

MOS Report



35th Fiscal Term Business Report

April 1, 2006 - March 31, 2007

MOS FOOD SERVICES, INC.

Top Message



President and CEO

Atsushi Sakurada

Report on MOS Group's business performance in this fiscal term

Firstly, I would like to thank all our shareholders for their invaluable support. In delivering MOS Report for this fiscal term, I would like to offer some words of greetings to you.

While the economy continued to grow slowly in this current fiscal term, the managerial environment remained bleak due to factors including: (1) fierce competitions within and outside the food service industry; (2) increased ingredient cost; (3) increased freight cost due to rising petrol prices; (4) increased cost of hiring talented personnel, etc.

In such managerial environment, the entire MOS Group has been engaged in providing “delicious, safe and healthy food” with “cordial service and a smile” under the basic principles of “Making people happy through food” and its corporate management concept of “human contribution” and “social contribution.” Based on the medium-term management plan “V.I.P.21” (Value Innovation Plan 21), which was launched in April 2005, and revised in January 2007 ,

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. However, our consolidated sales only rose to ¥59,890 million, operating income was down to ¥1,380 million, ordinary income dropped to ¥2,190 million and net income fell to ¥202 million.

We will be continuing to strive for the reinforcement of our MOS BURGER businesses in the future.

While the economy is expected to continue to grow, the managerial environment in the food service industry is likely to remain difficult in the coming years due to factors such as diversification of customers' needs, declining birthrate and aging/falling population.

In such a situation, we have significantly increased the number of supervisors responsible for providing instructions directly to MOS Group outlets in a bid to further enhance MOS BURGER business operations. We have been running a massive sales campaign (including the distributing of discount coupons for the first time in the MOS's history) since April 13, 2007 in parallel with the significant renewals of our existing flagship menu items including "MOS Burger" and "Teriyaki Burger". In commemorating our 35th anniversary, we will continue to renew and improve our standard menu items. MOS has set forth the sales promotion slogan of "Feel like MOS today." for the next fiscal term; and MOS will be striving to increase its sales and customer visits through providing "emotional triggers that motivate customers to eat at MOS".

At present, the entire MOS Group is working together to further reinforce its business structure towards accomplishing the medium-term business plan, known as "V.I.P.21" (Value Innovation Plan 21). We ask for the understanding and support of our shareholders as we pursue these endeavors.

MOS's New Products

Brand new deliciousness! New MOS Burger and Teriyaki Burger

MOS totally renewed its flagship "MOS Burger" and "Teriyaki Burger" under the concept of "More delicious and easier to enjoy." MOS adopted a mixture of ground beef and pork for its meat patties for the first time in the past 10 years; and our buns became more soft and tender. MOS's meat sauce has also been renewed for an even better taste.



New meat sauce

Now with even more refreshing aftertaste.
Celery and carrot adding beautiful vegetable sweetness to it!



New meat patties

A mixture of ground beef and pork gives MOS's new meat patties succulent and delicious taste!

New buns

Richer in flavor. More soft and tender than ever.
And goes beautifully with our new meat patties!

MOS's Popular Products

MOS's fast-casual outlet "Green MOS" provides limited full-meal dishes with high added values. MOS has renewed "Nippon's Burger Takumi," its ultimate quality burger series, and has removed the quantity and time limitations on their availability so that customers can enjoy Takumi burgers anytime at all Green MOS outlets. MOS also launched the new "MOS Rice" menu series exclusively at Green MOS starting from August, 2006. This menu series has won popularity among a wide range of customers including seniors and families for both lunch and dinner.



"Salad Gohan Taco-Rice"
(480 yen incl. tax)



"Nippon's Burger Takumi"
(580 yen incl. tax)



"Soup Gohan Yukke-Jan"
(590 yen incl. tax)

You can find the details of MOS's new products at "menu" page on the MOS BURGER website.

<http://www.mos.co.jp/menu/>

MOS's Products

New products in the first half of the year

Seasonal, creative food series

“Nan-Curry”



“Nan-Curry”
(360 yen incl. tax)

“Nan-Curry” (Tender grilled, chicken mince kebab on fresh lettuce topped with spicy curry sauce and refreshing yoghurt sauce) was released for a limited season only.

Available between July 7 and late August in 2006.

Seasonal, creative food series

“Marinated Fish Burger”



“Marinated Fish Burger”
(330 yen incl. tax)

“Marinated Fish Burger” (Our popular “Fish Burger” seasoned with sweet and sour sauce and marinated salad for a brand new, refreshing taste) was released for a limited season only.

