



SFoods News

Report for the fiscal year ended February 28, 2014

March 1, 2013 to February 28, 2014



Business Overview

Shinnosuke Murakami
President

In the current fiscal year, the Japanese economy got on a recovery track, since business performance improved, mainly among export-oriented companies, thanks to the government's economic stimulus measures and further depreciation of the yen. Meanwhile, domestic demand-dependent companies struggled to maintain profitability under difficult conditions, such as the yen's depreciation and soaring resource prices. In the second half of the current fiscal year, consumer spending in Japan gained momentum ahead of the consumption tax rate hike in April 2014. However, there were concerns over the slump in consumption after the tax hike. In general, the Japanese meat industry faced a severe business environment, since the industry found it difficult to pass the steep rise in raw material prices on to consumers.

In this environment, the S Foods Group strove to generate stable earnings and strengthened its business structure by implementing measures to cope with a decline in profit margins and promoting vertical integration of its meat business to maximize profits.

In the food processing and wholesale meat businesses, we upgraded and expanded our facilities for beef and pork production, the most upstream segment of the meat business, and also focused on strengthening our sales bases by enhancing our relationship with our business partners. Currently, we export Kobe-gyu (Kobe beef) to five countries and regions. Since demand for Kobe gyu was still strong, we began negotiating with potential customers in other markets as well.



Otegaru-Stamina-Shokudo Series
Motsu Stew with More Ingredients



Beef Tongue Stew with
an Aluminum Pot

In addition, we tried to stir up new demand in our existing five markets by proposing ideas on how to serve Kobe-gyu to consumers in addition to serving as a steak.

As for processed meat products, we promoted sales of our staple products and also endeavored to boost sales of Otegaru-Stamina-Shokudo Series and Aluminum Pot Series to establish these products as new staple products. Meanwhile, Glico Ham Co., Ltd. joined our Group on January 14, 2014. We believe the acquisition of advanced

meat processing technology and extensive distribution channels to mass retailers will contribute to steady development of the Group's Food Processing business.

In the meat retail business, we continued to open new stores and revitalize existing stores in cooperation with a new developer. We also implemented measures to improve the competitiveness of both our Korean-style barbecue and shabu-shabu restaurant chains and our steak restaurant chain, to establish them as a new mainstay in the meat food service business.

Consequently, we marked increases in both net sales and profits in the fiscal year ended February 28, 2014, with net sales of 169,253 million yen (up 14.3% year-on-year), operating income of 5,683 million yen (up 10.0% year-on-year), ordinary income of 6,127 million yen (up 9.5% year-on-year), and net income of 3,313 million yen (up 32.1% year-on-year).

Business outlook

Although there are concerns that consumer spending will lose steam due to the April 2014 consumption tax rate hike, improvement in corporate earnings supported by overseas demand is expected to prime the pump and boost domestic demand in Japan. The Japanese meat industry is forecast to remain in a difficult operating environment, with rising raw material prices caused by the depreciation of the yen and other unavoidable factors related to the livestock raising business overseas. In this unstable environment, the S Foods Group will improve the group's management to cut back costs, cultivate new customers, and develop new products with the aim of generating stable earnings.

·In the food processing business, we will continue to expand our processing capacity and try to improve the quality of meat and reduce production costs. In the wholesale meat businesses, we will strive to expand our overseas procurement network and increase our market share in Japan. In addition, since the European Union (EU) has opened its doors to the import of Japanese beef, we will work hard to begin shipments of wagyu (domestic beef) to EU at an early stage. Meanwhile, the Tokyo metropolitan market is expected to expand due to an increase in the number of tourists, since it has been decided that the 2020 Summer Olympic Games will be held in Tokyo. We will also focus on cultivating new customers and developing Halal-certified products for foreign customers, mainly in the meat food service business. With Glico Ham Co., Ltd. joining our Group, we now have new business potential in the food processing business. We will start preparations for reorganizing the food processing business in our group from a long-term prospective.

·In the meat retail business, we will continue to revitalize existing stores; collaborating with a new developer to get new stores off the ground and continue to close unprofitable stores. Particularly in the delicatessen retail section, we will streamline our operations to make our business more profitable through efforts to improve or eliminate product lines and revitalize existing stores.

In the meat food service business, we will steadily operate both our Korean-style barbecue and shabu-shabu restaurant chains and steak restaurant chains without losing our competitiveness, while maintaining a management policy that places great importance on profitability.



·As to the improvement of group management, we will create a control system that can cope with the expansion of the S Foods Group (the number of group companies has gradually increased) in order to run our organization more efficiently and in a disciplined manner. Meanwhile, in view of the recent social situation in which there have been many incidents threatening food safety, we will

strengthen both our food safety and hygiene control system and crisis management system across the entire group, in addition to efforts by individual group companies.

We are forecast to achieve net sales of 200,000 million yen (up 18.2% year-on-year), operating income of 6,400 million yen (up 12.6% year-on-year), ordinary income of 6,700 million yen (up 9.3% year-on-year), and net income of 3,700 million yen (up 11.7% year-on-year) in the year ending February 28, 2015.

