



Consolidated Financial Results Report for the Nine Months ended September 30,2007

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
 Please address all communications to: Shotaro Shimizu
 Director, IR Group
 Phone:(03)6911-6061

1. Consolidated operating results (From January 1, 2007 to September 30, 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		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30,2007	296,954	12.1	13,812	129.7	13,142	174.4	6,537	396.0
September 30,2006	264,892	10.2	6,012	253.9	4,789	292.8	1,318	—
December 31,2006	355,696	9.2	7,380	129.9	5,708	99.6	1,549	—

	Net income per share		Net income per share, fully diluted
	(Yen)	(Yen)	
September 30,2007	49	17	—
September 30,2006	9	91	—
December 31,2006	11	65	—

(2) Consolidated financial position

(In millions of yen, with fractional amounts discarded)

	Total assets	Net assets	Total equity ratio	Net assets per share	
	(Millions of yen)	(Millions of yen)	%	(Yen)	(Yen)
September 30,2007	195,743	131,755	67.3	990	27
September 30,2006	185,918	129,639	69.7	975	03
December 31,2006	193,206	130,067	67.3	978	25

(3) 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)
September 30,2007	20,790	(14,142)	(4,304)	13,680
September 30,2006	12,399	(8,235)	(3,892)	11,523
December 31,2006	17,469	(12,976)	(4,405)	11,338

2. Dividends

The Company does not pay the first quarter or the third quarter dividends.

The forecast for year-end dividends does not change publication value on August 2, 2007.

(Date of record)	Dividends per share		
	the end of June	the end of December	Annual
	(Yen)	(Yen)	(Yen)
December 31,2006	—	30.00	30.00
December 31,2007 (Result)	—	—	30.00
December 31,2007 (Forecast)	—	30.00	

3. Consolidated forecasts for December 2007 term (From January 1, 2007 to December 31, 2007)

The forecast for consolidated earnings for the period does not change publication value on August 2, 2007.

4. Other

(1) Changes in significant subsidiaries during the period
(Changes in specific subsidiaries with an adjustment of a scope of consolidation): None

(2) Adoption of any concise accounting procedure : Yes

(3) Changes in accounting methods from the latest consolidated financial statement : None

(Note) For details, please refer to the section 4. Other of 【Qualitative information・Financial statement etc.】 on page 4.

(Information regarding appropriate use of the forecasts)

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

As the performance of the Company could be significantly fluctuated by the impact of the business environment, range format was employed for above disclosed forecast in order to avoid confusion for the investors.

【Qualitative information・Financial statement etc.】

1. Qualitative information regarding the progress in consolidated operating results

In the area of our group's main business, hamburger restaurants, since 2004, the Company has focused on the basis of restaurant business such as further improvement of QSC to ensure our customer expansion strategy. At the same time, the Company has continued positive investment activities.

From January through September, the Company has concentrated its resources on the six initiatives as below:

- 1) introduction of new breakfast menu "McGriddle",
- 2) introduction of new seasonal menu "Mega Mac" and "Mega Teriyaki",
- 3) 100 yen menu enhancement with new menu items such as "McPork", "Triangle Chocolate Pie", and "Triangle Mango Pie"
- 4) enhanced cold dessert "McFlurry" sales promotion,
- 5) expansion of 24 hours operation in drive-through restaurants (1,252 restaurants open 24 hours as of September 30)
- 6) restaurant remodeling to offer more comfortable dining environments to the customers

In addition to those initiatives, the Company has successfully improved its brand image through various CSR activities, which also contributed to expand customer base. In addition to the renewal of the Daily Guest Count Record in the third quarter, the Company renewed Daily Sales Record and Monthly Sales Record twice during the current period, which shows the favorable sales performance resulted by the expansion of customer base.

As for the store development, the Company opened 57 new traditional (standard) restaurants, closed 82 restaurants, 25 traditional and 57 satellite (small restaurants with limited menu offering) restaurants. Among the 82 closings, 21 were due to strategic closure of unprofitable restaurants. As a result, final store count at the end of third quarter was 3,803.

