

## Information

### Introduction of Spring and Summer Products

#### こてちん 牛もつ炒め

The series has become more flavorful, with the use of rich beef motsu and a cooking sauce made with carefully chosen ingredients. A dish loaded with vegetables can be made easily with just one frying pan.



Kotetchan Beef Motsu Stir-Fry with rich soy sauce taste



Kotetchan Beef Motsu Stir-Fry with rich salty taste



Kotetchan Beef Motsu Stir-Fry with rich miso flavor

You can also make horumon yakisoba (fried noodles with the internal organs of cow) by cooking the product together with noodles!

#### こてちん 新発売 にんにく塩味

A delicious taste has been created with a sauce using roasted garlic that is light, yet rich and savory, combined with two types of pepper.



### Shareholder Special Benefit Plan

S foods will offer a special benefits plan to its shareholders.

#### Plan details

For shareholders registered in the shareholder's list as the end of February each year

- ◎ Shareholders with 2,000 or more shares  
Domestic beef or domestic pork worth 10,000 yen
- ◎ Shareholders with between 500 and 1,999 shares  
S Foods' product worth 3,000 yen

\* The domestic beef (pork) and S Foods' product mentioned above will be sent to each shareholder in November (planned).

Special sale to the shareholders as of the end of February and the end of August, respectively

- ◎ Shareholders with 100 or more shares  
Special discounts on S Foods Group's original products

\* A catalog of products will be sent to each eligible shareholder in June and November (planned).

**Domestic beef (wagyu)** Our specially selected domestic beef will be cut for shabu-shabu or steak as specified by each eligible shareholder before being sent.



Shabu-shabu



Steak

\* 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 exchange: 1st section of TokyoStock Exchange, Securities code 2292)

**Founding:** May 22, 1967

**Representative:** Shinnosuke Murakami, President

**Capital:** 4,298,350,000 yen

**Businesses:** Wholesale meat business, products business, retail & food service business (Groups)

### Investor Information

- **Business year:** March 1 to the 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/ Management institution of special account:** Sumitomo Mitsui Trust Bank, Limited  
1-4-1 Marunouchi, Chiyoda-ku, Tokyo
- **Administrator of shareholder list Handling office:** Sumitomo Mitsui Trust Bank, Limited,  
Stock Transfer Agency Business Planning Dept.  
4-5-33 Kitahama, Chuo-ku, Osaka
- Mail:** Sumitomo Mitsui Trust Bank, Limited,  
Stock Transfer Agency Business Planning Dept.  
2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Japan
- Phone:** ☎ 0120-782-031 (toll free)
- Website:** <http://www.smtb.jp/personal/agency/index.html>

(Notes)

[ Inquiries relating to procedure for changes to shareholder's address, etc. ]  
Shareholders who hold an account with a securities company are requested to contact their securities company, since Sumitomo Mitsui Trust Bank, Limited is not able to handle this procedure. Those who do not hold an account with a securities company should contact the administrator at the above phone number.

[ Dividends receivable ]

- Please contact Sumitomo Mitsui Trust Bank, Limited, the administrator of the shareholder list.
- Shares per sales Unit: 100

[ Change in Management institution of special account ]

As of May 25, 2016, we changed the management institution of special account from Mitsubishi UFJ Trust and Banking Corporation to Sumitomo Mitsui Trust Bank, Limited.



