Semi-annual Results Report for the December 2006 Term (Consolidated)

August 2, 2006

McDonald's Holdings Company (Japan),Ltd.

Company code number:	2702（URL http://www.mcd-holdings.co.jp/）
Shares traded:	JASDAQ
Location of headquarters:	Tokyo
Executive position of legal representative	Eikoh Harada Chairman and President, Representative Director
Please address all communications to:	Yuko Omiya Board of Director Phone:(03)6911-6061
Date of Board of Directors' meeting for approval of financial results:	August 2, 2006
The name of parent company:	McDonald's Corporation and other two companies
% of voting rights held:	49.99%
Adoption of U.S. accounting standards:	None

1. Consolidated operating results (From January 1, 2006 to June 30, 2006)

(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)	%
June 30,2006	170,598	8.2	1,634	651.3	1,232	—
June 30,2005	157,627	5.3	217	(91.8)	(33)	—
December 31,2005	325,655		3,210		2,859	

	Net income		Net income per share		Net income per share, fully diluted
	(Millions of yen)	%	(Yen)		(Yen)
June 30,2006	(545)	—	(4)	(10)	—
June 30,2005	(701)	—	(5)	(28)	—
December 31,2005	60		0	46	—

(Notes)

(1) Followings are the items listed in extraordinary losses.

	June 30, 2006	June 30, 2005	December 31, 2005	
Loss on disposal of fixed assets	58	39	410	(Millions of yen)
Impairment loss	2,086	-	-	
Loss on introduction of new working hours administration	-	1,403	2,604	
Total	2,145	1,442	3,014	

(2) Gains or (losses) on investments through equity method accounting:
June 2006 interim term: 19 million yen
June 2005 interim term: 10 million yen December 2005 term: 7 million yen

(3) Average number of outstanding shares during term (consolidated):
June 2006 interim term: 132,959,852 shares
June 2005 interim term: 132,959,852 shares December 2005 term: 132,959,852 shares

(4) Changes in accounting methods: None

(5) 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	Net assets	Total equity ratio	Net assts per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
June 30,2006	181,173	128,197	70.8	964 18
June 30,2005	183,480	134,979	73.6	1,015 19
December 31,2005	190,370	135,905	71.4	1,022 15

(Notes)
Number of outstanding shares at the end of term:
June 2006 interim term: 132,959,852 shares
June 2005 interim term: 132,959,852 shares December 2005 term: 132,959,852 shares

(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)
June 30,2006	3,248	(5,363)	(1,378)	7,762
June 30,2005	3,867	(2,627)	(2,629)	6,966
December 31,2005	15,304	(5,783)	(6,657)	11,251

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 2
Nonconsolidated subsidiary accounted for under equity method: -
Affiliated companies accounted for under equity method: 2

(5) Changes in scope of consolidation and in application of the equity method

Consolidation (new): - (elimination): -
Equity method (new): - (elimination): -

2. Consolidated forecasts for December 2006 term

(From January 1, 2006 to December 31, 2006)

	Sales revenues	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Annual period	343,000 - 355,000	3,500 - 6,000	1,000 - 2,500

(N.b.) Estimated earnings per share (annual): 7.52 - 18.80 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.

1. Group Organization

(1) Description of the Group's Business

(Business of McDonald's Holdings Company (JAPAN), Ltd.)
McDonald's Holdings Company (Japan), Ltd. ("the Company") acts as the shareholding company for McDonald's Company (Japan), Ltd. and EveryD Mc, Inc. The Company is responsible for the formulation and execution of consolidated management strategies covering the entire group, and also manages real estate businesses.

(Business of Our Affiliated Companies)
McDonald's Company (Japan), Ltd. ("McDonald's Japan") directly operates hamburger restaurants and develops restaurants through franchisees. McDonald's Japan pays royalties to McDonald's Corporation (U.S.) for the use of its licenses. McDonald's Japan also receives royalty payments from franchisees operating franchised stores in Japan, in exchange for providing operating know-how and the granting of sub-licenses for the use of trademarks.

EveryD Mc, Inc., a wholly-owned subsidiary of the Company, is to offer various services to McDonald's Japan's restaurants and customers.

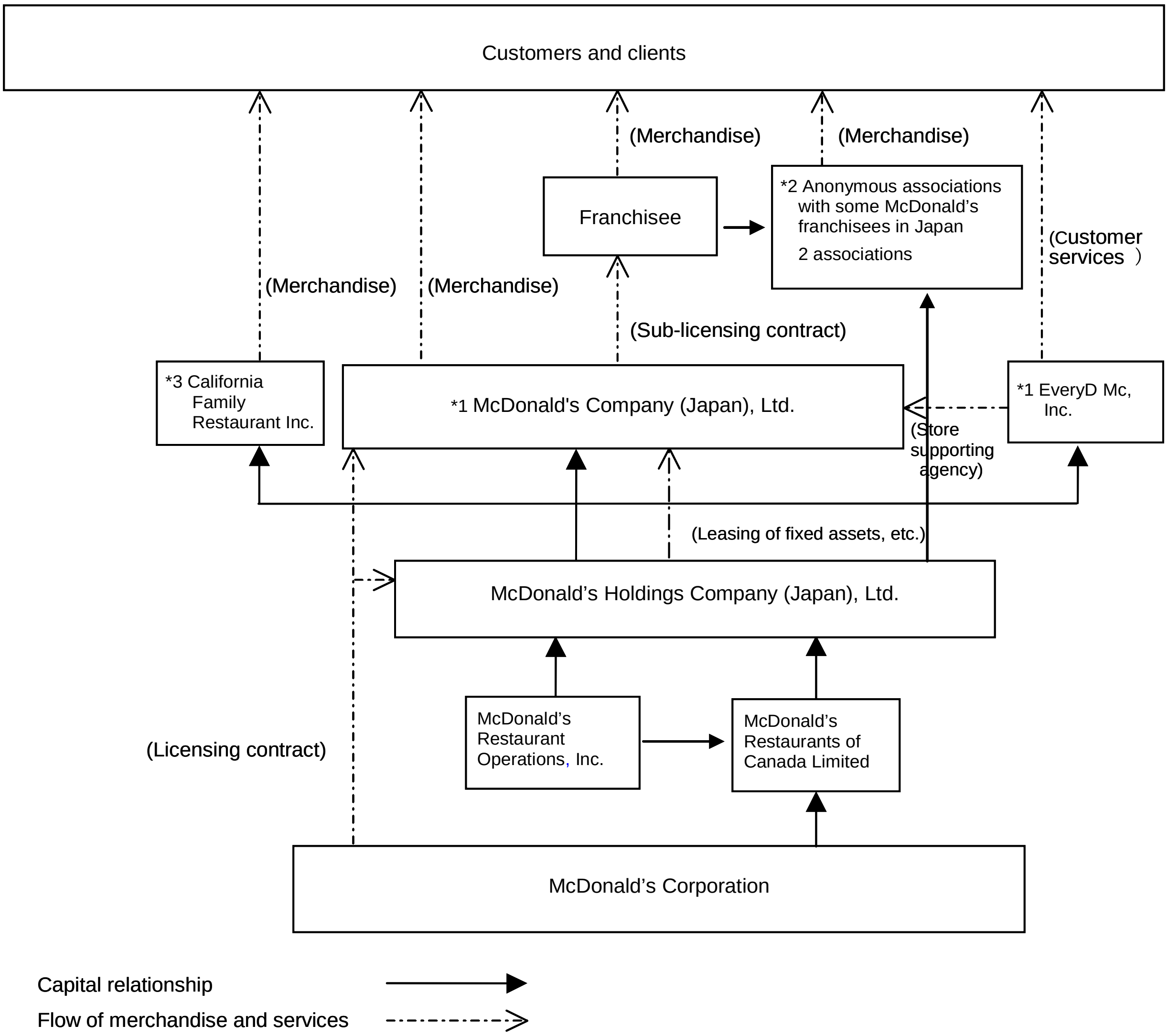
California Family Restaurants, Inc. was established as a 100% subsidiary of the Company for the purpose of providing information to the Company and McDonald's Japan based on information collected in the U.S. restaurant market. As part of those information-gathering activities, this subsidiary operates one hamburger restaurant in the U.S.

