

Fiscal 2019 Results

(For the Period from January 1, 2019, to December 31, 2019)

Yamazaki Baking Co., Ltd.

(February 14, 2020)

I. Fiscal 2019 Consolidated Results

Consolidated Results

1. Overview

(Millions of yen)

	Fiscal 2018	%	Fiscal 2019	%	Increase/ (decrease)	Percentage change
Net sales	1,059,442	100.0	1,061,152	100.0	1,709	0.2
Operating income	24,343	2.3	24,824	2.3	481	2.0
Ordinary income	26,629	2.5	27,621	2.6	992	3.7
Profit attributable to owners of parent	13,534	1.3	13,858	1.3	323	2.4

Comprehensive income	6,624	0.6	17,983	1.7	11,359	71.5
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	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal 2019
Net sales	259,210	264,831	256,562	280,548	1,061,152
Operating income	5,716	7,746	3,901	7,459	24,824

	Fiscal 2018	Fiscal 2019	Increase/ (decrease)
Number of consolidated subsidiaries	28	30	2
Number of equity-method subsidiaries	3	3	0

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2018	Percentage of total	Fiscal 2019	Percentage of total	Increase/ (decrease)	Percentage change
Food business	990,853	93.5	995,681	93.8	4,828	0.5
Bread	96,554	9.1	96,578	9.1	23	0.0
Sweet buns	359,775	34.0	361,471	34.0	1,696	0.5
Japanese-style confectionery	70,112	6.6	70,987	6.7	874	1.2
Western-style confectionery	136,051	12.8	137,459	12.9	1,408	1.0
Processed bread, prepared rice and processed noodles	160,864	15.2	160,917	15.2	53	0.0
Biscuits, crackers, <i>sembei</i> and other merchandise	167,495	15.8	168,267	15.9	771	0.5
Retail business	57,546	5.5	53,702	5.1	(3,844)	(6.7)
Other businesses	11,042	1.0	11,768	1.1	726	6.6
Total	1,059,442	100.0	1,061,152	100.0	1,709	0.2

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2018	Fiscal 2019	Increase/ (decrease)	Percentage change
Food business	23,265	24,217	951	4.1
Retail business	(928)	(1,639)	(710)	—
Other businesses	1,879	1,884	4	0.3
Subtotal	24,216	24,462	246	1.0
Adjustment	126	362	235	
Total	24,343	24,824	481	2.0

4. Income and Expenses

(Millions of yen)

	Fiscal 2018		Fiscal 2019		Increase/ (decrease)	Percentage change	Reasons
		%		%			
Gross profit	377,564	35.6	374,795	35.3	(2,769)	(0.7)	
Selling, general and administrative expenses	353,221	33.3	349,970	33.0	(3,250)	(0.9)	
Sales promotion expenses	36,149		35,267		(882)		
Advertising expenses	12,917		12,904		(13)		
Haulage expenses	67,027		66,589		(438)		
Personnel expenses	139,623		140,094		471		
Depreciation and amortization	13,410		11,993		(1,417)		Decrease in amortization of software
Rental fees	23,663		22,992		(670)		
Others	60,428		60,129		(299)		
Operating income	24,343	2.3	24,824	2.3	481	2.0	
Nonoperating income	3,778	0.3	4,214	0.4	435	11.5	
Interest income	90		86		(3)		
Dividend income	1,145		1,213		68		
Rent income on fixed assets	807		902		95		
Equity in earnings of affiliates	304		368		63		
Other nonoperating income	1,431		1,643		211		
Nonoperating expenses	1,492	0.1	1,417	0.1	(74)	(5.0)	
Interest expense	818		716		(102)		
Rent expenses on fixed assets	327		336		9		
Other nonoperating expenses	346		364		18		
Ordinary income	26,629	2.5	27,621	2.6	992	3.7	
Extraordinary gains	428	0.0	141	0.0	(286)	(67.0)	
Gain on sales of fixed assets	322		89		(233)		
Subsidy income	—		37		37		
Insurance income	72		—		(72)		
Other extraordinary gains	32		14		(17)		
Extraordinary losses	3,434	0.3	4,417	0.4	983	28.6	
Loss on sales and retirement of fixed assets	1,711		1,991		279		
Impairment loss	541		1,477		935		
Loss on disaster	703		258		(445)		
Other extraordinary losses	477		690		212		
Income before income taxes	23,623	2.2	23,345	2.2	(277)	(1.2)	
Income and other taxes	9,111	0.8	8,531	0.8	(580)	(6.4)	
Profit	14,511	1.4	14,813	1.4	302	2.1	
Profit attributable to non-controlling interests	976	0.1	955	0.1	(20)	(2.1)	
Profit attributable to owners of parent	13,534	1.3	13,858	1.3	323	2.4	
Comprehensive income	6,624	0.6	17,983	1.7	11,359	71.5	

