



SFoods News

Annual Report for the period ended February 28, 2011

From March 1, 2010 to February 28, 2011



Business overview

Shinnosuke Murakami
President, Represent Director

We would like to extend our heartfelt condolences to the people who were victimized directly or indirectly by the Great East Japan Earthquake.

During this consolidated fiscal year, although appreciation of the yen still continued, there were signs of an upward momentum for economic recovery. However, it was not strong enough to pull Japan out of deflation and the Japanese economy remained stuck in negative territory. The business environment for the Japanese meat industry was also severe with keen competition, based on a shrinking consumer market due to consumers cutting back on spending and the trend toward lower prices.

Under these circumstances, S Foods Group has made steady efforts to expand our market share in each business field.

S Foods has three core businesses: “wholesale meat sales,” selling mainly domestic and imported beef and pork, “food processing,” and “retail & food service” based on this meat.

In “wholesale meat sales,” to increase pork sales, we launched a pig farming business in Hokkaido after acquiring 100% shares of Hokkaido Chuo Bokujo Co. to expand our procurement base for pork. At the same time, “Yume-no-daichi (Dream Land),” our own pork brand, was launched. In addition, the Tokyo Sales Office, together with the meat center (Kanto Meat Center) with the highest beef-processing capacity (150 beef cows per day) in our company was newly established in September 2010 to strengthen marketing in the metropolitan area.



Tokyo Sales Office
(Kanto Meat Center)



The highest processing
capacity in our company

In our “food processing” business, to enrich our “Kotetchan” brand, we renewed the Kotetchan Beef Variety Meat for Stir-fry series and launched a consumer sales promotion campaign. We also added “Hot Miso Flavor” to our Kotetchan Beef Motsunabe Soup series lineup to reinforce our autumn and winter products for the season of nabe (hot pot) dishes.

In our “retail & food service” business, the organization of our meat and delicatessen retail sections and distribution centers was streamlined and loss-making stores were closed in a proactive manner, stores were activated by opening new branches in large-scale retail complexes and other stores were renovated to build up our competitiveness and profitability. Regarding our performance in each business, sales quantity increased significantly, mainly for domestic and imported beef, and sales proceeds increased for the wholesale meat business as a whole. However, in the food processing and retail & food service businesses, sales quantity decreased as consumption and average sales per customer were reduced due to consumers’ general thriftiness and preference for lower prices. Furthermore, keen low-price competition pushed up the cost to sales ratio, which led to decreased revenue.

The consolidated results for this fiscal year are as follows: sales were 130.179 billion yen (9.3% increase year-on-year), operating profits were 4.538 billion yen (19.0% decrease year-on-year), ordinary profits were 4.763 billion yen (17.1% decrease year-on-year) and net profits were 2.362 billion yen (15.5% decrease year-on-year), which means increased revenue and decreased profits.

Mid-and-long-term management strategies

Although signs of upward movement were observed at one point in the Japanese economy, because of the occurrence of the Great East Japan Earthquake, it is now difficult to predict the future. Under these circumstances, we will continue to make efforts to establish a stable food supply system mainly for meat, which S Foods Group has been tackling. We are developing an intragroup meat supply chain covering procurement, production, and processing of meat, as well as distribution, retail and food service activities, to establish a system highly capable of coping with changes in the social situation.

Our targets

Promotion of new businesses

Although the business focus of S Foods Group so far has been beef, we will strengthen our pork-related business to broaden and stabilize our business base.

For the newly launched pig farming business in Hokkaido, which was formerly mentioned, we made Hokkaido Chuo Bokujo Co. a consolidated subsidiary and launched “Yume-no-daichi (Dream Land)” as our own pork brand. We plan to expand the market gradually. In addition, since the Japanese market for meat is now shrinking while the international market is expanding, especially in the Asian region, we believe that overseas business activities for procurement and production of meat and establishment of sales channels should be intensified, and we are working to make this business become one of the pillars of our profit-production structure as soon as possible.



Yume-no-daichi (Dream Land)

Reinforcement of the food processing base

In the food processing business, to reinforce our profit base, development of processed meat products such as our “Kotetchan” and “Beef Motsunabe Soup” series and reinforcement of our sales force are our immediate targets. Also, to improve profitability, we aim to diversify our procurement channels for product materials and to secure stable procurement capacity. Furthermore, to respond to the demand for high added-value products, we will increase the processed entrails trade of Fremont Beef Company, our American subsidiary company, which is evaluated highly for the high quality of its products.



