

Fiscal 2020

Second Quarter Results

(For the Period from January 1, 2020, to June 30, 2020)

Yamazaki Baking Co., Ltd.

(August 4, 2020)

I. Consolidated Results for the Second Quarter of Fiscal 2020

Consolidated Results

1. Overview

(Millions of yen)

	Fiscal 2019		Fiscal 2020		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Net sales	524,041	100.0	507,826	100.0	(16,215)	(3.1)
Operating income	13,462	2.6	9,868	1.9	(3,593)	(26.7)
Ordinary income	14,783	2.8	10,902	2.1	(3,880)	(26.2)
Profit attributable to owners of parent	7,848	1.5	4,899	1.0	(2,948)	(37.6)

Comprehensive income	10,701	2.0	1,359	0.3	(9,342)	(87.3)
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	1st Quarter	2nd Quarter
Net sales	258,768	249,058
Operating income	5,478	4,390

	Fiscal 2019 2nd Quarter	Fiscal 2020 2nd Quarter	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 2019		Fiscal 2020		Increase/ (decrease)	Percentage change
	2nd Quarter	Percentage of total	2nd Quarter	Percentage of total		
Food business	492,292	93.9	477,795	94.1	(14,497)	(2.9)
Bread	50,376	9.6	51,279	10.1	903	1.8
Sweet buns	180,482	34.4	172,769	34.0	(7,713)	(4.3)
Japanese-style confectionery	34,049	6.5	34,620	6.8	571	1.7
Western-style confectionery	66,997	12.8	68,779	13.5	1,781	2.7
Processed bread, prepared rice and processed noodles	79,615	15.2	71,850	14.2	(7,765)	(9.8)
Biscuits, crackers, <i>sembei</i> and other merchandise	80,770	15.4	78,495	15.5	(2,275)	(2.8)
Retail business	26,091	5.0	23,420	4.6	(2,670)	(10.2)
Other businesses	5,657	1.1	6,610	1.3	953	16.8
Total	524,041	100.0	507,826	100.0	(16,215)	(3.1)

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2019 2nd Quarter	Fiscal 2020 2nd Quarter	Increase/ (decrease)	Percentage change
Food business	13,365	10,493	(2,872)	(21.5)
Retail business	(1,043)	(1,987)	(944)	—
Other businesses	875	1,083	207	23.7
Subtotal	13,197	9,588	(3,609)	(27.3)
Adjustment	265	280	15	
Total	13,462	9,868	(3,593)	(26.7)

4. Income and Expenses

(Millions of yen)

	Fiscal 2019		Fiscal 2020		Increase/ (decrease)	Percentage change	Reasons
	2nd Quarter	%	2nd Quarter	%			
Gross profit	187,021	35.7	178,218	35.1	(8,802)	(4.7)	
Selling, general and administrative expenses	173,558	33.1	168,349	33.2	(5,208)	(3.0)	
Sales promotion expenses	17,864		17,531		(333)		
Advertising expenses	6,459		5,698		(761)		
Haulage expenses	32,829		32,068		(760)		
Personnel expenses	69,733		68,737		(995)		
Depreciation and amortization	5,678		5,779		101		
Rental fees	11,517		10,609		(907)		
Others	29,476		27,924		(1,552)		
Operating income	13,462	2.6	9,868	1.9	(3,593)	(26.7)	
Nonoperating income	2,074	0.4	1,807	0.4	(267)	(12.9)	
Interest income	45		57		12		
Dividend income	680		663		(16)		
Rent income on fixed assets	447		455		7		
Equity in earnings of affiliates	57		86		28		
Subsidy income	214		–		(214)		
Other nonoperating income	628		543		(85)		
Nonoperating expenses	753	0.2	773	0.2	19	2.6	
Interest expense	365		328		(37)		
Rent expenses on fixed assets	145		168		23		
Other nonoperating expenses	242		275		32		
Ordinary income	14,783	2.8	10,902	2.1	(3,880)	(26.2)	
Extraordinary gains	65	0.0	109	0.0	44	67.3	
Gain on sales of fixed assets	54		53		(0)		
Subsidy income	–		56		56		
Other extraordinary gains	11		–		(11)		
Extraordinary losses	1,708	0.3	1,174	0.2	(534)	(31.3)	
Loss on sales and retirement of fixed assets	829		492		(336)		
Impairment loss	342		478		135		
Business consignment special contribution	295		–		(295)		
Other extraordinary losses	242		203		(38)		
Income before income taxes	13,139	2.5	9,837	1.9	(3,301)	(25.1)	
Income and other taxes	5,080	1.0	4,851	0.9	(229)	(4.5)	
Profit	8,059	1.5	4,986	1.0	(3,072)	(38.1)	
Profit attributable to non-controlling interests	211	0.0	86	0.0	(124)	(58.9)	
Profit attributable to owners of parent	7,848	1.5	4,899	1.0	(2,948)	(37.6)	
Comprehensive income	10,701	2.0	1,359	0.3	(9,342)	(87.3)	