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

(Millions of yen)

	Fiscal 2018	Fiscal 2019	Increase/ (decrease)	Reasons
Current assets	256,609	261,839	5,229	
Cash and deposits	109,638	111,112	1,474	
Notes and accounts receivable	112,166	114,559	2,393	
Merchandise and finished goods	11,364	12,178	813	
Work in process	618	653	35	
Raw materials and supplies	9,962	10,978	1,016	
Other current assets	13,235	12,697	(537)	
Allowance for doubtful accounts	(375)	(342)	32	
Fixed assets	472,268	466,309	(5,959)	Capital investment: ¥41.0 billion Depreciation and amortization: ¥37.1 billion
Tangible fixed assets	314,694	317,483	2,789	
Buildings and structures	104,235	105,175	940	
Machinery, equipment and vehicles	86,303	88,538	2,235	
Tools, furniture and fixtures	7,474	8,557	1,082	
Land	109,061	109,752	691	
Lease assets	4,556	3,923	(632)	
Construction in progress	3,063	1,536	(1,527)	
Intangible fixed assets	17,674	22,424	4,750	Increase in goodwill resulting from changes in the scope of consolidation: ¥6.0 billion
Investments and other assets	139,900	126,401	(13,498)	
Investment securities	84,391	72,361	(12,030)	Decrease resulting from changes in the scope of consolidation: -¥7.6 billion Mark-to-market valuation differences: -¥5.3 billion
Long-term loans receivable	758	836	78	
Net defined benefit asset	480	594	113	
Deferred tax assets	25,460	24,973	(487)	
Other investments and other assets	31,588	30,479	(1,109)	
Allowance for doubtful accounts	(2,778)	(2,843)	(64)	
Total assets	728,878	728,149	(729)	
Current liabilities	224,147	224,073	(73)	
Notes and accounts payable	78,888	78,805	(83)	
Short-term loans payable	54,241	49,293	(4,947)	
Lease obligations	1,738	1,598	(139)	
Accrued income tax	4,836	6,817	1,981	
Accrued expenses	39,772	40,756	984	
Allowance for employees' bonuses	4,361	4,437	75	
Reserve for sales promotion expenses	1,136	1,117	(18)	
Provision for loss on store closures	8	0	(7)	
Asset retirement obligations	98	40	(57)	
Other current liabilities	39,065	41,204	2,138	
Long-term liabilities	162,177	145,658	(16,518)	
Bonds	230	90	(140)	
Long-term loans payable	29,662	22,904	(6,758)	Increase in new loans payable: ¥4.1 billion Transfer to short-term loans payable: ¥10.8 billion
Lease obligations	3,163	2,768	(394)	
Reserve for retirement benefits for directors and corporate auditors	3,695	3,818	122	
Provision for environmental measures	37	20	(16)	
Net defined benefit liability	113,385	104,646	(8,739)	Increase in pension assets (due to favorable investment performance): ¥9.4 billion
Asset retirement obligations	4,487	4,600	113	
Other long-term liabilities	7,514	6,809	(704)	
Total liabilities	386,324	369,732	(16,592)	
Total net assets	342,553	358,416	15,862	Non-controlling interests: ¥31.1 billion
Total liabilities and net assets	728,878	728,149	(729)	

6. Major Subsidiaries

(1) Net sales (Millions of yen)