Available between September 1 and late October in 2006.

New products in the second half of the year

Seasonal, creative food series

“Kinoko no Cream Focaccia”



“Kinoko no Cream Focaccia”
(340 yen incl. tax)

“Kinoko no Cream Focaccia” (A horseshoe-shaped sausage and cabbage dressed with specially prepared mushroom white sauce and wrapped in warm focaccia bread.) was released as a new variation of MOS's popular winter menu “Focaccia.”

Available between December 26, 2006 and mid February, 2007.

Seasonal, creative food series

“Demi-Katsu Dog” “Chee-Fon Dog”



“Demi-Katsu Dog”
(290 yen incl. tax)

“Chee-Fon Dog”
(330 yen incl. tax)

“Demi-Katsu Dog” (A new-style hot dog with deep-fried pork fillet topped with demi-glaze sauce) and “Chee-Fon Dog” (A sausage hot dog served with creamy mashed potato and cheese fondue [Available at Green MOS only]) were released for a limited season only.

Available between February 16 and mid April in 2007.

MOS establishes an agricultural production company “Sun Grace”

In February 2006, MOS established an agricultural production company “Sun Grace” (Kikugawa, Shizuoka Pref.) in a joint venture with “Yasai Club,” etc. in a bid to stabilize vegetable procurement for MOS BURGER outlets and to deepen the cooperative relationships with agricultural producers. MOS is currently growing tomatoes (which can only be grown in certain months and are susceptible to weather conditions in case of traditional cultivation) in all-weather plastic greenhouses that are resistant to climatic conditions in three locations (one in Shizuoka Pref. and two in Gunma Pref.) and is planning to start supplying them to MOS BURGER chain outlets from this summer.

You can find the details of MOS’s new products at “menu” page on the MOS BURGER website.

<http://www.mos.co.jp/menu/>

Reinforcement of the MOS Group

“AEN (Seasonal organic food restaurant)”

Enters the take-home food service market

On March 28, 2007, MOS opened its first delicatessen outlet “Jiyugaoka AEN Osouzai” Shinjuku Isetan Store (Isetan Shinjuku Store 1st Basement Floor; Store area: 5.94 square meters) as a part of its strategy to expand its food-related businesses. While the restaurant industry is experiencing decline, the so-called “take-home food service market” is continuing to grow steadily and is expected to expand further in the future. In light of these circumstances, MOS has made a move into the take-home food service market through utilizing its “AEN” brand. “Jiyugaoka AEN Osouzai” offers the popular organic plate dishes served at our “AEN Seasonal organic food restaurant” freshly pre-packaged for take-out.

chef's V

In March 2007, MOS acquired “chef’s V”, a restaurant with the concept of “Vegetables cooked by skilled chefs” from Huliv Corp. as the management of “chef’s V” was found to align beautifully with MOS’s attitude towards “deliciousness,” and MOS’s vegetable procurement capability would help create high added values for this restaurant.



“chef’s V” Marubiru Store

MOS Group Businesses

In a bid to establish more pillars for our business, we are currently developing the following food-related businesses: “MOTHER LEAF” (Tea & sweets house), “cafe leggero” (Semi self-serve café)(25 outlets*), “Stefan GRILL” (Hamburger + Omelet and rice restaurant ; 15 outlets*), “Chirimentei” (Chinese noodles restaurant ; 78 outlets*), “AEN” (Seasonal organic food restaurant ; 8 outlets*) and “chef’s V” (Restaurant with the concept of “Vegetables cooked by skilled chefs ; 4 outlets*). (*As of March, 2007)



“MOTHER LEAF” Sapporo Ikeuchi Store



“cafe leggero” Diamond City Natori Store



“Stefan GRILL” Inage Saty Store



“Chirimentei” Kamishakuji Store

You can find the details of the reinforcement of the MOS Group at “MOS Group Stores” page on the MOS BURGER website. <http://www.mos.co.jp/>

MOS Outlets

Location-based Outlet Development

Pillared on the conversion to “Green MOS” for improving MOS BURGER business performance, MOS is promoting a location-based, multi-format business strategy with hamburgers as the main product in order to meet the diverse needs of its customers. MOS plans on implementing this strategy to all its business outlets including: “MOS BURGER Classic” (Quality, gourmet hamburger provider), “Dick Bruna” model outlet (Upgrade version of “Green MOS”), “MOS BURGER Factory” (Food court-type outlet), “MOS BURGER Original” (A small-sized outlet designed for small trading areas), “MOS BURGER Delivery Cabin” (Delivery/take-out only outlet), etc. by March, 2010.



