



SFoods News

Annual Report for the period ended February 29, 2012

From March 1, 2011 to February 29, 2012



Shinnosuke Murakami

President, Representative Director

Business Overview

The Japanese economy during this consolidated fiscal year fell into disorder due to the Great East Japan Earthquake in March of last year and the problems that followed, such as radioactive contamination and tight power supply and demand. With an increasingly stronger yen in the current circumstances of international financial panic and a sense of recession, our corporate performance suffered a severe blow. The Japanese meat industry was also in a rigorous situation with a continued consumption slump due to tight power supply and demand, food contamination, and food poisoning problems, all affected by the earthquake.

Under this management environment, S Foods Group has implemented the measures stated below for our business challenges: creating new lines of business, increasing product sales, and enhancing our Group's earning capacity.

In the upper stream of meat distribution, we continuously focused our efforts to expand the size of our business, including the production of our pig farming business in Hokkaido, which we launched in the previous consolidated fiscal year, and in our beef business, which we embarked on as a "sixth industrialization" (note) business in Iwate Prefecture.



First export of Kobe beef

In the middle stream of meat distribution, we actively engaged in the development of overseas businesses and new products. In the development of overseas businesses, we have launched new businesses by grouping meat processors and wholesale supermarkets for both the Korean and Japanese markets. To respond to the increased overseas popularity of Japanese beef, we began shipping Kobe beef to China (Macao). At the same time, in new product development, in response to the solitary meal trend, we put our retort-packed foods in an aluminum foil pot on the market, such as "Beef Tongue Stew" and "Beef Motsu Stew" in order to incorporate new consumer desires. Also, to respond to the need for safe and secure food, we made an effort to establish a production system with an awareness of enhanced meat safety and revised meat safety standards. In the lower stream of meat distribution, we continued our focus on revitalizing existing shops and ensuring setting up new shops as part of our meat and other retail businesses; communized distribution centers within our Group; and developed private brand (PB) products. Furthermore, in the meat-related restaurant industry, we added a new business line by acquiring an exclusive franchise right in Japan to the U.S. chain, "Outback Steakhouse."



Sample of Outback Steakhouse steak dishes

As a result, the consolidated results for this fiscal year showed sales of 134.236 billion yen (3.1% increase year-on-year), operating profits of 4.804 billion yen (5.9% increase year-on-year), ordinary profits of 5.174 billion yen (8.6% increase year-on-year), and net profits of 1.428 billion yen (39.5% decrease year-on-year), which means increased revenue and decreased profits.

(Note) Sixth industrialization: This term refers to the business diversification with which primary industries, such as agriculture and fisheries expanded their businesses into food processing (in secondary industries) and distribution & marketing (in tertiary industries) ($1 \times 2 \times 3 = 6$). This is aimed at creating organic and comprehensive links between industries.

Prospects

Despite the gradual recovery from the Great East Japan Earthquake, Japan's prospects for domestic economic recovery remains uncertain, reflecting the current unstable international situation. Under such a management environment, S Foods Group will engage in the business activities stated below, bearing in mind that our business base lies in the stable delivery of safe and secure products to our customers.

- In the upper stream of meat distribution, we will make an effort to establish a mechanism for the stable supply of high quality meat by improving and expanding our cattle and pig breeding and fattening business.
- In the middle stream of meat distribution, we will get our overseas business, as explained above, up and running, and will concentrate on developing Asian markets. Also, we will create an efficient corporate culture by promoting collaborative relationships and joint ventures between our Group companies. Moreover, since one of our products, "Kotetchan," will mark its 30th anniversary this year, we will promote the "Kotetchan" brand through such means as a special campaign. Furthermore, we will devote our energies to developing new house brand products and private brand (PB) products.
- In the lower stream of meat distribution, we will strengthen our earning capacity through positive "scrap and build" by promoting the liquidation of unprofitable shops and opening successful new shops in cooperation with new developers. Also, we will expand our business domain in the restaurant industry with our newly launched steak restaurant business.
- For improvement of our Group management, we will continue promotion of our Group's efficient trading activities, solidify our supply system for safe and secure foods, engage in human resource development, and fulfill our social corporate responsibilities.



"Kotetchan" with Salty Garlic Taste
(Limited availability during 30th anniversary period)



Recipe example

Regarding our business prospects for the next consolidated cumulative period, we expect sales of 140 billion yen (4.3% increase year-on-year), operating profits of 5.2 billion yen (8.2% increase year-on-year), ordinary profits of 5.5 billion yen (6.3% increase year-on-year), and net profits of 2.6 billion yen (82.0% increase year-on-year).

