

Fiscal 2017 Results

(For the Period from January 1, 2017, to December 31, 2017)

Yamazaki Baking Co., Ltd.

(February 14, 2018)

I. Fiscal 2017 Consolidated Results

Consolidated Results

1. Overview

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
		%		%		
Net sales	1,041,943	100.0	1,053,164	100.0	11,221	1.1
Operating income	35,169	3.4	30,087	2.9	(5,081)	(14.4)
Ordinary income	36,905	3.5	32,143	3.1	(4,761)	(12.9)
Profit attributable to owners of parent	18,175	1.7	25,106	2.4	6,931	38.1

Comprehensive income	11,187	1.1	46,585	4.4	35,397	316.4
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	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal 2017
Net sales	256,366	266,613	255,802	274,382	1,053,164
Operating income	7,951	8,864	5,165	8,105	30,087

	Fiscal 2016	Fiscal 2017	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
		Percentage of total		Percentage of total		
Food business	969,941	93.0	982,116	93.3	12,175	1.3
Bread	94,100	9.0	96,493	9.2	2,393	2.5
Sweet buns	356,341	34.2	359,571	34.1	3,229	0.9
Japanese-style confectionery	71,217	6.8	70,991	6.7	(226)	(0.3)
Western-style confectionery	133,993	12.9	134,907	12.8	913	0.7
Processed bread, prepared rice and processed noodles	148,311	14.2	155,298	14.8	6,986	4.7
Biscuits, crackers, <i>sembei</i> and other merchandise	165,976	15.9	164,854	15.7	(1,121)	(0.7)
Retail business	61,944	6.0	60,401	5.7	(1,542)	(2.5)
Other businesses	10,057	1.0	10,646	1.0	588	5.9
Total	1,041,943	100.0	1,053,164	100.0	11,221	1.1

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2016	Fiscal 2017	Increase/ (decrease)	Percentage change
Food business	34,202	29,209	(4,993)	(14.6)
Retail business	(852)	(849)	3	—
Other businesses	1,430	1,255	(175)	(12.2)
Subtotal	34,779	29,615	(5,164)	(14.8)
Adjustment	390	472	82	
Total	35,169	30,087	(5,081)	(14.4)

Consolidated Results

4. Income and Expenses

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change	Reasons
		%		%			
Gross profit	380,174	36.5	380,507	36.1	333	0.1	
Selling, general and administrative expenses	345,004	33.1	350,419	33.2	5,414	1.6	Increase in the number of stores, etc.
Sales promotion expenses	35,236		35,691		455		
Advertising expenses	13,217		13,335		117		
Haulage expenses	62,300		64,667		2,367		
Personnel expenses	137,120		138,786		1,665		
Depreciation and amortization	13,692		13,720		27		
Rental fees	24,385		24,168		(217)		
Others	59,050		60,049		998		
Operating income	35,169	3.4	30,087	2.9	(5,081)	(14.4)	
Nonoperating income	3,216	0.3	3,466	0.3	250	7.8	
Interest income	95		80		(15)		
Dividend income	941		1,039		98		
Rent income on fixed assets	633		594		(39)		
Equity in earnings of affiliates	254		268		14		
Other nonoperating income	1,291		1,484		192		
Nonoperating expenses	1,480	0.2	1,410	0.1	(70)	(4.7)	
Interest expense	1,021		831		(190)		
Rent expenses on fixed assets	106		281		175		
Other nonoperating expenses	353		297		(55)		
Ordinary income	36,905	3.5	32,143	3.1	(4,761)	(12.9)	
Extraordinary gains	792	0.1	12,724	1.2	11,932	1,506.5	Gain on sales of fixed assets of Fujiya Co., Ltd.
Gain on sales of fixed assets	87		12,464		12,376		
Gain on sales of investment securities	443		12		(431)		
Subsidy income	245		–		(245)		
Other extraordinary gains	14		248		233		
Extraordinary losses	5,062	0.5	3,493	0.4	(1,568)	(31.0)	
Loss on sales and retirement of fixed assets	2,162		1,980		(182)		
Impairment loss	1,052		942		(109)		
Expenses related to change of trade name	661		–		(661)		
Laboratory relocation expenses	572		–		(572)		
Other extraordinary losses	613		571		(42)		
Income before income taxes	32,634	3.1	41,374	3.9	8,739	26.8	
Income and other taxes	13,066	1.2	10,710	1.0	(2,356)	(18.0)	
Profit	19,568	1.9	30,664	2.9	11,096	56.7	
Profit attributable to non-controlling interests	1,393	0.2	5,557	0.5	4,164	298.9	
Profit attributable to owners of parent	18,175	1.7	25,106	2.4	6,931	38.1	
Comprehensive income	11,187	1.1	46,585	4.4	35,397	316.4	Increase in mark-to-market valuation differences