In addition, our Company and some of McDonald's Japan's franchisees have jointly formed two anonymous associations (with the Company holding 50% of the capitalization as of June 30, 2006) for the operation of hamburger restaurants through these associations.

Capital and business relationships between the Company and these affiliates are summarized in the diagram below:

〔Group Relationship Diagram〕

The business relationships described above for June 30, 2005 are shown in diagram form below.



*1 Consolidated subsidiary

*2 Affiliates accounted for by the equity method

*3 Nonconsolidated subsidiary, equity method not applied

(2) Changes in subsidiaries and affiliates

There were no significant changes in subsidiaries and affiliates during the interim term under review.

2. Management Policy

(1) Fundamental Management Policy

The fundamental management policy of the Company focuses on bringing about long-term, steady growth of our group companies by leveraging the assets cultivated by our hamburger business and by increasing our corporate value through the implementation of an efficient and proactive management strategy.

(2) Fundamental Policy with Regard to Distribution of Profits

Taking into consideration the overall balance between our business results, dividend payout ratios, and cash flows, the Company strives to return profits based on the continuous payment of a stable dividend, while maintaining what are considered to be appropriate levels for financial indicators such as capital ratio and return on equity.

(3) Medium-Term Management Strategy

As the entity that controls our group firms, the Company constantly reviews the group's organizational structure and provides support to our group companies in order to maximize the efficiency of group operations. In the medium-term perspective, the Company will focus its resources on the core business of hamburger restaurants and try to develop new line of business.

(McDonald's Company (Japan), Ltd.)

McDonald's Company (Japan) Ltd. is at present the flagship company of the group. Its mission is to offer the best quick service restaurant experience in the industry and is committed to better satisfy its customers. It has focused on developing a long-term strategy, reorganizing its structure and assets as well as on enhancing operational excellence at its existing restaurants.

(EveryD Mc, Inc.)

EveryD Mc, Inc. strives to maximize McDonald's group profit and find new business style with the cooperation of McDonald's Japan, main client for the company. It also promotes improvement in current business efficiency and reinforces its business base.

(4) Issues Facing the Company

The Company plans to continue focusing management resources on its principal hamburger restaurant business and try to develop new line of business. It strives to rebuild the McDonald's brand by offering the best QSC&V (assured quality, quick and pleasant services, clean and comfortable environment, and added values) and with brand strategies under the "i'm lovin' it" theme. While it managed to win support from more customers through the Value Strategy, the Company will make further efforts to build sales and profits by executing measures faster and better.

In addition the Company will promote CSR activities such as charities supporting children's healthy growth and balanced lifestyles through its support of sport events and food education and reinforce its corporate value and management foundation.

（5）Improvement and Situation of Internal Controls

In our Company, job responsibilities and their respective departments are clearly defined, each department has appropriate, functioning and well-developed work flows in place, and important business information is appropriately reported to and discussed by the board of directors.

The Company established the Internal Auditing Department, advanced form of prior Audit Office, under the direct supervision of CEO. Our Internal Auditing Department validates the propriety and effectiveness of our internal controls on a regular basis and reports validation results to management with recommendations on how to address and solve problems as necessary. We also have a system to ensure important information regarding our consolidated subsidiaries, such as financial situations and business results, are reported to us quickly and accurately.

We feel that with more reported violation of corporate governance by some corporations lately, the Company has to put the level of its corporate governance a notch higher. For this reason the Company has established a Compliance Committee, headed by the director of legal and general affairs, reflecting our commitment to more stringent corporate ethics and better practice in risk management. This Committee generally meets every quarter, but meets whenever needed. We have also developed a code of conduct called the Compliance Program to eliminate any possible violation in this area. In addition, we have established a Compliance Hotline where not only executives and employees of the Company but also part-timers, suppliers, those related to the Group and their families can call and receive counsel.

3. Operating Results and Financial Position

(1) Operating Results

(Operating results of the McDonald’s group)

We acknowledge that, although Japanese economy showed some signs of recovery such as end of the BOJ's zero-rate policy and the small sign of recovery in the eating out industry, the business environment has been severe due to substantial unstable elements such as oil price rises.

The Group continues to concentrate its management resources on its principal hamburger business. Consolidated sales for semiannual term increased by 170,598 million yen , up 12,971 million yen year on year. Consolidated ordinary income was 1,232 million yen, up 1,266 million yen year on year. As a result of putting 2,145 million yen, adoption of asset-impairment accounting rules, under extraordinary loss, consolidated net loss before taxes became 746 million yen and consolidated net loss 545 million yen, up 440 million and 156 million yen from a year earlier, respectively.

Overview of hamburger restaurant operations

From last year, McDonald’s Japan put a special focus on “Value,” “Service,” and “Family,” which are the areas of traditional strength of McDonald’s Japan. In addition to this strategy, we are promoting "strategic product development", "strategic restaurant development", "enhancement of restaurant operations", and "more economical and efficient business development" in this fiscal year.

We undertook following activities in the first half of 2006:

In May, we revised part of our menu prices based on our substantial consumer testing.
As to the new product development started last year, “Salad Mac” was introduced to all of the restaurants in May. “Salad Mac” helped to increase the average check while keeping the customer count high arose from Value Strategy started last year.
The Company will introduce these new product one after another in this fiscal year.

We challenged to extend store operation hours, and it gradually shows some progress. The number of 24 hour opened stores is about 220 as of the end of this term and we verifies the progress continuously.

The above business activities resulted in an increase in sales of existing restaurants by 4.4% compared to the same period of the previous year as well as an increase in guest counts of existing restaurants by 3.0% and an increase in average check by 1.4%.

In this term, 173 restaurants went through a remodel, 33 new restaurants opened, and 25 stores were closed. As of the end of this term, the total number of restaurants is 3,810, up 8 from 3,802 at the end of the previous fiscal year.

(Other businesses)

EveryD Mc Inc., a subsidiary of the Company, provides support to McDonald’s restaurants and their customers. As a result of its activity, the company reported 581 million yen in sales and 22 million yen in ordinary income.

The Company has formed two 50-50 anonymous associations with franchisees of McDonald’s Japan, which manage hamburger restaurants. These associations are treated as equity-method affiliates.

