Financial Results Report
for the December 2008 Term (Consolidated)

February 4, 2009

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:	Atsuo Shimodaira Senior Vice President , Corporate Relations Phone: (03) 6911-6061
Schedule of ordinary annual shareholders' meeting:	March 27, 2009
Schedule of dividends payment:	March 28, 2009
Schedule of annual security report submission:	March 28, 2009

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

(1) Consolidated financial results

(In millions of yen, with fractional amounts discarded)
(negative figures are shown in parenthesis)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2008	406,373	2.9	19,543	16.8	18,239	16.8
December 31, 2007	395,061	11.1	16,733	126.7	15,616	173.6

	Net income		Net income per share	Net income per share, fully diluted	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(Millions of yen)	%	(Yen)	(Yen)	%	%	%
December 31, 2008	12,393	58.5	93.21	-	9.1	9.1	4.8
December 31, 2007	7,819	404.7	58.81	-	5.9	7.9	4.2

(Notes)
1. Gains or losses on investments through equity method accounting:
December 2008 term: - December 2007 term: 11 million yen

2. The percentages shown next to net sales, operating income, ordinary income and net income (loss) represent year-on-year changes.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2008	200,024	139,371	69.6	1,047.46
December 31, 2007	201,303	133,247	66.1	1,001.50

(Note)
Equity amount (consolidated):
December 2008 term: 139,270 million yen December 2007 term: 133,159 million yen

(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)
December 31, 2008	17,855	(15,674)	(4,389)	9,782
December 31, 2007	24,337	(21,855)	(1,812)	12,005

2. Dividend

	Annual dividends per share			Dividend Payment	Dividend payout ratio	The ratio of dividend to shareholders' equity
	Interim	Year end	Annual			
	(Yen)	(Yen)	(Yen)	(Millions of yen)	%	%
December 31, 2007	0.00	30.00	30.00	3,988	51.0	3.0
December 31, 2008	0.00	30.00	30.00	3,988	32.2	2.9
December 31, 2009 (Estimated)	0.00	30.00	30.00	-	31.7	-

3. Consolidated forecasts for December 2009 term
(From January 1, 2009 to December 31, 2009)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen
Interim period	180,000	(11.3)	10,000	37.8	9,100	32.8	5,200	(16.0)	39.11
Annual	355,000	(12.6)	23,600	20.8	22,000	20.6	12,600	1.7	94.77

The percentages shown next to net sales, operating income, ordinary income and net income represent changes from the previous year.

4. Others

(1) Changes in significant subsidiary: None

(2) Changes of significant accounting principles, procedures and descriptions for the financial results report
(Described in “Changes in the accounting method” in “Important accounting policies”

1. Changes caused by revision of accounting standard: None
2. Others: Yes

*Note: Please refer to “Changes in the method of presentation” for details.

(3)The number of shares outstanding (Common stock)

1. The number of shares outstanding (inclusive of treasury stock)

   December 2008: 132,960,000 shares December 2007: 132,960,000 shares

2. The number of treasury stock

   December 2008: 245 shares December 2007: 198 shares

*Note: Please refer to “Per share-related financial information” for details.

(Reference) Summary of nonconsolidated results

1. Nonconsolidated operating results

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

(1) Nonconsolidated financial results

(In millions of yen, with fractional amounts discarded)
(The number with parenthesis shows negative figure)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2008	55,315	1.4	1,033	31.4	1,659	62.3
December 31, 2007	54,553	2.6	786	(42.1)	1,022	(33.2)

	Net income (loss)		Net income (loss) per share	Net income (loss) per share, fully diluted
	(Millions of yen)	%	(Yen)	(Yen)
December 31, 2008	2,409	357.9	18.12	-
December 31, 2007	526	(16.3)	3.96	-

The percentages shown next to net sales, operating income, ordinary income and net income represent changes from the previous year.

(2) Nonconsolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2008	138,178	124,919	90.4	939.53
December 31, 2007	141,696	128,436	90.6	965.98

(Notes)
Equity amount (consolidated):

December 2008 term: 124,919 million yen *December 2007 term: 128,436 million yen*

2. Nonconsolidated forecasts for December 2009 term

(From January 1, 2009 to December 31, 2009)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen
Interim period	—	—	—	—	—	—	—	—	—
Annual	—	—	—	—	—	—	—	—	—

As a holding company, the company's main business is investment in subsidiaries and real estate leases. Its principal revenue source is lease income of real estate and fixed assets deriving from its consolidated subsidiary, McDonald's Company (Japan), Ltd, which ultimately being offset through the process of intercompany elimination. Therefore, as investment information, it is thought that the importance is minimal and the description of the nonconsolidated forecasts will be omitted from year 2009 onwards. Further, transactions with parties other than its consolidated subsidiary are less than 1% of its sales.

※About the usage of performance forecasts and other information:

The forecasts shown above are predicted 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, based on 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

The Group continues to concentrate its management resources on its principal hamburger business. Consolidated sales for 2008 increased by 11,311 million yen, to 406,373 million yen compared to the same period last year. Consolidated ordinary income was 18,239 million yen, up by 2,623 million yen year on year. 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 million yen, together with a gain from investment securities sold of 2,545 million, both act as extraordinary gains, resulting in a consolidated net income before taxes of 21,584 million yen, up by 7,700 million yen, and consolidated net income resulted in 12,393 million yen, up by 4,573 million yen from previous year.

