

# MOS Report



## 38th Fiscal Term Business Report

April 1, 2009 - March 31, 2010

**MOS FOOD SERVICES, INC.**

### Top Message



Greeted with immense popularity, “TOBIKIRI Hamburg Sandwich” has reconfirmed our customers’ wishes for tasty and safe foods. Moving forward, we will consistently create and deliver new and appealing products as a part of the menu lineup and service that only MOS can provide.

## **Achieved an Increase in Earnings through Hit Products and Reduced Overhead Expenses**

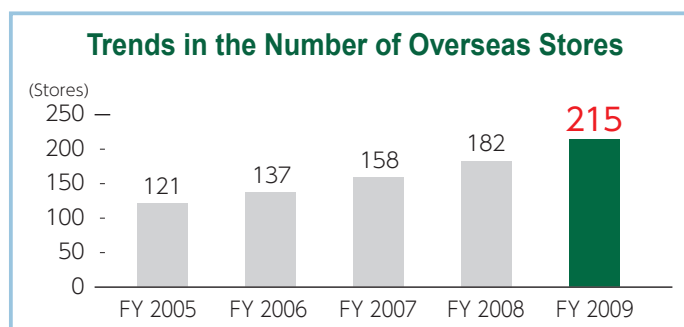
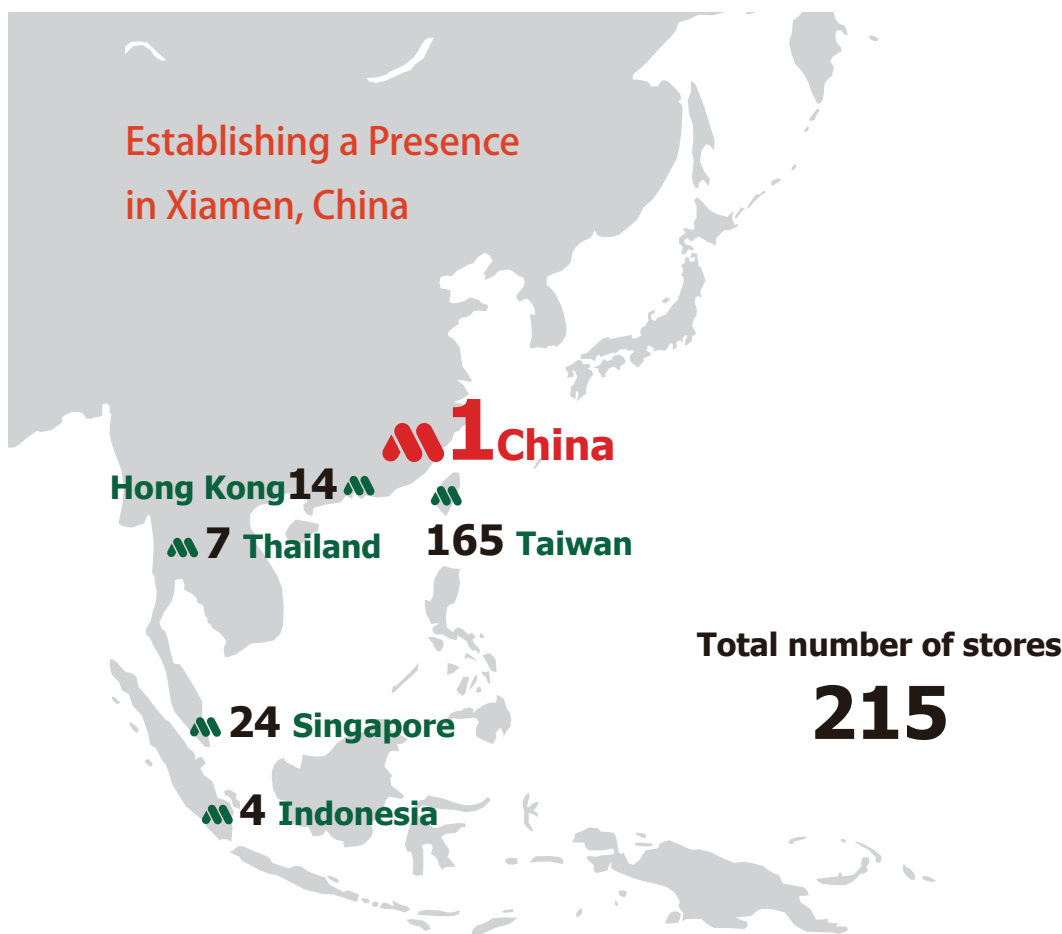
In fiscal 2009, the fiscal year ended March 31, 2010, MOS FOOD SERVICES, INC. recorded net sales of ¥60,009 million. This was a slight decrease of 1.0% compared with the previous fiscal year. Despite the persistently harsh business environment, our ability to have held the decline in revenue to a nominal amount is attributable to the success in maintaining essentially the same level of sales at existing stores, as well as stronger efforts to reinforce stores, which resulted in an increase in the number of stores by 19, the first net increase in nine years. Since its release some 18 months ago, the “TOBIKIRI Hamburg Sandwich” series has gone from strength to strength. As of March 31, 2010, cumulative sales had reached 27 million. With an unwavering insistence on domestic produce, the manner in which our menu is enjoyed by a wide spectrum of customers is a source of immense pride and confidence to MOS employees and store staff.

