

MOS FOOD SERVICES,INC.

Interview with the CEO

Atsushi Sakurada
President and CEO/COO



Please tell us about your business performance in fiscal year 2005.

During the period under review, the companies in the food service industry faced intense competition, not only from other companies in the same industry, but also from the take-home food service industry including convenience stores, food corners located in the basements of department stores and takeout delicatessen stores, and the managerial environment remained bleak. As a result, sales at the existing stores in the entire MOS Burger chain for fiscal 2005 were only 96.0% of the previous fiscal year's sales.

In such a situation, the entire MOS Group has been engaged in strategies such as promoting the transformation of the MOS Burger business format, making related businesses profitable and exploring new markets overseas, to accomplish the medium-term management plan, known as "V.I.P.21" (Value Innovation Plan 21), which was launched in April 2005. As a result, consolidated sales fell 1.9% from the previous period to ¥58,216 million, operating income rose 13.2% to ¥2,315 million, ordinary income increased 22.1% to ¥3,194 million and net income was ¥1,092 million (compared with a net loss of ¥7,348 million for the previous period).

Based on our policy of actively returning profit to our shareholders, we have decided to pay a term-end dividend of ¥13 per share, and the total annual dividend, including the interim dividend of ¥13 per share, will be ¥26 per share (an increase of ¥2 over the previous period).

How do you feel about the medium-term management plan V.I.P.21?

Currently, the MOS Group is engaged in the medium-term management plan V.I.P.21, which has the guidelines of: total satisfaction, further enhancement of brand value, and CSR management. During fiscal 2005, we focused on transforming the MOS Burger business into the fast-casual business model (called "Green MOS"), aiming to further enhance the MOS Burger brand value. We tried to enhance the brand value by redecorating the stores to provide

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a comfortable environment, introducing highly value-added edible products that are only available at Green MOS, and improving customer service levels under the instruction of employees with master license qualifications and hospitality managers. During the period under review, we transformed 386 outlets, and at the end of the period there were 740 Green MOS outlets. We plan to have 1,000 Green MOS outlets by transforming another 260 outlets into Green MOS ones during the next period. Further, we managed our outlets in a way that is in touch with the surrounding community by establishing two new regional sales companies to supervise the company's outlets, and we also tried to speed up our decision-making process. In terms of CSR management, our efforts to pursue security, health and safety included printing the latest allergy information on till receipts – a first in the industry – and posting information regarding a food's place of origin in all our outlets. Moreover, we believe we achieved some positive results as we held the “food education program” 22 times during the period under review and promoted registration as a “MOS Burger Children Emergency Call 110 Store” (1,272 outlets were registered at the end of the period) as part of our regional and social contribution activities.

What efforts will you make in the next fiscal year?

Recognizing that there will be increased competition from other companies in the same trade and take-home food service industry in fiscal 2006, we aim to enhance our brand value and improve our performance through the following important strategies. Firstly, we will improve the performance of the MOS Burger business. By accelerating the transformation of our business format into Green MOS, we will try to further enhance the basic value uniting our hardware (outlets), our software (products) and our humanware (services). Moreover, we will try to improve our performance by actively opening new outlets and relocating the existing outlets through scrapping and building programs. We will also increase the number of stores that offer our unique delivery system, known as “delivery service,” to 300 by March 2007 in an effort to increase customer satisfaction and give customers more opportunity to enjoy our products. Our second strategy is to make the related businesses profitable and establish two more pillars for our business. In particular, in the next fiscal year we will fully expand our MOTHER LEAF franchise. This franchise is for a specialized store that offers tea and sweets. The third strategy is to cultivate a new market to change from MOS of Japan to MOS of Asia. We have already expanded into Taiwan and Singapore, and we plan to open outlets in Hong Kong in fiscal 2006. In the near future, we will try to have our overseas business account for 10% of all our chain store sales. Our fourth strategy is to actively promote the recruitment of

