

# Fiscal 2019

## Second Quarter Results

(For the Period from January 1, 2019, to June 30, 2019)

Yamazaki Baking Co., Ltd.

(August 1, 2019)

## I. Consolidated Results for the Second Quarter of Fiscal 2019

## Consolidated Results

### 1. Overview

(Millions of yen)

	Fiscal 2018		Fiscal 2019		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Net sales	529,376	100.0	524,041	100.0	(5,335)	(1.0)
Operating income	14,977	2.8	13,462	2.6	(1,514)	(10.1)
Ordinary income	15,777	3.0	14,783	2.8	(994)	(6.3)
Profit attributable to owners of parent	8,712	1.6	7,848	1.5	(864)	(9.9)

Comprehensive income	11,239	2.1	10,701	2.0	(537)	(4.8)
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	1st Quarter	2nd Quarter
Net sales	259,210	264,831
Operating income	5,716	7,746

	Fiscal 2018 2nd Quarter	Fiscal 2019 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 2018		Fiscal 2019		Increase/ (decrease)	Percentage change
	2nd Quarter	Percentage of total	2nd Quarter	Percentage of total		
Food business	495,508	93.6	492,292	93.9	(3,215)	(0.6)
Bread	51,191	9.7	50,376	9.6	(814)	(1.6)
Sweet buns	183,235	34.6	180,482	34.4	(2,752)	(1.5)
Japanese-style confectionery	33,711	6.4	34,049	6.5	338	1.0
Western-style confectionery	66,950	12.6	66,997	12.8	46	0.1
Processed bread, prepared rice and processed noodles	79,398	15.0	79,615	15.2	216	0.3
Biscuits, crackers, <i>sembei</i> and other merchandise	81,020	15.3	80,770	15.4	(249)	(0.3)
Retail business	28,568	5.4	26,091	5.0	(2,477)	(8.7)
Other businesses	5,299	1.0	5,657	1.1	357	6.7
Total	529,376	100.0	524,041	100.0	(5,335)	(1.0)

### 3. Operating Income by Segment

(Millions of yen)

	Fiscal 2018 2nd Quarter	Fiscal 2019 2nd Quarter	Increase/ (decrease)	Percentage change
Food business	14,643	13,365	(1,277)	(8.7)
Retail business	(797)	(1,043)	(245)	–
Other businesses	1,194	875	(319)	(26.7)
Subtotal	15,039	13,197	(1,842)	(12.2)
Adjustment	(62)	265	327	
Total	14,977	13,462	(1,514)	(10.1)

## 4. Income and Expenses

(Millions of yen)

	Fiscal 2018		Fiscal 2019		Increase/ (decrease)	Percentage change	Reasons
	2nd Quarter	%	2nd Quarter	%			
Gross profit	191,610	36.2	187,021	35.7	(4,588)	(2.4)	
Selling, general and administrative expenses	176,632	33.4	173,558	33.1	(3,074)	(1.7)	
Sales promotion expenses	18,843		17,864		(978)		
Advertising expenses	6,500		6,459		(41)		
Haulage expenses	32,953		32,829		(124)		
Personnel expenses	70,177		69,733		(443)		
Depreciation and amortization	6,417		5,678		(739)		
Rental fees	11,881		11,517		(363)		
Others	29,858		29,476		(381)		
Operating income	14,977	2.8	13,462	2.6	(1,514)	(10.1)	
Nonoperating income	1,587	0.3	2,074	0.4	486	30.7	
Interest income	48		45		(2)		
Dividend income	632		680		47		
Rent income on fixed assets	322		447		125		
Subsidy income	–		214		214		
Equity in earnings of affiliates	86		57		(29)		
Other nonoperating income	496		628		132		
Nonoperating expenses	787	0.1	753	0.2	(33)	(4.2)	
Interest expense	421		365		(56)		
Rent expenses on fixed assets	168		145		(22)		
Other nonoperating expenses	197		242		45		
Ordinary income	15,777	3.0	14,783	2.8	(994)	(6.3)	
Extraordinary gains	72	0.0	65	0.0	(7)	(9.9)	
Gain on sales of fixed assets	69		54		(15)		
Other extraordinary gains	3		11		7		
Extraordinary losses	1,303	0.3	1,708	0.3	404	31.1	
Loss on sales and retirement of fixed assets	603		829		226		
Impairment loss	220		342		122		
Business consignment special contribution	–		295		295		
Loss on disaster	290		–		(290)		
Other extraordinary losses	189		242		52		
Income before income taxes	14,546	2.7	13,139	2.5	(1,406)	(9.7)	
Income and other taxes	5,497	1.0	5,080	1.0	(417)	(7.6)	
Profit	9,048	1.7	8,059	1.5	(989)	(10.9)	
Profit attributable to non-controlling interests	336	0.1	211	0.0	(124)	(37.2)	
Profit attributable to owners of parent	8,712	1.6	7,848	1.5	(864)	(9.9)	
Comprehensive income	11,239	2.1	10,701	2.0	(537)	(4.8)	