(Operating results of the Company)

As a holding company, the Company’s main business is investment in subsidiaries and real estate rental. Its principal revenue source is rental income that it receives from its consolidated subsidiary McDonald’s Japan. Our business for the term shows the following numbers: Sales of 26,185 million yen, and ordinary income of 815 million yen. As a result of reporting 79 million yen in compensation for restaurant relocation as extraordinary gain, and 222 million yen in loss on revision of earnings from previous term and 30 million yen in loss on retirement of fixed assets as extraordinary loss, net income before taxes marked 642 million yen and net income is 398 million yen

(2) Financial Condition

(Cash Flow Summary)

Cash flows for the first half are as follows:

Cash and cash equivalents (hereinafter, "cash") as of the end of the first half totaled 7,762 million yen, up 795 million yen year on year.

(Net cash provided by operating activities)

Operating activities during the period resulted in a net cash increase of 3,248 million yen (decrease of 619 million yen from the same period in the previous year). The main cause for the decrease is a decrease of 3,913 million yen due to "increase (decrease) in other current liabilities" arising from payment of loss on introduction of new working hours. On the other hand, the main cause for the increase is the decrease in net loss before taxes (decrease of 440 million yen compared to previous term) and and impairment loss of 2,086 million yen.

(Net cash used in investing activities)

Investment activities during the period resulted in a net use of cash of 5,363 million yen (decrease of 2,735 million yen from the same period in the previous year). This was primarily caused by the increase of outlays for the acquisition of equipment for newly opened and remodeled stores.

(Net cash used in financing activities)

Financing activities during the period resulted in a net use of cash of 1,378 million yen (decrease of 1,251 million yen from the same period in the previous year). The main cause for this is the full payment of long-term debt in last year term whears there was no payment of long-term debt in this year's term.

Trends in cash flow-related indices for the corporate group are shown below.

	June 30, 2005		December 31, 2005		June 30, 2006	
Equity ratio	73.6	%	71.4	%	70.8	%
Equity ratio based on market prices	163.4	%	133.3	%	134.2	%
Years required to redeem liabilities	2.1	years	0.3	years	2.0	years
Interest-coverage ratio	752.4	times	1,638.1	times	1,216.2	times

Equity ratio based on market prices: Market capitalization / total assets

Years required to redeem liabilities: Interest-bearing liabilities / operating cash flow

Interest-coverage ratio: Operating cash flow / interest payments

* Each of the foregoing ratios is calculated on the basis of consolidated financial data.

* Interest-bearing debt refers to all liabilities on the consolidated balance sheet on which interest is paid.

* Operating cash flow and debt-service payments are calculated using the respective figures for cash flow from operating activities and interest expenses, as listed on the consolidated statement of cash flows.

(3) Operational and Other Risks

The Company’s operating results and financial position are subject to the following risks.
References in this document relating to the remainder of this fiscal year are the estimates made on June 30, 2006.

(Restaurants’ reliance on rented property)

The Company’s headquarters, offices and more than 95% of its restaurants are leased properties. The lease term can be extended upon agreement between the Company and the lessor.

The Company pays a deposit to the lessor of which the security deposit (shikikin) is returned in full at the end of the contract, and the security money (hoshoukin) [“cooperative construction deposit” (kensetsukyouryokukin)] is returned as separate sums over several years up to a maximum 20 years. The current balance of security deposit and security money is 68,441 million yen. There is a risk that the whole or part of this may become uncollectible due to bankruptcy or other problems of the lessor.

Furthermore, contracts may be terminated prematurely due to the lessor’s circumstances, making the closure of some restaurants unavoidable even where they are profitable.

(Fluctuations in the price of ingredients)

The cost of the ingredients of McDonald’s Japan’s products, such as beef and potatoes, is subject to international commodity market conditions. Such fluctuations could affect the Group’s operating results.

(Currency risk)

Since most of the ingredients in food served at McDonald’s Japan are imported, foreign exchange rates affect their costs. McDonald’s Japan makes every effort to avoid currency risk by having favorable exchange contracts with import agencies. However, there is no guarantee that we will be able to execute the optimum deal at all times. We may see the cost of sales rise, should the yen fall sharply beyond the scope of the contracts' coverage. This could affect the Group’s operating results.

(Risks associated with weather and natural disasters)

There is a risk from natural disasters such as typhoons and earthquakes, especially where there is a high concentration of restaurants, as in Tokyo. This would also have a bearing on the Group’s finance and operating results.

(Legal regulations)

McDonald’s Japan’s directly operated and franchise restaurants are licensed by the authorities to operate in restaurant, pastry production and dairy product sales businesses and must comply with the provisions of the food hygiene law. It is also bound by many kinds of conservation ordinances designed to protect the environment, such as the Containers and Packaging Recycling Law. Should these restrictions be strengthened, our costs would increase, which in turn could affect the Group’s operating results.

(Food safety control of the Company)

McDonald's Japan recognizes the importance of food safety in the restaurant industry. In going beyond the statutory food hygiene requirements, it carries out periodic independent inspections based on the HACCP technique (Hazard Analysis Critical Control Point: see note below). The appointment of Food Hygiene Inspectors, extermination of insect pests, strict enforcement of hand washing and the cleanliness of uniforms for employees, among others, enable us to provide safe products for our customers. We are planning to implement measures, which would, if any mishap should occur, provide prompt medical support and contain damage. We have also taken out indemnity insurance for such a possibility.

However, it is in the nature of the food and drink business that there is always the possibility of food poisoning or other health problems. These are the (unavoidable) risk elements that could affect the Group's operating results.

(Note) An inspection process developed by NASA whereby each stage of the food manufacturing process is checked for microbial contamination to ensure food safety.

(General food safety crisis)

The company's business may be affected by general hygiene problems such as BSE and avian influenza. In such a case, the Group's sales will decline and additional investment will be required for improving safety procedures and upgrading facilities as well as running safety campaigns.

(Competition)

McDonald's Japan is competing not only with other burger-based fast food chains, but also with convenience stores and so-called "nakashoku" (takeaway) businesses. McDonald's Japan defines itself as a player in the IEO (Informal Eating Out) market; that is the market comprising of restaurant businesses excluding pubs, bars and canteens. We analyze our business within the framework of this market. Any intensification of competition within the IEO market could affect the Group's operating results.

(Personal data protection)

McDonald's Japan and EveryD Mc, Inc. manage customers' personal data in strict accordance with the Personal Data Protection Law. Any leak, should it occur, would cause great damage to our customers and would put our credibility at risk.

(4) Full-year forecast

The Company will accelerate the implementation and improve the quality of the Value Strategy during the second half in order to focus on the hamburger business and turn the business toward sustainable growth. In addition, the Company will embark on a new business plan.

Our consolidated sales target for the year is 343,000 ～ 355,000 million yen, the ordinary income 3,500 ～ 6,000 million yen and the net income 1,000 ～ 2,500 million yen.

