



## Consolidated Financial Results Report for the Nine Months ended September 30, 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  
 Chairman and President, Representative Director, CEO  
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### 1. Consolidated operating results (From January 1, 2008 to September 30, 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)	%
September 30, 2008	307,811	3.7	14,250	3.2	13,562	3.2	9,785	49.7
September 30, 2007	296,954	12.1	13,812	129.7	13,142	174.4	6,537	396.0
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)
September 30, 2008	73 .60	—
September 30, 2007	49 .17	—
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)
September 30, 2008	197,234	136,955	69.4	1,029 .37
September 30, 2007	195,743	131,755	67.3	990 .54
December 31, 2007	201,303	133,247	66.1	1,001 .50

(Reference) Total equity September 30, 2008 136,864 mil September 30, 2007 131,665 mil  
 December 31, 2007 133,159 mil

#### (3) Consolidated cash flow statement (From January 1, 2008 to September 30, 2008)

(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, 2008	8,518	(12,152)	1,120	9,475
September 30, 2007	20,790	(14,142)	(4,304)	13,680
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.

No changes to our forecast for year-end dividends as announced on August 7, 2008.

(Date of record)	Dividends per share		
	End of first half	End of year	Annual
	(Yen)	(Yen)	(Yen)
December 31, 2007	—	30.00	30.00
December 31, 2008	—	—	30.00
December 31, 2008 (Forecast)	—	30.00	

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

No changes to our forecast results as announced on May 13, 2008.

	Sales revenues		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Annual	412,000	4.3	19,500	16.5	17,500	12.1

(%: year-on-year change)

	Net income		Net income per share
	(Millions of yen)	%	(Yen)
Annual	11,500	47.1	86 .49

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

No changes to our forecast results as announced on May 13, 2008.

	Sales revenues		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Annual	55,000	0.8	1,000	27.2	1,000	(2.2)

(%: year-on-year change)

	Net income		Net income per share
	(Millions of yen)	%	(Yen)
Annual	1,800	242.1	13 .54

- (2) Issued number of shares (Common stock)
  - a. end-of-period issued number of shares (Including own shares)

September 30, 2008	132,960,000 units	December 31, 2007	132,960,000 units
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  - b. end-of-period own shares

September 30, 2008	200 units	December 31, 2007	198 units
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  - c. average number of shares outstanding

September 30, 2008	132,959,801 units	September 30, 2007	132,959,802 units
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#### (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 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 of consolidated operating results**

Since the year 2004, McDonald's Japan has put a special focus on QSC (Trusted quality, speedy and friendly service, clean and comfortable atmosphere) improvement to enhance the customer satisfaction level, which is a foundation of restaurant business. In addition, we have introduced best practices from all corners of the world as a part of our globalization process, promoting and continuing aggressive investment, implementing strategies on a thorough basis to expand our customer base and fully executing our company reform by means of enhancing personnel's awareness.

Followings are the 8 specific measures the Company took for the 2008 period so far:

- 1) Further enhancement of QSC
- 2) Introduction of new products, e.g 'Premium Roast Coffee', 'Premium Roast Ice-Coffee' and 'Mega Muffin'
- 3) Reinforcement of value menu with 'Shaka-Shaka Chicken'
- 4) Expansion of 24hr drive-thru & front counter operation (1,486 restaurants as of 3Q 2008)
- 5) Refurbishment of restaurants to provide comfortable dining area (186 restaurants as of 3Q 2008)
- 6) Investment in people development
- 7) Expansion of e-marketing
- 8) Promotion of Franchising (1,245 restaurants as of 3Q 2008, 173 increase from end of 2007)

The status of our restaurants development is as follow:

Classification	No. of restaurants				
	As end of 2007	New	Closed	Transfer ※1	As of 3Q 2008
Company-operated	2,674	42	(52)	(170)	2,494
Franchised	1,072	14	(11)	170	1,245
Total	3,746	56	(63)	—	3,739

※1 Transfer reflects the total net amount of restaurant operation transfer, from company operated to franchising and vice versa

As a result of synergy effect of the above activities, for the year-to-date figures of third quarter 2008, we have achieved a steady rise in both comparable sales of 2.9% and comparable guest count of 5.2%. Also, systemwide sales (total sales of company-operated and franchised) has increased by 3.6% (year-on-year), amounting to a total sales of 384.757 billion yen.

As a result, the groups consolidated **net sales** was 307.811 billion yen (3.7% year-on-year growth).

Despite unfavorable factors such as recent soaring material prices and rise in wages for part-timer, are pressurizing our profits by increasing our expense, we have overcome these by enhancing productivity and readjustments of our product prices, that consequently led to an improvement in sales margin of 0.4 percentage point in comparison to the same period previous year.

