



Consolidated Financial Results Report for the Three Months ended March 31, 2008

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
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1. Consolidated operating results (From January 1, 2008 to March 31, 2008)

(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)	%
March 31, 2008	99,862	3.5	3,380	(32.5)	3,299	(33.5)	1,818	(36.8)
March 31, 2007	96,462	12.1	5,011	107.8	4,960	136.6	2,875	—
December 31, 2007	395,061	11.1	16,733	126.7	15,616	173.6	7,819	404.7

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
March 31, 2008	13 .68	—
March 31, 2007	21 .63	—
December 31, 2007	58 .81	—

(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)
March 31, 2008	198,109	130,408	65.8	980 .14
March 31, 2007	194,467	128,511	66.1	966 .54
December 31, 2007	201,303	133,247	66.1	1,001 .50

(Reference) Total equity March 31, 2008 130,318 mil March 31, 2007 128,511 mil
 December 31, 2007 133,159 mil

(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)
March 31, 2008	(2,532)	(5,965)	6,359	9,857
March 31, 2007	5,215	(3,972)	1,357	13,939
December 31, 2007	24,337	(21,855)	(1,812)	12,005

2. Dividends

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

(Date of record)	Dividends per share				
	the end of 1st Q	the end of 2nd Q	the end of 3rd Q	the end of 4th Q	Annual
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
December 31, 2007	—	—	—	30.00	30.00
December 31, 2008	—	—	—	30.00	30.00
December 31, 2008 (Forecast)	—	—	—	30.00	30.00

(Note) The forecast for year-end dividends does not change publication value.

3. Consolidated forecasts for December 2008 term (From January 1, 2008 to December 31, 2008)

(%: year-on-year change)

	Sales revenues		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Interim	201,000	4.3	8,000	13.2	7,300	7.6
Annual	412,000	4.3	19,500	16.5	17,500	12.1

	Net income		Net income per share	
	(Millions of yen)	%	(Yen)	
Interim	5,500	74.0	41 .37	
Annual	11,500	47.1	86 .49	

(Note) Revision of the forecast for consolidated results: Yes

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

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

(Reference)

(1) Nonconsolidated forecasts for December 2008 term

(From January 1, 2008 to December 31, 2008)

(%: year-on-year change)

	Sales revenues		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Interim	27,500	3.9	500	29.9	500	3.2
Annual	55,000	0.8	1,000	27.2	1,000	(2.2)

	Net income		Net income per share	
	(Millions of yen)	%	(Yen)	
Interim	1,500	355.1	11 .28	
Annual	1,800	242.1	13 .54	

(Note) Revision of the forecast for nonconsolidated results: Yes

(2) Issued number of shares (Common stock)

a. end-of-period issued number of shares (Including own shares)

March 31, 2008 132,960,000 units December 31, 2007 132,960,000 units

b. end-of-period own shares

March 31, 2008 198 units December 31, 2007 198 units

c. average number of shares outstanding

March 31, 2008 132,959,802 units March 31, 2007 132,959,802 units

(Information regarding appropriate use of the forecasts)

The Company announced the revision of the consolidated/unconsolidated forecasts for fiscal 6 months/12 months periods ending December 2008 on May 13, 2008.

The forecasts shown above are predicated upon information that is available as of the day of the announcement of this report and certain reasonable assumptions, therefore, actual financial performances may differ considerably from these forecasts due to a variety of factors hereafter. For further information of assumptions of the forecasts and notes for the use of the forecasts, please refer to the page 4, [Qualitative information・Financial statement etc.] "3. Qualitative information regarding financial forecast" section.

【Qualitative information·Financial statement etc.】

1. Qualitative information regarding the progress in consolidated operating results

The Company has been working on QSC enhancement, the very basic of the restaurant business, since 2004 in the core business of our corporate group, the hamburger restaurant business. In addition, we have introduced best practices from all corners of the world as a part of our globalization, promoted continued aggressive investment, implemented strategies on a thorough basis to expand our customer base, and fully executing our company reform by means of enhancing personnel's awareness. All of these contributed to our sustained high level of sales.

From January through March, the Company has concentrated its resources on the eight initiatives as below:

- 1) further QSC enhancement,
- 2) launch of "Premium Roast Coffee",
- 3) limited-time menu items such as "Kinoko Cream Ebi Filet-O", "Teritama" and "Tamago Double Mac",
- 4) reinforcement of the 100 yen menu by introducing "Shaka Shaka Chicken",
- 5) expanded 24-hour operation,
- 6) restaurant remodeling to offer comfortable dining space,
- 7) investment in people development,
- 8) expanded e-marketing.

