

Consolidated Financial Results Report for the Three Months ended March 31, 2007

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
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1. Assumptions underlying preparation of the first quarter results report

- (i) 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.
- (ii) Changes in accounting methods from the latest consolidated financial statement : None
- (iii) Changes in scope of consolidation and in application of the equity method : None

2. Consolidated operating results (From January 1, 2007 to March 31, 2007)

(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, 2007	96,462	12.1	5,011	107.8	4,960	136.6
March 31, 2006	86,036	4.7	2,411	(19.9)	2,096	(29.7)
December 31, 2006	355,696	9.2	7,380	129.9	5,708	99.6

	Net income		Net income per share		Net income per share, fully diluted
	(Millions of yen)	%	(Yen)		(Yen)
March 31, 2007	2,875	—	21	63	—
March 31, 2006	22	(98.8)	0	17	—
December 31, 2006	1,549	—	11	65	—

(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.

[Qualitative information regarding the progress in operating results (consolidated)]

In the area of our group's main business, hamburger restaurants, since 2004, the Company has been focused on the basis of restaurant business such as further improvement of QSC in order to further promote customer satisfaction.

With this improved QSC as foundation, various strategies such as 1) introduction of new breakfast menu "McGriddle", 2) introduction of new seasonal menu "Mega Mac", 3) expansion of 24 hour operation in drive through restaurants 4) remodels to offer more comfortable dining environments to the customers 5) enhanced 100 yen menu items, and 6) cultivation of new customer base with the distribution of free coffee coupon had created synergy effect in first quarter. In addition to above, the CSR activities has further enhanced the brand, resulting in diversifying the company's customer basis and subsequently in good results of the first quarter.

The Company opened 12 new traditional restaurants, closed 27 restaurants, 10 traditional and 17 satellite (small restaurants with limited menu offering) restaurants, with final store count of 3,813 as of the end of first quarter (15 net decrease from Q1 of previous year).

As a result of the activities above mentioned, the Company achieved 9.6% growth in same-store sales, 7.9 % growth in guest count. The Company achieved 119.715 billion yen (11.3% growth from Q1 of previous year) of systemwide sales (total sales of company-operated and franchised restaurants), 96.462 billion yen of consolidated net sales (12.1 % growth from Q1 of previous year), 4.96 billion yen of consolidated ordinary income (136.6% growth from Q1 of previous year), and 2.875 billion yen of consolidated net income (2.852 billion yen increase from Q1 of previous year).

The Company achieved highest monthly sales record of the month in January, February, and March. March record was renewed for the first time in 6 years since 2001.

(2) Consolidated financial position

(In millions of yen, with fractional amounts discarded)

	Total assets	Net assets	Total equity ratio	Net assts per share	
	(Millions of yen)	(Millions of yen)	%	(Yen)	
March 31,2007	194,467	128,511	66.1	966	54
March 31,2006	183,164	128,842	70.3	969	03
December 31,2006	193,206	130,067	67.3	978	25

【 Consolidated cash flow statement 】

(In millions of yen, with fractional amounts discarded)

(The number with parenthesis shows negative figure)

	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 31,2007	5,215	(3,972)	1,357	13,939
March 31,2006	15	(3,205)	2,360	10,421
December 31,2006	17,469	(12,976)	(4,405)	11,338

【Qualitative information regarding the fluctuation in financial position (consolidated)】

Total assets as of first quarter of 2007 was 194.467 billion yen, 1.261 billion yen of increase from the previous fiscal year end. Security deposit decreased by 1.005 billion yen due to refund, investment security decreased by 701 billion yen due to decline of unrealized gain, and cash and cash equivalents increased by 2.6 billion yen.

As of the end of first quarter, cash and cash equivalents (hereinafter, “cash”) stood at 13.939 billion yen, increase of 2.6 billion yen compared with the previous fiscal year end.

The cash flows situations at the end of first quarter and the reasons of the changes in each activities are shown below.

(Cash flows provided by operating activities)

Operating activities resulted in a net cash inflow of 5.215 billion yen, 5.199 billion yen increase from the corresponding period of previous year. This was principally due to 4.998 billion yen of increase in net income before tax, 2.457 billion yen decrease of other liabilities, and 2.086 billion yen of impairment loss was recorded in first quarter of previous year.