Selling, general and administrative cost has increased by 2.626 billion yen and was due to difficult market environment, which meant that pro-active marketing investment was necessary and also partly due to previously planned IT investments in infrastructure.

From the aboves, the groups consolidated **operating income** was 14.25 billion yen (3.2% year-on-year rise), and the consolidated **ordinary income** was 13.562 billion yen (3.2% year-on-year rise).

In addition, the settlement reached between the dispute of McDonald's Company (Japan), Ltd., a consolidated subsidiary of the Company, and Toys "R" Us-Japan, Ltd. gave rise to a settlement income of 1.378 billion yen, together with a gain from investment securities sold of 2.582 billion, both act as extraordinary gains, resulting in a consolidated **net income** of 9.785 billion yen (49.7% year-on-year rise).

## 2. Qualitative information regarding to the fluctuation in consolidated financial position

Total assets as of the end of third quarter was 197.234 billion yen, a 4.068 billion yen decrease from the previous fiscal year end. The main factors are as follows, a 4.304 billion yen increase from acquirement of software for system infrastructure building in order to be more efficient, a 2.529 billion yen decrease in cash and deposits by corporate taxes and dividends paid, a decrease of 3.386 billion yen from investment securities sold, and a decrease of 1.585 billion yen from returns of deposits and guarantees.

Cash and cash equivalents (hereinafter, "cash") as of the end of third quarter stood at 9.475 billion yen, a decrease of 2.529 billion yen in comparison to the previous fiscal year end.

The cash flows situations at the end of third 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 8.518 billion yen, a 12.272 billion yen decrease of cash in comparison to the same period last year. The main reason for this decrease was principally due to a 7.8 billion yen decrease in other liabilities, and a 7.578 billion yen increase of payment of corporate taxes.

(Cash flows used in investing activities)

Investment activities resulted in a net cash outflow of 12.152 billion yen, a 1.989 billion yen decrease from the same period last year. The reason for this was that although the expenditure for IT development was increased by 4.33 billion yen (year-to-year), events such as selling of restaurants' equipment etc., a 3.557 billion yen increase (year-to-year); and from investment securities sold, a 2.702 billion increase (year-to-year) gave rise to a net decrease in cash outflows used in investing activities.

(Cash flows used by financing activities)

Financial activities resulted in a net cash outflow of 1.120 billion yen, 4.304 billion yen increase from the same period last year. This was mainly due to an increase in short-term borrowings of 5.5 billion yen compared with the same period last year.

## 3. Qualitative information regarding to financial forecast

Our group results were, to a large proportion as expected from the initial forecast when disclosed. However, soaring prices due to current economic situation, worldwide financial crisis, and unstable prices of oil-related products have generated a tremendous negative effect on consumers, and the fear of economic downturn will mean that we will be facing an even tougher economic environment in the forthcoming future. For our group, these economic factors will consequently lead to a further rise in material costs. By increasing our efficiency in restaurant management, franchising of company-operated restaurants, and expanding our customer base to reduce these negative impacts, we are aiming at achieving our forecast results.

Therefore, there are no necessary changes to our forecast results as announced on May 13, 2008.

## 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 adopted the concise procedure in accounting for the corporate, inhabitant and enterprise taxes for the interim period, it has now been changed to the simplified method.

(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 September 30, 2007		As of September 30, 2008		As of December 31, 2007		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%	Amount	Growth rate
<b>(Assets)</b>								
<b>I Current assets</b>								
1 Cash and deposits	13,680		9,475		12,005		(2,529)	
2 Accounts receivable - trade	8,156		7,741		9,050		(1,308)	
3 Inventories	2,114		2,959		2,871		87	
4 Deferred tax assets	1,888		2,666		2,555		111	
5 Others	5,417		4,885		5,729		(844)	
Allowance for doubtful accounts	(165)		—		(69)		69	
Total current assets	31,092	15.9	27,729	14.1	32,143	16.0	(4,414)	(13.7)
<b>II Fixed assets</b>								
<b>1 Tangible fixed assets</b>								
(1) Buildings and structures	43,245		42,207		44,634		(2,426)	
(2) Machinery	10,780		10,509		10,673		(164)	
(3) Tools, appliances and fixtures	7,722		10,545		8,120		2,425	
(4) Land	17,277		17,277		17,277		—	
(5) Construction in progress	354		755		910		(155)	
Total tangible fixed assets	79,380	40.5	81,295	41.2	81,615	40.5	(320)	(0.4)
<b>2. Intangible fixed assets</b>								
(1) Goodwill	1,089		1,723		1,387		336	
(2) Software	5,374		11,925		7,621		4,304	
(3) Others	778		775		777		(1)	
Total intangible fixed assets	7,242	3.7	14,425	7.3	9,785	4.9	4,639	47.4
<b>3. Investments and other assets</b>								
(1) Investments in securities	3,467		398		3,784		(3,386)	
(2) Long-term loans receivable	24		12		19		(7)	
(3) Deferred tax assets	3,108		3,912		2,613		1,298	
(4) Rent deposits and guarantees	65,398		62,478		64,064		(1,585)	
(5) Others	7,005		7,835		8,111		(276)	
Allowance for doubtful accounts	(976)		(852)		(835)		(17)	
Total investments and other assets	78,028	39.9	73,784	37.4	77,758	38.6	(3,974)	(5.1)
Total fixed assets	164,651	84.1	169,505	85.9	169,159	84.0	345	0.2
<b>Total assets</b>	<b>195,743</b>	<b>100.0</b>	<b>197,234</b>	<b>100.0</b>	<b>201,303</b>	<b>100.0</b>	<b>(4,068)</b>	<b>(2.0)</b>