# Consolidated Results

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

(Millions of yen)

	Fiscal 2018 End of Period	Fiscal 2019 2nd Quarter	Increase/ (decrease)	Reasons
Current assets	256,609	249,197	(7,411)	
Cash and deposits	109,638	113,529	3,891	Decrease in loans payable: ¥6.5 billion Collection of accounts receivable, etc.: ¥10.4 billion
Notes and accounts receivable	112,166	101,349	(10,816)	
Merchandise and finished goods	11,364	11,621	256	
Work in process	618	744	126	
Raw materials and supplies	9,962	9,297	(664)	
Other current assets	13,235	12,982	(252)	
Allowance for doubtful accounts	△ 375	△ 327	47	
Fixed assets	472,268	470,123	(2,145)	Capital investment: ¥16.4 billion Depreciation and amortization: ¥17.5 billion
Tangible fixed assets	314,694	312,870	(1,824)	Amortization of goodwill: ¥0.6 billion Mark-to-market valuation differences: ¥2.1 billion
Buildings and structures	104,235	103,819	(415)	
Machinery, equipment and vehicles	86,303	85,279	(1,023)	
Tools, furniture and fixtures	7,474	7,388	(86)	
Land	109,061	108,973	(88)	
Lease assets	4,556	4,123	(432)	
Construction in progress	3,063	3,285	221	
Intangible fixed assets	17,674	17,206	(468)	
Investments and other assets	139,900	140,047	146	
Investment securities	84,391	86,568	2,176	
Long-term loans receivable	758	852	94	
Net defined benefit asset	480	478	(2)	
Deferred tax assets	25,460	24,299	(1,161)	
Other investments and other assets	31,588	30,632	(955)	
Allowance for doubtful accounts	△ 2,778	△ 2,783	(5)	
Total assets	728,878	719,321	(9,557)	
Current liabilities	224,147	214,066	(10,080)	
Notes and accounts payable	78,888	73,401	(5,487)	
Short-term loans payable	54,241	51,607	(2,634)	
Lease obligations	1,738	1,570	(168)	
Accrued income tax	4,836	6,563	1,727	
Accrued expenses	39,772	37,503	(2,268)	
Allowance for employees' bonuses	4,361	4,427	66	
Reserve for sales promotion expenses	1,136	983	(152)	
Provision for loss on store closures	8	0	(7)	
Asset retirement obligations	98	28	(70)	
Other current liabilities	39,065	37,980	(1,085)	
Long-term liabilities	162,177	156,780	(5,396)	Increase in new loans payable: ¥1.3 billion Transfer to short-term loans payable: ¥5.1 billion
Bonds	230	160	(70)	
Long-term loans payable	29,662	25,764	(3,898)	
Lease obligations	3,163	2,843	(320)	
Reserve for retirement benefits for directors and corporate auditors	3,695	3,650	(45)	
Provision for environmental measures	37	34	(2)	
Net defined benefit liability	113,385	111,941	(1,444)	
Asset retirement obligations	4,487	4,570	82	
Other long-term liabilities	7,514	7,817	302	
Total liabilities	386,324	370,846	(15,477)	
Total net assets	342,553	348,474	5,920	Non-controlling interests: ¥29.2 billion (down ¥0.2 billion)
Total liabilities and net assets	728,878	719,321	(9,557)	