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

(Millions of yen)

	Fiscal 2019	Fiscal 2020 2nd Quarter	Increase/ (decrease)	Reasons
Current assets	261,839	237,174	(24,665)	
Cash and deposits	111,112	120,641	9,528	Decrease in loans payable: ¥3.5 billion Collection of accounts receivable, etc.: ¥13.0 billion
Notes and accounts receivable	114,559	82,764	(31,794)	
Merchandise and finished goods	12,178	12,185	6	
Work in process	653	1,048	394	
Raw materials and supplies	10,978	9,683	(1,295)	
Other current assets	12,697	11,201	(1,496)	Decrease in accounts receivable-other due to seasonal fluctuation
Allowance for doubtful accounts	(342)	(350)	(7)	
Fixed assets	466,309	456,379	(9,929)	Capital investment: ¥15.9 billion Depreciation and amortization: ¥18.0 billion
Tangible fixed assets	317,483	314,414	(3,069)	
Buildings and structures	105,175	103,732	(1,442)	
Machinery, equipment and vehicles	88,538	84,910	(3,628)	
Tools, furniture and fixtures	8,557	8,813	256	
Land	109,752	109,755	2	
Lease assets	3,923	4,006	82	
Construction in progress	1,536	3,196	1,659	Contract deposit for construction of new building at Isesaki Plant of Yamazaki Baking Co., Ltd: ¥1.3 billion
Intangible fixed assets	22,424	22,066	(358)	Amortization of goodwill: ¥0.7 billion
Investments and other assets	126,401	119,899	(6,501)	
Investment securities	72,361	65,078	(7,282)	Decrease due to mark-to-market valuation differences: ¥7.3 billion
Long-term loans receivable	836	873	36	
Net defined benefit asset	594	590	(3)	
Deferred tax assets	24,973	26,642	1,669	
Other investments and other assets	30,479	29,585	(894)	
Allowance for doubtful accounts	(2,843)	(2,870)	(27)	
Total assets	728,149	693,554	(34,594)	
Current liabilities	224,073	198,091	(25,982)	
Notes and accounts payable	78,805	67,796	(11,008)	Decrease due to seasonal fluctuation
Short-term loans payable	49,293	49,621	328	
Lease obligations	1,598	1,573	(25)	
Accrued income tax	6,817	6,489	(328)	
Accrued expenses	40,756	35,327	(5,429)	Decrease due to seasonal fluctuation
Allowance for employees' bonuses	4,437	4,494	57	
Reserve for sales promotion expenses	1,117	905	(212)	
Provision for loss on store closures	0	–	(0)	
Asset retirement obligations	40	11	(29)	
Other current liabilities	41,204	31,870	(9,333)	
Long-term liabilities	145,658	140,491	(5,167)	
Bonds	90	–	(90)	
Long-term loans payable	22,904	19,053	(3,850)	Increase in new loans payable: ¥1.2 billion Transfer to short-term loans payable: ¥5.0 billion
Lease obligations	2,768	2,813	44	
Reserve for retirement benefits for directors and corporate auditors	3,818	3,910	91	
Provision for environmental measures	20	2	(17)	
Net defined benefit liability	104,646	103,223	(1,422)	Increase due to provision for liabilities: ¥6.4 billion Decrease due to pension contributions/benefits: ¥7.9 billion
Asset retirement obligations	4,600	4,665	64	
Other long-term liabilities	6,809	6,821	11	
Total liabilities	369,732	338,582	(31,149)	
Total net assets	358,416	354,971	(3,445)	Non-controlling interests: ¥30.7 billion (down ¥0.4 billion)
Total liabilities and net assets	728,149	693,554	(34,594)	

6. Major Subsidiaries

(1) Net sales (Millions of yen)

	Fiscal 2019 2nd Quarter	Fiscal 2020 2nd Quarter	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	50,348	46,984	(3,364)
Sun-Delica Co., Ltd.	57,578	53,323	(4,254)
Yamazaki Biscuits Co., Ltd.	15,665	16,628	963
Tohato Inc.	13,020	13,630	609
Vie de France Co., Ltd.	16,825	11,566	(5,258)