In addition to those initiatives, we have successfully improved its brand image through various CSR activities, which also contributed to expand customer base. Sales of existing-stores has increased for 26 straight months with increase on every single month of January, February and March 2008.

As for the store development, the Company opened 18 new traditional (standard) restaurants, closed 29 restaurants, 6 traditional and 23 satellite (small restaurants with limited menu offering) restaurants. Among the 29 closings, 15 were due to strategic closure of unprofitable restaurants. As a result, final store count at the end of first quarter was 3,735 (down 11 from the end of the previous fiscal year).

In combination with various measures mentioned above, the Company achieved 4.4% growth in comparable sales, 6.2 % comparable growth in guest count, and 125,971 million yen (5.2% year-on-year growth) of systemwide sales (total sales of company-operated and franchised restaurants).

As for expenses, despite unfavorable factors such as the ingredient cost increase due to the recent price rises and the labor cost increase due to hourly wage rise, the gross profit ratio improved 0.5 points year-on-year thanks to readjustment of product prices and productivity enhancement. Selling and general administration expense increased 2,652 million yen due to intensive marketing investment to aim GC share expansion in the severe market environment and IT investments in infrastructure made as planned to improve efficiency.

As a result, the groups consolidated net sales was 99,862 million yen (3.5 % year-on-year growth), the consolidated operating income was 3,380 million yen (32.5% year-on-year decline), the consolidated ordinary income was 3,299 million yen (33.5% year-on-year decline), and the consolidated net income was 1,818 million yen (36.8% year-on-year decline).

2. Qualitative information regarding the fluctuation in consolidated financial position

Total assets as of the end of first quarter was 198,109 million yen, 3,193 million yen of increase from the previous fiscal year end. Intangible fixed asset increased by 15,018 million yen due to acquisition of software for IT infrastructure reform to improve efficiency. On the other hand, cash and deposit decreased by 2,148 million yen due to payment of corporate taxes and dividends, investment security decreased by 730 million yen due to decrease of unrealized gain, and security deposit decreased by 695 million yen due to refund.

Cash and cash equivalents (hereinafter, "cash") as of the end of first quarter stood at 9,857 million yen, decrease of 2,148 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 outflow of 2,532 million yen, 7,748 million yen increase of cash outflow from the corresponding period of previous year. This was principally due to 1,911 million yen decrease in net income before tax, 1,504 million yen decrease of changes of notes payable, and 4,912 million yen increase of payment of corporate taxes.

(Cash flows used in investing activities)

Investment activities resulted in a net cash outflow of 5,965 million yen, 1,993 million yen increase of cash outflow from the corresponding period of previous year. This was principally due to 1,816 million yen increase for development cost of information systems.

(Cash flows used by financing activities)

Financial activities resulted in a net cash outflow of 6,359 million yen, 5,002 million yen increase from the corresponding period of previous year. This was principally due to increase of net short-term borrowings of 5,000 million yen.

3. Qualitative information regarding financial forecast

Today, on May 13, 2008, the Company announced the revision of the interim/annual forecasts for December 2008 dated February 7, 2008, for the following two reasons.

- (1) The legal case filed by McDonald's Company (Japan), Ltd., a consolidated subsidiary of the Company, against Toys "R" Us Japan, Ltd. on February 28, 2007 reached a legal settlement on May 13, 2008. The Company will post approximately 1,400 million yen of extraordinary gains upon closing of this legal case. Please refer to "Announcement on Termination of Litigation Process Related to Consolidated Subsidiary through Legal Settlement" for details.
- (2) The Company will post approximately 2,500 million yen of extraordinary gains on sale of investment securities obtained through participation in TOB of TRU Japan Holdings 2, LLC (a limited liability company in Delaware, USA, established by Toys "R" Us, who indirectly serves as a parent company of Toys "R" Us Japan, for the purpose of executing this TOB), officially announced on May 13, 2008. Please refer to "Announcement on Participation in TOB" for details.