Consolidated Results

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

(Millions of yen)

	Fiscal 2016	Fiscal 2017	Increase/ (decrease)	Reasons
Current assets	251,045	284,009	32,963	
Cash and deposits	107,327	132,850	25,522	Increase in loans payable: ¥9.5 billion Collection of accounts receivable, etc.: ¥15.6 billion
Notes and accounts receivable	106,693	111,765	5,071	
Merchandise and finished goods	10,928	11,693	765	
Work in process	613	1,167	554	
Raw materials and supplies	9,255	9,565	310	
Deferred tax assets	4,027	3,984	(42)	
Other current assets	12,566	13,342	775	
Allowance for doubtful accounts	(365)	(360)	4	
Fixed assets	452,840	463,313	10,473	Capital investment: ¥48.8 billion Depreciation and amortization: ¥36.6 billion
Tangible fixed assets	303,702	307,502	3,800	
Buildings and structures	94,349	94,164	(185)	
Machinery, equipment and vehicles	73,749	77,640	3,890	
Tools, furniture and fixtures	5,647	7,354	1,707	
Land	116,430	109,569	(6,861)	
Lease assets	7,427	5,299	(2,127)	
Construction in progress	6,097	13,473	7,376	
Intangible fixed assets	21,664	19,553	(2,111)	Amortization of goodwill: ¥1.5 billion
Investments and other assets	127,472	136,258	8,785	
Investment securities	73,757	86,358	12,601	Mark-to-market valuation differences: ¥12.2 billion
Long-term loans receivable	442	800	357	
Net defined benefit asset	530	681	151	
Deferred tax assets	24,428	19,379	(5,049)	Valuation difference on available-for-sale securities: ¥3.7 billion
Other investments and other assets	31,114	31,858	744	
Allowance for doubtful accounts	(2,799)	(2,820)	(20)	
Total assets	703,886	747,322	43,436	
Current liabilities	239,636	235,254	(4,382)	
Notes and accounts payable	78,799	79,699	900	
Short-term loans payable	59,384	54,578	(4,805)	
Lease obligations	2,783	2,109	(673)	
Current portion of bonds	390	140	(250)	
Accrued income tax	8,188	9,308	1,120	
Accrued expenses	38,493	39,647	1,154	
Allowance for employees' bonuses	5,093	4,359	(733)	
Reserve for sales promotion expenses	1,157	1,156	(0)	
Provision for loss on store closures	–	60	60	
Asset retirement obligations	4	59	54	
Other current liabilities	45,343	44,132	(1,210)	
Long-term liabilities	161,327	166,325	4,998	
Bonds	510	370	(140)	
Long-term loans payable	26,121	40,823	14,702	Increase in new loans payable: ¥31.0 billion Transfer to short-term loans payable: -¥16.3 billion
Lease obligations	4,837	3,643	(1,193)	
Reserve for retirement benefits for directors and corporate auditors	3,877	4,092	215	
Provision for environmental measures	92	44	(47)	
Net defined benefit liability	112,409	105,180	(7,229)	Increase in pension assets (due to favorable investment performance): -¥8.3 billion
Asset retirement obligations	4,384	4,458	73	
Other long-term liabilities	9,095	7,713	(1,381)	
Total liabilities	400,963	401,580	616	
Total net assets	302,922	345,742	42,820	Non-controlling interests: ¥29.5 billion (up ¥5.4 billion)
Total liabilities and net assets	703,886	747,322	43,436	

