

Consolidated Financial Results Report for the Three Months ended March 31,2005

McDonald's Holdings Company (Japan),Ltd.

Company code number: 2702 (URL <http://www.mcd-holdings.co.jp/>)
 Shares traded: JASDAQ
 Executive position of legal representative: Eikoh Harada
 Chairman and President, Representative Director
 Please address all communications to: Tetsushi Ikeda
 Director of Accounting Group
 Phone:(03)6911-6061

1. Assumptions underlying preparation of first quarter results report

- () Adoption of any concise accounting procedure : Yes
 • The company adopts the concise procedure in accounting for the corporate, inhabitant and enterprise taxes for the period.
 () Changes in accounting methods from the latest consolidated financial statement : None
 () Changes in scope of consolidation and in application of the equity method : None

2. Consolidated operating results (From January 1, 2005 to March 31, 2005)

(1) Consolidated financial results

(In millions of yen, with fractional amounts discarded)

(The number with parenthesis shows negative figure)

	Sales revenues		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31,2005	82,144	8.8	3,011	78.5	2,984	74.4
March 31,2004	75,498	(0.1)	1,686	76.0	1,710	92.9
December 31,2004	308,079	2.8	7,244	154.9	7,277	283.7

	Net income		Net income per share		Net income per share, fully diluted
	(Millions of yen)	%	(Yen)		(Yen)
March 31,2005	1,923	243.2	14	47	-
March 31,2004	560	13.2	4	22	-
December 31,2004	3,680	-	27	68	-

(Notes)

The percentages shown next to sales revenues, operating income, ordinary income, and net income represent the rate of change from that of the previous term.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31,2005	191,477	137,792	72.0	1,036 34
March 31,2004	197,937	138,908	70.2	1,044 74
December 31,2004	190,909	140,174	73.4	1,054 26

(3) Consolidated cash flow statement

	Net cash (used in)/provided by operating activities	Net cash (used in)/provided by investing activities	Net cash(used in)/provided by financing activities	Cash and cash equivalents at end of term
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
March 31,2005	3,487	(2,147)	2,667	12,363
March 31,2004	(13,297)	(2,491)	8,183	8,185
December 31,2004	800	(4,266)	(3,964)	8,355

Consolidated financial statements
(1). Consolidated balance sheet (Condensed)

(Millions of yen)

	As of March 31,2005		As of December 31,2004		Incr(Decr)	As of March 31,2004	
		%		%			%
(Assets)							
Current assets							
1. Cash and deposits	12,363		8,355		4,007	8,185	
2. Accounts receivable - trade	7,492		7,762		(269)	6,864	
3. Inventories	2,609		2,721		(111)	2,918	
4. Deferred tax assets	788		788		-	2,867	
5. Others	4,811		4,910		(316)	4,873	
6. Allowance for doubtful accounts	(55)		(94)		39	(89)	
Total current assets	28,010	14.6	24,444	12.8	3,566	25,619	12.9
Fixed assets							
1. Tangible fixed assets							
(1) Buildings and structures	37,726		38,435		(708)	39,013	
(2) Machinery	9,047		9,267		(219)	9,170	
(3) Tools, appliances and fixtures	5,347		5,568		(221)	6,182	
(4) Land	16,820		16,820		-	16,839	
(5) Construction in progress	152		118		34	9	
Total tangible fixed assets	69,094	36.1	70,209	36.8	(1,114)	71,214	36.0
2. Intangible fixed assets							
(1) Goodwill	1,077		1,063		13	921	
(2) Others	3,834		4,046		(211)	4,486	
Total intangible fixed assets	4,911	2.6	5,109	2.7	(198)	5,407	2.7
3. Investments and other assets							
(1) Investments in securities	7,150		7,902		(752)	11,032	
(2) Long-term loans receivable	94		99		(4)	91	
(3) Deferred tax assets	4,006		3,787		219	3,287	
(4) Deferred tax assets due to revaluation of land	1,925		1,925		-	1,924	
(5) Rent deposits and guarantees	71,462		72,153		(691)	75,841	
(6) Others	5,978		6,447		(469)	5,305	
(7) Allowance for doubtful accounts	(1,157)		(1,170)		13	(1,789)	
Total investments and other assets	89,460	46.7	91,145	47.7	(1,685)	95,695	48.4
Total fixed assets	163,466	85.4	166,465	87.2	(2,998)	172,317	87.1
Total assets	191,477	100.0	190,909	100.0	567	197,937	100.0