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

(Millions of yen)

		As of June 30, 2005		**As of June 30, 2006**		As of December 31, 2005	
(Assets)			%		%		%
Ⅰ Current assets							
1. Cash and deposits		6,966		7,762		11,251	
2. Accounts receivable - trade		5,857		6,425		8,403	
3. Securities	*3	216		200		416	
4. Inventories		2,644		2,788		2,858	
5. Deferred tax assets		1,427		835		1,148	
6. Others		5,014		4,982		4,567	
7. Allowance for doubtful accounts		(60)		(85)		(80)	
Total current assets		22,065	12.0	22,908	12.6	28,564	15.0
Ⅱ Fixed assets							
1. Tangible fixed assets	*1・5						
(1) Buildings and structures		37,553		38,312		38,940	
(2) Machinery		8,909		7,809		8,589	
(3) Tools, appliances and fixtures		4,797		5,884		4,597	
(4) Land		16,820		16,950		16,820	
(5) Construction in progress		218		287		61	
Total tangible fixed assets		68,299	37.2	69,243	38.2	69,009	36.3
2. Intangible fixed assets							
Total intangible fixed assets		4,883	2.7	5,209	2.9	5,321	2.8
3. Investments and other assets							
(1) Investments in securities	*3	6,835		5,661		6,908	
(2) Long-term loans receivable		90		52		68	
(3) Deferred tax assets		4,008		4,681		3,615	
(4) Deferred tax assets due to revaluation of land		1,925		−		1,925	
(5) Rent deposits and guarantees		70,861		68,441		69,898	
(6) Others	*3	5,628		6,085		6,131	
(7) Allowance for doubtful accounts		(1,118)		(1,110)		(1,074)	
Total investments and other assets		88,231	48.1	83,812	46.3	87,474	45.9
Total fixed assets		161,415	88.0	158,265	87.4	161,805	85.0
Total assets		183,480	100.0	181,173	100.0	190,370	100.0

(Millions of yen)

		As of June 30, 2005		As of June 30, 2006		As of December 31, 2005	
(Liabilities)			%		%		%
Ⅰ Current liabilities							
1. Notes and accounts payable	*4	14,193		16,035		16,953	
2. Short-term loans payable		7,500		6,000		3,500	
3. Accounts payable - other		11,522		10,799		14,760	
4. Accrued income taxes payable		104		101		185	
5. Allowance for employee bonuses		875		1,251		1,143	
6. Others	*3・4	11,576		15,054		14,898	
Total current liabilities		45,772	24.9	49,243	27.1	51,441	27.0
Ⅱ Long-term liabilities							
1. Long-term loans payable		500		500		500	
2. Employees' retirement benefits		1,013		1,475		1,347	
3. Reserve for directors' retirement allowances		36		63		50	
4. Deposit received for guarantees		1,178		1,101		1,126	
5. Deferred tax liabilities due to revaluation of land		–		508		–	
6. Others		–		85		–	
Total long-term liabilities		2,728	1.5	3,733	2.1	3,023	1.6
Total liabilities		48,500	26.4	52,976	29.2	54,464	28.6
(Total equity)							
Ⅰ Shareholders' Equity							
Ⅰ Common stock		24,113	13.1	–	–	24,113	12.7
Ⅱ Additional paid-in capital		42,124	23.0	–	–	42,124	22.1
Ⅲ Retained earnings		68,070	37.1	–	–	68,832	36.2
Ⅳ Revaluation account for land		(2,806)	(1.5)	–	–	(2,806)	(1.5)
Ⅴ Unrealized gain on other securities		3,478	1.9	–	–	3,641	1.9
Ⅵ Treasury stock		(0)	(0.0)	–	–	(0)	(0.0)
Total shareholders' equity		134,979	73.6	–	–	135,905	71.4
Total liabilities and shareholders' equity		183,480	100.0	–	–	190,370	100.0
(Net assets)							
Ⅰ Shareholders' Equity							
1. Common stock		–	–	24,113	13.3	–	–
2. Additional paid-in capital		–	–	42,124	23.3	–	–
3. Retained earnings		–	–	64,298	35.5	–	–
4. Treasury stock		–	–	(0)	(0.0)	–	–
Total Shareholders' equity		–	–	130,536	72.1	–	–
Ⅱ Revaluation & Exchange difference		–	–			–	–
1. Unrealized gain on other securities		–	–	2,901	1.6	–	–
2. Revaluation account for land		–	–	(5,240)	(2.9)	–	–
Total revaluation & exchange difference		–	–	(2,339)	1.6	–	–
Total equity		–	–	128,197	70.8	–	–
Total liabilities and shareholders' equity		–	–	181,173	100.0	–	–

(2). Consolidated interim statement of income

(Millions of yen)

		Six months ended June 30 2005		**Six months ended June 30 2006**		Year ended December 31 2005	
			%		%		%
Ⅰ **Sales revenues**		157,627	100.0	170,598	100.0	325,655	100.0
Ⅱ **Cost of sales revenues**		139,948	88.8	150,811	88.4	288,362	88.5
Gross profit on sales		17,678	11.2	19,787	11.6	37,292	11.5
Ⅲ **Selling, general and administrative expenses**	*1	17,461	11.1	18,152	10.6	34,082	10.5
Operating income		217	0.1	1,634	1.0	3,210	1.0
Ⅳ **Non-operating income**							
1. Interest income		36		39		72	
2. Dividend income		109		107		109	
3. Equity in earnings of affiliated companies		10		19		7	
4. Compensation for interruption of business at stores		48		104		123	
5. Revenue from unredeemed gift certificates		135		58		270	
6. Insurance proceeds		82		40		182	
7. Others		326		283		631	
		748	0.5	654	0.3	1,398	0.4
Ⅴ **Non-operating expenses**							
1. Interest expenses		11		6		19	
2. Provision for allowance for doubtful accounts		−		69		−	
3. Loss on disposal of fixed assets at stores		959		922		1,626	
4. Others		29		57		102	
		999	0.6	1,056	0.6	1,748	0.5
Ordinary income (loss)		(33)	(0.0)	1,232	0.7	2,859	0.9

(Millions of yen)

		Six months ended June 30 2005		**Six months ended June 30 2006**		Year ended December 31 2005	
			%		%		%
Ⅵ Extraordinary gains							
1. Gain on reversal of allowance for doubtful accounts		57		−		60	
2. Compensation for relocation of stores		232		166		238	
		289	0.2	166	0.1	298	0.1
Ⅶ Extraordinary losses							
1. Loss on disposal of fixed assets	*2	39		58		410	
2. Loss on introduction of new working hours administration	*3	1,403		−		2,604	
3. Impairment loss	*4	−		2,086		−	
		1,442	0.9	2,145	1.2	3,014	1.0
Net income (loss) before taxes		(1,186)	(0.7)	(746)	(0.4)	143	0.0
Corporate, inhabitant and enterprises taxes		40		44		87	
Deferred taxes		(525)		(244)		(4)	
		(485)	(0.3)	(200)	(0.1)	82	0.0
Net income (loss)		(701)	(0.4)	(545)	(0.3)	60	0.0

(3). Consolidated appropriation of retained earnings

(Millions of yen)

		Six months ended June 30 2005	Year ended December 31 2005
Ⅰ Capital reserves			
Capital reserves, beginning of term		42,124	42,124
Capital reserves, end of term		42,124	42,124
Ⅱ Retained earnings			
Retained earnings, beginnings of term		72,760	72,760
Increase in retained earnings			
Net income		−	60
Reduction in retained earnings			
Dividends		(3,988)	(3,988)
Net loss		(701)	−
Retained earnings, end of term		68,070	68,832

(3). Consolidated Statements of Shareholders' Equity

(Millions of yen)