(Overview of hamburger restaurant operations)

McDonald's Japan put a special focus on QSC (Trusted quality, speedy and friendly service, clean and comfortable atmosphere) improvement, which is the foundation of restaurant business. From 2004, the company consistently put an effort to increase customer count and have made continuous investments in people, menu development and restaurant facilities etc. Followings are the major measures taken by the Company in this fiscal year;

1. Further enhancement of QSC
2. Introduction of new products, such as 'Premium Roasted Coffee', 'Premium Roasted Ice-Coffee'and 'Mega Muffin'
3. Reinforcement of the Value-menu with 'Shaka-Shaka Chicken' etc.
4. Strategic gradual introduction (by area) of new products, such as 'Quarter Pounder with Cheese' and 'Double Quarter Pounder with Cheese'
5. Expansion of 24 hours operating restaurants (1,632 restaurants as of December 31, 2008).
6. Remodeling of restaurants to provide comfortable atmosphere for dining occasion (232 restaurants as of December 31, 2008).
7. Enhancement of continuous investment in human resource development
8. Expansion of e-marketing promotions
9. Expansion of the number of franchised restaurants (1,588 restaurants as of December 31, 2008, an increase of 516 restaurants from previous year).

Restaurant development for the current period is shown below.

Classification	Previous term end	Newly opened	Closed	Classification Change *Note	Current term end
Company-operated	2,674	64	(63)	(509)	2,166
Franchised	1,072	24	(17)	509	1,588
Total number of restaurants	3,746	88	(80)	-	3,754

*Note: The numbers shown are net values of classification changes between Company-operated restaurants and franchised restaurants.

McDonald's Company (Japan), Ltd. is implementing various CSR programs for the purposes of ‘Give a helping hand to the sound development of children, who carry the future of society’ and ‘Bring good things back to the local community‘.

McDonald's Company (Japan), Ltd. is continuously participating in CSR activities, such as support for ‘Ronald McDonald’s House’, an accommodation facility for hospitalized children and their family members, environmental measures including development and implementation of energy efficient machineries and recycling, giving support to the ‘Y.E.S. program’, an employment-support program for youth promoted by the Ministry of Health, Labor, and Welfare, participating in the ‘Workplace experience program’, and support of promoting dietary education.

Through charity activities, McDonald's Company (Japan), Ltd. is endeavoring to create an environment for each citizen to better understand and participate in volunteering & charity activities, so that ‘charity culture’ would firmly take root in Japan.

As a result of synergistic effects of the above activities, the Company’s comparable sales achieved 4.0% growth and recorded positive growth for the fifth consecutive year. The systemwide sales increased by 24,166 million yen, to 518,316 million yen compared to the same period last year. The first to have achieved sales of over 500,000 million yen in the fast food industry.

*: ‘Systemwide sales’ shown in the business report refers to total sales of company-operated restaurants and franchised restaurants and is not the same as the total sales reported in this financial statements.

(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, it reported 948 million yen in sales, a decrease of 75 million yen from previous year, 59 million yen in ordinary income, an increase of 1 million yen from previous year, and 35 million yen in net income.

The JV Inc., another subsidiary of the Company, designs and operates promotion activities of new membership organization of Mcdonald's Company (Japan), Ltd (The Company acquired 70% and NTT DoCoMo Inc. acquired 30% of its shares). It reported 783 million yen in sales, 71 million yen in ordinary income and 41 million yen in net income.

(Operating results of the Company)

As a holding company, the Company’s main business is investment in subsidiaries and real estate leases. Its principal revenue source is lease income that is received from its consolidated subsidiary, McDonald's Company (Japan), Ltd.

The business for the term shows the following numbers: Sales of 55,315 million yen up by 762 million yen, and ordinary income of 1,659 million yen, up by 637 million yen. Due to the 2,545 million yen of gain on sale of Toys”R”Us-Japan’s shares as extraordinary gain, and 134 million yen in loss on disposal of fixed assets as extraordinary loss, net income before tax marked 4,191 million yen, up by 3,211 million yen, and net income is 249 million yen, up by 1,883 million yen.

(Analysis of the Group's operating results)

Millions of yen		Year ended December 31 2007	%	Year ended December 31 2008	%	Year-on-year Change
Systemwide sales	Note 1	494,149		518,316		24,166
Sales						
Company-operated restaurant sales		361,956		361,670		(286)
Franchise revenue	Note 2	32,554		44,179		11,624
Others		549		523		(26)
Total sales	Note 1	395,061	100.0	406,373	100.0	11,311
Cost of sales						
Cost of sales for company operated restaurant		309,358	78.3	312,499	76.9	3,140
Raw material	Note 3	116,616	29.5	118,776	29.2	2,160
Labor		104,589	26.5	103,664	25.5	(925)
Others		88,152	22.3	90,057	22.2	1,905
Cost of franchise revenue	Note 4	21,251	5.4	24,410	6.0	3,158
Cost of others sales		410	0.1	503	0.1	93
Total cost of sales		331,020	83.8	337,412	83.0	6,392
Gross profit		64,040	16.2	68,960	17.0	4,919
Selling, general and administrative expenses	Note 5					
Advertising and selling expense		24,262	6.2	24,751	6.1	488
Labor		12,665	3.2	13,516	3.3	851
Others		10,379	2.6	11,148	2.8	769
Total selling, general and administrative expenses		47,307	12.0	49,416	12.2	2,109
Operating income		16,733	4.2	19,543	4.8	2,809
Non-operating income		1,492	0.4	1,344	0.3	(147)
Non-operating expenses		2,609	0.6	2,648	0.6	38
Ordinary income		15,616	4.0	18,239	4.5	2,623
Extraordinary gains		380	0.1	4,114	1.0	3,734
Extraordinary losses	Note 6	2,112	0.6	769	0.2	(1,343)
Net income before taxes and other adjustments		13,883	3.5	21,584	5.3	7,700
Net income		7,819	2.0	12,393	3.0	4,573

Note 1: Systemwide sales and total sales

Please refer to the above “Overview of hamburger restaurant operations” section for detailed explanations. As a result of the activities mentioned above, Systemwide sales was 518,316 million yen, an increase of 24,166 million yen (+4.9%), total sales was 406,373 million yen, an increase of 11,311 million yen (+2.9%).

Note 2: Franchise revenue

For 2008, gain on sales of restaurant businesses from entering franchising contracts gave rise to a gain of 4,335 million yen. The figure for year 2007 was 1,367 million yen.