	Fiscal 2018	Fiscal 2019	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	105,241	103,347	(1,894)
Sun-Delica Co., Ltd.	118,593	119,828	1,234
Vie de France Co., Ltd.	33,604	33,062	(542)
Yamazaki Biscuits Co., Ltd.	32,890	32,271	(618)
Tohato Inc.	26,093	26,307	214

(2) Operating income (Millions of yen)

	Fiscal 2018	Fiscal 2019	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	2,415	1,837	(578)
Sun-Delica Co., Ltd.	2,478	2,748	270
Vie de France Co., Ltd.	236	308	71
Yamazaki Biscuits Co., Ltd.	411	79	(331)
Tohato Inc.	804	928	123

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

	Fiscal 2018	Fiscal 2019	Increase/ (decrease)
Capital investment	46,576	41,012	(5,564)
Depreciation and amortization	38,215	37,188	(1,026)

* 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 2018	Fiscal 2019	Increase/ (decrease)	Reasons
Interest-bearing debt	95,328	82,938	(12,390)	

Consolidated Results

9. Cash Flows

(Millions of yen)

	Fiscal 2018	Fiscal 2019	Increase/ (decrease)	Reasons
Net cash provided by operating activities	49,947	57,880	7,932	Decrease in payment of income and other taxes
Net cash used in investing activities	(49,005)	(42,173)	6,831	Decrease in payments for purchase of tangible fixed assets
Net cash used in financing activities	(23,708)	(18,466)	5,241	Decrease in 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 period	106,423	105,916	(507)	

10. Number of Employees by Segment

(Number of employees)

	Fiscal 2018		Fiscal 2019		Increase/(decrease)	
Food business	26,580	[20,228]	26,906	[19,035]	326	[(1,193)]
Retail business	801	[176]	788	[153]	(13)	[(23)]
Other businesses	982	[871]	1,030	[898]	48	[27]
Total	28,363	[21,275]	28,724	[20,086]	361	[(1,189)]

* 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 2018	Fiscal 2019	Increase/ (decrease)
Daily Yamazaki	1,493	1,443	(50)
Fujiya [Western-style confectionery]	862	829	(33)
Vie de France	271	266	(5)

II. Projections for Fiscal 2020

Consolidated Projection

1. Overview

(Millions of yen)

	Fiscal 2019	%	Fiscal 2020 projection	%	Increase/(decrease)	Percentage change
Net sales	1,061,152	100.0	1,076,000	100.0	14,847	1.4
Gross profit	374,795	35.3	381,500	35.5	6,704	1.8
Selling, general and administrative expenses	349,970	33.0	354,000	32.9	4,029	1.2
Operating income	24,824	2.3	27,500	2.6	2,675	10.8
Ordinary income	27,621	2.6	30,000	2.8	2,378	8.6
Extraordinary losses	(4,276)	(0.4)	(4,000)	(0.4)	276	(6.5)
Profit attributable to owners of parent	13,858	1.3	15,000	1.4	1,141	8.2

	Fiscal 2020 first half projection			Fiscal 2020 second half projection		
		Increase/(decrease)	Percentage change		Increase/(decrease)	Percentage change
Net sales	533,400	9,358	1.8	542,600	5,489	1.0
Operating income	14,600	1,137	8.4	12,900	1,538	13.5
Ordinary income	15,600	816	5.5	14,400	1,561	12.2
Profit attributable to owners of parent	8,150	301	3.8	6,850	839	14.0

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2019	Fiscal 2020 projection	Increase/(decrease)	Percentage change
Food business	995,681	1,010,000	14,318	1.4
Bread	96,578	98,480	1,901	2.0
Sweet buns	361,471	366,480	5,008	1.4
Japanese-style confectionery	70,987	71,860	872	1.2
Western-style confectionery	137,459	138,620	1,160	0.8
Processed bread, prepared rice and processed noodles	160,917	163,540	2,622	1.6
Biscuits, crackers, <i>sembei</i> and other merchandise	168,267	171,020	2,752	1.6
Retail business	53,702	53,920	217	0.4
Other businesses	11,768	12,080	311	2.7
Total	1,061,152	1,076,000	14,847	1.4

