

Interview with the CEO

We are committed to proactively transforming MOS into a fast-casual business format that provides good taste and brings a smile to everyone's lips.

Q1: Please tell us about your business performance in the fiscal year.

The Japanese food service industry faced a tough business environment with the effects from falling consumer spending and tougher competition compounded by extraordinary weather conditions such as heat waves, typhoons and torrential rains as well as earthquakes. According to the Japan Food Service Association, industry-wide same-store sales in 2004 (from January to December) declined 2.8% compared with the previous year and showed a continued decline from the previous year despite being on the track to recovery. Under these circumstances, MOS endeavored to enhance its brand value focusing on the transformation into a fast-casual business format (Green MOS).

As a result, the gross sales for the entire MOS Burger chain amounted to 98.7% of the previous year's with same-store sales at 98.9% of the previous year's level. Non-consolidated sales for the year decreased 0.6% from the previous year to ¥55,636 million, operating income rose 14.3% to ¥2,490 million and ordinary income increased 17.7% to ¥2,944 million. As we have adopted asset impairment accounting rule earlier than compulsory date and posted total impairment losses (such as for the new head office building, etc.), of ¥11,220 million as an extraordinary loss, the net losses for the term amounted to ¥7,446 million (compared with a net income of ¥1,011 million during the previous term).

Based on our basic policy to proactively return profits to all our shareholders, we have decided to disburse ¥12 per share as term-end dividend some with original plan. The total annual dividend will be ¥24 per share (an increase of ¥2 over the previous year).

Q2: Please tell us about the background of the new medium-term management plan.

In the "Brand Japan 2005" article reported in "Nikkei MJ" dated April 25, 2005 (questionnaire survey of about 24,000 consumers), MOS ranked No.1 in the food service sector. I am confident that the transformation into the fast-casual business model is connected to this high evaluation. However, the consumption environment fluctuates very fast, and the general public's need for food goes beyond issues such as security, safety and health, to the necessity for new dietary approaches or proposals that even extend to lifestyle itself.

In order to better respond to such diverse needs, MOS has launched the new medium-term management plan called "**V.I.P. 21**" (**V**alue **I**nnovation **P**lan for **21** century) in April 2005. The "**V.I.P. 21**" advocates the fast-casual business model more strongly as its core component.

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Specifically, the plan includes three management guidelines: total satisfaction, further enhancement of brand value and CSR management. Its major strategies include: the transformation of the “Red MOS” (the conventional MOS Burger outlets) into “Green MOS,” the establishment of the second and third core business model by making non-burger business profitable: foundation of regional sales companies which supervise company-owned outlets in a manner more in touch with the surrounding community while speeding up the decision-making process, and exploitation of new markets overseas.



Fast-casual business format
Green MOS

Q3: What about your efforts as regards CSR (corporate social responsibility)?

From December 18 to 20, 2004, there was a troubling case of Norovirus food poisoning that affected some diners at one of our MOS Burger chain, Yashima-Nishimachi outlet (Takamatsu, Kagawa Prefecture) for the first time ever since our establishment. We deeply apologize to our clients for any inconvenience we might have caused. Although MOS has based its corporate management concepts on good taste, security, safety and health with the corporate objective to “make people happy through food,” this incident’s occurrence was most unfortunate, despite the fact that the food ingredients themselves were not the cause. We have taken it seriously and reaffirmed the importance of proper sanitary supervision and risk management among board member as well as employees. As part of our corporate reorganization in March 2005, we have decided to strengthen sanitary education and guidance at all outlets by drastically increasing the number of in-store operational instructors.

As an enterprise which is engaged in the food business with a corporate management concept of “human contribution. social contribution,” we will make further efforts from now on by paying meticulous attention to the inherent role of food and the corporate social responsibility, and taking due care at all times in order to strengthen our customers’ trust in us. Specifically, in order to enhance children’s interest in the future of dietary life and food materials, we have established the “MOS Burger Food Education Promotion Committee” and will proactively promote activities

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such as introductory memberships of outlets in a proprietary food education program introduced by us. Moreover, we have started trial operation of a food traceability system using IC tags, further emphasizing our dedication to quality of ingredients and strengthening the ongoing environmental and community-service activities by the individual outlets.