Six months ended June 30, 2006	Shareholders' equity				
	Common Stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance at December 31, 2005	24,113	42,124	68,832	(0)	135,070
Cash dividends, 30 yen per share	—	—	(3,988)	—	(3,988)
Net loss	—	—	(545)	—	(545)
Chages in items except shareholders' equity	—	—	—	—	—
Total chage in the term	—	—	(4,534)	—	(4,534)
Balance at June 30, 2006	24,113	42,124	64,298	(0)	130,536

(Millions of yen)

Six months ended June 30, 2006	Revaluation & Exchange difference			Grand total
	Unrealized gain on other securities	Revaluation account for land	Total	
Balance at December 31, 2005	3,641	(2,806)	834	135,905
Cash dividends, 30 yen per share	—	—	—	(3,988)
Net loss	—	—	—	(545)
Chages in items except shareholders' equity	(739)	(2,433)	(3,173)	(3,173)
Total chage in the term	(739)	(2,433)	(3,173)	(7,708)
Balance at June 30, 2006	2,901	(5,240)	(2,339)	128,197

(4). Consolidated interim statement of cash flow

(Millions of yen)

		Six months ended June 30 2005	**Six months ended June 30 2006**	Year ended December 31 2005
Ⅰ **Net cash (used in)/provided by operating activities**				
Net income(loss) before taxes		(1,186)	(746)	143
Depreciation and amortization		4,319	4,342	8,742
Loss on impairment		—	2,086	—
Increase (decrease) in allowances		(684)	326	(70)
Gain on unredeemed gift certificates in current		(135)	(58)	(270)
Interest and dividend income		(146)	(147)	(182)
Interest expenses		11	6	19
Equity in losses (earnings) of affiliated companies		(10)	(19)	(7)
Loss on disposal of fixed assets		802	658	1,648
Decrease (increase) in accounts receivable - trade		1,901	1,977	(640)
Decrease (increase) in inventories		76	69	(136)
Decrease (increase) in goodwill from acquisition of franchise stores		(117)	(19)	(263)
Decrease (increase) in other assets		713	18	688
Increase (decrease) in accounts payable		(809)	(1,084)	1,219
Increase (decrease) in notes payable		(1,122)	167	(391)
Increase (decrease) in accrued expenses payable		273	(269)	1,514
Increase (decrease) in other current liabilities		(62)	(3,975)	3,304
Others		22	5	10
Subtotal		3,846	3,339	15,326
Proceeds from interest and dividend income		133	111	138
Payment of interest expenses		(5)	(2)	(9)
Payment of income tax		(107)	(200)	(150)
Total		3,867	3,248	15,304

(Millions of yen)

			Six months ended June 30 2005	**Six months ended June 30 2006**	Year ended December 31 2005
Ⅱ	**Net cash (used in)/provided by investing activities**				
	Payments for purchase of restaurant equipment		(3,737)	(6,121)	(7,255)
	Proceeds from sales of restaurant equipment		466	315	725
	Income from redemption of investment securities at maturity		—	216	—
	Payments for rent deposits and guarantees		(516)	(810)	(1,761)
	Proceeds from returned rent deposits and guarantees		1,799	2,168	3,853
	Payments for development of information systems		(610)	(829)	(1,315)
	Others		(29)	(299)	(30)
	Total		(2,627)	(5,363)	(5,783)
Ⅲ	**Net cash (used in)/provided by financing activities**				
	Proceeds from net increase in short-term debt		2,500	2,500	(1,500)
	Payments of long-term debt		(1,250)	—	(1,250)
	Payments of dividends		(3,879)	(3,878)	(3,907)
	Total		(2,629)	(1,378)	(6,657)
Ⅳ	**Effect of exchange rate changes on cash and cash equivalents**		0	3	32
Ⅴ	**Increase (decrease) in cash and cash equivalents**		(1,389)	(3,489)	2,895
Ⅵ	**Cash and cash equivalents at beginning of term**		8,355	11,251	8,355
Ⅶ	**Cash and cash equivalents at end of term**	*1	6,966	7,762	11,251

Assumptions underlying preparation of Consolidated interim financial statements

Item	June 30, 2005	June 30, 2006	December 31, 2005
1. Item relating to scope of consolidation	(1) Number of consolidated subsidiaries: 2 Name of consolidated subsidiaries: McDonald's Company (Japan), Ltd EveryD Mc, Inc. (2) Number of non-consolidated subsidiary: 1 Name of non-consolidated subsidiary: California Family Restaurants, Inc. (Reason for exclusion from consolidation) This non-consolidated subsidiary is small in scale, and its effect on consolidated financial statements in terms of total assets, sales, net income for the term, and retained earnings is not significant.	(1) Number of consolidated subsidiaries: 2 Name of consolidated subsidiaries: Same as June 30, 2005 (2) Number of non-consolidated subsidiary: 1 Name of non-consolidated subsidiary: Same as June 30, 2005 (Reason for exclusion from consolidation) Same as June 30, 2005	(1) Number of consolidated subsidiaries: 2 Name of consolidated subsidiaries: Same as June 30, 2006 (2) Number of non-consolidated subsidiary: 1 Name of non-consolidated subsidiary: Same as June 30, 2006 (Reason for exclusion from consolidation) Same as June 30, 2006
2. Item relating to application of the equity method	(1) Number of affiliate accounted for by the equity method: 2 Anonymous associations: 2 (2) The Company did not apply the equity method to its non-consolidated subsidiary (California Family Restaurants, Inc.) because of its minimal impact on consolidated net income and consolidated retained earnings and its lack of materiality.	(1) Number of affiliate accounted for by the equity method: 2 Anonymous associations: 2 (2) The Company did not apply the equity method to its non-consolidated subsidiary. Same as June 30, 2005	(1) Number of affiliate accounted for by the equity method: 2 Anonymous associations: 2 (2) The Company did not apply the equity method to its non-consolidated subsidiary. Same as June 30, 2006
3. Item relating to the fiscal years etc. of consolidated	All consolidated subsidiaries end their balance dates on the same day as the date of closing of consolidated accounts.	Same as June 30, 2005	Same as June 30, 2006

Item	June 30, 2005	June 30, 2006	December 31, 2005
4. Items related to accounting standards (1) Standards and methods of valuation for assets	(1) Marketable and investment securities Bonds held to maturity: cost amortization method Other securities: Quoted securities: market price method based on closing prices on the date of the closing of accounts (all differences are credited or debited directly to the shareholders' equity account; sales prices are calculated on the basis of average cost) Unquoted securities: valued at cost using the periodic average method (2) Inventories: Food materials and supplies: valued at cost, computed on a periodic average basis	(1) Marketable and investment securities Bonds held to maturity: Same as June 30, 2005 Other securities: Quoted securities: Same as June 30, 2005 Unquoted securities: Same as June 30, 2005 (2) Inventories: Same as June 30, 2005	(1) Marketable and investment securities Bonds held to maturity: Same as June 30, 2006 Other securities: Quoted securities: Same as June 30, 2006 Unquoted securities: Same as June 30, 2006 (2) Inventories: Same as June 30, 2006
(2) Major depreciable assets and methods of depreciation	(1) Tangible fixed assets: straight-line method Years of useful life for principal assets: Buildings and structures: 2 - 50 years Machinery and transportation equipment: 2 - 15 years Tools, appliances and fixtures: 2 - 20 years (2) Intangible fixed assets: straight-line method For software used internally, the straight-line method is applied based on the period of expected use by the Company (5 years). (3) Long-term prepaid expenses: straight-method	(1) Tangible fixed assets: Same as June 30, 2005 Years of useful life for principal assets: Same as June 30, 2005 (2) Intangible fixed assets: Same as June 30, 2005 (3) Long-term prepaid expenses: Same as June 30, 2005	(1) Tangible fixed assets: Same as June 30, 2006 Years of useful life for principal assets: Same as June 30, 2006 (2) Intangible fixed assets: Same as June 30, 2006 (3) Long-term prepaid expenses: Same as June 30, 2006