Please refer to “Note (Consolidated statement of income – related)” for details.

Note 3: Raw material

Raw material cost was 118,776 million yen, increase of 2,160 million yen or 1.9% from previous year. Although the main reason for this was due to the rise of raw material prices, the impact was overcome as a result of the introduction of a new pricing system using the method of multi-tiered pricing by area (raw material cost accounts for 32.8% of company-operated restaurant sales), which limited the effect to a 0.6% point rise in cost in comparison to the previous year.

Note 4: Cost of franchise revenue

Due to the effort of increasing the number of franchised restaurants, the cost of franchise revenue has increased by 3,158 million yen or (+14.9%) year-on year, to 24,410 million yen.

Note 5: Selling, general and administrative expenses

Please refer to Note “consolidated income statement” for details of Selling, general and administrative expense,.

Note 6: Extraordinary loss

Please refer to Note “consolidated income statement” for details of Extraordinary loss.

(Forecasts for 2009)

The Company will continue to focus on our core hamburger business. Base on the existing customer foundation built upon QSC (Trusted quality, speedy and friendly service, clean and comfortable atmosphere), the company will further improve its services aiming to increase the value of money for customers. Additionally, in order to strengthen our customer base and profit margin, we will make further strategic movements, ultimately achieving a stable and sustainable growth.

Based on the above activity, we expect to record in 2009, 355,000 million yen in sales, 23,600 million yen in operating income, 22,000 million yen in ordinary income, and 12,600 million yen in net income on a consolidated basis.

(2) Financial position

(Analysis of the Group's financial position)

		December 31 2007		December 31 2008		Year-on-year Change
Millions of yen			%		%	
Assets						
Current assets		32,143	16.0	30,610	15.3	(1,532)
Fixed assets		169,159	84.0	169,414	84.7	254
1 Tangible fixed assets		81,615	40.5	81,333	40.7	(282)
2 Intangible fixed assets	Note 1	9,785	4.9	17,060	8.5	7,275
3 Investments and other assets	Note 2	77,758	38.6	71,020	35.5	(6,737)
Total assets		201,303	100.0	200,024	100.0	(1,278)
Liabilities						
Current liabilities		64,599	32.1	57,090	28.5	(7,508)
Non-current liabilities		3,455	1.7	3,562	1.8	107
Total liabilities		68,055	33.8	60,653	30.3	(7,401)
Shareholders' equity						
Total shareholders' equity		133,247	66.2	139,371	69.7	6,123
Total liabilities and shareholders' equity		201,303	100.0	200,024	100.0	(1,278)

Note 1: Intangible assets

Intangible assets as of fiscal year end were 17,060 million yen, increase of 7,275 million yen from previous year end. The main reason is increase in software of 6,942 million yen for the restructure of infrastructure to further improve overall efficiency.

Note 2: Investments and other assets

Investments and other assets as of fiscal year end were 71,020 million yen, decrease of 6,737 million yen from previous year end. The main reason is due to the sale of investment in securities, a decrease of 3,386 million yen and the return of deposits 2,153 million yen.

(Cash Flow Summary)

Cash flows for the term are as follows:

Cash and cash equivalents ('cash') outstanding as of the end of the term totaled 9,782 million yen, decrease of 18.5% from previous year.

(Net cash provided by operating activities)

Operating activities during the period resulted in a net cash inflow of 17,855 million yen, decrease of 6,481 million yen from previous year end. Factors for decrease in cash inflow include, decrease in account payable of 3,621 million yen, increase in payment of corporate tax of 7,858 million yen and decrease of 2,582 million yen from sale of investment in securities.

On the other hand, rise in net income tax of 7,700 million yen gave rise to an increase in cash inflow.

(Net cash used in investing activities)

Investing activities during the period resulted in a net outflow of 15,674 million yen, decrease in expenditure of 6,181 million yen from previous year end. The decrease was primarily the result of 7,396 million yen of increase in cash inflow from selling of restaurant equipments to drive franchising year-on-year and the sale of investment in securities, 2,702 million yen increase from previous year.

On the other hand, increase in outflow was due to increase investment in system development of 3,551 million yen etc.

(Net cash used in financing activities)

Financing activities during the period resulted in a net outflow of 4,389 million yen, increase in expenditure of 2,576 million yen from previous year end.　This was principally due to a net decrease in short-term loans of 2,500 million yen year-on-year.

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

	2004	2005	2006	2007	2008
Equity ratio	73.4%	71.4%	67.3%	66.1%	69.6%
Equity ratio based on market prices	153.6%	133.3%	136.5%	123.3%	119.6%
Years required to redeem liabilities	8.4 years	0.3 years	0.2 years	0.2 years	0.3 years
Interest-coverage ratio	18.6 times	1,638.1 times	2,189.6 times	1,627.1 times	304.8 times

Equity ratio: Equity / total assets
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) Fundamental policy with regard to the distribution of profits

Taking into consideration the overall balance between 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 financial indicators like capital ratio and return on equity at appropriate levels.

The Company’s basic policy is to make annual dividend once in the year end from retained earnings its decision making is made at annual shareholders’ meeting.
For this fiscal year, the Company is planning to make a dividend of 30 yen per share (same amount as in last year) based on the above policy.

(4) 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 December 31, 2008.

(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. Contracts may be terminated prematurely due to the lessor's circumstances, making the closure of some restaurants unavoidable even where they are profitable.

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 61,910 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.

(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, periodic maintenance of restaurant equipment, development of food management manual, employees' training, 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 and these are the risk elements that could affect the Group's operating results.

（Note） An hygiene management procedures developed by NASA to produce space food.

(General food safety crisis)

The company's business may be affected by general hygiene problems such as BSE and avian influenza and other hygiene rumors in society. 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 restaurants 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.