Mid-and Long-Term Management Strategies

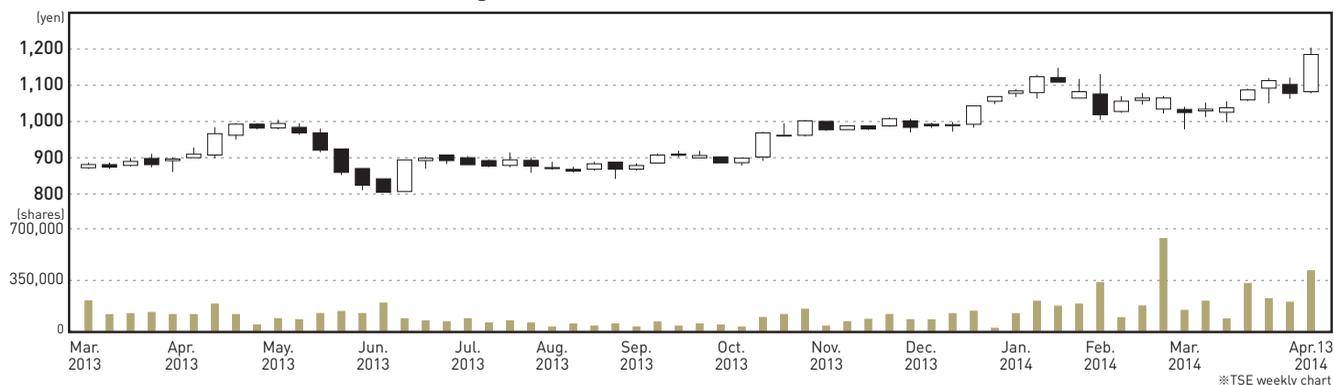
Based on its management philosophy, the S Foods Group aims to become a multifaceted meat vendor group and continue focusing on establishment of a stable food supply system, mainly for meats. Specifically, we will create an integrated intra-group food supply chain that covers upstream to downstream of 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. 2012 (46th term)	FY Feb. 2013 (47th term)	FY Feb. 2014 (48th term)	FY Feb. 2015 (49th term) projected
Sales	134,236	148,097	169,253	200,000
Income from operations	4,804	5,166	5,683	6,400
Pre-tax earnings	5,174	5,593	6,127	6,700
Net income	1,428	2,507	3,313	3,700
Total assets	65,222	72,224	85,643	
Shareholder's equity	37,223	40,631	43,533	
Dividend per share	24 yen	24 yen	26 yen	28 yen

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 dinner dish loaded with vegetables in five minutes by just stir-frying the product and various vegetables together.



Kotetchan Beef Motsu Stir-Fry with rich soy sauce taste



Kotetchan Beef Motsu Stir-Fry with rich miso flavor



Kotetchan Beef Motsu Stir-Fry with rich salty taste

You can also make horumon yakisoba (fried noodles with the internal organs of cow) by cooking the product together with noodles!

Enjoy eating delicious wagyu and regular Japanese beef.

Yakiniku (Korean-style barbecue) sauces that we have produced meticulously—from the selection of ingredients to the formulation of the products—so that you can fully enjoy the taste of the meat.



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 worth 3,000 yen
- Shareholders with 2,000 or more shares Domestic beef (wagyu) worth 10,000 yen

Domestic beef (wagyu)



※ 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 exchange: 1st section of TokyoStock 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 the 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:** Sumitomo Mitsui Trust Bank, Limited
1-4-1 Marunouchi, Chiyoda-ku, Tokyo
- **Administrator of shareholder list**
Handling office: Sumitomo Mitsui Trust Bank, Limited,
Stock Transfer Agency Business Planning Dept.
4-5-33 Kitahama, Chuo-ku, Osaka
- Mail:** Sumitomo Mitsui Trust Bank, Limited,
Stock Transfer Agency Business Planning Dept.
2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Japan
- Phone:** ☎0120-782-031 (toll free)
- Website:** <http://www.smbt.jp/personal/agency/index.html>

(Notes)

[Inquiries relating to procedure for changes to shareholder's address, etc.]
Shareholders who hold an account with a securities company are requested to contact their securities company, since Sumitomo Mitsui Trust Bank, Limited is not able to handle this procedure. Those who do not hold an account with a securities company should refer to the note below [Special account].

[Special account]

We have opened an account ("special account") at Mitsubishi UFJ Trust and Banking Corporation for shareholders who did not use Japan Securities Depository Center, Inc. (JASDEC) before the digitization of share certificates. Please note that the contact details for inquiries and the address for reporting changes to shareholder's address, etc. relating to the special account are different to those of the administrator of the shareholder list.

<Contact details relating to special account>

(Special account managing institution) Mitsubishi UFJ Trust and Banking Corporation,
Osaka Corporate Agency Division
(Mail) 3-6-3 Fushimimachi, Chuo-ku, Osaka 541-8502 Japan
(Phone) ☎0120-094-777 (toll free)

[Dividends receivable]

■ Please contact Sumitomo Mitsui Trust Bank, Limited, the administrator of the shareholder list.

■ **Shares per sales Unit:** 500

※On April1, 2014, we have changed the number of the unit stocks from 500stocks to100stocks.



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