Item	June 30, 2005	June 30, 2006	December 31, 2005
(3) Standards for important allowances	(1) Allowance for doubtful accounts To provide for potential losses from doubtful accounts, the company recognizes an amount calculated on the basis of a statutory deduction ratio for general accounts receivable plus an amount for specific accounts for which collection appears doubtful.	(1) Allowance for doubtful accounts Same as June 30, 2005	(1) Allowance for doubtful accounts Same as June 30, 2006
	(2) Allowance for bonuses In order to prepare for the payment of bonuses to employees, an allowance is made for the estimated amount to be paid during the interim period.	(2) Allowance for bonuses Same as June 30, 2005	(2) Allowance for bonuses In order to prepare for the payment of bonuses to employees, an allowance is made for the estimated amount to be paid during the period.
	(3) Employees' retirement benefits To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefit liabilities and estimated pension assets as of the end of the interim fiscal year to June 2005. Differences arising in the course of mathematical calculations are proportionally divided using the straight-line method over a fixed number of years not exceeding the average number of remaining years of service of employees in each term (13), and are treated as expenses from the year following the year in which they occur.	(3) Employees' retirement benefits To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefit liabilities and estimated pension assets as of the end of the interim fiscal year to June 2006. Differences arising in the course of mathematical calculations are proportionally divided using the straight-line method over a fixed number of years not exceeding the average number of remaining years of service of employees in each term (8), and are treated as expenses from the year following the year in which they occur.	(3) Employees' retirement benefits To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefit liabilities and estimated pension assets as of the end of the fiscal year to December 2005. Differences arising in the course of mathematical calculations are proportionally divided using the straight-line method over a fixed number of years not exceeding the average number of remaining years of service of employees in each term (13), and are treated as expenses from the year following the year in which they occur. (Additional information) Previously, differences arising in the course of mathematical calculations were proportionally divided by 13 year which is the average number of employees service period. The Company changed the period from 13 to 8 years since average number of employees service period became below 13 years. Due to this change, cost of sales increased 185 million yen, selling, general and administrative expenses increased 145 million yen. As a result, operating income, ordinary income, and net income before taxes decreased by 330 million yen compared to previous accounting treatment.

Item	June 30, 2005	June 30, 2006	December 31, 2005
	(4) Reserve for directors retirement allowances Recognition of full amount of liability at interim term end based on employment regulations.	(4) Reserve for directors retirement allowances Same as June 30, 2005	(4) Reserve for directors retirement allowances Recognition of full amount of liability at term end based on employment regulations.
(4) Accounting for significant lease transactions	Financing leases, which exclude leased assets for which title is recognized as being conveyed to lessees, are treated as ordinary rental transactions.	Same as June 30, 2005	Same as June 30, 2006
(5) Other significant items associated with the preparation of interim financial statements	Accounting for consumption taxes Amounts shown are exclusive of consumption taxes	Accounting for consumption taxes Same as June 30, 2005	Accounting for consumption taxes Same as June 30, 2006
5. Scope of funds in the statement of cash flow	"Funds" (cash and cash equivalents) in the context of the consolidated cash flow statement comprise cash on hand, freely withdrawable deposits, and short-term investments maturing in less than three months from the date of their acquisition, which must also be easily converted to cash and subject to minimal risk of price fluctuations.	Same as June 30, 2005	Same as June 30, 2006

Changes in assumptions underlying preparation of Consolidated interim financial statements

June 30, 2005	June 30, 2006	December 31, 2005
—	(Accounting Standard for Impairment of Fixed Assets) Accounting Standard for Impairment of Fixed Assets ("Opinion concerning establishment of Accounting Standard for Impairment of Fixed assets" by the Business Accounting Deliberation Council on August 9, 2002) and "Guidance for the application of Accounting Standard for Impairment of Fixed assets" (The 6th Application Principle of the Accounting Standards on October 31, 2003) have been adopted from this term. Operating income increased by 157 million yen, ordinary income increased by 222 million yen, and net loss before taxes decreased by 1,817 million yen, from net income of 1,071 million yen to net loss of 746 million yen. The amounts of accumulated loss on impairment are deducted directly from each applicable assets based on the revised interim financial statement regulations. (Accounting Standard for Net Assets of Balance Sheet) Accounting Standard for Net Assets of Balance Sheet (The 5th Accounting Standards on December 9, 2005) and "Guidance for the application of Accounting Standard for Net Assets of Balance Sheet" (The 8th Application Principle of the Accounting Standards on December 9, 2005) have been adopted from the current term. Total amount of conventional shareholders' equity was 128,197 million yen. Due to corporate law regarding financial statements, Net Assets of Balance Sheet was shown based on the revised regulation.	(Accounting Standard for Retirement Benefits) Partial revision of Accounting Standard for Retirement Benefits (The 3rd Application Principle of the Accounting Standards on March 16, 2005) and "Guidance for the application of Accounting Standard for Retirement Benefits" (The 7th Application Principle of the Accounting Standards on March 16, 2005) can be adopted from fiscal year ending March 31, 2005. Accordingly, the Company adopted the accounting standard and the application principle since the current term. The application of the accounting standard resulted in increase of 300 million yen in operating income, ordinary income, and net income before taxes.

Changes in the method of presentation

June 30, 2005	June 30, 2006
(Consolidated Interim statement of income) "Insurance proceeds" was presented in "others" in the Non-operating income section of consolidated statement of income until last interim period. However, the amount of the account is more than one-tenth of total Non-operating income this interim period. Therefore, the account is designated in the statement. The amount for the last interim period is 22 million yen.	—

Notes

(Consolidated balance sheet - related)

(Millions of yen)

		June 30, 2005	June 30, 2006	December 31, 2006
*1	Aggregate amount of depreciation on fixed assets	75,001	75,020	76,372
*2	Contingent liabilities			
	Obligations under guarantees for loans from financial institutions			
	Toys"R"Us-Japan, Ltd.	3,392	1,216	3,304
	Employees (Housing funds)	20	10	13
*3	Collateral assets and secured liabilities			
	Collateral assets			
	Securities			
	(Guarantees for issuing of McCards)	216	200	416
	Investment securities			
	(Guarantees for issuing of McCards)	450	250	250
	Security money on deposit			
	(Guarantees for issuing of McCards)	610	960	640
	Secured liabilities			
	Prepaid receipts			
	(Prepaid receipts from sales of McCards)	282	321	469
*4	Notes maturing on final day of the fiscal year			
	Notes are settled on the basis of date of clearing. Because the final day of the fiscal year was a banking holiday, however, the following notes maturing on the final day of the fiscal year are included in term-end balances.			
	Notes payable	-	-	1,706
	Notes payable - plant and equipment	-	-	645
*5	Reduction of tangible fixed assets from gains on insurance claims	112	112	112
	Reduction of tangible fixed assets from expropriation	110	110	110