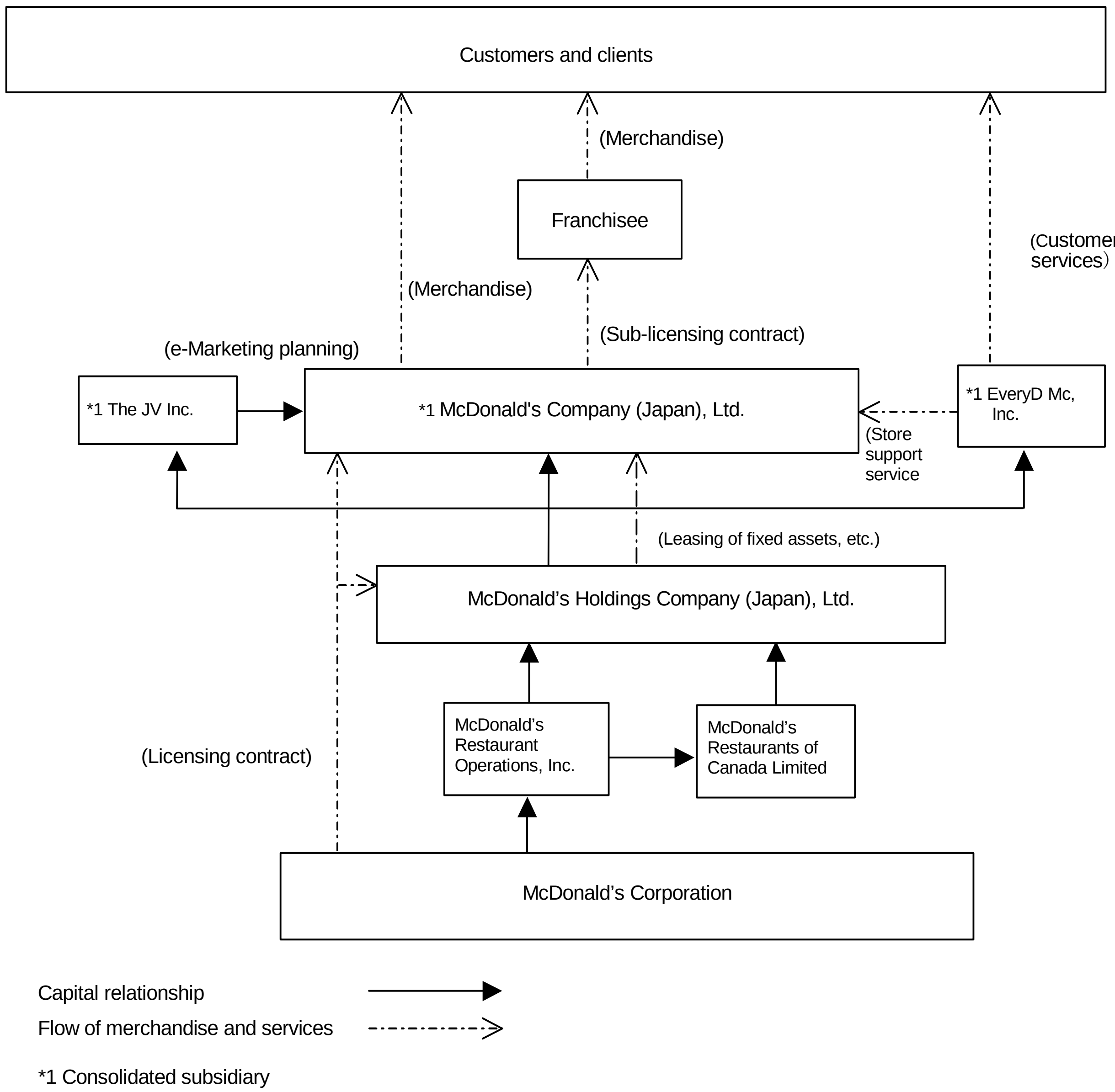
(Personal data protection)

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

2. Group business relationships

(Group relationship diagram)

The business relationships described above for the fiscal year ended December 2008 are shown in diagram form below.



3. Management policy

(1) Fundamental Management Policy

The Company operates as a holding company to achieve stable long-term business growth of the McDonald’s Japan group through the effective utilization of resources cultivated in the hamburger business. To achieve the end, the Company aims at increasing corporate value through more efficient management and increased flexibility.

(2) Fundamental policy with regard to the distribution of profits

Taking into consideration the overall balance between 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 financial indicators like capital ratio and return on equity at appropriate levels.

(3) Medium-term management strategy

The role of the Company, which presides over the McDonald’s group in Japan, is to implement organizational rearrangement as required to maximize group efficiency, and to provide operational support to group companies. In the near term, the Company views the core McDonald’s hamburger restaurant operations as its foremost priority, and it is devoting its resources entirely to this area.

(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.

This year, our successful implementation of systems such as “Made For You” in the past led to further improvement in our QSC (Trusted quality, speedy and friendly service, clean and comfortable atmosphere). Also, the Company continued initiatives such as the Value-menu enhancement, introduction of strategic new products, expansion of 24 hours operation restaurants, remodel to pursue comfort for target demography and expansion of the number of franchised restaurants. The Company will continue the effort to further strengthen its foundation.

(EveryD Mc, Inc.)

Primary objectives of EveryD Mc, Inc. are to maximize the profit of McDonald's Holdings as a group through comprehensive communication with McDonald's Company, major client, and clarifying its role within the group.

(The JV Inc.)

The JV Inc. aims to provide new services to interface the Osaifu-Keitai and McDonald's restaurant for the newly established membership club in place of current service provided by McDonald's Company (Japan) Ltd.’s "Tokusuru Keitai Site" service. The JV Inc. determines to provide services by linking restaurants and Osaifu-Keitai to provide a comfortable, safe, and steady promotion of further development in digital lifestyle market in Japan which ultimately contributes to McDonald's Japan’s growth. The company strives to be an opinion leader and continues to contribute to further development of the digital market in Japan.

