



SFoods News

Annual Report for the period ended February 28, 2013

March 1, 2012 to February 28, 2013



Shinnosuke Murakami
President

Business Overview

In the current fiscal year, the Japanese economy remained in a challenging situation due to global economic contraction caused by the European financial crisis and the economic slowdown in emerging countries. However, there were some signs the economy gradually recovered in the second half of the period, supported by a stock market rally against the backdrop of expectations for a new government and improvement in exporters' business performance due to progress of the yen depreciation.

The Japanese meat industry also continued to face difficult situations in both procurement and retail sales: soaring purchase prices and weak consumer prices. Furthermore, the yen was on a downward slope in the second half of the period, leaving the industry in a critical state: a further rise in purchase prices.

Under such business circumstances, the S Foods Group combined measures to expand sales, such as cultivation of new businesses and development of new products, and to improve efficiency, such as promotion of transactions and cooperation among group companies, and strived to



Kobe beef

upgrade its business makeup so that the Group would be able to cope with an era of slow growth.

In the food processing and wholesale meat businesses, we steadily advanced preparations to expand the beef and pork production business. We tried

to upgrade the lineup of branded beefs including three major wagyu (Japanese beefs): Kobe-gyu (Kobe beef), Omi-gyu (Omi beef) and Matsuzaka-ushi (Matsuzaka beef).

We started shipments of Kobe beef to Hong Kong and the United States in the current fiscal year, following exporting it to Macau, China in the previous year.

As for processed meat products, we continued improving our staple products, such as Kotetchan and Kotetchan Beef Motsu-nabe Soup, to expand their sales, while trying to create new markets by strengthening our assortment of new products including easy-to-manage, shelf-stable retort-packed product series, such as "Gudakusan Motsu-nabe Soup (with lots of ingredients)," and "Ouchi Baru Wain-ni-Yokuau Western Stew series



Gudakusan Motsu-nabe Soup
(with lots of ingredients)



Yukke (Korean-style steak tartare)
for the person eating alone

(that goes with wine)" in response to the boom of drinking at home. In addition, we became the first Japanese company to develop a Korean-style steak tartare for persons eating alone that meets the Ministry of Health, Labour and Welfare's revised standards for processing and cooking beef that can be eaten raw, receiving great responses from mainly Korean-style barbecue restaurants. In the meat retail business, we opened new stores and revitalized existing stores in cooperation with a new developer, while we diversified our steak restaurant chain in the meat foodservice business. These efforts contributed to earnings. Consequently, we marked increases in both net sales and profits in the fiscal year ended February 28, 2013, with net sales of 148,097 million yen (up 10.3% year-on-year), operating income of 5,166 million yen (up 7.5% year-on-year), ordinary income of 5,593 million yen (up 8.1% year-on-year), and net income of 2,507 million yen (up 75.6% year-on-year).

Business outlook

With overseas economies picking up and the yen depreciation progressing due to the new government's economic measures, there are high expectations for recovery of the Japanese economy. However, we believe it will take a little more time to see consumers' sentiments improve, because electricity charges and the prices of daily necessities are forecast to rise in Japan. Under such business circumstances, the S Foods Group will aim to generate stable earnings by developing original businesses and products to become a company selected by customers.

- In the food processing and wholesale meat businesses, we aim to increase our market share by developing our business actively with strategic visions, since the Japanese government eased import conditions for U.S. beef in February 2013, which is likely to have significant impacts on not only the import beef market but also the Japan-grown beef market. We will view it as a good opportunity especially for the Food Processing business that once produced "Kotetchan" using U.S. ingredients to make a comeback and expand distribution channels. We will also improve our product proposal capability to our main customers, such as the restaurant industry and mass merchandisers, and focus on sales activities using the Group's advantages. In addition, we will continue upgrading our production infrastructure, enhance sales power and expand our market share in the beef and pork production business.
- In the meat retail business, we will continue revitalizing existing stores and opening new stores. We will also develop our own label products in cooperation with our group companies. In the meat food service business, we will make it a basic rule to place priority on profitability and try to increase the competitiveness of our steak restaurant chain.
- To improve group management, we will further promote cooperation among our group companies and make full use of the advantages of our meat supply chain through the introduction of customers with each other,



Kotetchan with Leek Salty Flavor
(cooking example)

joint development of products, and consolidation of distribution operations. We will also strengthen our hygiene control system across our entire group to cope with the growing interest in food safety. We are forecast to achieve net sales of 155,000 million yen (up 4.7% year-on-year), operating income of 5,200 million yen (up 0.6% year-on-year), ordinary income of 5,600 million yen (up 0.1% year-on-year), and net income of 2,600 million yen (up 3.7% year-on-year) in the year ending February 28, 2014.