Mid-and Long-Term Management Strategies

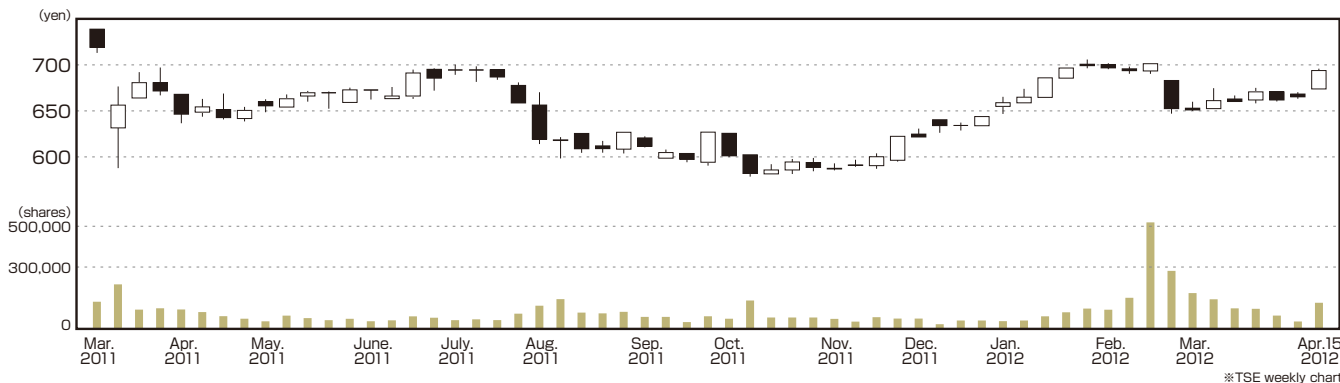
S Foods Group, aiming to become a comprehensive meat business group following its management philosophy, will continue its efforts to establish a stable food supply system focusing on meat. Specifically, we will promote the construction of a meat supply chain within our Group that integrates every phase from the upper to lower streams of meat distribution, such as meat production, procurement, processing, distribution, and sales & services for end consumers. Furthermore, we will enhance our capabilities to respond to changes in social conditions by expanding our marketing function in the meat industry not only in Japan but also overseas.

Business Results and Financial Position (Consolidated)

Term Item	FY Feb. 2010 (44th term)	FY Feb. 2011 (45th term)	FY Feb. 2012 (46th term)	FY Feb. 2013 (47th term) projected
Sales	119,077	130,179	134,236	140,000
Income from operations	5,603	4,538	4,804	5,200
Pre-tax earnings	5,747	4,763	5,174	5,500
Net income	2,795	2,362	1,428	2,600
Total assets	56,609	59,738	65,222	
Shareholder's equity	32,965	34,621	37,223	
Dividend per share	22yen	24yen	24yen	24yen

Unit : Million yen (excl. dividends)

●Trends in Share Values and Trading Volumes



Information

New Product Information

Quick & Easy Stamina Restaurant series Beef Motsu Stew with Many Vegetables

Five different ingredients are simmered with richly flavored miso sauce.



Beef Motsu Stew with Many Vegetables in the Quick & Easy Stamina Restaurant series

Chap Che / Bokum with “Kotetchan” Beef Entrails

Now, popular Korean-style menu items have debuted from the “Kotetchan” brand.



Bokum with “Kotetchan” Beef Entrails



Chap Che with “Kotetchan” Beef Entrails

Retort-packed “Kotetchan” Kuppa Mix in an Aluminum Foil Pot

The “Kotetchan” Kuppa Mix series can be prepared simply by adding rice and heating the mix in the Aluminum Foil Pot, which is perfect for a solitary meal!



Retort-packed “Kotetchan” Gomtang Kuppa Mix in an Aluminum Foil Pot



Retort-packed “Kotetchan” Spicy Kuppa Mix with Beef Entrails in an Aluminum Foil Pot

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



Roast beef

A block of round meat from our popular Naruo Bokuiyo brand beef will be exquisitely cooked whole using our unique recipe to make succulent and flavorful roast beef.

Shareholders with 2,000 or more shares
Domestic beef (wagyu)
worth 10,000 yen



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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