(4) Issues facing the Company

The Company plans to continue focusing management resources on its principal hamburger restaurant business. It strives to enhance people’s acknowledgement of the McDonald’s brand by offering the best QSC (Trusted quality, speedy and friendly service, clean and comfortable atmosphere) 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. The Company also proactively supports social contribution activities with good corporate citizenship such as pursuing food safety, environmental efforts, enhancing food education activities, and supporting Ronald McDonald House.

.

(5) Improvement and Situation of Internal Controls

Since the Corporate Governance Report - “Basic policies and conditions of internal controls” contains the same information, description is omitted.

(6) Other significant matters to the Company

Not applicable.

4. Consolidated financial statements

(1). Consolidated balance sheet

Millions of yen	Note	December 31, 2007	%	December 31, 2008	%	Year-on-year change
(Assets)						
Current assets						
Cash and deposits		12,005		9,782		
Accounts receivable - trade		9,050		9,853		
Inventories		2,871		2,817		
Deferred tax assets		2,555		2,628		
Others		5,729		5,530		
Allowance for doubtful accounts		(69)		(1)		
		32,143	16.0	30,610	15.3	(1,532)
Fixed assets						
Tangible fixed assets	4,6					
Buildings and structures		94,728		86,638		
Accumulated depreciation		50,094		46,614		
		44,634		40,024		
Machinery and equipment		21,363		24,384		
Accumulated depreciation		10,690		10,495		
		10,673		13,889		
Tools, appliances and fixtures		21,932		22,598		
Accumulated depreciation		13,811		12,864		
		8,120		9,733		
Land	5	17,277		17,490		
Construction in progress		910		195		
		81,615	40.5	81,333	40.7	(282)
Intangible fixed assets	6					
Goodwill		1,387		1,723		
Software		-		14,563		
Others		8,398		773		
		9,785	4.9	17,060	8.5	7,275
Investments and other assets						
Investments in securities	1	3,784		398		
Long-term loans		19		9		
Deferred tax assets		2,613		2,081		
Leasing and guarantee deposits		64,064		61,910		
Others	2	8,111		7,343		
Allowance for doubtful accounts		(835)		(721)		
		77,758	38.6	71,020	35.5	(6,737)
Total fixed assets		169,159	84.0	169,414	84.7	254
Total assets		201,303	100.0	200,024	100.0	(1,278)

Millions of yen	Note	December 31, 2007	%	December 31, 2008	%	Year-on-year change
(Liabilities)						
Current liabilities						
Accounts payable		12,596		10,472		
Short-term loans payable		5,000		4,500		
Accounts payable-other		19,605		20,812		
Accrued expenses		9,830		8,709		
Income taxes payable		5,996		4,078		
Allowance for bonuses		2,021		2,309		
Others	2	9,549		6,207		
		64,599	32.1	57,090	28.5	(7,508)
Non-current liabilities						
Long-term loans payable		500		500		
Allowance for employees' retirement benefits		2,007		2,193		
Allowance for directors' retirement benefits		99		118		
Deferred tax liabilities due to land revaluation	5	508		508		
Others		340		242		
		3,455	1.7	3,562	1.8	107
		68,055	33.8	60,653	30.3	(7,401)
(Net assets)						
Shareholders' equity						
Common stock		24,113	12.0	24,113	12.1	-
Additional paid-in capital		42,124	20.9	42,124	21.1	-
Retained earnings		70,224	34.9	78,628	39.2	8,404
Treasury stock		(0)	(0.0)	(0)	(0.0)	(0)
		136,462	67.8	144,866	72.4	8,404
Revaluation & Translation Adjustment						
Unrealized gain on other securities		1,937	1.0	-	-	(1,937)
Gain/loss on deferred hedge		1	0.0	(355)	(0.2)	(356)
Revaluation account for land	5	(5,240)	(2.6)	(5,240)	(2.6)	-
		(3,302)	(1.6)	(5,596)	(2.8)	(2,293)
Minority interests		88	0.0	100	0.1	12
Total equity		133,247	66.2	139,371	69.7	6,123
Total liabilities and shareholders' equity		201,303	100.0	200,024	100.0	(1,278)

(2) Consolidated income statement

Millions of yen	Note	Year ended December 31, 2007	%	Year ended December 31, 2008	%	Year-on-year change
Sales	2	395,061	100.0	406,373	100.0	11,311
Cost of sales		331,020	83.8	337,412	83.0	6,392
Gross profit		**64,040**	**16.2**	**68,960**	**17.0**	**4,919**
Selling, general and administrative expenses	1,3	47,307	12.0	49,416	12.2	2,109
Operating income		16,733	4.2	19,543	4.8	2,809
Nonoperating income						
Interest income		100		105		
Dividend income		37		37		
Equity in earnings of affiliated companies		11		-		
Revenue from unredeemed gift certificates		238		144		
Insurance proceeds		109		119		
Closure-related compensation		588		405		
Others		407		532		
		1,492	0.4	1,344	0.3	(147)
Nonoperating expenses						
Interest expenses		22		67		
Loss on disposal of fixed assets at Company-operated restaurants		2,176		2,355		
Others		410		225		
		2,609	0.6	2,648	0.6	38
Ordinary income		15,616	4.0	18,239	4.5	2,623
Extraordinary gains						
Reversal of allowance for doubtful accounts		143		152		
Gain on settlement of the lawsuit	4	-		1,378		
Gain on sale of investments in securities		-		2,582		
Compensation for relocation of restaurants		236		-		
		380	0.1	4,114	1.0	3,734
Extraordinary losses						
Loss on disposal of fixed assets	5	408		370		
Impairment loss	6	46		261		
Loss on sale of fixed assets	7	-		136		
Loss on sale of investments in securities		-		0		
Loss on contract termination		369		-		
Loss on restaurant closure	8	1,288		-		
		2,112	0.6	769	0.2	(1,343)
Net income before taxes		13,883	3.5	21,584	5.3	7,700
Current tax expenses		6,297		7,131		
Deferred tax expenses		(231)		2,047		
		6,065	1.5	9,178	2.3	3,112
Minority interests in income (loss)		(1)	(0.0)	12	0.0	14
Net income		7,819	2.0	12,393	3.0	4,573