“Dick Bruna” model outlet
“Ginza Cafe” Ginza9 Store



MOS BURGER Factory
Diamond City Kumamoto Clair Store

MOS Outlets Information

MOS BURGER Classic

On April 21, 2007, MOS opened “MOS BURGER Classic” (Northport Mall Store), its first gourmet hamburger restaurant. Unlike ordinary fast food hamburgers, MOS BURGER Classic’s gourmet burgers use “Wagyu” beef patties and other selected quality ingredients and are always cooked to order and served with full restaurant service. Its interior has been decorated in American Classic style with wood-grain and white walls, and customers can also spend relaxed time in it like a casual cafe.



MOS BURGER Original

MOS BURGER Original is a small-sized outlet designed for small trading areas, which can be considered as a new version of MOS’s “non prime location” strategy. Its menus are limited to hamburger items, and it will pursue community-based business development. We are currently operating two MOS BURGER Original outlets.



Ningyocho Store



Ikegami Station Store

MOS BURGER Delivery Cabin

On February 10, 2007, MOS opened its first new delivery/take-out only outlet “MOS BURGER Delivery Cabin” (Kitasuna Store). In addition to MOS’s existing menu items, MOS BURGER Delivery Cabin provides original menu items such as variety boxes that combine pizzas and other side menu items.

MOS’s Overseas Operations

From “Japanese MOS” to “Asian MOS” - Market development in Asian countries

Since opening the first overseas MOS BURGER store in Taipei, Taiwan in 1991, MOS has been actively promoting the cultivation of the overseas markets. The opening of additional MOS BURGER stores in the Taiwan area has undergone smoothly, for a current total of 123 stores which include six new stores opened simultaneously in line with the official opening of Taiwan’s bullet train on January 5, 2007. A total of 22 MOS BURGER stores are in operation in Singapore where its first store was opened in 1993; and a total of three MOS BURGER stores have been opened in Hong Kong including the opening of its first store in October, 2006. On March 30, 2007, MOS opened its first store in Thailand inside the “Central World” mega-shopping complex in Bangkok (MOS BURGER Central World Plaza Store). In the future, MOS will continue to strive for opening MOS BURGER stores in other countries in the Asia-Pacific region, including Australia and Korea. (*As of March, 2007)



First MOS BURGER store in Thailand:
Central World Plaza Store



First MOS BURGER store in Hong Kong:
apm Store

MOS's Social and Environmental Activities

Participation to “Kidzania”

In October 2006, MOS began its participation as “Hamburger Shop” pavilion in “Kidzania” (Koto-ku, Tokyo), a theme park for children to experience a wide variety of occupations, offering programs to provide dietary education for children.

Dietary Education Activities

Under its corporate management concept of “human contribution” and “social contribution,” MOS actively participates in dietary education activities which it sees as social missions for a company engaged in the food business. In these activities, which are conducted voluntarily by each MOS BURGER store, MOS BURGER staffs visit schools and provide dietary education lessons to help children develop a healthy mind and body. A total of 3,892 children from 58 schools participated in the program in this fiscal term.



Environmental Activities

Plastic bags and cups for take-out food abolished at all MOS BURGER stores

Polyethylene bags and petroleum-based plastic cups for take-out food were abolished and replaced with non-bleached paper bags and biomass plastic cups at all MOS BURGER stores on July 1, 2006 in a bid to eliminate our use of petroleum.



MOS entered a “voluntary agreement” with Ministry of the Environment

In a bid to further promote its activities towards building a recycle-oriented society and preventing global warming, MOS became the first company in the food service industry to enter an “agreement regarding activities towards environmental protection” (Validity period: 12 months) with Ministry of the Environment.

MOS acquired the “Ecoleaf environmental labeling” certification for its distribution system

Based on our concept of delivering delicious vegetables while caring for the environment, we acquired the “Ecoleaf environmental labeling” certification as delivery system for the first time on February 6, 2007 and disclosed the information regarding the environmental impact of our vegetable delivery.

You can find the details of MOS’s social and environmental activities at “CSR Management Efforts” page on the MOS BURGER website. <http://www.mos.co.jp/company/csr/>