From a profit perspective, operating income climbed 30.6% year on year to ¥2,282 million. While ordinary income rose 40.1% to ¥2,523 million, net income jumped 195.9% compared with the previous fiscal year to ¥1,634 million. In addition to concerted efforts to curtail overhead expenses, the Company took full advantage of regional campaigns that focused on the use of domestic produce and the release of new products that complement local menus. Through these means, we took significant strides in improving profit margins. Moreover, we undertook to reorganize consolidated subsidiaries throughout fiscal 2009 and will in future work diligently to further reinforce our earnings structure.

## **Promoting Varied and Diverse Aspects of the Company’s Appeal through a New Pricing Strategy**

Throughout the fiscal year under review, we undertook to pursue our business based on a new pricing strategy. Hamburgers were classified into three distinct groups or zones and priced accordingly. The “regular zone” comprises our staple MOS Burger menu. The “volume zone” includes the recently released “TOBIKIRI Hamburg Sandwich” and the “W Patties” series designed to give our customers a sense of full satisfaction. Priced at below ¥200, the “light zone” caters to customers who are feeling a little peckish. In adopting a pricing strategy that takes into consideration customer needs from a wide range of perspectives including the time of day and night, we are providing a product lineup with the potential to become the preferred menu of choice. Irrespective of age and lifestyle, our goal and commitment is to deliver products and services that everyone can enjoy. Looking ahead, we hope to bring the MOS experience to as many people as possible.

## Taking Up the Challenge of Developing Business in China, Asia's Largest Market



The Company's inaugural store in China opened in Xiamen, a city in the southern province of Fujian, in February 2010. Drawing on the know-how that has produced 165 stores in Taiwan, we will provide rich and full-flavored service. Other than China, MOS opened 33 new overseas stores during fiscal 2009. In this regard, we have positioned the promotion and development of the "MOS Burger" brand overseas as a key management issue. Guided by the slogan "from MOS of Japan through MOS of Asia to MOS of the World," we will pursue overseas business development going forward.

## **Future Initiatives**

In the fiscal year ending March 31, 2011, we will continue to place every emphasis on expanding our store network. At the same time, MOS is committed to human resource development as the means to bolster the store-front capabilities and to increase existing store sales. We will proactively pursue such new business developments as the opening of “MOSDO” stores, a collaborative initiative with Mister Donuts. Ultimately, our objective is to create new value and appeal under the MOS brand.

The raging success of “TOBIKIRI Hamburg Sandwich” has again reminded us of our roots – the enjoyment and satisfaction to be derived when the Company’s unwavering commitment to “delicious, safe and good to health,” a core founding principle, fits perfectly with the needs of customers. As we work toward achieving the MOS Corporate Objective “to make people happy through food,” we will continue to deliver a service with customer satisfaction as our primary aim.

Atsushi Sakurada  
President & Representative Director



### **Setting a New Standard in the “Volume Zone” “TOBIKIRI Hamburg Sandwich”**

The “TOBIKIRI Hamburg Sandwich” series is defined by three signature features. It is made entirely from domestic produce, is reasonably priced and boasts fresh vegetables in season. The exquisite combination of domestic meat patties, 1.5 times the volume found in standard products, and the freshest of vegetables, is attracting a massive following. “Cheese,” a staple product that boasts cheese that literally melts in the mouth, and “Tomato & Lettuce,” a seasonal item that offers a rich-tasting Japanese-inspired sauce are now on sale.