As a result of the activities mentioned above, the Company achieved 10.7% growth in comparable sales, 10.6% comparable growth in guest count. The Company achieved 371,367 million yen (12.7% year-on-year growth) of systemwide sales (total sales of company-operated and franchised restaurants), 296,954 million yen of consolidated net sales (12.1% year-on-year growth), 13,142 million yen of consolidated ordinary income (174.4% year-on-year growth), and 6,537 million yen of consolidated net income (396.0% year-on-year growth).

2. Qualitative information regarding the fluctuation in consolidated financial position

Total assets as of the end of third quarter was 195,743 million yen, 2,537 million yen of increase from the previous fiscal year end. Security deposit decreased by 2,043 million yen due to refund, investment security decreased by 1,501 million yen due to decrease of unrealized gain, cash and deposit increased by 2,341 million yen, and tangible fixed asset increased by 2,927 million yen.

Cash and cash equivalents (hereinafter, "cash") as of the end of third quarter stood at 13,680 million yen, increase of 2,341 million 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 20,790 million yen, 8,390 million yen increase from the corresponding period of previous year. This was principally due to 8,791 million yen increase in net income before tax, 6,258 million yen increase of other liabilities, 3,220 million yen decrease of notes payable, and 2,040 million yen decrease of impairment loss.

(Cash flows used in investing activities)

Investment activities resulted in a net cash outflow of 14,142 million yen, 5,907 million yen increase of cash outflow from the corresponding period of previous year. This was principally due to 5,326 million yen increase of acquisition cost of restaurant equipments for remodels and new restaurants, and 1,354 million yen increase for development cost of information systems.

(Cash flows used by financing activities)

Financial activities resulted in a net cash outflow of 4,304 million yen, 411 million yen increase from the corresponding period of previous year. This was principally due to decrease of net short-term borrowings of 500 million yen.

3. Qualitative information regarding financial forecast

The performance was generally satisfactory for this third quarter. However, we continue company efforts such as promotion of efficiency of a cost by closedown of an unprofitable store while will aim at increase of customer traffic in a hamburger restaurant business in future and aim at the achievement of forecasted target. Consolidated earnings forecast of the period does not change publication value on August 2, 2007.

4. Other

- (1) Changes in significant subsidiaries during the period
(Changes in specific subsidiaries with an adjustment of a scope of consolidation): None
- (2) 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.
- (3) Changes in accounting methods from the latest consolidated financial statement : None

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

(Millions of yen)

	As of		As of		As of		Increase (Decrease)	
	September 30, 2006	%	September 30, 2007	%	December 31, 2006	%	Amount	Growth rate
(Assets)								
I Current assets								
1. Cash and deposits	11,523		13,680		11,338		2,341	20.7
2. Accounts receivable - trade	7,262		8,156		8,440		(284)	(3.4)
3. Inventories	2,663		2,114		2,559		(445)	(17.4)
4. Deferred tax assets	1,148		1,888		1,845		43	2.4
5. Others	4,877		5,417		6,006		(589)	(9.8)
6. Allowance for doubtful accounts	(80)		(165)		(75)		(89)	118.9
Total current assets	27,394	14.7	31,092	15.9	30,115	15.6	976	3.2
II Fixed assets								
1. Tangible fixed assets								
(1) Buildings and structures	39,239		43,245		42,394		851	2.0
(2) Machinery	7,729		10,780		9,501		1,279	13.5
(3) Tools, appliances and fixtures	6,507		7,722		7,172		549	7.7
(4) Land	17,187		17,277		17,277		—	—
(5) Construction in progress	612		354		106		247	231.9
Total tangible fixed assets	71,276	38.4	79,380	40.5	76,452	39.6	2,927	3.8
2. Intangible fixed assets								
(1) Goodwill	1,278		1,089		1,271		(181)	(14.3)
(2) Others	3,815		6,152		4,149		2,003	48.3
Total intangible fixed assets	5,094	2.7	7,242	3.7	5,420	2.8	1,821	33.6
3. Investments and other assets								
(1) Investments in securities	4,700		3,467		4,968		(1,501)	(30.2)
(2) Long-term loans receivable	50		24		37		(12)	(33.9)
(3) Deferred tax assets	4,585		3,108		2,583		525	20.3
(4) Rent deposits and guarantees	68,038		65,398		67,441		(2,043)	(3.0)
(5) Others	5,851		7,005		7,251		(245)	(3.4)
(6) Allowance for doubtful accounts	(1,072)		(976)		(1,064)		88	(8.3)
Total investments and other assets	82,153	44.2	78,028	39.9	81,217	42.0	(3,188)	(3.9)
Total fixed assets	158,524	85.3	164,651	84.1	163,090	84.4	1,560	1.0
Total assets	185,918	100.0	195,743	100.0	193,206	100.0	2,537	1.3