(Consolidated statement of income - related)

(Millions of yen)

		June 30, 2005	June 30, 2006	December 31, 2005
*1	Primary items and amounts included under selling, general and administrative expenses			
(1)	Advertising expenses	4,107	4,047	8,163
(2)	Promotion cost	4,179	3,918	7,147
(3)	Salaries	2,526	2,796	5,196
(4)	Depreciation	734	674	1,433
(5)	Provision of allowance for bonuses	169	607	350
(6)	Employees' retirement benefits	454	316	1,039
(7)	Provision of directors' retirement allowances	34	13	48
(8)	Provision of allowance for doubtful accounts	-	8	-
*2	Breakdown of losses from disposal of fixed assets			
	Buildings and structures	23	15	43
	Machinery	15	12	18
	Tools, appliances and fixtures	0	25	294
	Software	-	4	53
		39	58	410
*3	"Loss on introduction of new working hours administration" in extraordinary losses arose due to the change in the calculation of working hours from nearest 30minutes to unit of one minute for part-time staff and full-time employee's overtime in McDonald's operated restaurants and its office staffs. Breakdown of the loss is stated below.			
	Salary payable in prior years	1,303	-	2,494
	Set up of call center	100	-	110
		1,403	-	2,604
*4	Impairment loss			

Impairment loss was recognized during interim 2006 term as follows:

(Millions of yen)

Segment	Type of assets	Place	Impairment loss
Restaurants	Buildings and structures	Kanto region	1,658
Restaurants	Buildings and structures	Hokkaido, Tohoku region	295
Restaurants	Buildings and structures	Other	132
Total			2,086

Breakdown of impairment loss by assets type are as follows:

	June 30, 2005	June 30, 2006	December 31, 2005
Buildings and structures	-	1,401	-
Machinery	-	316	-
Tools, appliances and fixtures	-	135	-
Lease assets	-	223	-
Others	-	10	-
Total	-	2,086	-

Calculations of impairment losses were conducted by grouping assets and grouping assets are the certain regional area that we monitor its revenue and expense continuously, mainly managerial accouting unit. Group assets that generates operating loss continuously and off-chance to recover their book value are considered to be impaired, and the book value was written down to recoverable level. That write-down was reported as an impairment loss and shown in the extraordinary loss.

The recoverable value of the group assets was calculated by utility value and it was calculated by discounting future cash flow at 5.1% rate.

(Consolidated statement of shareholders' equity)

June 30, 2006

1 Type and number of outstanding shares and treasury stock

	December 31, 2005	Increase	Decrease	June 30, 2006
Outstanding shares				
Common stock	132,960,000	-	-	132,960,000
Total	132,960,000	-	-	132,960,000
Treasury stock				
Common stock	148	-	-	148
Total	148	-	-	148

2 Type and number of warrant.
None

3 Dividend
Amount of dividend paid

Resolution	Type of share	Total amount of dividend (million yen)	Dividend per share (Yen)	Reference date	Effective date
Regular general shareholders meeting held on March 27, 2006.	Common stock	3,988	30	2005/12/31	2006/3/28

(Consolidated statement of cash flows - related)

*1 Balance of cash and cash equivalents agrees with balance of cash and deposit in the balance sheet as of term end.

(Lease related)

1. Financing leases, which exclude leased assets whose titles are recognized as being conveyed to lessees.

Lessee

(1) Equivalent acquisition costs, equivalent accumulated depreciation and equivalent book value at the end of term.

(Millions of yen)

	June 30, 2005	June 30, 2006	December 31, 2006
Buildings and structures			
Acquisition cost	0	2	1
Accumulated depreciation	0	1	0
Accumulated impairment loss	-	-	-
Net leased property	0	1	1
Machinery			
Acquisition cost	9,762	9,061	9,093
Accumulated depreciation	5,090	4,539	4,620
Accumulated impairment loss	-	136	-
Net leased property	4,672	4,385	4,473
Tools, appliances and fixtures			
Acquisition cost	5,399	5,560	5,884
Accumulated depreciation	2,254	2,757	2,680
Accumulated impairment loss	-	62	-
Net leased property	3,145	2,740	3,204
Total			
Acquisition cost	15,162	14,624	14,979
Accumulated depreciation	7,344	7,298	7,301
Accumulated impairment loss	-	198	-
Net leased property	7,818	7,127	7,678

(2) Equivalent amount of unearned lease payments

(Millions of yen)

	June 30, 2005	June 30, 2006	December 31, 2005
Due within one year	2,704	2,459	2,622
Due after one year	5,062	4,646	4,948
Total	7,767	7,105	7,570
Account balance of impairment loss for leased assets	-	198	-

(3) Lease rents, equivalent depreciation and equivalent amount of interest paid

(Millions of yen)

	June 30, 2005	June 30, 2006	December 31, 2005
Lease rents	1,599	1,540	3,213
Equivalent depreciation	1,405	1,339	2,642
Equivalent amount of interest paid	87	79	170
Reversal of impairment loss for lease assets account	-	24	-
Impairment loss for lease assets	-	223	-

(4) Method of calculating equivalent depreciation

The Company uses straight-line depreciation, assuming that lease periods are equal to estimated economic life and that residual values are zero.

(5) Calculation method for equivalent amount of interest

The equivalent amount of interest is the difference between the total amount of lease fees and the equivalent of the acquisition value of the leased property, with the interest method used for the allocation to each term.

2. Operation Leases

(Millions of yen)

	June 30, 2005	June 30, 2006	December 31, 2005
Unexpired leases			
Within one year	337	337	337
More than one year	1,404	1,067	1,235
Total	1,741	1,404	1,572

(Marketable and investment securities)

1. Quoted bonds which are being held to maturity

(Millions of yen)

	June 30, 2005			June 30, 2006			December 31, 2005		
	Book value	Current value	Unrealized gain (loss)	Book value	Current value	Unrealized gain (loss)	Book value	Current value	Unrealized gain (loss)
Government bonds	666	669	2	450	449	(1)	666	667	1
total	666	669	2	450	449	(1)	666	667	1

2. Other quoted securities

(Millions of yen)

	June 30, 2005			June 30, 2006			December 31, 2005		
	Cost of acquisition	Book value	Unrealized gain (loss)	Cost of acquisition	Book value	Unrealized gain (loss)	Book value	Book value	Unrealized gain (loss)
Shares	121	5,986	5,865	120	5,013	4,892	120	6,260	6,140
total	121	5,986	5,865	120	5,013	4,892	120	6,260	6,140

3. Major investment securities without market prices

(Millions of yen)

	June 30, 2005	June 30, 2006	December 31, 2005
Other securities Unlisted stocks (excluding OTC stocks)	56	56	56

(Derivatives)

1. Items related to the status of transactions

June 2005 interim terms

Contract amount, market value, and valuation profit or loss of derivative transactions

Currency-related **(Millions of yen)**

Category and type	Amount of contract etc.	Market value	Unrealized gain (loss)
Exchange contract transactions	14,131	14,792	661

(Notes)

Forward foreign exchange contracts are executed by requesting the banking and importer to conclude a forward foreign exchange contract,at the Company's discretion. The results of forward foreign exchange contracts are reflected in the costs of transactions between the delivery company and the Company or franchisee purchasing ingredients from the importer.