**“Cheese”**

¥390



**“Tomato & Lettuce”**

¥420

## Respective Thoughts and Feelings



Since its release in 2008, “TOBIKIRI Hamburg Sandwich,” which is made entirely from domestic produce, has attracted enormous popularity. A product that is now in its third series and has surpassed an amazing cumulative total of 27 million meals is supported by a variety of thoughts and feelings.

### The Thoughts of Customers

#### “Want to eat delicious and safe meal”

The things I like most about MOS Burger are that their products are freshly made, offer generous helpings of fresh vegetables and are extremely delicious. Recently, I had the pleasure of eating a “Tomato & Lettuce TOBIKIRI Hamburg Sandwich.” In addition to the fresh lettuce and tomato, the meat patty was enormous! Not so much a hamburger, the meal was more like a hamburger steak. I came away fully satisfied. It was a little expensive, but so delicious.

There is, however, one small problem. The time spent waiting is too long. It’s awfully hard when you finally step into the store famished and have to wait for an extended period. I realize that this is all part and parcel of the MOS Burger service. Meals are prepared only after orders are taken to ensure that they are served hot from the kitchen. I still think that a little improvement here would go a long way. Of course, I remain a huge MOS Burger fan and hope that MOS Burger continues to offer new and delicious menus.

## MOS Children's Rice Burger <Pork> Now on Sale



Listening to the voice of our customers, we re-launched the MOS Children's Rice Burger "Pork," a low allergy menu, for the enjoyment of children with allergies. Taking into consideration allergies to such basic foods as eggs and milk, we reintroduced our low-allergy menu to all stores nationwide from December 2009.

## For the Well-Being and Peace of Mind of Our Customers We Provide Information on Our Website

There are many who eat French fried potatoes with little or no thought. Where in fact did the ingredients come from? Eating a MOS Rice Burger Kimpira is said to give you a good intake of food fiber. But what are the real facts? If it is a beef or pork patty, is it safe for someone like me with a chicken allergy? For these and other questions, please refer to the MOS website. Posted on the Company's website is a wealth of information by product and menu including details of nutritional components, information about allergies and data on the major locations and points of origin where ingredients are produced.



## The Thoughts of Store Staff



### "I want to see our customers smile!"

My goal is to do whatever I can to fulfill the expectations of those customers who look for a tasty meal hot from the kitchen. Every time I see a customer smile, I want to deliver even better service.

At each MOS store, kitchen staff are on standby at all times to prepare piping hot delicious meals. As our policy is to prepare each meal after an order is placed, we can easily accommodate such individual requests as "a little less mayonnaise please."

MOS also maintains a unique approach to ensure that its vegetables including lettuce and tomatoes remain fresh. This entails the transportation and delivery of produce whole and uncut. Lettuce, for example, is carefully stripped leaf by leaf, washed and torn into just the right size. The time and effort placed in preparing lettuce at each individual store is the secret behind its slightly chilled and crisp appeal.



## Preventing Global Warming! Promoting Eco MOS Activities

MOS employs a commendation system targeting those stores and branch offices that pursue environmental conservation initiatives in an effort to promote eco activities nationwide.

In fiscal 2009, the Koshin branch office launched a “Green Curtain Project” and was recognized with the year’s highest

award. During the summer months, bindweed and other greenery were cultivated to drape over and across the outside window. In addition to improving the efficiency of store air conditioning systems, greenery helped to create a cool and fresh sensation. As another component of each individual store’s endeavors to create and deliver innovative services, this is a further example of a unique initiative that only MOS can provide.



MOS Burger Kawanakajima Store, Nagano Prefecture



## Just a Single Telephone Call before Visiting a MOS Burger Store

Did you know that MOS Burger takes orders over the phone? This service allows customers to telephone each store and to identify a pickup time when placing an order. A signature feature of the MOS Burger service menu, the telephone call maintains communication together with freshly prepared piping hot meals while eliminating the need to wait.



### “I don’t want to ship produce unless I’m fully satisfied”

Working as a farmer in collaboration with MOS is a source of immense confidence and pride. When MOS tells me that my vegetables are delicious and that they want me to keep producing the best produce, I feel motivated to try even harder. At the same time, even though I have signed a contract, my pride prevents me from shipping any vegetables unless I’m fully satisfied. I can feel this pride in the MOS people as well. MOS people in charge regularly visit my fields and together we discuss how best to produce the highest quality. I can sense their mutual desire to have as many customers as possible enjoy vegetables produced in Japan. I won’t be beaten by that kind of passion!