(Notes)

Increase (Decrease) shows the difference between September 30, 2007 and December 31, 2006.

(Millions of yen)

	As of		As of		As of		Increase (Decrease)	
	September 30,2006	%	September 30,2007	%	December 31,2006	%	Amount	Growth rate
(Liabilities)								
I Current liabilities								
1. Notes and accounts payable	17,988		17,325		19,497		(2,171)	(11.1)
2. Short-term loans payable	3,500		2,500		3,000		(500)	(16.7)
3. Accounts payable - other	8,794		11,553		12,171		(617)	(5.1)
4. Accrued expenses payable	8,347		9,550		9,965		(414)	(4.2)
5. Accrued income taxes payable	1,673		4,640		883		3,756	425.2
6. Allowance for employee bonuses	3,709		3,811		1,694		2,116	124.9
7. Allowance for losses on restaurant closings	—		1,152		—		1,152	—
8. Others	9,204		10,071		12,768		(2,696)	(21.1)
Total current liabilities	53,217	28.6	60,605	31.0	59,979	31.1	625	1.0
II Long-term liabilities								
1. Long-term loans payable	500		500		500		—	—
2. Employees' retirement benefits	1,556		1,935		1,653		282	17.1
3. Reserve for directors' retirement allowances	70		93		77		16	20.7
4. Deferred tax liabilities due to revaluation of land	508		508		508		—	—
5. Others	425		344		420		(75)	(18.0)
Total long-term liabilities	3,061	1.7	3,382	1.7	3,158	1.6	223	7.1
Total liabilities	56,278	30.3	63,987	32.7	63,138	32.7	849	1.3
(Net assets)								
I Shareholders' Equity								
1. Common stock	24,113	13.0	24,113	12.3	24,113	12.5	—	—
2. Additional paid-in capital	42,124	22.6	42,124	21.5	42,124	21.8	—	—
3. Retained earnings	66,162	35.6	68,942	35.2	66,393	34.3	2,549	3.8
4. Treasury stock	(0)	(0.0)	(0)	(0.0)	(0)	(0.0)	—	—
Total Shareholders' equity	132,399	71.2	135,180	69.0	132,631	68.6	2,549	1.9
II Revaluation & Exchange difference								
1. Unrealized gain on other securities	2,480	1.3	1,748	0.9	2,639	1.4	(890)	(33.7)
2. Gain/loss on deferred hedge	—	—	(22)	(0.0)	38	0.0	(60)	(158.3)
3. Revaluation account for land	(5,240)	(2.8)	(5,240)	(2.7)	(5,240)	(2.7)	—	—
Total revaluation & exchange difference	(2,760)	(1.5)	(3,514)	(1.8)	(2,563)	(1.3)	(950)	37.1
III Minority interests								
Total equity	129,639	69.7	131,755	67.3	130,067	67.3	1,688	1.3
Total liabilities and shareholders' equity	185,918	100.0	195,743	100.0	193,206	100.0	2,537	1.3

(Notes)

Increase (Decrease) shows the difference between September 30, 2007 and December 31, 2006.