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2019	Fiscal 2020 projection	Increase/(decrease)	Percentage change
Food business	24,217	26,670	2,452	10.1
Retail business	(1,639)	(1,530)	109	–
Other businesses	1,884	1,960	75	4.0
Subtotal	24,462	27,100	2,637	10.8
Adjustment	362	400	37	
Total	24,824	27,500	2,675	10.8

4. Major Subsidiaries

(1) Net sales (Millions of yen)

	Fiscal 2019	Fiscal 2020 plan	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	103,347	103,900	552
Sun-Delica Co., Ltd.	119,828	123,020	3,191
Vie de France Co., Ltd.	33,062	33,710	647
Yamazaki Biscuits Co., Ltd.	32,271	33,570	1,298
Tohato Inc.	26,307	26,830	522

(2) Operating income (Millions of yen)

	Fiscal 2019	Fiscal 2020 plan	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	1,837	2,200	362
Sun-Delica Co., Ltd.	2,748	3,060	311
Vie de France Co., Ltd.	308	380	71
Yamazaki Biscuits Co., Ltd.	79	420	340
Tohato Inc.	928	970	41

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

	Fiscal 2019	Fiscal 2020 plan	Increase/ (decrease)
Capital investment	41,012	47,580	6,567
Depreciation and amortization	37,188	37,740	551

* 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 2019 Nonconsolidated Results

Nonconsolidated Results

1. Overview

(Millions of yen)

	Fiscal 2018		Fiscal 2019		Increase/ (decrease)	Percentage change
		%		%		
Net sales	748,319	100.0	753,733	100.0	5,413	0.7
Operating income	17,088	2.3	17,977	2.4	889	5.2
Ordinary income	20,739	2.8	21,805	2.9	1,065	5.1
Profit	12,331	1.6	13,013	1.7	682	5.5

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal 2019
Net sales	185,555	190,665	182,770	194,741	753,733
Operating income	4,101	6,091	2,926	4,857	17,977

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2018		Fiscal 2019		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	99,004	13.2	99,019	13.1	15	0.0
Sweet buns	331,902	44.4	332,374	44.1	472	0.1
Japanese-style confectionery	69,702	9.3	70,695	9.4	992	1.4
Western-style confectionery	98,792	13.2	103,795	13.8	5,002	5.1
Processed bread, prepared rice and processed noodles	53,079	7.1	55,281	7.3	2,202	4.1
Biscuits, crackers, <i>sembei</i> and other merchandise	45,596	6.1	46,526	6.2	930	2.0
Subtotal	698,077	93.3	707,693	93.9	9,616	1.4
Daily Yamazaki business	63,893	8.5	59,735	7.9	(4,158)	(6.5)
Internal elimination	(13,650)	(1.8)	(13,695)	(1.8)	(44)	—
Total	748,319	100.0	753,733	100.0	5,413	0.7

* "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 2018		Fiscal 2019		Increase/ (decrease)	Percentage change
		%		%		
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	18,016	2.6	19,616	2.8	1,600	8.9
Daily Yamazaki business	(928)	(1.5)	(1,639)	(2.7)	(710)	—

<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)
		%		%			
Gross profit	219,129	31.4	219,839	31.1	709	0.3	Increase in net sales 4,369 Decrease in raw material expenses 106 Increase in manufacturing labor cost (1,057) Increase in manufacturing expenses (1,335) Decrease in manufacturing amortization 343 Increase in goods purchased, etc. (1,717)
Selling, general and administrative expenses	201,112	28.8	200,222	28.3	(890)	(0.4)	Increase in personnel expenses (256) Increase in expenses (177) Decrease in amortization 1,323

* 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).

