



SFoods News

Annual Report for the period ended February 28, 2009

March 1, 2008 - February 28, 2009



Shinnosuke Murakami
President/Representative Director

Business Overview

Major changes in economic conditions in Japan in the middle of the current fiscal year and ensuing business slowdown have brought about tremendous suffering to many companies. Under these exacting circumstances, we have continued our business activities in line with our corporate philosophy, providing customers with "delicious and wholesome stamina foods," thereby serving the global community.

S Foods has three core businesses: wholesaling of domestic and imported beef and pork, food processing of mainly beef and pork, and retail & food services centered on meat.

In the wholesale meat business, we have directed our efforts toward expanding sales of our three original beef brands: "Kobe Wine Beef," domestic beef produced by feeding high-quality



cattle with lees of grapes from the wine manufacturing process; "Wagyu Master," a new brand of wagyu raised by our proprietary program designed to ensure genuine wagyu qualities; and "Naruo Boku-jyo," Australian beef produced in a way that meets specifications designed to satisfy Japanese consumers, in accordance with the world's highest safety standards. Also, as our group business strategy, we have strengthened our meat purchasing channels. In the current

fiscal year, as part of efforts toward this goal, we established S Farm Inc., which began operating a cattle fattening farm, and made a meat trading company Hyochiku Inc. one of our subsidiaries.

In our product manufacturing business, we ensured market penetration of Kotetchan following its resumed sales in 2006 and started selling the product series across Japan in March 2008. Moreover, we resumed sales of Kotetchan Beef Motsu-nabe Soup series after five seasons of sales suspension since 2004.

Our retail & food service business is led mainly by OM2 Network Co., Ltd. operating meat retail stores. As steps toward further growth of our retail & food service business in the future, we have exerted efforts to enhance our profitability and financial strength by propping up the operation of our existing stores and efficient utilization of management resources. At the same time, we have ensured thorough enforced compliance to gain greater customer confidence in our downstream operations.

As a result of the above measures, we have achieved increases both in earnings and profit. Consolidated sales for this fiscal year were 117,472 million yen, up 3.3% from the previous year; income from operations was 5,122 million yen, up 31.2% from the previous year; pre-tax earnings were 5,128 million yen, up 33.3% from the previous year; and net income for this fiscal year was 2,162 million yen, up 13.7% from the previous year.

Medium-and Long-Term Business Strategy

The simultaneous slowdown of the global economy that started late last year has relaxed the supply-demand environment, making product procurement easier for the meat industry. For Japan, however, a country that depends on imports for a large portion of its feed grain and meat consumption, the basic structure remains unchanged. The question of how to maintain a stable food supply is expected to become a major issue in the near future. At S Foods, we will continue to contribute to Japan's food security and stable food supply, making the most of our own conventional meat supply channels both at home and abroad, and developing a supply chain

of meat and other food products from a long-term perspective. In the medium and long term, we will collaborate more closely with our affiliate companies and establish ourselves in the domestic market as a general meat company group conducting wide-ranging businesses, from manufacture & purchasing to retail & food services. In overseas markets, we seek to build international meat supply and sales networks. We believe that our greatest mission is to carry out our business activities in ways that contribute to further development of the Japanese livestock industry and a stable food supply.

Major Issues

In terms of strengthening our operational basis, our major tasks are to: continue efforts we started last year to diversify and stabilize our overseas meat procurement channels, especially those from Australia and the U.S.; establish overseas sales channels for domestic meats, particularly wagyu; further reinforce our domestic sales system designed to cater to local needs; promote business operations especially in eastern Japan, which contains the largest metropolitan market; and increase our market share by expanding "Kotetchan" and other meat product



Kotetchan on display at a store

lineups, and developing new products that meet the needs of the times. In terms of reinforcing our company group culture, our major tasks are to provide multilayered, systematic human resource development programs and step up our compliance-based management by establishing effective internal controls.

Prospects

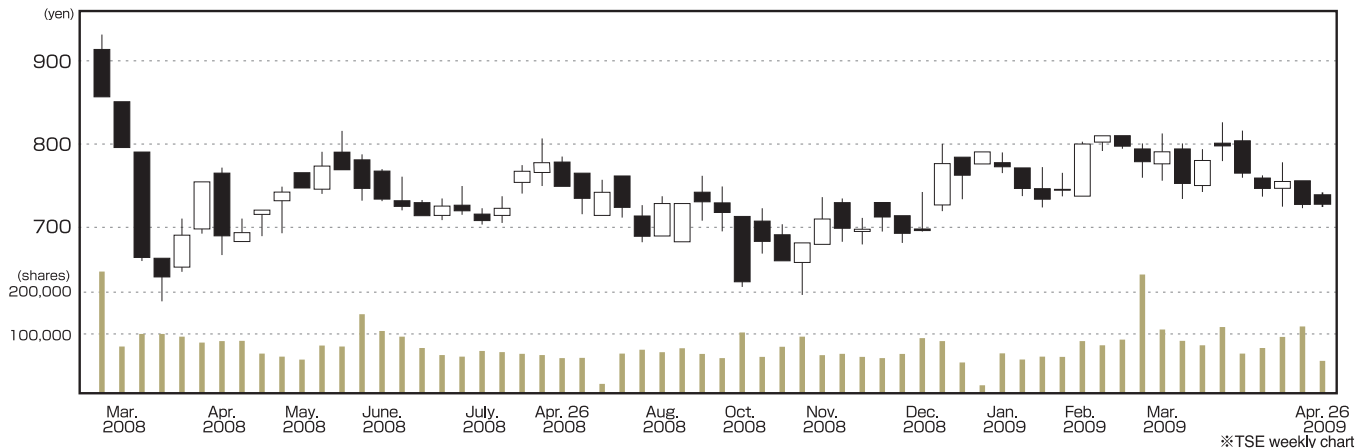
The recent global economic slowdown has had adverse effects on business conditions in Japan. Consumers' behavioral patterns have begun to show an inclination toward frugality. In food-related areas, families have shown a tendency to refrain from eating out and make it a point to eat more at home. To take advantage of consumers' tendency to return to home-cooked meals, we will roll out products that suit consumers' tastes in each of our businesses, thereby steadily increasing our earnings. For next year, we project sales of 123 billion yen, up 4.7% from the current year; an increase in income from operations of 1.5%, to 5.2 billion yen; and an increase in pre-tax earnings of 1.4%, to 5.2 billion yen. We also expect net income to be 2.2 billion yen, up 1.7% from the current year.