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<http://www.sfoods.co.jp/english/>



# SFoods News

Report for the fiscal year ended February 29, 2016

March 1, 2015 to February 29, 2016



Shinnosuke Murakami  
President

## Business Overview Report

During the fiscal year, the Japanese economy was affected by the global economic slowdown from the weakening in the Chinese economy and uncertainties over political conditions in the Middle East and Europe. Corporate results, mainly among exporting companies, started to show signs of slowing amid fluctuating conditions. The inbound effect of a weak yen benefitted some industries, but as a whole, there was a lack of growth in domestic consumption. Furthermore, in the second half of the fiscal year, stock prices that had been recovering shifted to a downturn, bringing about uncertainties for the outlook. The Japanese meat industry has fallen into a situation in which it is difficult to secure profits due to a sudden rise in raw material prices. Given such uncertainties over the economic outlook, the S Foods Group promoted vertical integration of its meat business from meat production to retail sales and food services, with the aim of strengthening its business structure and achieving stable growth. In the food processing and meat wholesale businesses, our Hidaka Shokuniku Center, where pigs are slaughtered and processed, began operations in Hokkaido last May. In addition, our new farm in Chitose, which handles the breeding of pigs, was completed, creating an integrated management system for our pork business. We will be expanding our high-grade pork brand "Yume-no-daichi (Dream Land)" across Japan. In the meat wholesale business, we worked on popularizing branded beef, which we excel in, throughout the market and

promoting sales. Furthermore, we launched our overseas division and worked to cultivate new export markets for domestic beef such as Wagyu beef, and to popularize our company's branded beef. Last December, we added U.S.



Yume-no-daichi (Dream Land)

mid-size packer AURORA PACKING COMPANY, INC. to our group and strengthened our procurement network for high-grade U.S. beef. Going forward, we will promote Aurora Beef as an original brand throughout Japan and in Asian markets. In the food processing business, we have been enhancing cooperation with Foodlier Co., Ltd., which joined the S Foods Group the year



AURORA PACKING COMPANY

before last, and synergistic effects are gradually showing signs of fruition. In addition, we have been working to strengthen our ham and sausage business, mainly with Foodlier. We also worked to revitalize the "Kotetchan" brand by strengthening the lineup of products in the series. In the meat retail business, we revitalized existing stores, launched new stores on a firm footing and continued to close unprofitable stores, while working on measures such as training personnel to further improve competitiveness.

In the meat food service business, we implemented measures to improve the competitiveness of both our Korean-style barbecue and shabu-shabu restaurant chains and our steak restaurant chain by revising menus and prices, and renovating stores.

As a result, we reported increases in both net sales and profits in the fiscal year ended February 29, 2016, with net sales of 242,566 million yen (up 13.3% year-on-year), operating income of 8,428 million yen (up 2.4% year-on-year), ordinary income of 8,795 million yen (up 2.3% year-on-year) and net income of 5,086 million yen (up 17.1% year-on-year).

## Business Outlook

Optimistic forecasts for the Japanese economy are fading given widespread uncertainties about the global economy. The Japanese meat industry will be further challenged to make tough business decisions in order to attract consumers demanding lower prices, even as raw material prices rise. Given this situation, the S Foods Group will work to expand market share and secure profits by dealing with customers attentively and improving management efficiency.

In the food processing and meat wholesale businesses, we will work to strengthen our production operations for domestic meat, the most upstream segment of our meat business, and to promote a sales strategy that brings out best of the branding power for our Group's meats. For imported meat, we will strengthen the management base of AURORA

PACKING COMPANY, INC. which we added to our Group last December, and strive to popularize the "Aurora Beef" brand in Japan and Asia. Furthermore, we will work to further enhance our procurement channels and to build a system for the stable supply of products. For our overseas business, we will work on attentive sales so that the rising demand for Japanese farm products in Asia leads to actual business transactions. In the food processing business, we will strengthen sales promotion activities such as TV commercials and promotional campaigns for consumers to further improve sales of our main brand, "Kotetchan". We will also reorganize our ham and sausage business centered on Foodlier Co., Ltd. and streamline business operations and increase sales share. By making the functions for processing and sales more efficient within the Group, we will improve the structure for corporate profits. Furthermore, to respond to the rising standards for food safety among consumers, we will further refine our system for food defense, which is in its third year.