Kotetchan Beef Variety Meat for Stir-fry (cooking example)

Improvement of profitability of S Foods Group

We will work hard on improving the profitability of the entire S Foods Group by strengthening intra-group cooperation and clarifying the functional roles of each group company.

Development of human resources

The competitiveness and growth of a company should be promoted by the vigorous activities of its human resources. Therefore, we highly prioritize the development of human resources. Together with capacity building for

mid-career employees, who are currently supporting our business growth, continually nurturing the younger generations, who will forge the future of our company, is essential.

Reinforcement of a risk management system

S Foods Group is a food-related business group strongly aware of the social responsibility of providing a stable supply of high-quality animal protein to consumers. That is why we are establishing a firm management system which ensures a reliable food supply to our customers. For example, we are establishing multiple procurement channels for food materials both in Japan and overseas, developing safety and health systems to produce safe and secure food products, and reviewing intra-group communication systems for enabling a quick response when necessary, etc. Also, our group companies are promoting compliance management to further strengthen our relationships of mutual trust with our customers and other people we do business with.

Contribution to recovery from the Great East Japan Earthquake

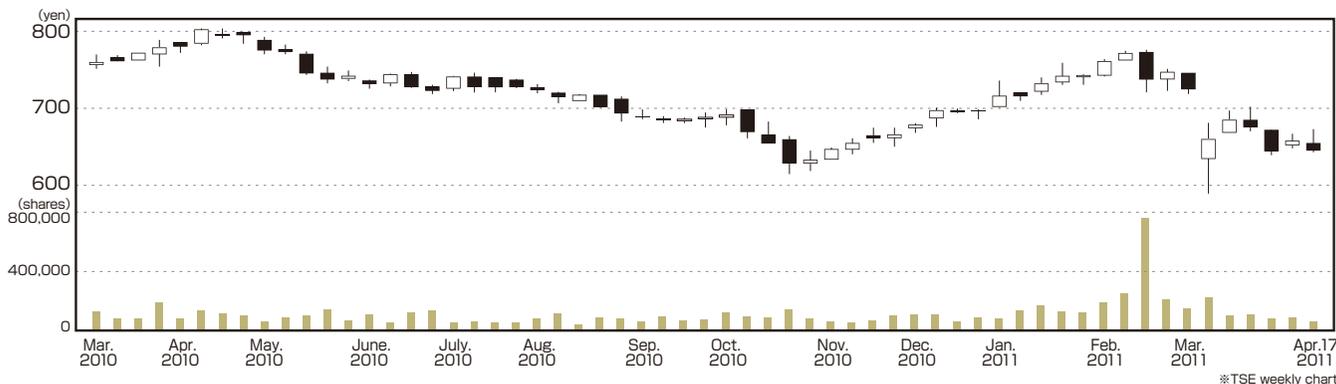
The direct damage S Foods group suffered was, fortunately, not so serious. However, we are sincerely pursuing our social responsibility to contribute to the recovery of Japan as a whole, which should be realized as soon as possible.

Business Results and Financial Position (Consolidated)

Item \ Term	FY Feb. 2009 (43rd term)	FY Feb. 2010 (44th term)	FY Feb. 2011 (45th term)	FY Feb. 2012 (46th term) projected
Sales	117,472	119,077	130,179	132,000
Income from operations	5,122	5,603	4,538	4,600
Pre-tax earnings	5,128	5,747	4,763	4,800
Net income	2,162	2,795	2,362	2,400
Total assets	50,721	56,609	59,738	
Shareholder's equity	33,069	32,965	34,621	
Dividend per share	22yen	22yen	24yen	24yen

Unit : Million yen (excl. dividends)

● Trends in Share Values and Trading Volumes



Information

◆ Information on new products ◆



Snack Kotetchan

You can eat Snack Kotetchan as a snack without heating or warming. For your convenience, a tooth pick is attached.

Retort-packed Kotetchan

Hoikoro (twice-cooked pork)-style Stir-fry, Korean-style Beef Entrails Stir-fry, and Stir-fry with Bean Sprouts

Retort-packed Kotetchan is a cooked retort-packed product which is part of our Kotetchan series, consisting of cooking sauces containing beef entrails stew. can make another dish by just stirring vegetables with Kotetchan.



Hoikoro (twice-cooked pork)-style Stir-fry



Korean-style Beef Entrails Stir-fry



Stir-fry with Bean Sprouts

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

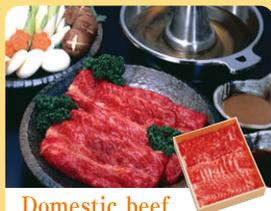
Shareholders with between 500 and 1,999 shares S Foods products (roast beef, etc.) worth 3,000 yen

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