(Cash flows used in investing activities)

Investment activities resulted in a net cash outflow of 3.972 billion yen, 766 million yen increase of cash outflow from the corresponding period of previous year. This was principally due to 1.289 billion yen increase for acquisition cost of restaurant equipments for remodels and new restaurants, and 362 million yen increase of gain on store sale.

(Cash flows used by financing activities)

Financial activities resulted in a net cash outflow of 1.357 billion yen, 102 million yen decrease from the corresponding period of previous year. This was principally due to decrease of net short-term borrowings of 1 billion yen.

3. Consolidated forecasts for December 2007 term

(From January 1, 2007 to December 31, 2007)

[Qualitative information regarding financial forecast]

Based on a good progress on our strategy and a favorable business trend of the Company, forecasts for 2007 fiscal year is revised up from the figures released as of February 8, 2007 as below

Please refer to "Revision in Financial Results for the Fiscal Year January 1 - December 31, 2007", which is separately released as of today.

1. Revision of Consolidated Forecast for FY2007 - Interim Period

	Sales revenues	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Previous forecast (A)	178,000~182,000	1,300~2,500	500~1,500
Revised forecast (B)	185,000~193,000	5,000~7,000	2,000~3,500
Change (B-A)	Minimum +7,000 Maximum +11,000	Minimum +3,700 Maximum +4,500	Minimum +1,500 Maximum +2,000
% change	Minimum +3.9% Maximum +6.0%	Minimum +284.6% Maximum +180.0%	Minimum +300.0% Maximum +133.3%

(N.b.) Estimated earnings per share (interim period) : 15.04 yen ~ 26.32 yen

2. Revision of Consolidated Forecast for FY 2007 - Annual

	Sales revenues	Ordinary income	Net income
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Previous forecast (A)	362,000~375,000	6,500~8,500	3,000~4,500
Revised forecast (B)	373,000~388,000	9,000~13,000	4,000~6,500
Change (B-A)	Minimum +11,000 Maximum +13,000	Minimum +2,500 Maximum +4,500	Minimum +1,000 Maximum +2,000
% change	Minimum +3.0% Maximum +3.5%	Minimum +38.5% Maximum +52.9%	Minimum +33.3% Maximum +44.4%

(N.b.) Estimated earnings per share (annual) : 30.08 yen ~ 48.89 yen

3. Reason for Revision

As mentioned in "Qualitative information regarding the progress in operating results (consolidated)", with the good progress on our strategies, the Company maintained great performance. Utilizing this strong momentum, the Company has made a decision to close about 100 additional loss maker restaurants after second quarter (originally planned to close 50~80 restaurants) in order to further strengthen the profitability. 1.5 billion yen of provision of the reserve for loss on store closure is incorporated in the interim and annual forecast as extraordinary loss.

Considering the situation of the business mentioned above, the Company has upwardly revised its interim and full-year forecast as above.

*Forecast above is created based on the information available as of today. Actual performance may vary from above forecasted figures due to various factors.

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

(Millions of yen)

	As of		As of		Increase (Decrease)		As of	
	March 31, 2007	%	December 31, 2006	%	Amount	Growth rate	March 31, 2006	%
(Assets)								
I Current assets								
1. Cash and deposits	13,939		11,338		2,600	22.9	10,421	
2. Accounts receivable - trade	8,533		8,440		92	1.1	7,721	
3. Inventories	2,656		2,559		96	3.8	2,709	
4. Deferred tax assets	1,864		1,845		19	1.1	1,148	
5. Others	5,683		6,006		(322)	(5.4)	4,867	
6. Allowance for doubtful accounts	(75)		(75)		—	—	(80)	
Total current assets	32,602	16.8	30,115	15.6	2,487	8.3	26,788	14.6
II Fixed assets								
1. Tangible fixed assets								
(1) Buildings and structures	41,759		42,394		(634)	(1.5)	37,885	
(2) Machinery	10,229		9,501		727	7.7	7,979	
(3) Tools, appliances and fixtures	6,980		7,172		(191)	(2.7)	4,284	
(4) Land	17,277		17,277		—	—	16,950	
(5) Construction in progress	100		106		(6)	(5.7)	54	
Total tangible fixed assets	76,347	39.2	76,452	39.6	(104)	(0.1)	67,153	36.7
2. Intangible fixed assets								
(1) Goodwill	1,189		1,271		(81)	(6.3)	1,322	
(2) Others	4,779		4,149		629	15.2	3,967	
Total intangible fixed assets	5,969	3.1	5,420	2.8	548	10.1	5,290	2.9
3. Investments and other assets								
(1) Investments in securities	4,267		4,968		(701)	(14.1)	5,790	
(2) Long-term loans receivable	31		37		(5)	(14.9)	62	
(3) Deferred tax assets	2,825		2,583		241	9.4	4,300	
(4) Rent deposits and guarantees	66,435		67,441		(1,005)	(1.5)	68,911	
(5) Others	6,973		7,251		(277)	(3.8)	6,005	
(6) Allowance for doubtful accounts	(985)		(1,064)		79	(7.4)	(1,139)	
Total investments and other assets	79,548	40.9	81,217	42.0	(1,669)	(2.1)	83,931	45.8
Total fixed assets	161,864	83.2	163,090	84.4	(1,225)	(0.8)	156,375	85.4
Total assets	194,467	100.0	193,206	100.0	1,261	0.7	183,164	100.0

