



# SFoods News

Interim Annual Report for the period ended August 31, 2006



Shinnosuke Murakami  
President

## Report on Business Process and Result

### Environment and Policy

The situation in the Japanese meat industry, which suffers from a shrinking market that reflects persistent deflation and an aging population with the falling birthrate, does not offer an optimistic prospect. Yet, it is expected that demand for meat, which contains protein essential for a healthy diet, will remain stable. We continue to exert our utmost efforts to provide tasty and nourishing meat products for our customers, while placing first priority on ensuring the safety of our products.

### Tasks and Strategy

We are trying to reconstruct the market for U.S. beef in Japan and to resume the production of meat products from U.S. beef, as it is expected that beef imports from the U.S. will gradually increase with the reopening of the Japanese market to U.S. beef imports on July 27 of this year. As for the expansion of the domestic sales network, we are preparing to build new sales offices that have meat processing centers in Kyushu and Shiga, following the opening of our new Nagoya office last year. In the medium and long term, we will build consumer trust as a general meat company and disseminate food culture that enriches the Japanese diet and well-utilizes limited global food resources.



### Overview

The first-half of the fiscal year started amid the uncertain situation in which beef imports from the U.S. had been halted again since January 20. Under this circumstance, we provided Tontetchan that is made from pork intestine; Naruo Bokujiyo, Australian high quality branded beef; and Ajiwai Kobo, a processed



beef product, to ensure the stable supply of meat products to our customers, which contributed to the stable sales of our company. Also, the Nagoya sales office that was newly built in the mid-Japan area last October to enhance the sales network is now establishing its position in the region.

Acquisition last August of OM2 Network, one of the nation's largest meat shop chains, through which we established a food company group vertically integrated from purchasing, to processing, to retailing of meat, enabled our company to realize the synergy effect of mutual trade within the group and eventually promoted the establishment of a robust group management system.

### Results and Prospect

These measures resulted in satisfactory performance in this interim period. As for the results for the full business year, it is unrealistic to expect rapid growth in our sales considering the assumption that it will take much time to restore the supply capacity to its level before the import ban, although the ban was lifted on July 27 of this year. Therefore, there is no change in the prospect for the period ending February 28, 2007 that was announced on April 20 of this year. Please refer to the next page for the business results and projection.



## Business Results and Financial Position

### Consolidated

(in millions of yen)

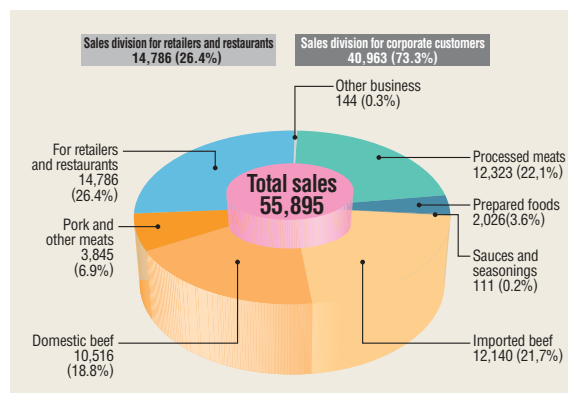
	Interim FY Aug. 2005	Interim FY Aug. 2006	FY Feb. 2006	FY Feb. 2007 projection
Sales	37,295	55,895	92,676	110,000
Income from operations	995	1,733	1,896	3,800
Pre-tax earnings	1,311	1,908	2,447	4,000
Net income	758	468	988	1,500
Total assets	47,149	46,533	46,551	
Shareholders' equity	28,123	31,391	28,237	

### Non-consolidated

(in millions of yen)

	Interim FY Aug. 2005	Interim FY Aug. 2006	FY Feb. 2006	FY Feb. 2007 projection
Sales	35,164	37,971	71,352	75,000
Income from operations	920	879	930	2,000
Pre-tax earnings	1,101	1,068	1,313	2,200
Net income	622	387	689	1,000
Total assets	36,436	35,707	34,587	
Shareholders' equity	26,963	27,074	26,933	

