



SFoods News

Interim Annual Report for
the period ended August 31, 2014

March 1, 2014 to August 31, 2014



Report on the sales process and performance of our business group

Shinnosuke Murakami
President

Our management environment

In the first six-month period of the fiscal year ending February 2015, Japan's economic recovery apparently lost momentum because the improvement in business performance of export-oriented companies, supported by depreciation of the yen, seemingly reached a plateau; and consumer spending remained sluggish in Japan due to the consumption tax rate hike and rises in raw material prices caused by the weaker yen. In general, the Japanese meat industry faced a severe business environment since the industry found it difficult to maintain profitability. This is due to soaring material prices, which were caused by a surge in global demand for meats, while further depreciation of the yen also drove up costs.

In these circumstances, the S Foods Group aimed to strengthen its business structure and to achieve stable growth by upgrading and enhancing its integrated meat distribution system, from production to retail sales to food services, which the Group has been promoting.

General sales situation

In the food processing and wholesale meat businesses, we focused on expanding exports of Japanese beef. In July 2014, we exported Kobe-gyu (Kobe beef) to the European Union (EU), which we shipped overseas in 2012 for the first time, and then began exporting to Asian countries and the U.S. Meanwhile, in Japan, Foodlier Co., Ltd. (formerly known as Glico Ham Co.,



A departure ceremony marking the first shipment of Kobe beef to EU



Kobe beef



Foodlier Product:
Pari-to-Choshoku wieners
(crisp Vienna breakfast sausage)

Ltd., changing its trade name in August 2014) joined the S Foods Group in January 2014. This helped us enhance the level of our entire Group product business because each group company cooperated to market to existing customers and cultivate

potential customers.

In the meat retail business, we improved employees' education and operations and strengthened a proposal-type sales approach for events. In the meat food service business, we implemented measures to improve the competitiveness of our steak restaurant chain.

Business performance

Consequently, S Foods Inc. reported its consolidated business performance for the first six months of the year ending February 28, 2015 as follows: net sales of 102,452 million yen (up 25.8% year-on-year), operating income of 4,127 million yen (up 64.1% year-on-year), ordinary income of 4,333 million yen (up 56.1% year-on-year), and net income of 2,546 million yen (up 73.7% year-on-year). The improved business performance was attributable to the welcoming of Foodlier Co., Ltd. to the S Foods Group and an increase in handling volumes by active sales efforts.

Our business performance by segment is shown below. Net sales represent sales to external customers and segment profit is adjusted with operating income in the consolidated quarterly statements of income.

(1) Food processing and wholesale meat businesses

We reported segment profit of 3,776 million yen (up 60.5% year-on-year) on net sales of 87,546 million yen (up 30.7% year-on-year).

(2) Meat retail business

We reported segment profit of 562 million yen (up 46.1% year-on-year) on net sales of 10,213 million yen (up 3.6% year-on-year).