Nonconsolidated Results

4. Number of Employees

(Number of employees)

	Fiscal 2018		Fiscal 2019		Increase/(decrease)
Number of employees	19,478	[7,521]	19,490	[7,192]	12 [(329)]

* 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 2018	Fiscal 2019	Increase/ (decrease)
Daily Yamazaki	1,460	1,414	(46)
Yamazaki Shop	2,852	2,745	(107)
Saint Etoile	569	568	(1)
Other licensed stores	289	275	(14)
Supermarkets	19,344	19,525	181
Convenience stores	53,147	53,032	(115)
General stores and other	33,027	32,633	(394)
Total	110,688	110,192	(496)

* The total number of stores of Daily Yamazaki including area franchise stores is 1,443.

6. Sales by Sales Channel

(%)

	Fiscal 2018	Fiscal 2019	Increase/ (decrease)
Daily Yamazaki	2.2	2.1	(0.1)
Yamazaki Shop	3.7	3.5	(0.2)
Saint Etoile	1.8	1.8	0.0
Other licensed stores	1.3	1.2	(0.1)
Supermarkets	43.2	43.2	0.0
Convenience stores	26.1	26.1	0.0
General stores and other	21.7	22.1	0.4
Total	100.0	100.0	0.0

IV. Plans for Fiscal 2020

Nonconsolidated Plan

1. Overview

(Millions of yen)

	Fiscal 2019		Fiscal 2020 plan		Increase/ (decrease)	Percentage change
		%		%		
Net sales	753,733	100.0	766,000	100.0	12,266	1.6
Gross profit	244,223	32.4	249,030	32.5	4,806	2.0
Selling, general and administrative expenses	226,246	30.0	229,530	30.0	3,283	1.5
Operating income	17,977	2.4	19,500	2.5	1,522	8.5
Ordinary income	21,805	2.9	22,800	3.0	994	4.6
Extraordinary losses	(2,548)	(0.3)	(3,140)	(0.4)	(591)	23.2
Profit	13,013	1.7	13,200	1.7	186	1.4

	Fiscal 2020 first half plan			Fiscal 2020 second half plan		
		Increase/ (decrease)	Percentage change		Increase/ (decrease)	Percentage change
Net sales	383,500	7,278	1.9	382,500	4,987	1.3
Operating income	11,300	1,106	10.9	8,200	415	5.3
Ordinary income	13,200	777	6.3	9,600	217	2.3
Profit	7,750	148	2.0	5,450	37	0.7

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2019		Fiscal 2020 plan		Increase/ (decrease)	Percentage change
		Percentage of total		Percentage of total		
Bread	99,019	13.1	101,000	13.2	1,980	2.0
Sweet buns	332,374	44.1	339,230	44.3	6,855	2.1
Japanese-style confectionery	70,695	9.4	72,000	9.4	1,304	1.8
Western-style confectionery	103,795	13.8	105,240	13.7	1,444	1.4
Processed bread, prepared rice and processed noodles	55,281	7.3	56,330	7.4	1,048	1.9
Biscuits, crackers, <i>sembei</i> and other merchandise	46,526	6.2	46,810	6.1	283	0.6
Subtotal	707,693	93.9	720,610	94.1	12,916	1.8
Daily Yamazaki business	59,735	7.9	60,080	7.8	344	0.6
Internal elimination	(13,695)	(1.8)	(14,690)	(1.9)	(994)	–
Total	753,733	100.0	766,000	100.0	12,266	1.6

* "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 2019	%	Fiscal 2020 plan	%	Increase/(decrease)	Percentage change
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	19,616	2.8	21,030	2.9	1,413	7.2
Daily Yamazaki business	(1,639)	(2.7)	(1,530)	(2.5)	109	—

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

(Millions of yen)

	Fiscal 2019	%	Fiscal 2020 plan	%	Increase/(decrease)	Percentage change	Factors affecting operating income increase/(decrease)
Gross profit	219,839	31.1	224,660	31.2	4,820	2.2	Increase in net sales 6,007 Decrease in raw material expenses 1,070 Increase in manufacturing labor cost (1,219) Decrease in manufacturing expenses 165 Increase in manufacturing amortization (253) Others (950)
Selling, general and administrative expenses	200,222	28.3	203,630	28.3	3,407	1.7	Increase in personnel expenses (1,535) Increase in expenses (1,758) Increase in amortization (114)

* 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.