

## Information

### Seasonable Products for Spring and Summer



Renewal

#### Kotetchan, juicy soy-source flavor

This soy- source flavor goes well with rice. It is characterized by a rich taste from brewed soy-source and browned soy-source, finished with roasted garlic which adds richness and depth to its flavor. You can easily cook sautéed vegetables by stir frying Kotetchan with onion.

#### Kotetchan, rich miso flavor

Blended three different types of miso and rich source, with roasted garlic produces Kotetchan, which secret of taste is its irresistible richness and juiciness.

Newly launched

#### Kotetchan, juicy spiced flavor

Using "Korean hot pepper paste" which feature is its richness and juiciness, we finish it with garlic and sesame oil to add richness. Its rich hot taste is perfect fit for a main dish, as well as for a snack with beer.



Renewal or Newly launched

#### Kotetchan, Stir-fried Beef Motsu (offal meat)

Seasoned beef motsu, cooking source and flavored oil are included in the package. You can easily cook stir-fried Beef Motsu by stir frying it with cabbage and onion.

## Shareholder Special Benefit Plan

S foods will offer a special benefits plan to its shareholders.

### Plan details

For shareholders registered in the shareholder's list as the end of February each year

- ◎ Shareholders with 2,000 or more shares  
Domestic beef or domestic pork worth 10,000 yen
- ◎ Shareholders with between 500 and 1,999 shares  
S Foods' product worth 3,000 yen

※ The domestic beef (pork) and S Foods' product mentioned above will be sent to each shareholder in November (planned).

Special sale to the shareholders as of the end of February and the end of August, respectively

- ◎ Shareholders with 100 or more shares  
Special discounts on S Foods Group's original products

※ A catalog of products will be sent to each eligible shareholder in June and November (planned).

**Domestic beef (wagyu)** Our specially selected domestic beef will be cut for shabu-shabu or steak as specified by each eligible shareholder before being sent.



Shabu-shabu



Steak

※ 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:** 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/  
Management institution of special account:**  
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.smtb.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 contact the administrator at the above phone number.

[ Dividends receivable ]

- Please contact Sumitomo Mitsui Trust Bank, Limited, the administrator of the shareholder list.
- Shares per sales Unit: 100

[ Change in Management institution of special account ]

As of May 25, 2016, we changed the management institution of special account from Mitsubishi UFJ Trust and Banking Corporation to Sumitomo Mitsui Trust Bank, Limited.



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



# SFoods News

Report for the fiscal year ended February 28, 2018

March 1, 2017 to February 28, 2018



Shinnosuke Murakami  
President

## Business Overview Report

During the fiscal year, the Japanese economy in general appeared to have been on a recovery track, backed by favorable business result and robust consumer spending.

However, when we take into consideration such an issue as the growing worldwide protectionism, there seems to be a general lack of optimism.

Within the Japanese meat Industry, unstable business conditions, due to a rise in material and distribution cost as well as a change in labor market, forced the Industry to adapt accordingly.

Given such circumstances, the S Foods Group is now promoting vertical integration as its business strategy, where it integrates meat related businesses, starting with the breeding of animals for retailing and food services, in order to achieve a steady development of our group businesses.

In the food processing and meat wholesale businesses, our primary goal is to strengthen our meat procurement capacity.

As for brand strategy, we have been working on developing our business base for promoting "Yume no Daichi", a Hokkaido pork brand, and "Aurora Beef", a US high quality beef brand. Also, with the aim of expanding our poultry business, we acquired Nikkei Shokusan, a poultry dealer, in October 2017.

In the products business, we further strengthened the sales base of our basic items such as "Kotetchan" and "Kotetchan beef pod". Foodlie took the initiative in streamlining ham & sausage business: In cooperation with our group companies, ↘



Dream Land



AURORA ANGUS BEEF  
Fresh from the Midwest

we worked on developing and promoting new products. Regarding the export of domestic beef, we started exportation to Taiwan, which opened up its market this year thus allowing for steady achievements.

In the meat retail business, not only have we implemented measures to revitalize existing stores; opened new stores in newly developed commercial facilities, and implemented measures to open other new outlets; started new business models and established a new packing plant, but we have also closed underperforming outlets, and taken steps aimed at improving profitability.

Furthermore, we have also implemented certain measures for human resource development, aimed at enhancing our competitive edge. Such measures include; the establishment of a meat meister system to foster staff with expertise, implementing an education system for part-time workers, and improving our working procedures.

Also, with the aim of achieving more effective offers throughout our stores, a proposal-style sales model in line with various events was implemented, with all stores participating, by sharing information. In the meat food service business, in order to improve profitability, we implemented measures to enhance our competitiveness such as; revising menus and prices, and renovating stores at Yakiniku and Shabushabu chains, as well as steak restaurant chains.

As a result of such strategies/measures, we reported increases in both net sales and profits in the fiscal year ended February 28, 2018, with net sales of 316,411 million yen (up 12.5% year-on-year), operating income of 10,959 million yen (up 3.8% year-on-year), ordinary income of 11,482 million yen (up 5.9% year-on-year) and net income attributable to owners of the parent of 7,760 million yen (up 19.4% year-on-year).

## Business Outlook

In the face of the impending consumption tax rise due in October 2019 the Japanese economy for the time being, and mainly due to the economic stimulus package towards the Tokyo Olympics, is proceeding quite favorably.

For the Japanese meat industry, on the other hand, there exists a fierce competition for resources and customers, which might force individual businesses to manage under severe environment. Under such a circumstance, we endeavor to stabilize the management of existing businesses and enhance cooperation within our group companies, as we work to expand the group business base by starting new businesses.