## 6. Major Subsidiaries

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

	Fiscal 2018 2nd Quarter	Fiscal 2019 2nd Quarter	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	51,625	50,348	(1,276)
Sun-Delica Co., Ltd.	57,373	57,578	204
Vie de France Co., Ltd.	16,915	16,825	(89)
Yamazaki Biscuits Co., Ltd.	16,302	15,665	(637)
Tohato Inc.	13,002	13,020	18

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

	Fiscal 2018 2nd Quarter	Fiscal 2019 2nd Quarter	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	886	519	(366)
Sun-Delica Co., Ltd.	951	1,161	209
Vie de France Co., Ltd.	187	299	112
Yamazaki Biscuits Co., Ltd.	363	208	(154)
Tohato Inc.	520	490	(30)

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

	Fiscal 2018 2nd Quarter	Fiscal 2019 2nd Quarter	Increase/ (decrease)
Capital investment	25,044	16,451	(8,593)
Depreciation and amortization	18,250	17,540	(710)

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

<b>Consolidated Results</b>
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## 8. Cash Flows

(Millions of yen)

	Fiscal 2018 2nd Quarter	Fiscal 2019 2nd Quarter	Increase/ (decrease)	Reasons
Net cash provided by operating activities	28,961	35,382	6,420	Decrease in payment of income and other taxes
Net cash used in investing activities	(22,175)	(19,401)	2,773	Decrease in payments for purchase of fixed assets
Net cash used in financing activities	(17,073)	(12,348)	4,725	(Fiscal 2018) Expenditure due to purchase of treasury shares
Cash and cash equivalents at beginning of period	129,253	106,423	(22,830)	
Cash and cash equivalents at end of quarter	118,924	110,025	(8,898)	

## II. Projections for Fiscal 2019

## Consolidated Projection

### 1. Overview

(Millions of yen)

	Fiscal 2018		Fiscal 2019 projection		Increase/ (decrease)	Percentage change
		%		%		
Net sales	1,059,442	100.0	1,074,000	100.0	14,557	1.4
Operating income	24,343	2.3	28,500	2.7	4,156	17.1
Ordinary income	26,629	2.5	30,500	2.8	3,870	14.5
Profit attributable to owners of parent	13,534	1.3	16,000	1.5	2,465	18.2

### 2. Net Sales by Segment

(Millions of yen)

	Fiscal 2018	Fiscal 2019 projection	Increase/ (decrease)	Percentage change
Food business	990,853	1,007,460	16,606	1.7
Bread	96,554	97,940	1,385	1.4
Sweet buns	359,775	364,250	4,474	1.2
Japanese-style confectionery	70,112	71,030	917	1.3
Western-style confectionery	136,051	136,470	418	0.3
Processed bread, prepared rice and processed noodles	160,864	165,930	5,065	3.1
Biscuits, crackers, <i>sembei</i> and other merchandise	167,495	171,840	4,344	2.6
Retail business	57,546	54,830	(2,716)	(4.7)
Other businesses	11,042	11,710	667	6.0
Total	1,059,442	1,074,000	14,557	1.4

### 3. Operating Income by Segment

(Millions of yen)

	Fiscal 2018	Fiscal 2019 projection	Increase/ (decrease)	Percentage change
Food business	23,265	27,060	3,794	16.3
Retail business	(928)	(570)	358	–
Other businesses	1,879	1,600	(279)	(14.8)
Subtotal	24,216	28,090	3,873	16.0
Adjustment	126	410	283	
Total	24,343	28,500	4,156	17.1

### III. Nonconsolidated Results for Second Quarter of Fiscal 2019

### Nonconsolidated Results

#### 1. Overview

(Millions of yen)