(3) Consolidated statement of shareholders' Equity

(Millions of yen)

Year ended December 31, 2007	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance at December 31,2006	24,113	42,124	66,393	(0)	132,631
Cash dividends			(3,988)		(3,988)
Net income			7,819		7,819
Changes in items except shareholders' equity					—
Total change in the term	—	—	3,830	—	3,830
Balance at December 31, 2007	24,113	42,124	70,224	(0)	136,462

Year ended December 31, 2007	Revaluation & Translation Adjustment				Minority Interests	Grand total
	Unrealized gain on other securities	Unrealized Gain(loss) on deferred hedge	Revaluation account for land	Total		
Balance at December 31, 2006	2,639	38	(5,240)	(2,563)	—	130,067
Cash dividends						(3,988)
Net income						7,819
Changes in items except shareholders' equity	(702)	(36)	—	(738)	88	(650)
Total change in the term	(702)	(36)	—	(738)	88	3,180
Balance at December 31, 2007	1,937	1	(5,240)	(3,302)	88	133,247

(Millions of yen)

Year ended December 31, 2008	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance at December 31,2007	24,113	42,124	70,224	(0)	136,462
Cash dividends			(3,988)		(3,988)
Net income			12,393		12,393
Acquisition of Treasury Stock				(0)	(0)
Changes in items except shareholders' equity					—
Total change in the term	—	—	8,404	(0)	8,404
Balance at December 31, 2008	24,113	42,124	78,628	(0)	144,866

Year ended December 31, 2008	Revaluation & Translation Adjustment				Minority Interests	Grand total
	Unrealized gain on other securities	Unrealized Gain(loss) on deferred hedge	Revaluation account for land	Total		
Balance at December 31, 2007	1,937	1	(5,240)	(3,302)	88	133,247
Cash dividends						(3,988)
Net income						12,393
Acquisition of Treasury Stock						(0)
Changes in items except shareholders' equity	(1,937)	(356)	—	(2,293)	12	(2,280)
Total change in the term	(1,937)	(356)	—	(2,293)	12	6,123
Balance at December 31, 2008	—	(355)	(5,240)	(5,596)	100	139,371

(4) Consolidated statement of cash flows

Millions of yen	Year ended December 31, 2007	Year ended December 31, 2008	Year-on-year change
Net cash provided by operating activities			
Net income before taxes	13,883	21,584	
Depreciation	10,012	11,867	
Impairment loss	46	261	
Increase (decrease) in allowances	467	312	
Unredeemed gift certificates	(238)	(144)	
Interest and dividend income	(138)	(142)	
Interest expenses	22	67	
Equity in losses (earnings) of unconsolidated companies	(11)	-	
Loss on sale of fixed assets	-	136	
Loss on disposal of fixed assets	1,867	1,542	
Loss(gain) on sale of investments securities	-	(2,582)	
Decrease (increase) in accounts receivable - trade	(601)	(803)	
Decrease (increase) in inventories	(312)	54	
Decrease (increase) in goodwill from acquisition of franchised restaurants	(116)	(335)	
Decrease (increase) in other assets	(512)	(460)	
Increase (decrease) in accounts payable	1,498	(2,123)	
Increase (decrease) in Note payable	(8,399)	-	
Increase (decrease) in accrued expenses payable	(142)	(1,129)	
Increase (decrease) in other current liabilities	8,170	(1,233)	
Others	(4)	42	
	25,491	26,913	1,421
Interest and dividend income received	43	42	
Interest expenses paid	(14)	(58)	
Payment for income tax	(1,183)	(9,042)	
	24,337	17,855	(6,481)
Net cash used in investment activities			
Payments for purchase of restaurant equipment	(22,831)	(23,522)	
Proceeds from sale of restaurant equipment	1,803	9,199	
Income from redemption of investment securities at maturity	250	-	
Income from sale of investment in securities	-	2,702	
Proceeds from return of investment in equity	209	0	
Payments for rent deposits and guarantees	(1,685)	(2,659)	
Proceeds from returned rent deposits and guarantees	4,824	4,660	
Proceeds from collection of loans and advances	17	14	
Payments for development of information systems	(4,157)	(7,708)	
Proceeds from returned guaranteed deposits	-	1,610	
Others	(286)	29	
	(21,855)	(15,674)	6,181
Net cash used in financing activities			
Net increase (decrease) in short-term debt	2,000	(500)	
Payments of dividends	(3,902)	(3,889)	
Proceeds from stock issuance to minority shareholders	90	-	
Payments for purchase of treasury stocks	-	(0)	
	(1,812)	(4,389)	(2,576)
Effect of exchange rate changes on cash and cash equivalents	(2)	(14)	(12)
Increase (decrease) in cash and cash equivalents	666	(2,223)	(2,889)
Cash and cash equivalents at beginning of term	11,338	12,005	666
Cash and cash equivalents at end of term ***Note**	12,005	9,782	(2,223)