Kotetchan Garlic Salt Taste (Cooking Example)

In the meat retail business, we will continue to revitalize existing stores, develop new stores and further close money-losing stores, while implementing measures to train personnel and working to further strengthen a proposal-type sales approach for events.

In the meat food service business, we will aim for sound management of our steak restaurant, Korean-style barbecue and shabu-shabu restaurant chains by continuing to emphasize profitability while maintaining competitiveness.

Regarding the improvement of group management, we will build an efficient management system to deal with the increased number of group companies, including those overseas, and the growing number of joint projects within the group. In addition, we need to train personnel on a long-term basis to support the growth of these projects. We will enhance our employee training system and make it the foundation for further growth.

In the year ending February 28, 2017, we forecast to achieve net sales of 300,000 million yen (up 23.7% year-on-year), operating income of 9,600 million yen (up 13.9% year-on-year), ordinary income of 10,000 million yen (up 13.7% year-on-year), and net income of 5,400 million yen (up 6.2% year-on-year).

## Mid- to Long-Term Management Strategy

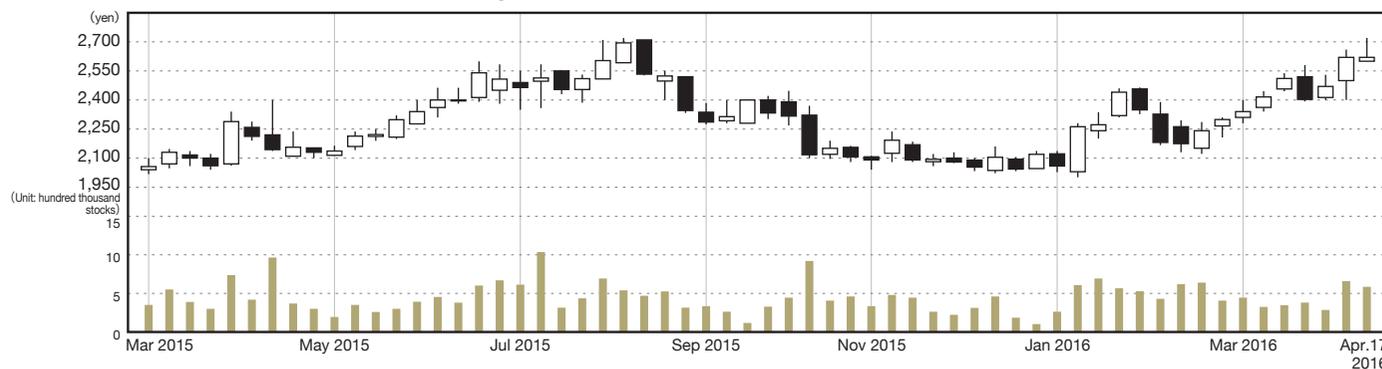
Based on its management philosophy, the S Foods Group aims to become a multifaceted meat vendor group and continue focusing on the establishment of a stable food supply system, mainly for meats. Specifically, we will create an integrated intra-group food supply chain that covers upstream to downstream of the meat distribution channel -- everything from production to procurement and processing to distribution, along with retail sales and services for end-consumers. Furthermore, we will upgrade our meat distribution functions overseas as well as in Japan to increase our capability to cope with changes in social conditions.

## Business Results and Financial Position (Consolidated)

Term	FY Feb.2014 (48 th term)	FY Feb.2015 (49 th term)	FY Feb.2016 (50 th term)	FY Feb.2017 (51 th term) projected
Sales	169,253	214,103	242,566	300,000
Income from operations	5,683	8,230	8,428	9,600
Pre-tax earnings	6,127	8,601	8,795	10,000
Net income	3,313	4,343	5,086	5,400
Total assets	85,643	98,755	114,330	
Shareholder's equity	43,533	49,768	54,844	
Dividend per share	26yen	28yen	32yen	35yen

Unit : Million yen (excl. dividends)

## Trends in Share Values and Trading Volumes



※TSE weekly chart