



# SFoods News

Interim Annual Report for the period ended August 31, 2008

March 1 - August 31, 2008



**Shinnosuke Murakami**

President / Representative Director

## Report on Business Processes and Results

### Business Environment

In the first half of the current fiscal year, the business environment in the Japanese meat industry has been extremely severe mainly due to sluggish consumption and rising meat costs.

Despite these difficulties, we have accomplished relatively robust business results through active business operations and sales promotion activities.

### Overview

Our company group focuses on 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 developed a new brand, "Kobe Wine Beef," in April this year in cooperation with the Kobe Minori-no-Kosha Foundation. Raising Hyogo-born domestic beef



cattle by feeding them lees of grapes from the wine manufacturing process, the new brand is aimed at providing consumers with high-quality beef at reasonable

prices. Also, in July this year, we established S Farm Inc., a wholly owned subsidiary that operates a cattle fattening farm.

In our product manufacturing business, in efforts to resume sales of our main brand, Kotetchan, we began selling the product across Japan in August this year, following its launch in the Kanto region in March.

Our retail & food service business has been exposed to severe situations due to the general business slowdown that has led consumers to spend less.

Under these circumstances, our company group has strived to enhance the profitability of existing stores, while cautiously opening new shops.



Kotetchan

### Prospects

In the second half of the current fiscal year, no major change is expected in the business environment surrounding our company group. Under these difficult circumstances, we will resume sales of Kotetchan Beef Motsu-nabe Soup series after five seasons of sales suspension.

We will also work to intensify our three core businesses through sales promotion activities which include, for example, the tapping of latent demand for our nabe soup, the central product of all autumn and winter products. Therefore, there is no change in prospects for the period ending February 28, 2009 that was announced on April 14 of this year. Consolidated sales are projected to be 120 billion yen, up 5.5% from the previous year; income from operations 4.3 billion yen, up 10.2% from the previous year; pre-tax earnings 4.5 billion yen, up 17.0% from the previous year; and net income for this fiscal year 2 billion yen, up 5.2% from the previous year.



Kotetchan beef motsu-nabe soup

## Business Results and Financial Position

### Consolidated

Unit: Million yen

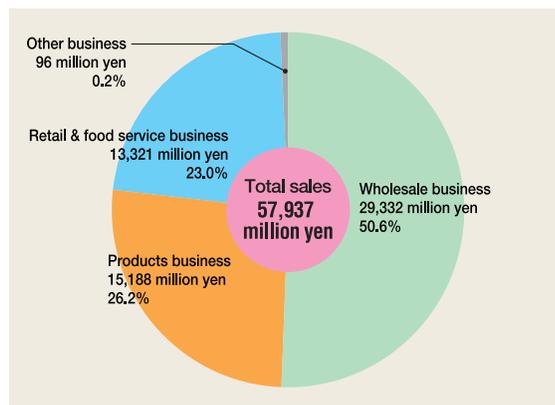
| Term<br>Item           | Interim FY<br>Aug. 2007 | Interim FY<br>Aug. 2008 | FY Feb.<br>2008 | FY Feb. 2009<br>projected |
|------------------------|-------------------------|-------------------------|-----------------|---------------------------|
| Sales                  | 55,903                  | 57,937                  | 113,707         | 120,000                   |
| Income from operations | 1,793                   | 2,275                   | 3,903           | 4,300                     |
| Pre-tax earnings       | 2,009                   | 2,355                   | 3,847           | 4,500                     |
| Net income             | 971                     | 1,006                   | 1,901           | 2,000                     |
| Total assets           | 53,492                  | 54,822                  | 50,587          | —                         |
| Shareholders' equity   | 32,777                  | 34,367                  | 33,820          | —                         |

### Non-consolidated

Unit: Million yen

| Term<br>Item           | Interim FY<br>Aug. 2007 | Interim FY<br>Aug. 2008 | FY Feb.<br>2008 | FY Feb. 2009<br>projected |
|------------------------|-------------------------|-------------------------|-----------------|---------------------------|
| Sales                  | 38,600                  | 41,802                  | 78,753          | 84,000                    |
| Income from operations | 1,239                   | 1,529                   | 2,644           | 2,800                     |
| Pre-tax earnings       | 1,448                   | 1,682                   | 2,779           | 3,000                     |
| Net income             | 855                     | 873                     | 1,614           | 1,650                     |
| Total assets           | 39,652                  | 40,551                  | 37,655          | —                         |
| Shareholders' equity   | 28,194                  | 29,107                  | 28,603          | —                         |

### Sales by business (consolidated)



### Dividends

(yen)