### Consolidated Sales by Segment (in millions of yen)



### Dividends

(yen)

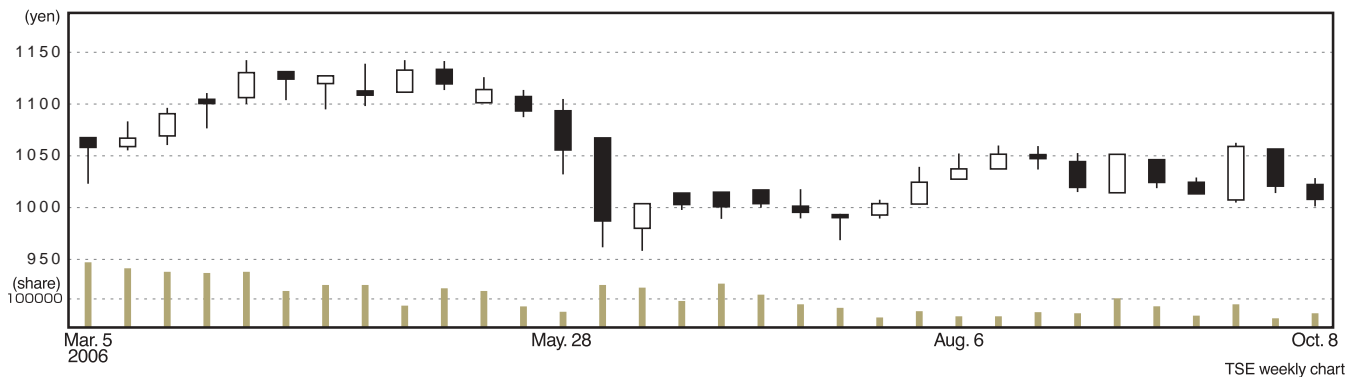
	FY2004	FY2005	FY2006	FY2007
Dividends per share	22	12	16	16
(Interim dividends)	(11)	(6)	(8)	(8)
(Year-end dividends)	(11)	(6)	(8)	(8)

Note: Figures with ( ) are projected figures.

### Shares

Total number of shares authorized 120,000,000  
 Number of shares of common stock issued 32,267,721  
 Number of shareholders 3,436

### Trends in Share Values and Trading Volumes



## Products for Autumn-Winter



### Pork variety meat pot

Motsu-nabe has become a standard dish for the chilly season. Three different and distinct flavors will warm you.



Kim-chi flavor

Soy sauce flavor

Miso flavor

### Soup for pot

Original flavors will bring out the taste of meat.



Soup for Motsu-nabe

Soup for Buta-miso-nabe

Soup for Tori-chanko-nabe

### Master of stew

You can enjoy the taste of a professional chef by just heating.



Beef membrane stew

Pork variety meat stew

### Sauce (Barbeque, Shabu-shabu)

Traditional and authentic; it is real.



Barbeque king

Shabu-shabu king

## Company Profile

Company Name:	S Foods Inc. (Listing exchanges : First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange, Securities code 2292)
Foundation:	May 22,1967
Representative Directors:	Hayao Morishima, Chairman Shinnosuke Murakami, President
Capital:	4,298 million yen
Business Lines:	Manufacturing and sale of processed meat products, prepared food products, sauces and seasonings and sale of foodstuffs

## Investor Information

Ordinary General Meeting of Shareholders:	May, every year
Reference Date:	Ordinary General Meeting The last day of February Dividend Term end The last day of February Interim The last day of August
Publication:	Announcement on the Website ( <a href="http://www.sfoods.co.jp/investor/koukoku.html">http://www.sfoods.co.jp/investor/koukoku.html</a> )
Administrator of Shareholder list:	Mitsubishi UFJ Trust Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Location of Transfer Operations:	Mitsubishi UFJ Trust Banking Corporation Corporate Agency Department 3-6-3 Fushimi-cho, Chuo-ku, Osaka Phone: 0120-094-777 (toll free)
Number of shares per sales unit:	500



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