



# SFoods News

Annual Report for the period ended February 28, 2010

March 1, 2009 - February 28, 2010



**Shinnosuke Murakami**  
President, Representative Director

## Business Overview

In the fiscal year ended February 28, 2010, corporate profits showed signs of recovery in Japan, mainly in the manufacturing industry, due to export increases resulting from international economic recovery as well as to growth of some domestic industries. However, with continued pullbacks in consumer spending in many domestic consumption-related areas, the Japanese domestic economy is expected to need additional time for recovery. The Japanese meat industry in general has been forced to reduce sales prices, reflecting consumers' growing inclination toward lower prices and frugality.

Under these circumstances, our company group has continued business activities in the belief that our social mission is to provide consumers with a stable supply of food products and commodities of high quality at reasonable prices.

S Foods Group has three core businesses:

wholesaling of domestic and imported beef and pork; food processing, mainly of beef and pork; and retail & food services centered on meat.

In the wholesale meat business, KK Hyochiku, which became our subsidiary in October 2008, has played a major role in reinforcing our import wholesale business, while Oasoham Co., Ltd., which became our subsidiary in March 2009 and changed its corporate name from Kyushu Sagami Ham Co., Ltd. in March 2010, has helped strengthen our sales system in the Kyushu and Chugoku areas.

In our product manufacturing (food processing) business, we have expanded our Kotetchan product lineup. Kotetchan for Stir-fry with Vegetables joined our already popular Kotetchan for Yakiniku in June 2009, to offer increased flavor variation. In September of the same year, Kotetchan Beef



Stir-fry of Kotetchan with asparagus

Motsu (variety meat)-nabe Soup was launched for the season of nabe (hot pot) dishes in autumn and winter in Japan. To increase our share of the highly competitive nabe soup market, in November we began to air a TV commercial of the Kotetchan Beef Motsu-nabe Soup series.

Our retail & food service business is led mainly by OM2 Network Co., Ltd. In an effort to maintain our business performance even in this deflationary economic environment, we have revitalized the business of our existing stores and adopted a deliberate pricing strategy. However, our business environment has remained tough, due to a decline in the number of retail stores and falling prices.

As a result of the above-mentioned conditions and measures, we have achieved increases in both earnings and profit. Consolidated sales for this fiscal year were 119,077 million yen, up 1.4% from the previous year; income from operations was 5,603 million yen, up 9.4% from the previous year; pre-tax earnings totaled 5,747 million yen, up 12.1% from the previous year; and net income for this fiscal year was 2,795 million yen, up 29.3% from the previous year.

## Medium-and Long-Term Business Strategy

Competition is expected to intensify in the Japanese domestic market. To address this challenge, we at S Foods will further improve every facet of the supply chain of meat and related products among our company group - ranging from meat procurement, meat manufacturing and food processing to product distribution, retail and food services - so as to ensure stable product supply and develop competitively priced, high quality products. To confront these tough business times, we will also concentrate our management resources on overseas markets, especially the food market in Asia, which is expected to undergo further growth.

## Major Issues

### Recovery of product manufacturing business

Sales of Kotetchan have increased steadily since resuming in August 2006, but have not yet recovered to the level achieved before sales suspension in May 2004. Our group companies will direct concerted efforts toward enhancing marketing activities, so as to regain the Kotetchan brand's earlier standing, and thereby reestablish ourselves in the variety meat market, our strong area of specialty.

## Reinforcing sales bases (accompanied by meat center)

In September of this year we will begin operating a new sales office, together with a meat center housed in the same building, in Yashio City, Saitama Prefecture. This is aimed at enhancing our supply capacity for the Tokyo metropolitan area, which is the largest market in Japan. Over the past few years we have also been continuing our efforts to reinforce our sales bases serving major consumer markets in western Japan. Strengthening of marketing and sales capabilities at our newly established sales bases is one of our immediate tasks.



Rendering of Shin Kanto Meat Center (tentative name)

**Human resource development** With the expansion of our business areas, human resource development has become a high priority. Besides implementing competency development programs intended for our mid-career employees, who are the driving force behind our company's growth, we will also continue our efforts to train and develop younger employees, who are expected to take charge of the company's future.

## Reinforcement of company group management system

With a view to developing an increasingly enhanced supply chain, we will continue to encourage trading and joint projects between our group companies, generating a synergistic effect among them. Moreover our internal control system, which was launched in the current fiscal year, will be further developed so as to promote integrated management of our expanding company group.

**Compliance** We are committed to establishing a strict corporate compliance structure, in the belief that our corporate mission includes not only ensuring a supply of safe and secure products to our customers, but also making sure that our group companies and their employees fulfill their social responsibilities.