(Notes)

Increase (Decrease) shows the difference between September 30, 2008 and December 31, 2007.

(Millions of yen)

	As of September 30, 2007		As of September 30, 2008		As of December 31, 2007		Increase (Decrease)		
		%		%		%	Amount	Growth rate	
<b>(Liabilities)</b>									
<b>I Current liabilities</b>									
1	Notes and accounts payable	17,325		10,578		12,596		(2,017)	
2	Short-term loans payable	2,500		10,000		5,000		5,000	
3	Accounts payable - other	11,553		13,125		19,605		(6,479)	
4	Accrued expenses payable	9,550		8,924		9,830		(905)	
5	Accrued income taxes payable	4,640		4,477		5,996		(1,519)	
6	Allowance for employee bonuses	3,811		3,777		2,021		1,755	
7	Others	11,223		5,805		9,549		(3,744)	
	Total current liabilities	60,605	31.0	56,688	28.8	64,599	32.1	(7,911)	(12.2)
<b>II Long-term liabilities</b>									
1	Long-term loans payable	500		500		500		—	
2	Employees' retirement benefits	1,935		2,196		2,007		189	
3	Reserve for directors' retirement allowances	93		112		99		13	
4	Deferred tax liabilities due to revaluation of land	508		508		508		—	
5	Others	344		272		340		(67)	
	Total long-term liabilities	3,382	1.7	3,590	1.8	3,455	1.7	135	3.9
	<b>Total liabilities</b>	63,987	32.7	60,279	30.6	68,055	33.8	(7,776)	(11.4)
<b>(Net assets)</b>									
<b>I Shareholders' Equity</b>									
1	Common stock	24,113	12.3	24,113	12.2	24,113	12.0	—	
2	Additional paid-in capital	42,124	21.5	42,124	21.4	42,124	20.9	—	
3	Retained earnings	68,942	35.2	76,021	38.5	70,224	34.9	5,796	
4	Treasury stock	(0)	(0.0)	(0)	(0.0)	(0)	(0.0)	(0)	
	Total Shareholders' equity	135,180	69.0	142,258	72.1	136,462	67.8	5,796	4.2
<b>II Revaluation &amp; Exchange difference</b>									
1	Unrealized gain on other securities	1,748	0.9	—	—	1,937	1.0	(1,937)	
2	Gain/loss on deferred hedge	(22)	(0.0)	(152)	(0.1)	1	0.0	(154)	
3	Revaluation account for land	(5,240)	(2.7)	(5,240)	(2.6)	(5,240)	(2.6)	—	
	Total revaluation & exchange difference	(3,514)	(1.8)	(5,393)	(2.7)	(3,302)	(1.6)	(2,091)	63.3
<b>III Minority interests</b>									
	Total equity	131,755	67.3	136,955	69.4	133,247	66.2	3,707	2.8
	<b>Total liabilities and shareholders' equity</b>	195,743	100.0	197,234	100.0	201,303	100.0	(4,068)	(2.0)

(Notes)

Increase (Decrease) shows the difference between September 30, 2008 and December 31, 2007.