6. Major Subsidiaries

(1) Net sales (Millions of yen)

	Fiscal 2016	Fiscal 2017	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	104,400	105,915	1,514
Sun-Delica Co., Ltd.	110,065	114,871	4,806
Vie de France Co., Ltd.	34,037	33,444	(592)
Yamazaki Biscuits Co., Ltd.	38,813	32,717	(6,096)
Tohato Inc.	23,033	24,694	1,660

(2) Operating income (Millions of yen)

	Fiscal 2016	Fiscal 2017	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	2,514	1,128	(1,386)
Sun-Delica Co., Ltd.	2,966	2,613	(352)
Vie de France Co., Ltd.	732	(60)	(793)
Yamazaki Biscuits Co., Ltd.	2,507	166	(2,341)
Tohato Inc.	738	981	243

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

	Fiscal 2016	Fiscal 2017	Increase/ (decrease)
Capital investment	45,253	48,845	3,592
Depreciation and amortization	36,698	36,682	(16)

* 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 2016	Fiscal 2017	Increase/ (decrease)	Reasons
Interest-bearing debt	100,260	107,868	7,607	

Consolidated Results

9. Cash Flows

(Millions of yen)

	Fiscal 2016	Fiscal 2017	Increase/ (decrease)	Reasons
Net cash provided by operating activities	62,763	56,663	(6,100)	Increase in accounts receivable
Net cash used in investing activities	(42,793)	(33,980)	8,813	Increase in revenue due to sale of fixed assets
Net cash provided by (used in) financing activities	(24,224)	2,142	26,367	Increase in revenue due to loans payable
Cash and cash equivalents at beginning of period	108,716	104,344	(4,371)	
Cash and cash equivalents at end of period	104,344	129,253	24,909	

10. Number of Employees by Segment

(Number of employees)

	Fiscal 2016		Fiscal 2017		Increase/(decrease)	
Food business	25,593	[22,175]	26,179	[21,188]	586	[(987)]
Retail business	786	[216]	780	[186]	(6)	[(30)]
Other businesses	801	[815]	877	[860]	76	[45]
Total	27,180	[23,206]	27,836	[22,234]	656	[(972)]

* 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 2016	Fiscal 2017	Increase/ (decrease)
Daily Yamazaki	1,571	1,553	(18)
Fujiya [Western-style confectionery]	941	911	(30)
Vie de France	263	266	3

II. Projections for Fiscal 2018

Consolidated Projection

1. Overview

(Millions of yen)

	Fiscal 2017		Fiscal 2018 projection		Increase/ (decrease)	Percentage change
		%		%		
Net sales	1,053,164	100.0	1,072,000	100.0	18,835	1.8
Gross profit	380,507	36.1	390,000	36.4	9,492	2.5
Selling, general and administrative expenses	350,419	33.2	354,000	33.0	3,580	1.0
Operating income	30,087	2.9	36,000	3.4	5,912	19.6
Ordinary income	32,143	3.1	37,000	3.5	4,856	15.1
Extraordinary losses	9,231	0.8	(5,000)	(0.5)	(14,231)	-
Profit attributable to owners of parent	25,106	2.4	20,000	1.9	(5,106)	(20.3)

	Fiscal 2018 first half projection			Fiscal 2018 second half projection		
		Increase/ (decrease)	Percentage change		Increase/ (decrease)	Percentage change
Net sales	533,000	10,020	1.9	539,000	8,815	1.7
Operating income	17,500	683	4.1	18,500	5,228	39.4
Ordinary income	18,000	176	1.0	19,000	4,679	32.7
Profit attributable to owners of parent	10,600	96	0.9	9,400	(5,202)	(35.6)

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2017	Fiscal 2018 projection	Increase/ (decrease)	Percentage change
Food business	982,116	1,003,010	20,893	2.1
Bread	96,493	98,380	1,886	2.0
Sweet buns	359,571	366,780	7,208	2.0
Japanese-style confectionery	70,991	72,140	1,148	1.6
Western-style confectionery	134,907	135,600	692	0.5
Processed bread, prepared rice and processed noodles	155,298	159,830	4,531	2.9
Biscuits, crackers, <i>sembei</i> and other merchandise	164,854	170,280	5,425	3.3
Retail business	60,401	58,110	(2,291)	(3.8)
Other businesses	10,646	10,880	233	2.2
Total	1,053,164	1,072,000	18,835	1.8