(Notes)

Increase (Decrease) shows the difference between March 31, 2007 and December 31, 2006.

(Millions of yen)

	As of		As of		Increase	(Decrease)	As of	
	March 31, 2007	%	December 31, 2006	%	Amount	Growth rate	March 31, 2006	%
(Liabilities)								
I Current liabilities								
1. Notes and accounts payable	20,950		19,497		1,453	7.5	15,639	
2. Short-term loans payable	8,000		3,000		5,000	166.7	9,500	
3. Accounts payable - other	8,912		12,171		(3,258)	(26.8)	8,375	
4. Accrued expenses payable	9,151		9,965		(813)	(8.2)	8,032	
5. Accrued income taxes payable	2,230		883		1,347	152.5	318	
6. Allowance for employee bonuses	2,990		1,694		1,295	76.4	3,279	
7. Others	10,458		12,768		(2,309)	(18.1)	5,462	
Total current liabilities	62,693	32.2	59,979	31.1	2,713	4.5	50,607	27.6
II Long-term liabilities								
1. Long-term loans payable	500		500		—	—	500	
2. Employees' retirement benefits	1,777		1,653		124	7.6	1,377	
3. Reserve for directors' retirement allowances	83		77		6	7.9	56	
4. Deferred tax liabilities due to revaluation of land	508		508		—	—	508	
5. Others	392		420		(27)	(6.5)	1,272	
Total long-term liabilities	3,262	1.7	3,158	1.6	103	3.3	3,714	2.1
Total liabilities	65,956	33.9	63,138	32.7	2,817	4.5	54,322	29.7
(Shareholders' equity)								
I Common stock								
	—	—	—	—	—	—	24,113	13.2
II Additional paid-in capital								
	—	—	—	—	—	—	42,124	23.0
III Retained earnings								
	—	—	—	—	—	—	64,866	35.4
IV Revaluation account for land								
	—	—	—	—	—	—	(5,240)	(2.9)
V Unrealized gain on other securities								
	—	—	—	—	—	—	2,978	1.6
VI Treasury stock								
	—	—	—	—	—	—	(0)	(0.0)
Total shareholders' equity	—	—	—	—	—	—	128,842	70.3
Total liabilities and shareholders' equity	—	—	—	—	—	—	183,164	100.0
(Net assets)								
I Shareholders' Equity								
1. Common stock	24,113	12.4	24,113	12.5	—	—	—	—
2. Additional paid-in capital	42,124	21.6	42,124	21.8	—	—	—	—
3. Retained earnings	65,280	33.6	66,393	34.3	(1,113)	(1.7)	—	—
4. Treasury stock	(0)	(0.0)	(0)	(0.0)	—	—	—	—
Total Shareholders' equity	131,517	67.6	132,631	68.6	(1,113)	(0.8)	—	—
II Revaluation & Exchange difference								
1. Unrealized gain on other securities	2,223	1.2	2,639	1.4	(415)	(15.8)	—	—
2. Gain/loss on deferred hedge	10	0.0	38	0.0	(27)	(71.6)	—	—
3. Revaluation account for land	(5,240)	(2.7)	(5,240)	(2.7)	—	—	—	—
Total revaluation & exchange difference	(3,006)	(1.5)	(2,563)	(1.3)	(443)	17.3	—	—
Total equity	128,511	66.1	130,067	67.3	(1,556)	(1.2)	—	—
Total liabilities and shareholders' equity	194,467	100.0	193,206	100.0	1,261	0.7	—	—

(Notes)

Increase (Decrease) shows the difference between March 31, 2007 and December 31, 2006.