(2) Operating income (Millions of yen)

	Fiscal 2019 2nd Quarter	Fiscal 2020 2nd Quarter	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	519	287	(232)
Sun-Delica Co., Ltd.	1,161	(364)	(1,525)
Yamazaki Biscuits Co., Ltd.	208	175	(32)
Tohato Inc.	490	709	218
Vie de France Co., Ltd.	299	(1,763)	(2,063)

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

	Fiscal 2019 2nd Quarter	Fiscal 2020 2nd Quarter	Increase/ (decrease)
Capital investment	16,451	15,948	(502)
Depreciation and amortization	17,540	18,010	470

* 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

8. Cash Flows

(Millions of yen)

	Fiscal 2019 2nd Quarter	Fiscal 2020 2nd Quarter	Increase/ (decrease)	Reasons
Net cash provided by operating activities	35,382	38,324	2,941	Decrease in notes and accounts receivable-trade
Net cash used in investing activities	(19,401)	(19,181)	220	
Net cash used in financing activities	(12,348)	(9,204)	3,144	Decrease in expenditure due to repayments of loans payable
Cash and cash equivalents at beginning of period	106,423	105,916	(507)	
Cash and cash equivalents at end of quarter	110,025	115,851	5,825	

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	1,031,000	100.0	(30,152)	(2.8)
Operating income	24,824	2.3	20,000	1.9	(4,824)	(19.4)
Ordinary income	27,621	2.6	22,200	2.2	(5,421)	(19.6)
Profit attributable to owners of parent	13,858	1.3	9,700	0.9	(4,158)	(30.0)

2. Net Sales by Segment

(Millions of yen)

	Fiscal 2019	Fiscal 2020 projection	Increase/ (decrease)	Percentage change
Food business	995,681	967,770	(27,911)	(2.8)
Bread	96,578	97,190	611	0.6
Sweet buns	361,471	341,740	(19,731)	(5.5)
Japanese-style confectionery	70,987	71,880	892	1.3
Western-style confectionery	137,459	140,820	3,360	2.4
Processed bread, prepared rice and processed noodles	160,917	149,640	(11,277)	(7.0)
Biscuits, crackers, <i>sembei</i> and other merchandise	168,267	166,500	(1,767)	(1.1)
Retail business	53,702	50,480	(3,222)	(6.0)
Other businesses	11,768	12,750	981	8.3
Total	1,061,152	1,031,000	(30,152)	(2.8)

3. Operating Income by Segment

(Millions of yen)

	Fiscal 2019	Fiscal 2020 projection	Increase/ (decrease)	Percentage change
Food business	24,217	20,770	(3,447)	(14.2)
Retail business	(1,639)	(3,200)	(1,560)	—
Other businesses	1,884	2,030	145	7.7
Subtotal	24,462	19,600	(4,862)	(19.9)
Adjustment	362	400	37	
Total	24,824	20,000	(4,824)	(19.4)

4. Major Subsidiaries

(1) Net sales (Millions of yen)

	Fiscal 2019	Fiscal 2020 plan	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	103,347	100,000	(3,347)
Sun-Delica Co., Ltd.	119,828	112,000	(7,828)
Yamazaki Biscuits Co., Ltd.	32,271	34,070	1,798
Tohato Inc.	26,307	27,300	992
Vie de France Co., Ltd.	33,062	26,600	(6,462)

(2) Operating income (Millions of yen)

	Fiscal 2019	Fiscal 2020 plan	Increase/ (decrease)
Fujiya Co., Ltd. (Consolidated)	1,837	1,800	(37)
Sun-Delica Co., Ltd.	2,748	300	(2,448)
Yamazaki Biscuits Co., Ltd.	79	430	350
Tohato Inc.	928	1,180	251
Vie de France Co., Ltd.	308	(2,050)	(2,358)

5. Capital Investment and Depreciation and Amortization

(Millions of yen)

	Fiscal 2019	Fiscal 2020 plan	Increase/ (decrease)
Capital investment	41,012	48,080	7,058
Depreciation and amortization	37,188	37,410	221

* 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. Nonconsolidated Results for Second Quarter of Fiscal 2020

Nonconsolidated Results

1. Overview

(Millions of yen)

	Fiscal 2019		Fiscal 2020		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Net sales	376,221	100.0	367,820	100.0	(8,400)	(2.2)
Operating income	10,193	2.7	10,454	2.8	261	2.6
Ordinary income	12,422	3.3	12,203	3.3	(219)	(1.8)
Profit	7,601	2.0	7,892	2.1	291	3.8