Q 4: Please tell us about your policy measures and prospects for this fiscal year.

During the fiscal year under review as, the first year of the corporate transformation into the fast-casual business model, we have proactively pursued its implementation. Fortunately, the number of Green MOS outlets has reached 354, well over the plan by the end of March 2005. We are planning and promoting the transformation of another 350 outlets during the fiscal 2005 without slowing down. In this transformation into the fast-casual business model, we will greatly enhance our basic value represented by the outlets (infrastructure) and customer-minded hospitality (human resources), in addition to products (contents). Also, as a flagship outlet which is a representative prototype for our Green MOS concept, we have opened the “MOS Burger Kunitachi outlet” in Kunitachi, Tokyo on April 22, 2005, where an illustration by Dick Bruna, a world-famous creator of picture books, has been adopted. This outlet is built and configured in an environment-friendly and barrier-free manner as indicated by its green name board, which embodies the “Green MOS” dedication full of tenderness and warmth that we at MOS are striving for. We are proactively pursuing such experiments as a next-generation “Green MOS” for the future.

We hope that all of our shareholders will continue to extend their esteemed understanding and support to our Company in the years to come.



Flagship outlet is
a representative prototype
for Green MOS
Kunitachi outlet

Atsushi Sakurada
President and CEO/COO

V.I.P. 21 Starts!

New Three-year Plan Aiming at Further Enhancement of Corporate Value

In April 2005, the Company launched its new medium-term management plan (for a duration of three years to March 2008) “V.I.P. 21”. Aiming at a new significant leap forward in the 21st century, the respective companies in the group will boldly face the challenge of transformation by a concerted push forward that will further enhance our corporate value.

From FY2004 (result) to FY2007

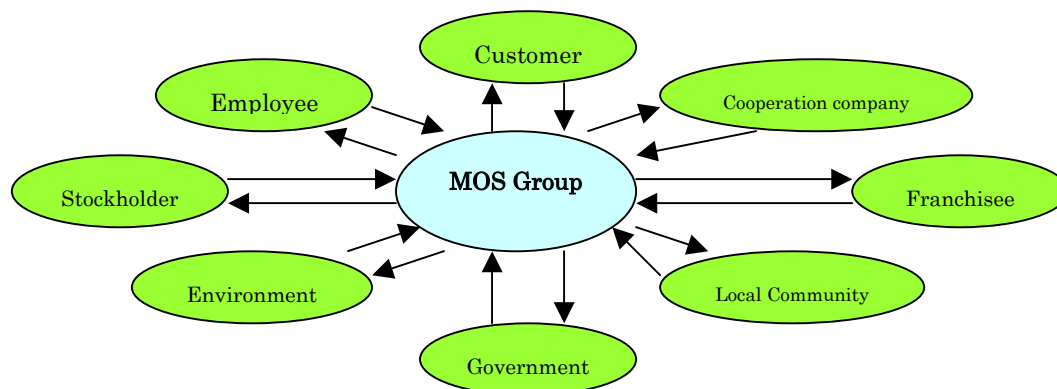
Net Sales	Ordinary Income	ROA	ROE
From ¥59.3 billion to ¥73.0 billion	From ¥2.6 billion to ¥5.5 billion	From 5.0% to 10.5%	From -18.3% to 8.0%

* Target indexes in “V.I.P. 21” mentioned above are on consolidated basis.

[Guidelines]

Total satisfaction:

The Company aims at the total satisfaction where our shareholders, customers, neighboring communities and of the stakeholders who are supporting MOS in some way would feel happy.



Further enhancement of brand value:

The Company will try to further enhance corporate value by strengthening its brand value, anticipating further growth and development as exemplified in the transformation of the MOS Burger business into the fast-casual business model (Green MOS).

CSR management:

MOS will implement CSR management based on its corporate concepts of human contribution (service that makes customers happy) and social contribution (service that makes the community happy) and with the corporate goal of simply “making people happy through food.”

MOS Outlets

We smile, you smile!