(Millions of yen)

	As of March 31,2005		As of December 31,2004		Incr(Decr)	As of March 31,2004	
		%		%			%
(Liabilities)							
Current liabilities							
1. Notes and accounts payable	15,206		16,125		(919)	13,542	
2. Short-term loans payable	12,500		5,000		7,500	13,000	
3. Current portion of long-term loans payable	-		1,250		(1,250)	5,000	
4. Accounts payable - other	7,559		11,660		(4,101)	8,862	
5. Accrued expenses payable	7,074		6,640		434	6,527	
6. Accrued income taxes payable	1,517		105		1,411	526	
7. Allowance for employee bonuses	3,021		1,600		1,421	3,154	
8. Others	4,047		5,659		(1,612)	4,866	
Total current liabilities	50,927	26.6	48,042	25.2	2,885	55,481	28.0
Long-term liabilities							
1. Long-term loans payable	500		500		-	500	
2. Employees' retirement benefits	943		874		68	688	
3. Reserve for directors' retirement allowances	107		76		30	53	
4. Others	1,206		1,240		(34)	2,304	
Total long-term liabilities	2,757	1.4	2,692	1.4	65	3,547	1.8
Total liabilities	53,685	28.0	50,734	26.6	2,950	59,028	29.8
(Shareholders' equity)							
Common stock	24,113	12.6	24,113	12.6	-	24,113	12.2
Additional paid-in capital	42,124	22.0	42,124	22.1	-	42,124	21.3
Retained earnings	70,695	36.9	72,760	38.1	(2,065)	69,639	35.2
Revaluation account for land	(2,806)	1.4	(2,806)	1.5	-	(2,805)	1.4
Unrealized gain on other securities	3,665	1.9	3,983	2.1	(317)	5,837	2.9
Treasury stock	(0)	0.0	(0)	0.0	-	(0)	0.0
Total shareholders' equity	137,792	72.0	140,174	73.4	(2,382)	138,908	70.2
Total liabilities and shareholders' equity	191,477	100.0	190,909	100.0	567	197,937	100.0

(2). Consolidated statement of income (Condensed)**(Millions of yen)**

	Three months ended March 31 2005		Three months ended March 31 2004		Incr(Decr)	Year ended December 31 2004	
		%		%			%
Sales revenues	82,144	100.0	75,498	100.0	6,645	308,079	100.0
Cost of sales revenues	69,360	84.4	65,461	86.7	3,899	266,339	86.5
Gross profit on sales	12,784	15.6	10,037	13.3	2,746	41,740	13.5
Selling, general and administrative expenses	9,772	11.9	8,350	11.1	1,422	34,496	11.2
Operating income	3,011	3.7	1,686	2.2	1,324	7,244	2.4
Non-operating income	266	0.3	402	0.5	(135)	1,543	0.5
Non-operating expenses	293	0.4	378	0.4	(84)	1,509	0.5
Ordinary income	2,984	3.6	1,710	2.3	1,273	7,277	2.4
Extraordinary gains	284	0.4	51	0.0	232	845	0.3
Extraordinary losses	10	0.0	699	0.9	(689)	1,450	0.5
Net income before taxes	3,258	4.0	1,062	1.4	2,195	6,672	2.2
Tax expenses	1,334	1.7	502	0.7	832	2,991	1.0
Net income (loss)	1,923	2.3	560	0.7	1,363	3,680	1.2