Mid-and Long-Term Management Strategies

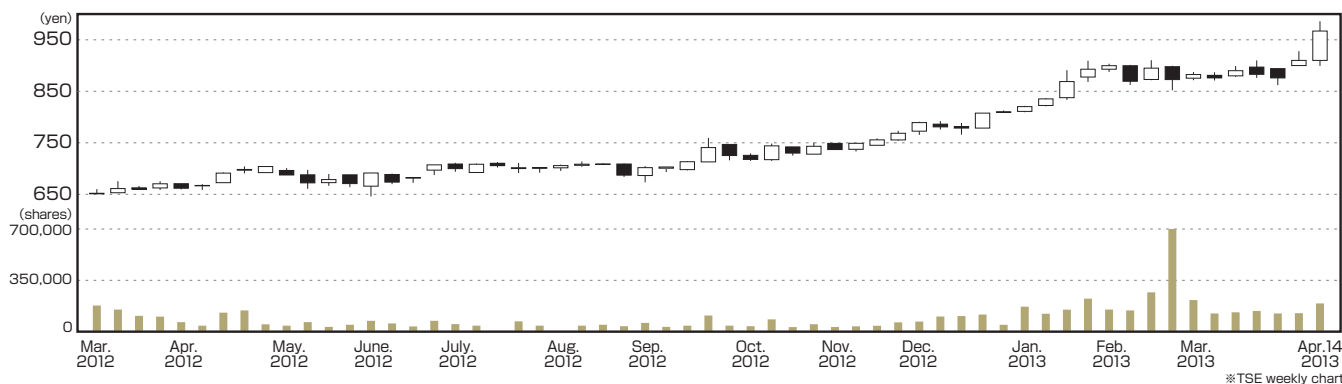
Based on its management philosophy, the S Foods Group aims to become a multifaceted meat vendor group and continue focusing on establishment of a stable food supply system, mainly for meats. Specifically, we will create an integrated intra-group food supply chain that covers upstream to downstream of the meat distribution channel—everything from production to procurement and processing to distribution and retail sales and services for customers. Furthermore, we will upgrade our meat distribution function overseas as well as in Japan to increase our capability to cope with changes in social conditions.

Business Results and Financial Position (Consolidated)

Term Item	FY Feb. 2011 (45th term)	FY Feb. 2012 (46th term)	FY Feb. 2013 (47th term)	FY Feb. 2014 (48th term) projected
Sales	130,179	134,236	148,097	155,000
Income from operations	4,538	4,804	5,166	5,200
Pre-tax earnings	4,763	5,174	5,593	5,600
Net income	2,362	1,428	2,507	2,600
Total assets	59,738	65,222	72,224	
Shareholder's equity	34,621	37,223	40,631	
Dividend per share	24yen	24yen	24yen	26yen

Unit : Million yen (excl. dividends)

● Trends in Share Values and Trading Volumes



※TSE weekly chart

Information

Announcement of new products

Kotetchan Beef Motsu Stir-Fry series

You can make a dish loaded with vegetables by just stir-frying together the product and various vegetables.



Kotetchan Beef Motsu Stir-Fry with Sukiyaki flavor



Kotetchan Beef Motsu Stir-Fry with rich miso flavor



Kotetchan Beef Motsu Stir-Fry with spicy, rich salty taste

Kotetchan with Leek Salty Flavor

The product features the taste of leek, fragrance of fried leek, and rich salty sauce. Tastes good if served after stir-frying or stir-frying with a vegetable (e.g. cabbage).



Kotetchan with Leek Salty Flavor

Renji-de-Kantan (easy to cook with microwave oven) series

You can enjoy a western-style dish that goes with wine only by heating in a microwave oven.



Renji-de-Kantan series Beef motsu with tomato sauce



Renji-de-Kantan series Beef tongue with demiglace sauce

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.

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 <small>(When use of the website is impossible or other unavoidable circumstances occur, we will place the announcement in the Nihon Keizai Shimbun.)</small>

(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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