June 2006 interim terms

Contract amount, market value, and valuation profit or loss of derivative transactions

Currency-related **(Millions of yen)**

Category and type	Amount of contract etc.	Market value	Unrealized gain (loss)
Exchange contract transactions	36,160	37,232	1,072

(Notes)

Forward foreign exchange contracts are executed by requesting the banking and importer to conclude a forward foreign exchange contract,at the Company's discretion. The results of forward foreign exchange contracts are reflected in the costs of transactions between the delivery company and the Company or franchisee purchasing ingredients from the importer.

December 2005 terms

Contract amount, market value, and valuation profit or loss of derivative transactions

Currency-related **(Millions of yen)**

Category and type	Amount of contract etc.	Market value	Unrealized gain (loss)
Exchange contract transactions	28,284	29,737	1,453

(Notes)

Forward foreign exchange contracts are executed by requesting the banking and importer to conclude a forward foreign exchange contract,at the Company's discretion. The results of forward foreign exchange contracts are reflected in the costs of transactions between the delivery company and the Company or franchisee purchasing ingredients from the importer.

(Segment information)

Business segment information

During the interim term (January 1 - June 30, 2005) and (January 1 - June 30, 2006) and the previous fiscal year term (January 1 - December 31, 2005), sales and operating income corresponding to hamburger restaurant operations accounted for more than 90% of the group's total sales and operating income for all business segments. Accordingly, business segment information is omitted.

Geographical segment information

During the interim term (January 1 - June 30, 2005) and (January 1 - June 30, 2006) and the previous fiscal year term (January 1 - December 31, 2005), the Company had no consolidated subsidiaries domiciled outside Japan. Accordingly, geographical segment information is omitted.

Overseas sales

During the interim term (January 1 - June 30, 2005) and (January 1 - June 30, 2006) and the previous fiscal year term (January 1 - December 31, 2005), the Company had no sales outside Japan, therefore this section is omitted.

(Per share-related financial information)

(Yen)

June 30, 2005	June 30, 2006	December 31, 2005
Shareholders' equity per share 1,015.19	Shareholders' equity per share 964.18	Shareholders' equity per share 1,022.15
Net income per share 5.28	Net loss per share 4.10	Net income per share 0.46
No amounts for fully diluted earnings per share have been shown because the Company had neither bonds with warrants nor convertible bonds outstanding in the interim term under review.	No amounts for fully diluted earnings per share have been shown because the Company had neither bonds with warrants nor convertible bonds outstanding in the interim term under review.	No amounts for fully diluted earnings per share have been shown because the Company had no latent stock in the form of bonds with attached equity subscription rights outstanding in the year to December 2005.

(Note)

Net income (loss) per share is calculated based on the following information.

(Millions of yen)

	June 30, 2005	June 30, 2006	December 31, 2005
Net income (loss)	(701)	(545)	60
Income (loss) not available to common stockholders	-	-	-
Income (loss) available to common stockholders	(701)	(545)	60
Average number of common shares outstanding (thousands shares)	132,959	132,959	132,959

(Important matters occurring subsequent to reporting period)

None

Sales

McDonald's Company (Japan) Ltd., the Company's consolidated subsidiary derives its revenue from the development of company-operated McDonald's hamburger restaurants and from royalties paid by franchised stores. The Composition of sales, sales of company-operated stores by geographic region, and number of company-operated stores are shown below.

(1) Sales results by division

(Millions of yen)

	June 2006 interim terms		
	Amount	Amount Percentage of total (%)	Growth (%)
Company-operated store sales			
Sandwiches	63,078	37.0	4.8
Desserts	43,976	25.8	28.1
Drinks	36,486	21.4	▲ 3.3
Breakfasts	5,440	3.2	40.5
Breakfast desserts	4,350	2.5	21.3
Others	2,937	1.7	▲ 5.0
Subtotal	156,269	91.6	9.4
Franchise revenue	13,611	8.0	▲ 4.8
Others	717	0.4	33.7
	170,598	100.0	8.2

(Notes)
(1) The above does not include consumption taxes.
(2) The portion of sales from franchised restaurants is not included in the amounts shown as company-operated store sales.
(3) Sales amounts shown under franchise revenue include royalties, rental fees, sales promotion expenses, and proceeds from the sale of stores.
(4) Sandwiches consists of burgers including hamburgers, cheeseburgers, Big Macs, Salad Dishes, Teriyaki Mc Burger, etc.
(5) Other sales are management fees from management services rendered and revenue from advertising, etc.

(2) Company-operated store sales and number of stores by geographic region

(Millions of yen)

	June 2006 interim terms			
	No. of stores	Amount	Amount Percentage of total (%)	Growth (%)
Hokkaido	67	3,083	2.0	4.5
Aomori	15	675	0.4	27.7
Iwate	16	639	0.4	6.5
Miyagi	43	2,324	1.5	9.2
Akita	14	573	0.4	4.7
Yamagata	18	740	0.5	6.3
Fukushima	25	1,132	0.7	16.6
Ibaragi	75	3,752	2.4	6.7
Tochigi	49	2,123	1.4	6.4
Gunma	52	2,151	1.4	10.0
Saitama	147	7,481	4.8	9.9
Chiba	139	7,629	4.9	9.0
Tokyo	402	28,866	18.5	6.2
Kanagawa	246	14,622	9.4	8.4
Niigata	30	1,317	0.8	20.7
Toyama	23	1,076	0.7	8.3
Ishikawa	18	859	0.5	6.7
Fukui	15	757	0.5	17.2
Yamanashi	26	1,159	0.7	11.5
Nagano	53	2,032	1.3	10.3
Gifu	49	2,312	1.5	8.7
Shizuoka	81	3,810	2.4	26.2
Aichi	213	10,543	6.6	11.2
Mie	45	1,961	1.2	10.1
Shiga	49	2,280	1.5	6.8
Kyoto	77	4,327	2.8	5.7
Osaka	248	15,847	10.1	8.7
Hyogo	120	6,829	4.4	14.1
Nara	34	1,737	1.1	11.0
Wakayama	21	1,003	0.6	24.6
Tottori	2	125	0.1	8.6
Shimane	3	179	0.1	43.5
Okayama	27	1,663	1.1	12.5
Hiroshima	45	2,644	1.7	13.2
Yamaguchi	16	763	0.5	(4.8)
Tokushima	13	795	0.5	4.3
Kagawa	22	1,262	0.8	30.3
Ehime	29	1,364	0.9	10.3
Kochi	5	342	0.2	10.1
Fukuoka	91	4,934	3.2	10.9
Saga	12	479	0.3	4.8
Nagasaki	14	682	0.4	8.7
Kumamoto	35	1,964	1.3	14.8
Oita	18	1,148	0.7	8.1
Miyazaki	16	757	0.5	13.8
Kagoshima	18	1,067	0.7	12.8
Okinawa	34	2,440	1.6	2.8
	2,810	156,269	100.0	9.4

(Notes)

(1) The number of stores shown above is the number of stores as of the final day of the term under review.

(2) The above does not include consumption taxes.

(3) The number of stores and sales amounts shown above do not include the franchised stores' portion.