Thinking of the consumer, I try to use as little pesticides and chemical fertilizers as possible. Devoting a great deal of time and care while drawing on past experience and wisdom to cultivate the right soil is the be-all and end-all to this endeavor. I put my heart and soul into producing the best vegetables. Please enjoy them (Takahiro Suzuki, a lettuce producer in Shizuoka Prefecture).

### Mail Order Delivery of MOS Vegetables to the Home

MOS has opened “MOS Burger Online Shop,” on the “Rakuten Ichiba” online shopping mall. This online service offers an assortment of the same domestically produced vegetables used in MOS stores, such as tomatoes, lettuce, cabbage, green pepper and onions.





## Reporting Directly from the Farms that Produce MOS Vegetables

We interview the farmers that rain or shine work diligently to deliver the delicious fresh vegetables used in the MOS menu. We call on our network of nationwide partnership farmers from Hokkaido in the north to Okinawa in the south. Each month a “report from the farm” is posted on the MOS Burger website.



## The Thoughts of Those who Develop New Product



### “I am always looking to develop MOS originality”

The “TOBIKIRI Hamburg Sandwich” embodies the basic concepts of “domestically produced,” “reasonably priced” and “fresh vegetables in season.” The “Lettuce & Tomato TOBIKIRI Hamburg Sandwich” currently sold at all MOS stores nationwide uses 100% beef produced in Japan and a mix of spring and summer seasonal tomatoes and lettuce. Please enjoy the rich taste of fresh vegetables in season.

In addition to the “domestically produced” theme, I would like to promote initiatives along the lines of “links with the region.” This involves repeated trials and tests as well as on-site visits. How to express and harness the natural characteristics and flavor of ingredients produced in a particular region in a new menu is indeed a challenge. At the same time, the unlimited possibilities are a source of excitement.

Before moving to the Product Development Division, I had the opportunity as sales manager to speak directly with customers on numerous occasions. The things that struck me the most was that quality and food safety played an enormous role in creating a sense of strong satisfaction. I hope to continue developing new menus that deliver satisfaction both in mind and body that only MOS can provide.

## Fixing the Issue of Waiting Time

We cannot forever depend on the generosity of those customers who say “indeed, we have to wait until our food is prepared after placing our order, but that is a part of the MOS delicious flavor.” It is important to ensure that our valued customers do not have to wait excessively. To ensure that our patrons enjoy a relaxed time at MOS stores, we are placing every effort on improving our operations. This involves reviewing cooking processes and adopting systems that ensure orders placed are instantaneously relayed to the kitchen.



## Desserts Made from Domestically Produced Ingredients on Sale

The use of domestically produced ingredients is not just limited to our hamburgers. The seasonal brown rice flake shake “Hakuto” made from generous helpings of white peach produced in Japan is a fresh addition the MOS dessert menu. In addition, we take steps to introduce local specialties nationwide and develop local menus. For example, frozen cake bars that use mandarins produced in Hyuga, Miyazaki Prefecture are now on sale.



### Introducing a Morning Service Menu at Stores Nationwide

Speedy Service that Allows Customers to Enjoy a Hearty Meal during the Busy Morning Time

Breakfast is an essential start to an energetic and active day.

The morning service menu that had been limited to select stores has been extended to cover all stores nationwide. More and more people can now easily enjoy the MOS breakfast experience. The set morning menu includes a drink and any combination with a hamburger, cheeseburger or hot dog.



### MOS Wai Wai Set

Popular Menu for Children!



Launched in 2009 across nationwide stores, the “MOS Wai Wai Set” is a children’s set menu conveniently priced at less than a single ¥500 coin. The new MOS character toy “MOSSAN” is also proving a big hit. We plan to expand our menu so that customers of all ages will come visit our stores.

### MOSDO — AEON MALL Hiroshima Fuchu SOLEIL Store

A New MOS and MISDO Jointly Developed Store Opened in April 2010



The first store under the MOSDO brand, a collaborative effort between MOS and Mister Donuts, opened in Hiroshima Prefecture. In addition to familiar MOS Burger and Mister Donut’s set menus, the new store offers a lineup of original limited menus, which brings something a little different to MOS Burger and Mister Donuts and is a fresh experience. Looking ahead, we will blend together the very best of MOS Burger and Mister Donuts to capture a new fan base.