	Fiscal 2018		Fiscal 2019		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Net sales	376,698	100.0	376,221	100.0	(476)	(0.1)
Operating income	11,217	3.0	10,193	2.7	(1,024)	(9.1)
Ordinary income	13,273	3.5	12,422	3.3	(850)	(6.4)
Profit	8,393	2.2	7,601	2.0	(792)	(9.4)

	1st Quarter	2nd Quarter
Net sales	185,555	190,665
Operating income	4,101	6,091

#### 2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2018		Fiscal 2019		Increase/ (decrease)	Percentage change
	2nd Quarter	Percentage of total	2nd Quarter	Percentage of total		
Bread	51,645	13.7	50,940	13.5	(705)	(1.4)
Sweet buns	169,876	45.1	169,159	45.0	(717)	(0.4)
Japanese-style confectionery	33,694	8.9	34,105	9.1	410	1.2
Western-style confectionery	48,401	12.9	50,160	13.3	1,758	3.6
Processed bread, prepared rice and processed noodles	25,647	6.8	26,832	7.1	1,185	4.6
Biscuits, crackers, <i>sembei</i> and other merchandise	22,108	5.9	22,343	5.9	234	1.1
Subtotal	351,375	93.3	353,541	93.9	2,166	0.6
Daily Yamazaki business	31,913	8.5	29,198	7.8	(2,715)	(8.5)
Internal elimination	(6,590)	(1.8)	(6,518)	(1.7)	72	—
Total	376,698	100.0	376,221	100.0	(476)	(0.1)

\* "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 2018		Fiscal 2019		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	12,015	3.4	11,236	3.2	(779)	(6.5)
Daily Yamazaki business	(797)	(2.5)	(1,043)	(3.6)	(245)	—

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

(Millions of yen)

	Fiscal 2018		Fiscal 2019		Increase/ (decrease)	Percentage change	Factors affecting operating income increase/(decrease)
	2nd Quarter	%	2nd Quarter	%			
Gross profit	113,197	32.2	111,687	31.6	(1,510)	(1.3)	Increase in net sales 992 Increase in raw material expenses (165) Increase in manufacturing labor cost (655) Increase in manufacturing expenses (836) Decrease in manufacturing amortization 150 Increase in goods purchased, etc. (996)
Selling, general and administrative expenses	101,182	28.8	100,451	28.4	(730)	(0.7)	Decrease in personnel expenses 109 Increase in expenses (13) Decrease in amortization 634

\* 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 2019

## Nonconsolidated Plan

### 1. Overview

(Millions of yen)

	Fiscal 2018	%	Fiscal 2019 plan	%	Increase/ (decrease)	Percentage change
Net sales	748,319	100.0	758,000	100.0	9,680	1.3
Operating income	17,088	2.3	19,300	2.5	2,211	12.9
Ordinary income	20,739	2.8	22,500	3.0	1,760	8.5
Profit	12,331	1.6	13,000	1.7	668	5.4

### 2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2018	Percentage of total	Fiscal 2019 plan	Percentage of total	Increase/ (decrease)	Percentage change
Bread	99,004	13.2	100,520	13.3	1,515	1.5
Sweet buns	331,902	44.4	338,120	44.6	6,217	1.9
Japanese-style confectionery	69,702	9.3	70,760	9.3	1,057	1.5
Western-style confectionery	98,792	13.2	100,300	13.2	1,507	1.5
Processed bread, prepared rice and processed noodles	53,079	7.1	55,590	7.3	2,510	4.7
Biscuits, crackers, <i>sembei</i> and other merchandise	45,596	6.1	46,060	6.1	463	1.0
Subtotal	698,077	93.3	711,350	93.8	13,272	1.9
Daily Yamazaki business	63,893	8.5	61,050	8.1	(2,843)	(4.5)
Internal elimination	(13,650)	(1.8)	(14,400)	(1.9)	(749)	–
Total	748,319	100.0	758,000	100.0	9,680	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.

**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.