Accounting policy

Item	December 31, 2007	December 31, 2008
1. Item relating to scope of consolidation	(1) Number of consolidated subsidiary: 3 Name of consolidated subsidiary: McDonald's Company (Japan), Ltd. EveryD Mc, Inc. The JV Inc. During the current fiscal year, a new company named The JV Inc. was established and the company acquired 70% of its shares. This company designs and operates promotion activities for members of new membership organization that was established by McDonald's Company (Japan), Ltd.	(1) Number of consolidated subsidiaries: 3 Name of consolidated subsidiary: McDonald's Company (Japan), Ltd. EveryD Mc, Inc. The JV Inc.
	(2) Number of nonconsolidated subsidiary: 1 Name of nonconsolidated subsidiary: California Family Restaurants, Inc. (Reason for exclusion from consolidation) This nonconsolidated subsidiary is small in scale, and its effect on consolidated financial statements in terms of total assets, sales, net income for the term (amount corresponding to ownership share), and retained earnings (amount corresponding to ownership share) is not significant.	(2) Number of nonconsolidated subsidiary:1 Name of nonconsolidated subsidiary: Same as December 31, 2007 (Reason for exclusion from consolidation) Same as December 31, 2007
2. Item relating to application of the equity method	(1) Number of affiliates accounted for by the equity method: 2 2 anonymous associations were the company's equity method affiliates in previous year, but they were resolved during this fiscal year.	(1) —
	(2) The Company did not apply the equity method to its nonconsolidated subsidiary California Family Restaurants, Inc. because of its minimal impact on consolidated net income, consolidated retained earnings, etc.	(2) The Company did not apply the equity method to its nonconsolidated subsidiary Same as December 31, 2007
3. Item relating to the fiscal years etc. of consolidated subsidiaries	All consolidated subsidiaries end their fiscal years on the same day as the date of closing of consolidated accounts.	Same as December 31, 2007
4. Items related to accounting standards		
(1) Standards and methods of valuation for important assets	i. Marketable and investment securities (a) Bonds held to maturity: cost amortization method (straight line)	i. Marketable and investment securities (a) —
	(b) 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	(b) Other securities: Quoted securities: Same as December 31, 2007 Unquoted securities Same as December 31, 2007
	ii. Derivatives Market price method.	ii. Derivatives Same as December 31, 2007
	iii. Inventories: Food materials and supplies: valued at cost, computed on a periodic average basis	iii. Inventories: Same as December 31, 2007

Item	December 31, 2007	December 31, 2008
(2) Major depreciable assets and methods of depreciation	i. Tangible fixed assets: straight-line method Years of useful life for principal assets: Buildings and structures: 2 - 50 years Machinery and equipment: 2 - 15 years Tools, appliances and fixtures: 2 - 20 years	i. Tangible fixed assets: Same as December 31, 2007
	ii. 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).	ii. Intangible fixed assets: Same as December 31, 2007
	iii. Long-term prepaid expenses: Straight-line method	iii. Long-term prepaid expenses: Same as December 31, 2007
(3) Standards for important allowances	i. 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.	i. Allowance for doubtful accounts Same as December 31, 2007
	ii. 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 as of the end of the fiscal year.	ii. Allowance for bonuses Same as December 31, 2007
	iii. 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 term. 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.	iii. Employees' retirement benefits Same as December 31, 2007
	iv. Allowance for directors' retirement benefit In order to prepare for the payment of retirement benefit to directors, an allowance is made for the estimated amount to be paid as of the end of the fiscal year based on the regulations of retirement allowance to retiring directors.	iv. Allowance for directors' retirement benefit Same as December 31, 2007
(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 December 31, 2007
(5) Important hedge accounting methods	i. Accounting method Appropriated methods.	i. Accounting method Same as December 31, 2007
	ii. Hedging methods and items hedged: Hedging methods: exchange contract Items hedged: expected future imports	ii. Hedging methods and items hedged: Same as December 31, 2007
	iii. Policy related to hedging: McDonald's Japan hedges foreign currency risks in accordance with its internal rules. Exchange contract is executed within the amount of imported inventories under normal operating cycle.	iii. Policy related to hedging: Same as December 31, 2007
	iv. Method of evaluating the effectiveness of hedging: Accumulated amount of changes in cash flow between items hedged and hedging methods are matched quarterly to evaluate the effectiveness of hedging.	iv. Method of evaluating the effectiveness of hedging: Same as December 31, 2007

Item	December 31, 2007	December 31, 2008
(6) Other significant items associated with the preparation of financial statements	Accounting for consumption taxes and local consumption taxes: Amounts shown are exclusive of consumption taxes.	Accounting for consumption taxes and local consumption taxes: Same as December 31, 2007
5. Scope of funds in the consolidated statement of cash flow	"Funds" (cash and cash equivalents) in the context of the consolidated cash flow statement comprise cash on hand, freely withdraw able 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 December 31, 2007

Changes in the method of presentation

December 31, 2007	December 31, 2008
(Consolidated balance sheet) —	(Consolidated balance sheet) "Software" was included in "Others" in the intangible fixed assets section of consolidated balance sheet until previous interim period. However, the amount of the account is more than 5% of total assets in the current period; therefore, the account is designated in the statement. The amount for year 2007 was 7,621 million yen.

Note

(Consolidated balance sheet - related)

Millions of yen December 31, 2007		December 31, 2008	
1. Amounts at nonconsolidated subsidiaries and affiliates are as follows Investment securities	341	1. Amounts at nonconsolidated subsidiaries and affiliates are as follows Investment securities	341
2. “Other” assets in investments and other assets in the amount of 1,510 million yen are provided as guarantee deposits for the issuing of gift certificates (McCard), as per the relevant laws regulating prepaid gift certificates. Liabilities collateralized by these securities are advance receipts from customers in the amount of 445 million yen.		2. —	
3. Contingent liabilities (1) Guarantees provided for borrowings from financial institutions by parties in which the Company has an equity stake: Toys"R"Us-Japan, Ltd.	952	3. Contingent liabilities (1) Guarantees provided for borrowings from financial institutions by parties in which the Company has an equity stake: Toys"R"Us-Japan, Ltd.	776
(2) Guarantees provided for employees' mortgages from banks:	3	(2) Guarantees provided for employees' mortgages from banks:	1
4. Reductions of tangible fixed assets from gains on insurance claims were 93 million yen, and reductions of tangible fixed assets from expropriation were 110 million yen.		4. Reductions of tangible fixed assets from gains on insurance claims were 82 million yen, and reductions of tangible fixed assets from expropriation were 110 million yen.	
5. Revaluation of land As per the Law Regarding the Revaluation of Land (Public Law No. 34, March 31, 1998), land used for business purposes is revalued and any valuation differential is recorded under shareholders' equity. Revaluation method: As per Article 2-3 of the Implementation Order for the Revaluation of Land (Public Ordinance No. 119, March 31, 1998), the calculation was carried out using a rational adjustment based on the valuation amount for property tax. Date of revaluation: December 31, 2001 Differential between book value and post-revaluation market value of revalued land at end of term	(3,922)	5. Revaluation of land As per the Law Regarding the Revaluation of Land (Public Law No. 34, March 31, 1998), land used for business purposes is revalued and any valuation differential is recorded under shareholders' equity. Revaluation method: As per Article 2-3 of the Implementation Order for the Revaluation of Land (Public Ordinance No. 119, March 31, 1998), the calculation was carried out using a rational adjustment based on the valuation amount for property tax. Date of revaluation: December 31, 2001 Differential between book value and post-revaluation market value of revalued land at end of term	(4,342)
6. —		6. For 2008, due to selling of restaurant business to franchisee by entering franchise contracts, the amount of fixed assets transferred to other accounts was 8,727 million yen in book value. The amount was 1,803 million yen for 2007.	