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 March 31, 2007		As of March 31, 2008		As of December 31, 2007		Increase (Decrease)		
		%		%		%	Amount	Growth rate	
(Assets)									
I Current assets									
1	Cash and deposits	13,939		9,857		12,005		(2,148)	
2	Accounts receivable - trade	8,533		8,222		9,050		(827)	
3	Inventories	2,656		3,044		2,871		172	
4	Deferred tax assets	1,864		2,727		2,555		172	
5	Others	5,683		5,424		5,729		(305)	
	Allowance for doubtful accounts	(75)		(60)		(69)		8	
	Total current assets	32,602	16.8	29,216	14.7	32,143	16.0	(2,926)	(9.1)
II Fixed assets									
1 Tangible fixed assets									
(1)	Buildings and structures	41,759		44,111		44,634		(522)	
(2)	Machinery	10,229		10,459		10,673		(213)	
(3)	Tools, appliances and fixtures	6,980		9,172		8,120		1,052	
(4)	Land	17,277		17,277		17,277		—	
(5)	Construction in progress	100		187		910		(723)	
	Total tangible fixed assets	76,347	39.2	81,208	41.0	81,615	40.5	(407)	(0.5)
2. Intangible fixed assets									
(1)	Goodwill	1,189		1,370		1,387		(16)	
(2)	Others	4,779		9,916		8,398		1,518	
	Total intangible fixed assets	5,969	3.1	11,286	5.7	9,785	4.9	1,501	15.3
3. Investments and other assets									
(1)	Investments in securities	4,267		3,054		3,784		(730)	
(2)	Long-term loans receivable	31		16		19		(3)	
(3)	Deferred tax assets	2,825		2,904		2,613		290	
(4)	Rent deposits and guarantees	66,435		63,368		64,064		(695)	
(5)	Others	6,973		7,878		8,111		(233)	
	Allowance for doubtful accounts	(985)		(824)		(835)		11	
	Total investments and other assets	79,548	40.9	76,398	38.6	77,758	38.6	(1,360)	(1.7)
	Total fixed assets	161,864	83.2	168,893	85.3	169,159	84.0	(266)	(0.2)
	Total assets	194,467	100.0	198,109	100.0	201,303	100.0	(3,193)	(1.6)

(Notes)

Increase (Decrease) shows the difference between March 31, 2008 and December 31, 2007.

(Millions of yen)

	As of March 31,2007		As of March 31,2008		As of December 31,2007		Increase (Decrease)		
		%		%		%	Amount	Growth rate	
(Liabilities)									
I Current liabilities									
1	Notes and accounts payable	20,950		12,414		12,596		(181)	
2	Short-term loans payable	8,000		15,000		5,000		10,000	
3	Accounts payable - other	8,912		17,210		19,605		(2,394)	
4	Accrued expenses payable	9,151		9,338		9,830		(491)	
5	Accrued income taxes payable	2,230		1,500		5,996		(4,496)	
6	Allowance for employee bonuses	2,990		3,014		2,021		993	
7	Others	10,458		5,727		9,549		(3,822)	
	Total current liabilities	62,693	32.2	64,207	32.4	64,599	32.1	(392)	(0.6)
II Long-term liabilities									
1	Long-term loans payable	500		500		500		—	
2	Employees' retirement benefits	1,777		2,065		2,007		58	
3	Reserve for directors' retirement allowances	83		104		99		4	
4	Deferred tax liabilities due to revaluation of land	508		508		508		—	
5	Others	392		316		340		(23)	
	Total long-term liabilities	3,262	1.7	3,494	1.8	3,455	1.7	39	1.1
	Total liabilities	65,956	33.9	67,701	34.2	68,055	33.8	(353)	(0.5)
(Net assets)									
I Shareholders' Equity									
1	Common stock	24,113	12.4	24,113	12.2	24,113	12.0	—	
2	Additional paid-in capital	42,124	21.6	42,124	21.3	42,124	20.9	—	
3	Retained earnings	65,280	33.6	68,054	34.3	70,224	34.9	(2,170)	
4	Treasury stock	(0)	(0.0)	(0)	(0.0)	(0)	(0.0)	—	
	Total Shareholders' equity	131,517	67.6	134,291	67.8	136,462	67.8	(2,170)	(1.6)
II Revaluation & Exchange difference									
1	Unrealized gain on other securities	2,223	1.2	1,504	0.8	1,937	1.0	(433)	
2	Gain/loss on deferred hedge	10	0.0	(236)	(0.1)	1	0.0	(237)	
3	Revaluation account for land	(5,240)	(2.7)	(5,240)	(2.7)	(5,240)	(2.6)	—	
	Total revaluation & exchange difference	(3,006)	(1.5)	(3,973)	(2.0)	(3,302)	(1.6)	(670)	20.3
III Minority interests									
	Total equity	128,511	66.1	130,408	65.8	133,247	66.2	(2,839)	(2.1)
	Total liabilities and shareholders' equity	194,467	100.0	198,109	100.0	201,303	100.0	(3,193)	(1.6)

(Notes)

Increase (Decrease) shows the difference between March 31, 2008 and December 31, 2007.