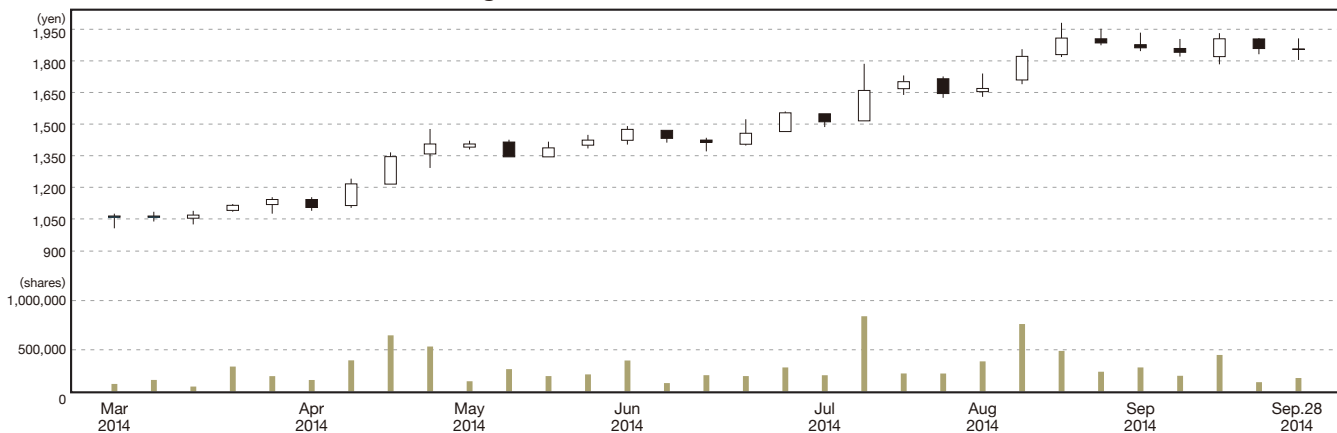
(3) Meat food service business

We reported segment profit of 248 million yen (down 2.7% year-on-year) on net sales of 3,875 million yen (up 2.3% year-on-year).

(4) Other

We reported segment profit of 68 million yen (up 63.9% year-on-year) on net sales of 817 million yen (down 1.3% year-on-year).

Trends in Share Values and Trading Volumes



Business Results and Financial Position

Consolidated

Unit: Million yen

Term / Item	The second quarter FY Aug. 2013	The second quarter FY Aug. 2014	FY Feb. 2014	FY Feb. 2015 projected
Sales	81,438	102,452	169,253	204,000
Income from operations	2,515	4,127	5,683	7,000
Pre-tax earnings	2,775	4,333	6,127	7,300
Net income	1,466	2,546	3,313	4,100
Total assets	78,877	96,525	85,643	—
Shareholder's equity	41,561	46,838	43,533	—

Dividends

(yen)

	FY Feb. 2012	FY Feb. 2013	FY Feb. 2014	FY Feb. 2015
Annual dividend per share	24	24	26	28*
(Interim dividend)	(12)	(12)	(13)	(14)
(Year-end dividend)	(12)	(12)	(13)	(14)*

Note: Figures with * are projections.

Share

Total shares authorized : 120,000,000

Total shares of common stock issued : 32,267,721

Shareholders : 4,299

New autumn and winter products

● Kotetchan Beef Motsu-nabe Soup



Kotetchan Beef Motsu-nabe Soup: Soy Sauce-flavored Soup

We use soy sauces produced in Kyushu (33% of the soy sauces used in the soup) and add a secret ingredient with sesame oil in a seafood flavored soup.



Kotetchan Beef Motsu-nabe Soup: Miso Flavor

This product features the mild, deep and rich taste of three kinds of miso—white miso, mugi (barley) miso, and reddish-brown miso.



Kotetchan Beef Motsu-nabe Soup: Hot Miso Flavor

This product features the mature, rich and hot taste of Korean *gochujang* made from Kinto red peppers, which are frequently used in Korean foods.

● Otegaru-Stamina-Shokudo Series

You can easily enjoy a delicious stew by just heating the product.



Motsu Stew with More Ingredients



Beef Motsu Stew with Thick Taste



Stringy Beef Stew Prepared with Scrupulous Care



Pork Rib Cartilage Stew Prepared by the Butcher Shop



Stringy Beef Stew Prepared by the Butcher Shop

● Ouchi Baru (Home Bar) series

This series offers snacks that go with wine. Enjoy snacks often served in bars, trendy now in the restaurant business, right in your own home.



Stewed Japanese beef gristle with red wine



Stewed beef tongue with vegetable sauce



Stewed honeycomb tripe with tomatoes

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

This series comes with a microwave oven-compatible pot. Enjoy a stew by emptying the contents into the pot and heating it in a microwave oven.



Kotetchan Beef Motsu Stew



Beef Tongue Stew

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

(Groups)

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.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 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:** 100



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