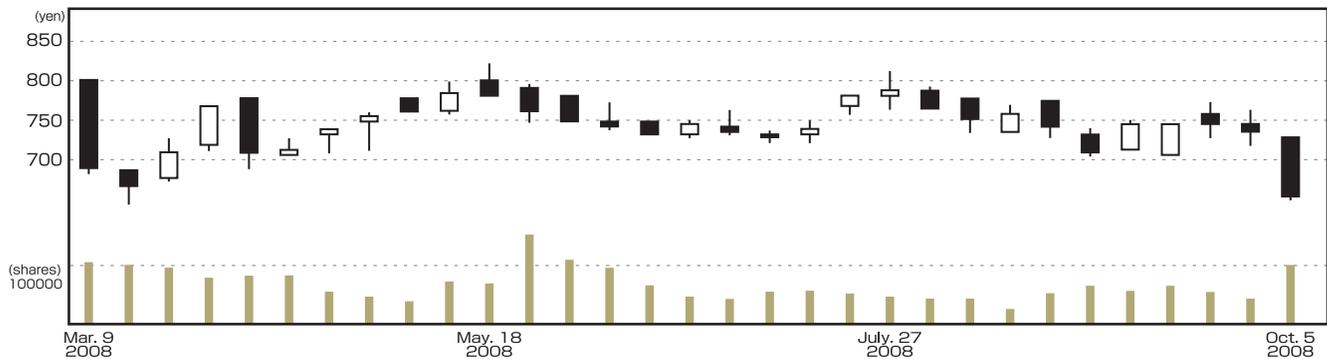
|                           | FY Feb. 2006 | FY Feb. 2007 | FY Feb. 2008 | FY Feb. 2009 |
|---------------------------|--------------|--------------|--------------|--------------|
| Annual dividend per share | 16           | 16           | 20           | 22*          |
| (Interim dividend)        | (8)          | (8)          | (10)         | (11)         |
| (Year-end dividend)       | (8)          | (8)          | (10)         | (11)*        |

Note: Figures with \* are projections.

### Shares

Total shares authorized : 120,000,000  
 Total shares of common stock issued : 32,267,721  
 Shareholders : 3,691

### Trends in Share Values and Trading Volumes



\*TSE weekly chart

Autumn & Winter 2008

# New Products

Now on sale again!



## Kotetchan beef motsu-nabe soup

Just add shredded Chinese leek or cabbage and enjoy the taste of professionally cooked beef motsu-nabe soup at home.



Soy sauce flavor

Miso flavor

Enjoy the exquisite taste of meat stew with large pieces of ingredients.  
Good side dish to go with your after-hour drink.

**Keep up the good work, salarymen!** This series contains lots of large pieces of meat, cooked with fine-textured daikon and konnyaku. Enjoy the taste of izakaya, the Japanese-style bar.



Pork variety meat stew



Beef tendon stew

## Soup for pot series

A simple solution for those who want to enjoy home-cooked nabe soup in the cold season, this series is getting more popular than ever.



Motsu-nabe soup



Buta-miso-nabe soup



Tori-chanko-nabe soup



Goma-chanko-nabe soup

## Shabu-shabu-Oh

Enjoy this shabu-shabu soup at home that can match the taste only achieved by good restaurants.



Ponzu  
flavor



Sesame  
flavor

## Company Profile

|                         |   |
|-------------------------|---|
| Company Name:           | S Foods Inc.<br>(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:<br>(Groups) | Wholesale meat business, products business, retail & food service business  |

## Investor Information

- Ordinary General Meeting of Shareholders: May of every year
  - Reference Date: Ordinary General Meeting : last day of February  
Dividend Term End : last day of February  
Interim : August 31
  - Publication: Announcement on the company website  
\*Announcement will be done on our website below.  
When use of the website is impossible due to unavoidable circumstances, we will place the announcement in the Nihon Keizai Shimbun.  
(<http://www.sfoods.co.jp/investor/koukoku.html>)
  - Administrator of Shareholder list: Mitsubishi UFJ Trust and Banking Cooperation  
1-4-5 Marunouchi, Chiyoda-ku, Tokyo
  - Location of share-related procedures (Contact): Mitsubishi UFJ Trust and Banking Corporation  
Osaka Corporate Agency Division  
1-1-5 Dojimahama, Kita-ku, Osaka 530-0004  
Phone: 0120-094-777 (toll free)
  - Location of transfer operations: Mitsubishi UFJ Trust and Banking Corporation  
All branches of Mitsubishi UFJ Trust and Banking in Japan
- \* To request forms concerning stock-related procedures, please contact Mitsubishi UFJ Trust and Banking at either of the phone numbers below. Requests are also taken online 24 hours a day on the company website.  
Phone (toll free) : +81 0120-244-479 (Corporate Agency Div., Head Office)  
+81 0120-684-479 (Osaka Corporate Agency Div.)  
Website: <http://www.tr.mufj.jp/daikou/> (in Japanese)
- Shares per sales unit: 500



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



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