Business Results and Financial Position (Consolidated)

Term	FY Feb. 2007 (41st term)	FY Feb. 2008 (42nd term)	FY Feb. 2009 (43rd term)	FY Feb. 2010 (44rd term) projected
Sales	114,150	113,707	117,472	123,000
Income from operations	3,961	3,903	5,122	5,200
Pre-tax earnings	4,232	3,847	5,128	5,200
Net income	1,581	1,901	2,162	2,200
Total assets	45,845	50,587	50,721	
Shareholders' equity	32,336	33,820	33,069	
Dividend per share	16yen	20yen	22yen	22yen

Unit: Million yen (excl. dividends)

● Trends in Share Values and Trading Volumes



Information

New Product Information



New series for family dining table

Kotetchan
teppanyaki sauce

This series is a simple solution for those who want to enjoy delicious home-cooked teppanyaki containing lots of vegetables.

Salty-sweet soy sauce flavor



Salty-sweet soy sauce flavor inspired by garlic flavor achieved by traditional motsunabe restaurants in Hakata, northern Kyushu

Well-seasoned miso flavor



Rich and well-seasoned mixed miso flavor based on our popular teppanyaki-nabe sauce

[Shareholder Special Benefit Plan]

S Foods will offer a special benefit plan to its shareholders. Two types of presents are available depending on the number of shares owned by each shareholder.

Qualification:

Shareholders registered in the shareholders' list as of the end of February each year who own one sales unit (500) or more shares

Presentation date:
November (planned)

Domestic beef (wagyu)



Our specially selected domestic beef will be cut shabu-shabu, steak or barbecue style as each qualified shareholder specifies before being sent.

Plan details:

Shareholders with between 500 and 1,999 shares S Foods products (roast beef, etc.) worth 3,000 yen

Shareholders with 2,000 or more shares Domestic beef (wagyu) worth 10,000 yen

Roast beef



A block of round meat from our popular Nario Bokujyo brand beef will be exquisitely cooked whole using our unique recipe to make succulent and flavorful roast beef.

*Photos above are for illustrative purposes only. Vegetables, plates and utensils in the photos are not included in the gifts.

Company Profile

Company Name:	S Foods Inc. (Listing exchanges: 1st sections of Tokyo Stock Exchange and the Osaka Securities Exchange, Securities code 2292)
Founding:	May 22, 1967
Representative:	Shinnosuke Murakami, President
Capital:	4,298,350,000 yen
Businesses: (Groups)	Wholesale meat business, products business, retail & food service business

Investor Information

Business year:	March 1 to last day of February of the next year
Date of record for distribution of year-end dividends:	Last day of February
Date of record for distribution of interim dividends:	August 31
Ordinary general meeting of shareholders:	May of every year
Administrator of shareholder list/ Organization managing special accounts:	Mitsubishi UFJ Trust and Banking Corporation
Contact:	Mitsubishi UFJ Trust and Banking Corporation Osaka Corporate Agency Division 1-1-5 Dojimahama, Kita-ku, Osaka 530-0004, Japan Phone: 0120-094-777 (toll free)
Stock listing:	Tokyo Stock Exchange/Osaka Securities Exchange
Publication:	Announcement on the company website Web page where announcement will appear: http://www.sfoods.co.jp/investor/koukoku.html

(When use of the website is impossible or other unavoidable circumstances occur, we will place the announcement in the Nihon Keizai Shimbun.)

(Notes)

1. With the digitization of share certificates, changes to shareholder's addresses, share purchase requests and other share-related office procedures will be handled by organizations managing your account (securities companies, etc.) Please contact relevant securities companies, etc. if you desire to request share-related office procedures. Please note that the administrator of the shareholder list (Mitsubishi UFJ Trust and Banking Corporation) is not able to handle these procedures.
2. Office procedures relating to shares registered on your special account will be handled by Mitsubishi UFJ Trust and Banking Corporation. When requesting these procedures, please contact the organization managing your special account (Mitsubishi UFJ Trust and Banking Corporation) shown above. Transfer operations can be carried out at all branches of Mitsubishi UFJ Trust and Banking Corporation in Japan.
3. Dividends receivable will be paid at the main office or branches of Mitsubishi UFJ Trust and Banking Corporation.

Shares per sales unit: 500



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