(3). Consolidated statement of cash flow (Condensed)**(Millions of yen)**

	Three months ended March 31 2005	Three months ended March 31 2004	Year ended December 31 2004
Net cash (used in)/provided by operating activities			
Net income before taxes	3,258	1,062	6,672
Depreciation and amortization	2,169	2,527	9,005
Increase (decrease) in allowances	1,493	2,126	803
Increase (decrease) in allowances for losses on restaurant closings	-	(169)	(298)
Gain on unredeemed gift certificates in current	(67)	(43)	(169)
Interest and dividend income	(17)	(29)	(201)
Interest expenses	5	15	52
Equity in losses (earnings) of affiliated companies	(3)	(16)	(50)
Losses from the liquidation of affiliates	-	-	(150)
Loss on disposal of fixed assets	209	152	1,188
Decrease (increase) in accounts receivable - trade	245	884	9
Decrease (increase) in inventories	111	(216)	(20)
Decrease (increase) in goodwill from acquisition of franchise stores	(13)	97	(121)
Decrease (increase) in other assets	741	224	(777)
Increase (decrease) in accounts payable	1,005	(300)	622
Increase (decrease) in notes payable	(1,924)	(2,804)	(1,144)
Increase (decrease) in accrued expenses payable	430	(5)	99
Increase (decrease) in other current liabilities	(4,071)	(5,653)	(3,350)
Others	(3)	33	(133)
Subtotal	3,566	(2,114)	12,035
Proceeds from interest and dividend income	19	14	163
Payment of interest expenses	(1)	(13)	(43)
Payment of additional increase in voluntary retirement	-	(3,553)	(3,551)
Payment of management services agreement cancellation fee	-	(6,249)	(6,249)
Payment of withdrawal from McVISION business	-	(1,192)	(1,195)
Payment of income tax	(97)	(189)	(359)
Total	3,487	(13,297)	800

(Millions of yen)

	Three months ended March 31 2005	Three months ended March 31 2004	Year ended December 31 2004
Net cash (used in)/provided by investing activities			
Payments for purchase of restaurant equipment	(2,614)	(2,805)	(7,888)
Proceeds from sales of restaurant equipment	149	172	1,651
Proceeds from sales investment securities	-	-	230
Payments for rent deposits and guarantees	(206)	(118)	(601)
Proceeds from returned rent deposits and guarantees	932	1,226	4,560
Proceeds from collection of loans receivable	3	2	33
Payment for loans to affiliated companies	-	(550)	(650)
Payments for development of information systems	(411)	(433)	(1,529)
Others	0	14	(74)
Total	(2,147)	(2,491)	(4,266)
Net cash (used in)/provided by financing activities			
Proceeds from net increase in short-term debt	7,500	13,000	5,000
Payments of long-term debt	(1,250)	(1,250)	(5,000)
Payments of dividends	(3,582)	(3,566)	(3,964)
Payments for purchase of treasury stocks	-	-	0
Total	2,667	8,183	(3,964)
Effect of exchange rate changes on cash and cash equivalents	-	1	(2)
Increase (decrease) in cash and cash equivalents	4,007	(7,603)	(7,433)
Cash and cash equivalents at beginning of term	8,355	15,789	15,789
Cash and cash equivalents at end of term	12,363	8,185	8,355

3. Consolidated forecasts for December 2005 term

(From January 1, 2005 to December 31, 2005)

	Sales revenues	Operating income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Interim period	159,104	3,304	1,858
Annual period	327,033	9,329	5,170

(N.b.) Estimated earnings per share (annual): 38.88 yen

The forecasts shown above are predicated upon information that is available as of the day of the announcement of this report; they incorporate assumptions, made as of the day of the announcement of this report, regarding a number of uncertain factors that may affect future performance. Actual financial performance, therefore, may differ considerably from these forecasts due to a variety of factors hereafter.

4. First Quarter of Fiscal Year ending December 2005:

Overview of Operating Results and Financial Position

(1) Quantitative information regarding the progress in operating results (consolidated)

6.9% increase year-on-year in comparable sales from January to March;

1,273 million yen increase in consolidated ordinary income compared to the same period in the previous year

The Japanese economy, which showed a tendency toward deceleration at the end of last year, appeared to be accelerating as we moved into 2005. However, both production and consumption seemed to begin to slow down again during the 1st quarter. As for future prospects, there are some factors, such as fear spreading among both industry and consumers of a prolongation of steep rises in crude oil prices, which have made people wary about the prospects for economic recovery, and this seems to be a factor

Amid this economic climate, the hamburger restaurant business, our group's principal business operated by McDonald's Company (Japan), Ltd. (hereinafter, "McDonald's"), has been recovering, with quarterly comparable sales* having increased for six consecutive quarters. We also posted a sales increase of 6.9% year on year for the 1st quarter of 2005. As for profit, both operating and ordinary income surpassed figures for the same period of the preceding year.