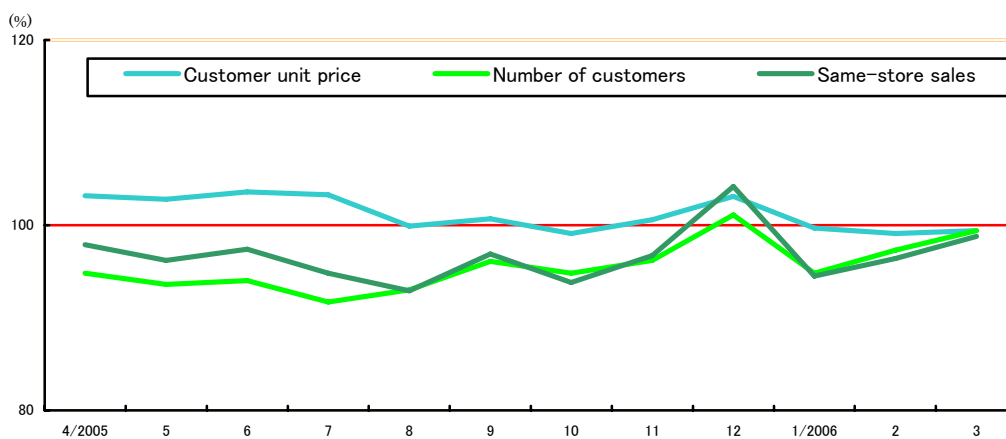
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franchise owners, something we started to do again in the period under review after an interval of six years. We will focus on the recruitment in Kanto and Kansai areas and increase the number of new stores. In addition, we will make every effort to accomplish V.I.P.21 by further promoting reform of our personnel system and making a plan to gather all the Group companies and training facilities in “ThinkPark Tower” located in Shinagawa, Tokyo in September 2007 to advance the functional activities of the group management.

Please give a message to your shareholders.

As specified in the guidelines of the medium-term management plan V.I.P.21, the MOS Group has tried to respond to the trust and expectation of all of our stakeholders, including our customers and shareholders. At the meeting of the Board of Directors held in May 2006, the “basic policy for internal control system construction” was resolved and we will continue to try to further enhance corporate governance and compliance. As always, we appreciate your ongoing understanding and support for the MOS Group’s management.

Existing stores’ sales and other figures compared with the previous period



Topics for Fiscal 2005

【First half of MOS's fiscal year】

Continuing from last year, MOS introduced a “creative menu” in which we improved the quality of each ingredient of a hamburger to the level of dishes served at restaurants, expanded the range of side menus and enhanced products that are only available at Green MOS. September saw MOS release some new hamburger buns and they taste even better than they did before.

April 2005

* For children

For safety of children in the local area

Promotion of “Children Emergency Call 110 Store”



MOS Burger
Children Emergency
Call 110 Store

MOS promotes store registration as a Children Emergency Call 110 Store to ensure the safety of local children throughout Japan as part of its regional and social contribution activities. The purpose of the Children Emergency Call 110 Store program is to set up a base that can offer temporary protection to children in danger, calling for help, or call the police or family members. This program is implemented on a voluntary basis by private houses and stores in a zone around schools.

* For the community

Recycling of cooking oil used at MOS Burger outlets

Gave away MOS Soap to customers on Greenery Day

MOS gave Moldable MOS Soap (recycled soap) to the first 100 customers who bought our products at MOS Burger outlets in Japan on the national holiday Greenery Day on April 29, 2005. The Moldable MOS Soap was made from cooking oil used at MOS Burger outlets throughout Japan based on the theme of the “environment.”



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June 2005

*** For the society**

Active disclosure of our efforts for society

Issuance of “MOS Food Services, Inc. Social and Environmental Report 2005”

This report includes our social efforts such as corporate governance and our relationship with each stakeholder including the shareholders, in addition to the usual results of environmental activities. It is easy to read and understand because it comes with explanations in the form of pictures and diagrams. We will continue to actively promote not only environmental activities but also a variety of activities to fulfill our corporate social responsibility.

July 2005

*** For our services**

Implementation of a new service to provide the latest allergy information of products

Industry’s first introduction of a new information disclosure-type POS (point of sales) system at all outlets

We have introduced a new POS system at MOS Burger outlets in Japan (except for some outlets). Using this system, customers can request a printed slip that contains information about the potential allergens in each of our products, the energy (calorie) data of our products, and a list of our products that do not contain any potential allergens. Furthermore, we have improved the service at our cash registers and reduced the time needed to take and process orders.



Tandoori Chicken Burger with Vegetable Dip and White Asparagus Marinade on Top: ¥350

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【Second half of MOS's fiscal year】

After our TV commercial for the MOS chicken campaign went on air, “MOS Chicken Spice” gained a favorable reputation among our customers. In March 2006 we started using cooking oil blended with vitamin E, which contains twice as much oleic acid as the oil we previously used, as part of our efforts to improve our customers' health.