	1st Quarter	2nd Quarter
Net sales	186,922	180,898
Operating income	5,081	5,373

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2019		Fiscal 2020		Increase/ (decrease)	Percentage change
	2nd Quarter	Percentage of total	2nd Quarter	Percentage of total		
Bread	50,940	13.5	51,880	14.1	940	1.8
Sweet buns	169,159	45.0	162,458	44.2	(6,701)	(4.0)
Japanese-style confectionery	34,105	9.1	34,684	9.4	579	1.7
Western-style confectionery	50,160	13.3	54,255	14.8	4,095	8.2
Processed bread, prepared rice and processed noodles	26,832	7.1	24,263	6.6	(2,569)	(9.6)
Biscuits, crackers, <i>sembei</i> and other merchandise	22,343	5.9	20,531	5.6	(1,812)	(8.1)
Subtotal	353,541	93.9	348,073	94.7	(5,467)	(1.5)
Daily Yamazaki business	29,198	7.8	26,267	7.1	(2,930)	(10.0)
Internal elimination	(6,518)	(1.7)	(6,520)	(1.8)	(2)	—
Total	376,221	100.0	367,820	100.0	(8,400)	(2.2)

* "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 2019		Fiscal 2020		Increase/ (decrease)	Percentage change
	2nd Quarter	%	2nd Quarter	%		
Operating income						
Yamazaki Baking Company's primary business (excluding its Daily Yamazaki business)	11,236	3.2	12,442	3.6	1,206	10.7
Daily Yamazaki business	(1,043)	(3.6)	(1,987)	(7.6)	(944)	—

<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		Increase/ (decrease)	Percentage change	Factors affecting operating income increase/(decrease)
	2nd Quarter	%	2nd Quarter	%			
Gross profit	111,687	31.6	111,298	32.0	(388)	(0.3)	Decrease in net sales (2,542) Decrease in raw material expenses 1,801 Increase in labor cost (442) Decrease in manufacturing expenses 388 Increase in manufacturing amortization (22) Decrease in goods purchased, etc. 429
Selling, general and administrative expenses	100,451	28.4	98,856	28.4	(1,594)	(1.6)	Decrease in personnel expenses 95 Decrease in expenses 1,347 Decrease in amortization 152

* 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 2020

Nonconsolidated Plan

1. Overview

(Millions of yen)

	Fiscal 2019		Fiscal 2020		Increase/ (decrease)	Percentage change
		%	plan	%		
Net sales	753,733	100.0	742,000	100.0	(11,733)	(1.6)
Operating income	17,977	2.4	17,900	2.4	(77)	(0.4)
Ordinary income	21,805	2.9	21,000	2.8	(805)	(3.7)
Profit	13,013	1.7	12,700	1.7	(313)	(2.4)

2. Net Sales by Product Category

(Millions of yen)

	Fiscal 2019		Fiscal 2020		Increase/ (decrease)	Percentage change
		Percentage of total	plan	Percentage of total		
Bread	99,019	13.1	99,700	13.4	680	0.7
Sweet buns	332,374	44.1	323,620	43.6	(8,754)	(2.6)
Japanese-style confectionery	70,695	9.4	71,640	9.7	944	1.3
Western-style confectionery	103,795	13.8	110,030	14.8	6,234	6.0
Processed bread, prepared rice and processed noodles	55,281	7.3	51,250	6.9	(4,031)	(7.3)
Biscuits, crackers, <i>sembei</i> and other merchandise	46,526	6.2	43,780	5.9	(2,746)	(5.9)
Subtotal	707,693	93.9	700,020	94.3	(7,673)	(1.1)
Daily Yamazaki business	59,735	7.9	56,280	7.6	(3,455)	(5.8)
Internal elimination	(13,695)	(1.8)	(14,300)	(1.9)	(604)	—
Total	753,733	100.0	742,000	100.0	(11,733)	(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	21,100	3.0	1,483	7.6
Daily Yamazaki business	(1,639)	(2.7)	(3,200)	(5.7)	(1,560)	—

<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	220,620	31.5	780	0.4	Decrease in net sales (3,542) Decrease in raw material expenses 3,249 Increase in manufacturing labor cost (1,215) Decrease in manufacturing 1,129 Decrease in manufacturing 114 Others 1,045
Selling, general and administrative expenses	200,222	28.3	199,520	28.5	(702)	(0.4)	Increase in personnel expenses (647) Decrease in expenses 1,143 Decrease in amortization 206

* 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.