The following three strategic imperatives pursued by McDonald's from the preceding period were key factors: (1) Marketing Leadership (rebuilding the McDonald's brand), (2) operational excellence (improvement of the restaurant experience) and (3) further development of organizational capability and personnel excellence. These factors have revitalized the QSC+V (Quality, Service, Cleanliness and Value), which supports the McDonald's brand, and have enabled us to obtain renewed support from many customers. In the current period, in addition to these three imperatives, we will further strive toward the implementation of our long-promoted strengths: Value, Service and Family.

In this first quarter, we effectively distributed coupons commemorating the 50th anniversary of the first McDonald's restaurant, which opened in Chicago on April 15, 1955. We also launched a succession of other 50th anniversary promotional activities, and offered our popular menu items, "Filet-O-Fish", "Chicken McNuggets", "Hot Apple Pie", "Fish McDippers" and "Mac Shake" at reasonable prices in sequence, which resulted in increased customer visits. The Happy Set also sold well, enjoying overwhelming support from children, with characters such as "Pocket Monsters", "THE DOG" and "Cinnamoroll & The Runabouts". All of these were very well received among our customers.

In addition, as part of our efforts to provide comprehensive value, we arranged for many restaurants to open from as early as 6:30 in the morning in response to customers' needs amid changing life-styles, and this has also contributed to the sales increase.

With regard to restaurant development, the “Made For You” system (a made-to-order cooking system that enables us to provide fresh, hot products to customers more quickly), which had been introduced to almost all locations by the end of the previous period, has provided tremendous traction in the effort toward sales recovery, and we will conduct continuous, intensive renovation of existing locations during the current period as well. Renovations will focus mainly on differentiation of restaurant design, increases in the number of seats, improvement of atmosphere, separation of smoking areas from non-smoking areas, etc. We remodeled 12 locations during this quarter, opened 7 traditional restaurants (standard format), and closed a total of 22, including 7 traditional restaurants and 15 satellites (small-scale restaurants offering a limited menu). Thus, the total number of locations in operation as of the end of this first quarter stood at 3,759 (a net decrease of 15 compared with the end of the previous period).

franchised restaurants) for this first quarter of 105,187 million yen (an increase of 7.4% compared with the same period of the previous year), and consolidated sales revenue of 82,144 million yen (a year-on-year increase of 8.8%) and consolidated ordinary income of 2,984 million yen (a year-on-year increase of 74.4%).

*Note: Comparable sales represent sales at all McDonald's restaurants in operation at least thirteen months during a given period. Management reviews the increase or decrease in comparable sales compared with the same period one year prior to assess business trends.

(2) Qualitative information regarding the fluctuation in financial position (consolidated)

As of the end of this year's first quarter, cash and cash equivalents (hereinafter, “cash”) stood at 12,363 million yen (an increase of 51.0% compared with the same period the previous fiscal year).

(Cash flows provided by operating activities)

Operating activities during the period resulted in a net cash inflow of 3,487 million yen (compared to a net cash outflow of 13,297 million yen for the same period the previous year). This was principally due to the fact that net income before tax amounted to 3,258 million yen owing to improved business performance.

(Cash flows used in investing activities)

Investment activities during the period resulted in a net cash outflow of 2,147 million yen (a 13.8% decrease compared to the same period the previous year). This was primarily the result of outlays for the acquisition of equipment for restaurants of 2,614 million yen, payment for information system development of 411 million yen and the proceeds from returned rent deposits and guarantees of 932 million yen.

(Cash flows provide by financing activities)

Financial activity during the period resulted in a net inflow of 2,667 million yen (a 67.4% decrease compared to the same period the previous year). This was principally due to proceeds from the issuance of new short-term debt of 7,500 million yen and to repayments of long-term debt of 1,250 million yen and payments of cash dividends of 3,582 million yen.

(3) Qualitative information regarding financial forecast for the full year

At this point, there are no changes in the existing consolidated forecast for the fiscal year.

We are aiming to bring about continuous growth by providing QSC+V (Quality, Service, Cleanliness and Value) through our new strategy of the Invisible Menu that started this April.