(2). Consolidated statement of income (Condensed)

(Millions of yen)

	Three months ended March 31 2007		Three months ended March 31 2008		Increase (Decrease)		Year ended December 31 2007	
	Amount	%	Amount	%	Amount	Growth rate	Amount	%
I Sales revenues	96,462	100.0	99,862	100.0	3,399	3.5	395,061	100.0
II Cost of sales revenues	81,084	84.1	83,463	83.6	2,378	2.9	331,020	83.8
Gross profit on sales	15,377	15.9	16,398	16.4	1,021	6.6	64,040	16.2
III Selling, general and administrative expenses	10,366	10.7	13,018	13.0	2,652	25.6	47,307	12.0
Operating income	5,011	5.2	3,380	3.4	(1,631)	(32.5)	16,733	4.2
IV Non-operating income	284	0.2	251	0.2	(33)	(11.9)	1,492	0.4
V Non-operating expenses	335	0.3	331	0.3	(4)	(1.4)	2,609	0.6
Ordinary income	4,960	5.1	3,299	3.3	(1,660)	(33.5)	15,616	4.0
VI Extraordinary gains	191	0.2	12	0.0	(178)	(93.3)	380	0.1
VII Extraordinary losses	24	0.0	97	0.1	72	295.6	2,112	0.6
Net income before taxes	5,127	5.3	3,215	3.2	(1,911)	(37.3)	13,883	3.5
Tax expenses	2,251	2.3	1,395	1.4	(856)	(38.0)	6,065	1.5
Minority interests in gain	—	—	0	0.0	0	—	(1)	(0.0)
Net income	2,875	3.0	1,818	1.8	(1,056)	(36.8)	7,819	2.0

(Notes)

Increase (Decrease) shows the difference between March 31, 2008 and March 31, 2007.

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

(Millions of yen)

	Three months ended March 31 2007	Three months ended March 31 2008	Year ended December 31 2007
I Net cash (used in)/provided by operating activities			
Net income before taxes	5,127	3,215	13,883
Depreciation and amortization	2,356	2,680	10,012
Loss on impairment	—	-	46
Increase (decrease) in allowances	1,380	1,036	467
Gain on unredeemed gift certificates	(59)	(36)	(238)
Interest and dividend income	(22)	(25)	(138)
Interest expenses	5	14	22
Equity in losses (earnings) of affiliated companies	0	-	(11)
Loss on disposal of fixed assets	184	310	1,867
Decrease (increase) in accounts receivable - trade	(92)	827	(601)
Decrease (increase) in inventories	(96)	(172)	(312)
Decrease (increase) in goodwill from acquisition of franchise stores	81	16	(116)
Decrease (increase) in other assets	513	551	(512)
Increase (decrease) in accounts payable	1,322	(181)	1,498
Increase (decrease) in notes payable	130	-	(8,399)
Increase (decrease) in accrued expenses payable	(816)	(495)	(142)
Increase (decrease) in other current liabilities	(3,930)	(4,507)	8,170
Others	(4)	17	(4)
Subtotal	6,078	3,250	25,491
Proceeds from interest and dividend income	0	0	43
Payment of interest expenses	(2)	(10)	(14)
Payment of income tax	(860)	(5,773)	(1,183)
Total	5,215	(2,532)	24,337
II Net cash (used in)/provided by investing activities			
Payments for purchase of restaurant equipment	(5,001)	(4,322)	(22,831)
Proceeds from sales of restaurant equipment	595	67	1,803
Proceeds from redemption of investment securities at ma	—	—	250
Collection of investments in capital	—	—	209
Payments for rent deposits and guarantees	(245)	(367)	(1,685)
Proceeds from returned rent deposits and guarantees	1,268	1,058	4,824
Proceeds from collection of loans receivable	5	3	17
Payments for development of information systems	(594)	(2,410)	(4,157)
Others	0	5	(286)
Total	(3,972)	(5,965)	(21,855)
III Net cash (used in)/provided by financing activities			
Proceeds from net increase in short-term debt	5,000	10,000	2,000
Payments of dividends	(3,642)	(3,640)	(3,902)
Proceeds from stock issuance to minority shareholders	—	—	90
Total	1,357	6,359	(1,812)
IV Effect of exchange rate changes on cash and cash equivalents	(0)	(9)	(2)
V Increase (decrease) in cash and cash equivalents	2,600	(2,148)	666
VI Cash and cash equivalents at beginning of term	11,338	12,005	11,338
VII Cash and cash equivalents at end of term	13,939	9,857	12,005