(2). Consolidated statement of income (Condensed)

(Millions of yen)

	Nine months ended September 30 2006		Nine months ended September 30 2007		Increase (Decrease)		Year ended December 31 2006	
		%		%	Amount	Growth rate		%
I Sales revenues	264,892	100.0	296,954	100.0	32,062	12.1	355,696	100.0
II Cost of sales revenues	230,999	87.2	249,154	83.9	18,154	7.9	310,049	87.2
Gross profit on sales	33,892	12.8	47,799	16.1	13,907	41.0	45,646	12.8
III Selling, general and administrative expenses	27,879	10.5	33,987	11.4	6,107	21.9	38,266	10.7
Operating income	6,012	2.3	13,812	4.7	7,799	129.7	7,380	2.1
IV Non-operating income	813	0.3	982	0.3	169	20.8	1,108	0.3
V Non-operating expenses	2,037	0.8	1,652	0.6	(384)	(18.9)	2,780	0.8
Ordinary income	4,789	1.8	13,142	4.4	8,353	174.4	5,708	1.6
VI Extraordinary gains	167	0.1	278	0.1	111	66.5	167	0.0
VII Extraordinary losses	2,153	0.8	1,827	0.6	(326)	(15.2)	2,503	0.7
Net income before taxes	2,803	1.1	11,594	3.9	8,791	313.6	3,372	0.9
Tax expenses	1,484	0.6	5,056	1.7	3,571	240.5	1,823	0.5
Minority interests in loss	—	—	0	0.0	0	—	—	—
Net income	1,318	0.5	6,537	2.2	5,219	396.0	1,549	0.4

(Notes)

Increase (Decrease) shows the difference between September 30, 2007 and September 30, 2006.

(3). Consolidated statement of cash flow (Condensed)

(Millions of yen)

	Nine months ended September 30 2006	Nine months ended September 30 2007	Year ended December 31 2006
I Net cash (used in)/provided by operating activities			
Net income before taxes	2,803	11,594	3,372
Depreciation and amortization	6,633	7,241	8,958
Loss on impairment	2,086	46	2,292
Increase (decrease) in allowances	2,864	2,469	942
Increase (decrease) in allowances for losses on restaurant closings	-	1,152	-
Gain on unredeemed gift certificates	(87)	(179)	(116)
Interest and dividend income	(169)	(109)	(191)
Interest expenses	12	20	16
Equity in losses (earnings) of affiliated companies	(23)	(36)	(27)
Loss on disposal of fixed assets	1,590	868	1,979
Decrease (increase) in accounts receivable - trade	1,140	276	(37)
Decrease (increase) in inventories	194	445	298
Decrease (increase) in goodwill from acquisition of franchise stores	38	181	37
Decrease (increase) in other assets	818	973	(1,587)
Increase (decrease) in accounts payable	(873)	(859)	359
Increase (decrease) in notes payable	1,908	(1,312)	2,184
Increase (decrease) in accrued expenses payable	175	(427)	1,791
Increase (decrease) in other current liabilities	(6,559)	(301)	(2,793)
Others	13	0	13
Subtotal	12,567	22,044	17,493
Proceeds from interest and dividend income	111	40	113
Payment of interest expenses	(5)	(6)	(7)
Payment of income tax	(273)	(1,287)	(129)
Total	12,399	20,790	17,469
II Net cash (used in)/provided by investing activities			
Payments for purchase of restaurant equipment	(9,174)	(14,500)	(14,233)
Proceeds from sales of restaurant equipment	467	995	698
Proceeds from redemption of investment securities at maturity	216	250	416
Payments for rent deposits and guarantees	(1,386)	(1,189)	(1,987)
Proceeds from returned rent deposits and guarantees	3,135	3,100	4,237
Payments for development of information systems	(1,160)	(2,515)	(1,627)
Others	(333)	(282)	(479)
Total	(8,235)	(14,142)	(12,976)
III Net cash (used in)/provided by financing activities			
Proceeds from net increase in short-term debt	-	(500)	(500)
Payments of dividends	(3,892)	(3,894)	(3,904)
Payments for purchase of treasury stocks	(0)	-	(0)
Proceeds from stock issuance to minority shareholders	-	90	-
Total	(3,892)	(4,304)	(4,405)
IV Effect of exchange rate changes on cash and cash equivalents	(0)	(2)	(1)
V Increase (decrease) in cash and cash equivalents	271	2,341	86
VI Cash and cash equivalents at beginning of term	11,251	11,338	11,251
VII Cash and cash equivalents at end of term	11,523	13,680	11,338