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2017	Fiscal 2018 projection	Increase/ (decrease)	Percentage change
Food business	29,209	33,900	4,690	16.1
Retail business	(849)	10	859	-
Other businesses	1,255	1,580	324	25.9
Subtotal	29,615	35,490	5,874	19.8
Adjustment	472	510	37	
Total	30,087	36,000	5,912	19.6

4. Major Subsidiaries

(1) Net sales (Millions of yen)

	Fiscal 2017	Fiscal 2018 plan	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	105,915	107,000	1,084
Sun-Delica Co., Ltd.	114,871	118,210	3,338
Vie de France Co., Ltd.	33,444	34,350	905
Yamazaki Biscuits Co., Ltd.	32,717	37,580	4,862
Tohato Inc.	24,694	25,550	855

(2) Operating income (Millions of yen)

	Fiscal 2017	Fiscal 2018 plan	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	1,128	2,300	1,171
Sun-Delica Co., Ltd.	2,613	3,020	406
Vie de France Co., Ltd.	(60)	480	540
Yamazaki Biscuits Co., Ltd.	166	2,170	2,003
Tohato Inc.	981	1,120	138

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

	Fiscal 2017	Fiscal 2018 plan	Increase/ (decrease)
Capital investment	48,845	52,610	3,764
Depreciation and amortization	36,682	39,420	2,737

* 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 2017 Nonconsolidated Results

Nonconsolidated Results

1. Overview

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
		%		%		
Net sales	735,103	100.0	744,922	100.0	9,818	1.3
Operating income	23,428	3.2	22,925	3.1	(503)	(2.1)
Ordinary income	26,341	3.6	26,427	3.5	85	0.3
Profit	14,724	2.0	17,811	2.4	3,087	21.0

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal 2017
Net sales	183,570	188,973	179,481	192,897	744,922
Operating income	6,062	7,031	3,679	6,151	22,925

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	94,998	12.9	98,934	13.3	3,935	4.1
Sweet buns	330,076	44.9	331,676	44.5	1,600	0.5
Japanese-style confectionery	70,496	9.6	70,327	9.4	(169)	(0.2)
Western-style confectionery	93,646	12.7	95,192	12.8	1,546	1.7
Processed bread, prepared rice and processed noodles	45,308	6.2	49,525	6.7	4,216	9.3
Biscuits, crackers, <i>sembei</i> and other merchandise	44,353	6.0	45,626	6.1	1,272	2.9
Subtotal	678,880	92.3	691,281	92.8	12,401	1.8
Daily Yamazaki business	68,515	9.3	66,904	9.0	(1,611)	(2.4)
Internal elimination	(12,292)	(1.6)	(13,262)	(1.8)	(970)	-
Total	735,103	100.0	744,922	100.0	9,818	1.3

* "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 2016		Fiscal 2017		Increase/ (decrease)	Percentage change
		%		%		
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	24,281	3.6	23,774	3.4	(507)	(2.1)
Daily Yamazaki business	(852)	(1.2)	(849)	(1.3)	3	-

<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)
		%		%			
Gross profit	217,499	32.0	220,763	31.9	3,264	1.5	Increase in net sales ¥5.7 billion Decrease in raw material expenses ¥0.8 billion Increase in manufacturing labor cost (¥1.3 billion) Decrease in manufacturing amortization ¥0.5 billion Others (¥2.4 billion)
Selling, general and administrative expenses	193,217	28.5	196,989	28.5	3,771	2.0	Increase in personnel expenses (¥0.6 billion) Increase in expenses (¥2.8 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).

