	94,560	12.7	913	1.0
Processed bread, prepared rice and processed noodles	45,308	6.2	49,410	6.7	4,101	9.1
Biscuits, crackers, <i>sembei</i> and other merchandise	44,353	6.0	46,400	6.2	2,046	4.6
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.

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.