October 2005

*** For children**

Interaction with the local community and offering of rich and varied diet

Commencement of unique food education program

MOS Drinking Jelly made
from starch of konjac with
Ceramide: ¥230



Under the “MOS Burger Food Education Program” we offer two programs: An “On-site Lesson Program,” which gives children the opportunity to independently think about a proper diet and the problems facing the environment while they are in elementary school classes, using the familiar product of a hamburger; and an “Experiential Working Program” under which children can experience manufacturing products at actual outlets with their family. Children can communicate with their parents in the field of food.

November 2005

*** For the society**

Implementation of a new service to provide information about the origin of our major ingredients at all outlets

Providing origin information by printing it on cash register receipt, in compliance with the guideline by Ministry of Agriculture, Forestry and Fisheries in Japan.

We have begun providing information about the origin of our major ingredients at MOS Burger outlets in Japan in accordance with the “guidelines concerning origin indication in food services.” We provide this information in three ways: (i) by showing it in posters, leaflets and tray mats at our outlets; (ii) by printing it on cash register receipts using our POS system (P5); and (iii) by posting it on our website. When we provide the information using P5 in particular, we can print information about the place of origin of each ingredient and all our products that use such an ingredient. Upon the customer's request, we can provide information by individually printing it on receipts.

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January 2006

* For children

For safety of children in the local area

Free distribution of “MOS Burger Emergency Whistles for Children”

MOS promotes store registration as a Children Emergency Call 110 Store to ensure the safety of local children throughout Japan as part of our regional and social contribution activities. There were 1,272 registered stores as of the end of March 2006, and MOS will try to continue registering those stores that are ready to do so. On January 1, 2006, MOS distributed MOS Burger Emergency Whistles for Children free of charge at MOS outlets registered as Children Emergency Call 110 Store. Children can use these whistles when they are in danger to alert other people.



MOS Burger Emergency Whistles for Children

March 2006

* For our service

Full expansion of delivery stores

Aiming to expand to 300 stores by the end of March 2007

Two expansion types: “small-scale zone” and “medium-scale zone” depending on store location

MOS will gradually increase the number of its stores that offer a delivery service from April 2006. We independently developed this product delivery system. There were 72 stores that offered the experimental service as of the end of fiscal 2005, and MOS plans to expand the number of stores to 300 by March 2007. The expansion will be carried out in two ways according to the store location and territory: a small-scale zone type in which employees deliver products on foot or in some other way, and another type in which employees deliver products over a larger area by motorbike or in some other way.



MOS Rice Burger Cutlet Curry: ¥350

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Outlet Information

MOS continues to make proactive efforts to transform the business format to Green MOS. MOS will establish the second and third pillars of our business.

MOS proactively promoted the transformation of the business format to Green MOS, which is the fast-casual business format of MOS Burger, during the period under review. In Green MOS, we will try to further enhance the basic value of our outlets (hardware) and our services (humanware), in addition to the already enhanced value of our products (software). We have transformed 740 outlets as of the end of the period under review. MOS aims to transform up to 1,000 outlets by the end of March 2007. Moreover, we will establish the second and third pillars of our business. “café leggero,” a semi-self service style outlet of MOTHER LEAF opened in Shizuoka in July 2005 following its opening in Sapporo in April of the same year. Further, MOS will fully expand its MOTHER LEAF franchise during fiscal 2006. “AEN TABLE,” a buffet-style outlet of AEN that focuses on ingredients, opened April 2005 in Osaka. “Chirimen Tei” had 88 stores throughout Japan as of the end of fiscal 2005. The slogan of MOS Group outlets is “Delicious, safe and healthy food” with “cordial service and a smile.”

Dick Bruna model outlet

The Dick Bruna model outlet is our flagship shop representing Green MOS, our fast-casual business format. It has put out a global warming-friendly “greening signboard.”



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café leggero

This is a new-style café where you can casually enjoy fresh tea, a select range of coffee and homemade sweets. Spend some quality time in the casual atmosphere of semi-self service.

*café leggero is an outlet of MOTHER LEAF, the new business format.



AEN TABLE

AEN TABLE is an advanced buffet-style outlet that is more casual than AEN, but which focuses just as much on ingredients. Customers can enjoy seasonal vegetable dishes made from select ingredients in a casual buffet style.



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Chirimen Tei

This is a franchise of a specialized store offering Chinese-style noodle developed by TOMOS, Inc. Its name comes from “crinkly noodle” (‘*chiri*’ means crinkly and “*men*” means noodle in Japanese), and the traditional Chinese noodle dish with a simple but rich soup has received a favorable welcome. The “Select Chinese Noodle Series” in particular is one of the best noodle dishes with an excellent concentrated and deep taste. A broad range of customers from children to elderly people can enjoy this food.