(2). Consolidated statement of income (Condensed)

(Millions of yen)

	Three months ended March 31 2007		Three months ended March 31 2006		Increase (Decrease)		Year ended December 31 2006	
	Amount	%	Amount	%	Amount	Growth rate	Amount	%
I Sales revenues	96,462	100.0	86,036	100.0	10,425	12.1	355,696	100.0
II Cost of sales revenues	81,084	84.1	74,871	87.0	6,213	8.3	310,049	87.2
Gross profit on sales	15,377	15.9	11,165	13.0	4,212	37.7	45,646	12.8
III Selling, general and administrative	10,366	10.7	8,754	10.2	1,612	18.4	38,266	10.7
Operating income	5,011	5.2	2,411	2.8	2,600	107.8	7,380	2.1
IV Non-operating income	284	0.2	249	0.3	35	14.3	1,108	0.3
V Non-operating expenses	335	0.3	563	0.7	(227)	(40.4)	2,780	0.8
Ordinary income	4,960	5.1	2,096	2.4	2,863	136.6	5,708	1.6
VI Extraordinary gains	191	0.2	128	0.1	62	48.8	167	0.0
VII Extraordinary losses	24	0.0	2,096	2.4	(2,072)	(98.8)	2,503	0.7
Net income before taxes	5,127	5.3	128	0.1	4,998	—	3,372	0.9
Tax expenses	2,251	2.3	106	0.1	2,145	—	1,823	0.5
Net income	2,875	3.0	22	0.0	2,852	—	1,549	0.4

(Notes)

Increase (Decrease) shows the difference between March 31, 2007 and March 31, 2006.

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

	Three months ended March 31 2007	Three months ended March 31 2006	Year ended December 31 2006
I Net cash (used in)/provided by operating activities			
Net income before taxes	5,127	128	3,372
Depreciation and amortization	2,356	2,176	8,958
Loss on impairment	—	2,086	2,292
Increase (decrease) in allowances	1,380	2,243	942
Gain on unredeemed gift certificates in current and previous years	(59)	(29)	(116)
Interest and dividend income	(22)	(19)	(191)
Interest expenses	5	3	16
Equity in losses (earnings) of affiliated companies	0	(3)	(27)
Loss on disposal of fixed assets	184	384	1,979
Decrease (increase) in accounts receivable - trade	(92)	681	(37)
Decrease (increase) in inventories	(96)	148	298
Decrease (increase) in goodwill from acquisition of franchise stores	81	(5)	37
Decrease (increase) in other assets	513	294	(1,587)
Increase (decrease) in accounts payable	1,322	67	359
Increase (decrease) in notes payable	130	(1,381)	2,184
Increase (decrease) in accrued expenses payable	(816)	(134)	1,791
Increase (decrease) in other current liabilities	(3,930)	(6,387)	(2,793)
Others	(4)	—	13
Subtotal	6,078	253	17,493
Proceeds from interest and dividend income	0	1	113
Payment of interest expenses	(2)	(1)	(7)
Payment of income tax	(860)	(237)	(129)
Total	5,215	15	17,469

(Millions of yen)

	Three months ended March 31 2007	Three months ended March 31 2006	Year ended December 31 2006
II Net cash (used in)/provided by investing activities			
Payments for purchase of restaurant equipment	(5,001)	(3,712)	(14,233)
Proceeds from sales of restaurant equipment	595	233	698
Proceeds from redemption of investment securities at maturity	—	—	416
Payments for rent deposits and guarantees	(245)	(278)	(1,987)
Proceeds from returned rent deposits and guarantees	1,268	1,205	4,237
Proceeds from collection of loans receivable	5	6	36
Payments for development of information systems	(594)	(664)	(1,627)
Others	0	4	(516)
Total	(3,972)	(3,205)	(12,976)
III Net cash (used in)/provided by financing activities			
Proceeds from net increase in short-term debt	5,000	6,000	(500)
Payments of dividends	(3,642)	(3,639)	(3,904)
Payments for purchase of treasury stocks	—	—	(0)
Total	1,357	2,360	(4,405)
IV Effect of exchange rate changes on cash and cash equivalents	(0)	(0)	(1)
V Increase (decrease) in cash and cash equivalents	2,600	(830)	86
VI Cash and cash equivalents at beginning of term	11,338	11,251	11,251
VII Cash and cash equivalents at end of term	13,939	10,421	11,338