4. Number of Employees

(Number of employees)

	Fiscal 2016		Fiscal 2017		Increase/(decrease)	
Number of employees	18,628	[8,746]	19,109	[8,055]	481	[(691)]

* 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 2016	Fiscal 2017	Increase/ (decrease)
Daily Yamazaki	1,533	1,518	(15)
Yamazaki Shop	3,018	2,905	(113)
Saint Etoile	597	574	(23)
Other licensed stores	285	288	3
Supermarkets	18,283	19,226	943
Convenience stores	51,716	52,458	742
General stores and other	33,861	33,116	(745)
Total	109,293	110,085	792

* The total number of stores of Daily Yamazaki including area franchise stores is 1,553.

6. Sales by Sales Channel

(%)

	Fiscal 2016	Fiscal 2017	Increase/ (decrease)
Daily Yamazaki	2.3	2.3	0.0
Yamazaki Shop	4.0	3.8	(0.2)
Saint Etoile	2.0	1.9	(0.1)
Other licensed stores	1.3	1.3	0.0
Supermarkets	42.5	43.7	1.2
Convenience stores	25.8	25.9	0.1
General stores and other	22.1	21.1	(1.0)
Total	100.0	100.0	0.0

IV. Plans for Fiscal 2018

Nonconsolidated Plan

1. Overview

(Millions of yen)

	Fiscal 2017		Fiscal 2018 plan		Increase/ (decrease)	Percentage change
		%		%		
Net sales	744,922	100.0	759,000	100.0	14,077	1.9
Gross profit	248,392	33.3	251,690	33.2	3,297	1.3
Selling, general and administrative expenses	225,467	30.3	227,690	30.0	2,222	1.0
Operating income	22,925	3.1	24,000	3.2	1,074	4.7
Ordinary income	26,427	3.5	27,000	3.6	572	2.2
Extraordinary losses	(1,538)	(0.2)	(1,780)	(0.2)	(241)	15.7
Profit	17,811	2.4	17,850	2.4	38	0.2

	Fiscal 2018 first half plan			Fiscal 2018 second half plan		
		Increase/ (decrease)	Percentage change		Increase/ (decrease)	Percentage change
Net sales	379,500	6,956	1.9	379,500	7,121	1.9
Operating income	12,600	(494)	(3.8)	11,400	1,569	16.0
Ordinary income	14,300	(730)	(4.9)	12,700	1,303	11.4
Profit	9,390	(477)	(4.8)	8,460	515	6.5

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2017		Fiscal 2018 plan		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	98,934	13.3	100,920	13.3	1,985	2.0
Sweet buns	331,676	44.5	340,680	44.9	9,003	2.7
Japanese-style confectionery	70,327	9.4	71,980	9.5	1,652	2.4
Western-style confectionery	95,192	12.8	96,490	12.7	1,297	1.4
Processed bread, prepared rice and processed noodles	49,525	6.7	51,630	6.8	2,104	4.3
Biscuits, crackers, <i>sembei</i> and other merchandise	45,626	6.1	46,030	6.0	403	0.9
Subtotal	691,281	92.8	707,730	93.2	16,448	2.4
Daily Yamazaki business	66,904	9.0	64,510	8.5	(2,394)	(3.6)
Internal elimination	(13,262)	(1.8)	(13,240)	(1.7)	22	-
Total	744,922	100.0	759,000	100.0	14,077	1.9

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

Nonconsolidated Plan

3. Operating Income

(Millions of yen)

	Fiscal 2017		Fiscal 2018 plan		Increase/ (decrease)	Percentage change
		%		%		
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	23,774	3.4	23,990	3.4	215	0.9
Daily Yamazaki business	(849)	(1.3)	10	0.0	859	-

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

	Fiscal 2017		Fiscal 2018 plan		Increase/ (decrease)	Percentage change	Factors affecting operating income increase/(decrease)
		%		%			
Gross profit	220,763	31.9	224,110	31.7	3,346	1.5	Increase in net sales ¥7.5 billion Decrease in raw material expenses ¥0.5 billion Increase in manufacturing labor cost (¥1.5 billion) Increase in manufacturing expenses (¥1.1 billion) Increase in manufacturing amortization (¥2.6 billion) Others ¥0.6 billion
Selling, general and administrative expenses	196,989	28.5	200,120	28.3	3,130	1.6	Increase in personnel expenses (¥1.5 billion) Increase in expenses (¥2.1 billion) Decrease in amortization ¥0.5 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.