## Prospects

Given the increasingly uncertain economic outlook, our company group will continue its efforts to build greater customer confidence through the development of better products and the implementation of deliberate marketing strategy, thereby achieving steady improvements in business performance. In the wholesale meat business, we will continue our efforts to develop and improve our sales bases. In September this year we will begin operating a new

sales office with a meat center in Yashio City, Saitama Prefecture. Our objective will be to enhance our supply capacity for the Tokyo metropolitan area, the largest market in Japan. Our efforts will also be directed to the pork business, in pursuit of an increase in volume of beef and pork handled by us. In our product manufacturing business, we intend to expand sales of the two types of Kotetchan, one of which has been newly added to the lineup, through our group-wide sales promotion activities. Specifically, we will begin sales of our Kotetchan Beef Variety Meat for



Serving suggestion for Kotetchan Beef Variety Meat for Stir-fry

Stir-fry series for the spring and summer seasons, with a view to increasing recognition of our Kotetchan brand as a whole.

In our retail & food service business, we will proceed with steady marketing and sales activities in response to increasingly severe situations, including pullbacks in consumer spending and intensified market competition.

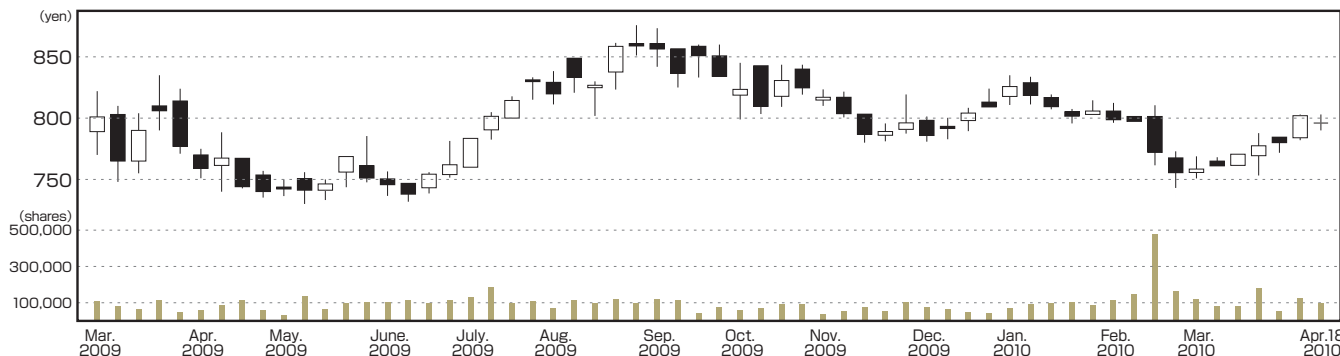
For next year, we project sales of 125 billion yen, up 5.0% from the current year; an increase in income from operations of 3.5%, to 5.8 billion yen; and an increase in pre-tax earnings of 4.4%, to 6 billion yen. We also expect net income to be 2.9 billion yen, up 3.7% from the current year.

## Business Results and Financial Position (Consolidated)

Item \ Term	FY Feb. 2008 (42nd term)	FY Feb. 2009 (43rd term)	FY Feb. 2010 (44th term)	FY Feb. 2011 (45th term) projected
Sales	113,707	117,472	119,077	125,000
Income from operations	3,903	5,122	5,603	5,800
Pre-tax earnings	3,847	5,128	5,747	6,000
Net income	1,901	2,162	2,795	2,900
Total assets	50,587	50,721	56,609	
Shareholder's equity	33,820	33,069	32,965	
Dividend per share	20yen	22yen	22yen	24yen

Unit : Million yen (excl. dividends)

## ● Trends in Share Values and Trading Volumes



※TSE weekly chart

# Information

## New Product Information



Kotetchan Beef Variety Meat for Stir-fry

This is a new series of our Kotetchan brand beef variety meat product for stir-fry, which can be easily home-cooked in a frying pan. Very tasty in a variety of ways, with vegetables and/or udon noodles, or yakisoba noodles (pan-fried noodles).



Saltly-sweet soy sauce flavor

Well-seasoned miso flavor

Spicy flavor

## Kotetchan cell-phone website now open!

<http://www.kotetchan.com/keitai/>

### Check it out for lots of recipes using Kotetchan.

- Offering original recipes using Kotetchan
- Tip for the best way to cook Kotetchan
- Secret of the deliciousness of Kotetchan
- Delicious lineup of Kotetchan
- Kotetchan story



## 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)

### ■ 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 Naruo Bokujyo brand beef will be exquisitely cooked whole using our unique recipe to make succulent and flavorful roast beef.



### 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.

※ 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 3-6-3 Fushimimachi, Chuo-ku, Osaka 541-8502, 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: <a href="http://www.sfoods.co.jp/investor/koukoku.html">http://www.sfoods.co.jp/investor/koukoku.html</a>

(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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