In the food processing and meat wholesale businesses, with the increasing global competition for food due to the recent population growth in the world, and the economic growth in third world countries, from the viewpoint of food security, it is our belief that the responsibility of meat purveyors is quite significant. We will continue to work to secure procurement source, as it is our firm belief that strengthening our upstream segment is one of the most crucial measures to address this issue.

Furthermore, we plan to expand income by differentiating and enhancing the brand value of our original products. We will also

try to develop bases for sales, farming and/or manufacturing so as to realize future growth strategy.

One of these measures is the ongoing project of building a new plant that integrates our functions of production, wholesale and distribution. Such a plant will be built in Funabashi, Chiba prefecture, with the aim of enhancing our sales capacity within the metropolitan area.

In the products business, we will increase our sales capability with a marketing strategy which utilizes the high profile of our signature product "Kotetchan". By making use of the strongpoints of each group-company, and also by promoting cooperation amongst them, we are aiming to penetrate the sales channels, which has thus far been quite impenetrable

As the number of companies that manufacture food products is increasing, on the issue of food safety, we endeavor to cater to the needs of customers and society by establishing a quality assurance system across our group companies. In the meat retailing business, while continuing measures such as the revitalization of existing stores, new outlet development and closing of underperformed outlets, we will further enforce policies for human resource development and proposal-style sales promotions in line with various events.

By merging meat retailing business and delicatessen business, which have been managed under different organizations, we plan to expand these businesses through mutual collaboration to improve efficiency.

In the meat food service business, by continuing sound operation with the emphasis on profitability, we will steadily operate the steak restaurant business and the Yakiniku-Shabushabu chain business, while maintaining their competitive edge. We will also endeavor to develop new stores.

As for the improvement of group management, we are planning on establishing a centralized administration system, due to the expansion of our business domain, which has seen an increase in group companies and their employees.



Kotetchan Rich Miso Flavor Consumer Package

Furthermore, in an effort to improve work-life balance, we will implement a working style reform system which would match our company's corporate culture so as to create an attractive working environment for employees, which would in turn help to improve operational efficiency.

In the year ending February 28, 2019, we forecast to achieve net sales of 350,000 million yen (up 10.6% year-on-year), operating income of 12,000 million yen (up 9.5% year-on-year), ordinary income of 12,500 million yen (up 8.9% year-on-year), and net income attributable to owners of the parent of 8,200 million yen (up 5.7% year-on-year).

## Mid- to Long-Term Management Strategy

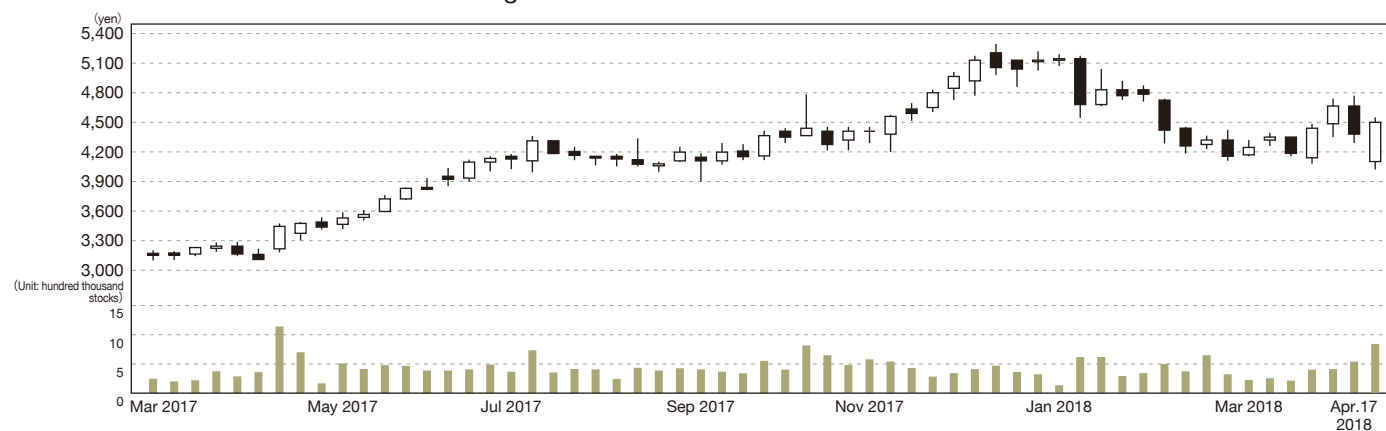
Based on its management philosophy, the S Foods Group aims to become a multifaceted meat vendor group and continue focusing on the establishment of a stable food supply system, mainly for meats. Specifically, we will create an integrated intra-group food supply chain that covers upstream to downstream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

## Business Results and Financial Position (Consolidated)

Term	FY Feb.2016 (50th term)	FY Feb.2017 (51st term)	FY Feb.2018 (52nd term)	FY Feb.2019 (53rd term) projected
Sales	242,566	281,233	316,411	350,000
Income form operations	8,428	10,555	10,959	12,000
Pre-tax earnings	8,795	10,843	11,482	12,500
Net income attributable to owners of the parent	5,086	6,499	7,760	8,200
Total assets	114,330	134,271	156,649	
Shareholder's equity	54,844	64,524	86,552	
Dividend per share	32yen	35yen	43yen	56yen

Unit : Million yen (excl. dividends)

## Trends in Share Values and Trading Volumes



※TSE weekly chart