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

(Millions of yen)

	Nine months ended September 30 2007		Nine months ended September 30 2008		Increase (Decrease)		Year ended December 31 2007	
	Amount	%	Amount	%	Amount	Growth rate	Amount	%
<b>I Sales revenues</b>	296,954	100.0	307,811	100.0	10,856	3.7	395,061	100.0
<b>II Cost of sales revenues</b>	249,154	83.9	256,947	83.5	7,792	3.1	331,020	83.8
<b>Gross profit on sales</b>	47,799	16.1	50,864	16.5	3,064	6.4	64,040	16.2
<b>III Selling, general and administrative expenses</b>	33,987	11.4	36,613	11.9	2,626	7.7	47,307	12.0
<b>Operating income</b>	13,812	4.7	14,250	4.6	437	3.2	16,733	4.2
<b>IV Non-operating income</b>	982	0.3	714	0.2	(267)	(27.3)	1,492	0.4
<b>V Non-operating expenses</b>	1,652	0.6	1,402	0.4	(250)	(15.1)	2,609	0.6
<b>Ordinary income</b>	13,142	4.4	13,562	4.4	420	3.2	15,616	4.0
<b>VI Extraordinary gains</b>	278	0.1	4,031	1.3	3,752	—	380	0.1
<b>VII Extraordinary losses</b>	1,827	0.6	387	0.1	(1,440)	(78.8)	2,112	0.6
<b>Net income before taxes</b>	11,594	3.9	17,207	5.6	5,613	48.4	13,883	3.5
<b>Tax expenses</b>	5,056	1.7	7,419	2.4	2,362	46.7	6,065	1.5
<b>Minority interests in gain</b>	(0)	(0.0)	2	0.0	2	—	(1)	(0.0)
<b>Net income</b>	6,537	2.2	9,785	3.2	3,247	49.7	7,819	2.0

(Notes)

Increase (Decrease) shows the difference between September 30, 2008 and September 30, 2007.

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

(Millions of yen)

	Nine months ended September 30 2007	Nine months ended September 30 2008	Year ended December 31 2007
<b>I Net cash (used in)/provided by operating activities</b>			
Net income before taxes	11,594	17,207	13,883
Depreciation and amortization	7,241	8,583	10,012
Loss on impairment	46	19	46
Increase (decrease) in allowances	2,469	1,906	467
Increase (decrease) in allowances for store closure loss	1,152	—	—
Gain on unredeemed gift certificates	(179)	(108)	(238)
Interest and dividend income	(109)	(113)	(138)
Interest expenses	20	55	22
Equity in losses (earnings) of affiliated companies	(36)	—	(11)
Loss on disposal of fixed assets	868	1,157	1,867
Gain on sale of investment securities	—	(2,582)	—
Decrease (increase) in accounts receivable - trade	276	1,308	(601)
Decrease (increase) in inventories	445	(87)	(312)
Decrease (increase) in goodwill from acquisition of franchise stores	181	(336)	(116)
Decrease (increase) in other assets	973	1,389	(512)
Increase (decrease) in accounts payable	(859)	(2,017)	1,498
Increase (decrease) in notes payable	(1,312)	—	(8,399)
Increase (decrease) in accrued expenses payable	(427)	(913)	(142)
Increase (decrease) in other current liabilities	(301)	(8,101)	8,170
Others	0	27	(4)
<b>Subtotal</b>	<b>22,044</b>	<b>17,393</b>	<b>25,491</b>
Proceeds from interest and dividend income	40	38	43
Payment of interest expenses	(6)	(47)	(14)
Payment of income tax	(1,287)	(8,866)	(1,183)
<b>Total</b>	<b>20,790</b>	<b>8,518</b>	<b>24,337</b>
<b>II Net cash (used in)/provided by investing activities</b>			
Payments for purchase of restaurant equipment	(14,500)	(13,935)	(22,831)
Proceeds from sales of restaurant equipment	995	4,552	1,803
Proceeds from sale of investment securities	—	2,702	—
Proceeds from redemption of securities at maturity	250	—	250
Collection of investments in capital	—	0	209
Payments for rent deposits and guarantees	(1,189)	(1,569)	(1,685)
Proceeds from returned rent deposits and guarantees	3,100	3,006	4,824
Payments for development of information systems	(2,515)	(6,846)	(4,157)
Others	(282)	(63)	(269)
<b>Total</b>	<b>(14,142)</b>	<b>(12,152)</b>	<b>(21,855)</b>
<b>III Net cash (used in)/provided by financing activities</b>			
Proceeds from net increase in short-term debt	(500)	5,000	2,000
Payments of dividends	(3,894)	(3,879)	(3,902)
Payments for purchase of treasury stock	—	(0)	—
Proceeds from stock issuance to minority shareholders	90	—	90
<b>Total</b>	<b>(4,304)</b>	<b>1,120</b>	<b>(1,812)</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>(2)</b>	<b>(16)</b>	<b>(2)</b>
<b>V Increase (decrease) in cash and cash equivalents</b>	<b>2,341</b>	<b>(2,529)</b>	<b>666</b>
<b>VI Cash and cash equivalents at beginning of term</b>	<b>11,338</b>	<b>12,005</b>	<b>11,338</b>
<b>VII Cash and cash equivalents at end of term</b>	<b>13,680</b>	<b>9,475</b>	<b>12,005</b>