New Outlet News

75 outlets opened during the fiscal year. (MOS Burger: 69 outlets, others: 6 outlets)

The Company opened 75 new outlets primarily under the “Green MOS” brand, a fast-casual business model, during the fiscal year. We are proactively introducing fast-casual business model outlets, where customers can enjoy high quality food in a relaxed and feel-at-home atmosphere. We are also continuing to develop the key second and third core components for our businesses.

In April 2005, we opened a “Mother Leaf,” semi-selfservice style outlet called “caffè leggero” in Sapporo and an “AEN,” buffet-style outlet focusing on selected ingredient called “AEN TABLE” in Osaka.

To offer “delicious, safe and healthy food” with a smile and sincere service—this is a key store concept of the MOS Burger group.

Opened April 22, 2005

“MOS Burger Kunitachi Outlet” (Kunitachi, Tokyo) opened as “Dick Bruna Model Outlet.” Dick Bruna Model Outlet adopts an illustration drawn by Mr. Dick Bruna. This is a very environment-conscious outlet that takes the critical issue of global warming into consideration by using eco-friendly new materials in line with the green advertising display concept.

Opened April 20, 2005

AEN TABLE, Universal City Walk Osaka™ Outlet



Opened April 27, 2005

caffè leggero Sapporo Pivot Outlet



Product News

MOS's Taste

Communicate through taste

Introduction of New Products

In March 16, 2005, the Company started selling the *Nippon's Burger "Takumi Judan"* as an exclusive product for "Green MOS." This is a highly nutritional product which combines 10 different food items including: buns, meat patties, vegetables, eggs, bacon, sauce, etc. Although this is essentially your typical bacon egg burger, we have made it into a high quality burger which will satisfy many customers not only by using eggs from a designated farm with a transparent traceable production history, but also by optimizing its overall ingredients and taste. We will continue to refine our safe and healthy "good taste" further, as only MOS is capable of.

MOS's eggs

Ingredient focusing on good taste and safety

We take our eggs as a key element of the *Nippon's Burger Takumi Judan* very seriously.

"Koukiran" (an egg with a bright orange-red yolk) produced by the Murayama Handmade Eggs Farm (Murayama, Yamagata Prefecture) do not have the strong odor peculiar to eggs. As for their

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characteristics, when eaten raw, they are very rich in taste, and when cooked, they are very fluffy.

For details, please see the “Letters from production areas” on MOS vegetables under MORE on our official website.

Products information are also available at Menu on our official website.



Nippon's Burger
Takumi Judan 1,000Yen

CSR News

MOS's Heart Build up Trust

CSR Activities

Efforts towards food safety have become increasingly important and, therefore, further quality controls are necessary. In terms of environmental protection, unprecedented proactive efforts are also required. MOS established the CSR Promotion Headquarters in March 2004 and drafted the “MOS Burger Chain Ethics Charter,” its basic policy. The Company has selected “Compliance,” “Dialogue with Society” and “Efforts for Environmental Protection,” etc. from among the Charter’s contents for priority implementation and has been performing various activities for these themes with sincerity. All the staff members not only at the Headquarters and subsidiaries but also of all our chain outlets are committed to an awareness of being members of the “food industry” which requires a special responsibility to customers (society) at all times and pledge to continue to build up trust more than ever.

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Environment

The Company issued its “*Society/Environment Report 2005.*”

We have issued the “*Society/Environment Report 2005*”, where we presented our CSR efforts such as corporate governance, compliance system or enhancing our occupational health program in addition to environmental activities. Also, MOS Foods Singapore acquired ISO14001 certification in March 2005 for the first time in the fast-food industry in Singapore.

Safety

The Company started trial operation of a food traceability system using IC tags.

In December 2004, we started the trial operation of our traceability system with IC tags for imported beef (used for hamburger patties). From now on, we will continue the experiment to further promote insistence on food materials by bringing the use of IC tags in all ingredients into view.

Local Community

The Company presented mini-sunflower cultivation kits to customers and primary schools in the vicinity of the MOS Head Office.

We have made it a custom to present flower cultivation kits to customers as a token of appreciation on March 12(MOS’s anniversary) every year. In 2005, we also presented them to primary schools near the MOS Head Office as a token of gratitude to people in the surrounding community.

CSR information is also available on our official website.



Present flower cultivation kits
to primary school near the
head office