(Consolidated statement of income - related)

Millions of yen December 31, 2007		December 31, 2008	
1. Primary items and amounts included under selling, general and administrative expenses		1. Primary items and amounts included under selling, general and administrative expenses	
(1)Advertising expenses	9,363	(1)Advertising expenses	10,877
(2)Sales promotion expenses	14,899	(2)Sales promotion expenses	13,874
(3)Salaries	5,941	(3)Salaries	6,674
(4)Bonuses	2,008	(4)Bonuses	1,718
(5)Provision for bonuses	1,411	(5)Provision for bonuses	1,616
(6)Pension expenses	386	(6)Pension expenses	435
(7)Provision for directors' retirement allowances	27	(7)Provision for directors' retirement allowances	22
(8)Rent on real estate	919	(8)Rent on real estate	809
(9)Depreciation	1,315	(9)Depreciation	2,556
(10)Outside services expenses	4,175	(10)Outside services expenses	3,363
(11)Investigation and research expenses	414	(11)Investigation and research expenses	402
2. —		2. For 2008, gain on sales of restaurant businesses from entering franchising contracts gave rise to a gain of 4,335 million yen. The determination of the value of restaurant businesses is based on the expected stream of future cash flows and is agreed by franchisee (buyer). The figure for year 2007 was 1,367 million yen.	
3. R&D expenses in selling, general and administrative expenses	414	3. R&D expenses in selling, general and administrative expenses	402
4. —		4. Income resulting from settlement of dispute between Toys"R"Us-Japan, Ltd and McDonald's Japan, Ltd (consolidated subsidiary).	
5. Breakdown of losses on disposal of fixed assets		5. Breakdown of losses on disposal of fixed assets	
Buildings and structures	122	Buildings and structures	170
Machinery and equipment	228	Machinery and equipment	57
Tools, appliances and fixtures	31	Tools, appliances and fixtures	66
Software	24	Software	76
	408	Total	370

Millions of yen December 31, 2007	December 31, 2008
6. Impairment loss Impairment loss was recognized during current term Breakdown of impairment loss by assets type are as follows:	6. Impairment loss Impairment loss was recognized during current term Breakdown of impairment loss by assets type are as follows:

December 31, 2007

Intended use	Assets type	Region	Amount
Restaurants in operation	Building and structures etc.	Kanto	42
Same as above	Same as above	Other	3
		Total	46

December 31, 2008

Intended use	Assets type	Region	Amount
Restaurants in operation	Building and structures etc.	Kanto	258
Same as above	Same as above	Other	3
		Total	261

December 31, 2007

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 accounting 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 (46 million yen) was reported as an impairment loss and shown in the extraordinary loss.

Breakdown of impairment loss by assets type are as follows:

Buildings and structures	35
Machinery	5
Tools, appliances and fixtures	3
Lease assets	1
Total	46

The recoverable value of the group assets was calculated by utility value and it was calculated by discounting future cash flow at 5.6% rate.

December 31, 2008

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 accounting 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 (261 million yen) was reported as an impairment loss and shown in the extraordinary loss.

Breakdown of impairment loss by assets type are as follows:

Buildings and structures	132
Machinery	82
Tools, appliances and fixtures	45
Lease assets	1
Total	261

The recoverable value of the group assets was calculated by utility value and it was calculated by discounting future cash flow at 6.6% rate.

December 31, 2007	December 31, 2008
7. —	7. The detail for Loss on sale of fixed assets is as below: Machinery and equipment: 136
8. During this year, McDonald's Japan Company, Inc, the subsidiary of the company, strategically closed unprofitable restaurants. "Loss on restaurant closure" in extraordinary losses was loss on disposal of fixed assets and de-arching costs etc. due to this strategic closure.	8. —

(Consolidated statement of shareholders' equity)

December 31, 2007

1. Type and number of outstanding shares and treasury stock

	December 31, 2006	Increase	Decrease	December 31, 2007
Outstanding shares				
Common stock	132,960,000	—	—	132,960,000
Total	132,960,000	—	—	132,960,000
Treasury stock				
Common stock	198	—	—	198
Total	198	—	—	198

2. Type and number of warrant

Not applicable.

3. Dividend

(1) 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 March 27, 2007	Common stock	3,988	30	2006/12/31	2007/3/28

(2) Amount which reference date is in the current year but effective date is in the following year(forecast)

To be decided as follow:

Resolution (forecast)	Type of share	Total amount of dividend (million yen)	Resource	Dividend per share (yen)	Reference date	Effective date
Regular general shareholders meeting March 27, 2008	Common stock	3,988	Retained earnings	30	2007/12/31	2008/3/28

December 31, 2008

1. Type and number of outstanding shares and treasury stock

	December 31, 2007	Increase	Decrease	December 31, 2008
Outstanding shares				
Common stock	132,960,000	—	—	132,960,000
Total	132,960,000	—	—	132,960,000
Treasury stock*				
Common stock	198	47	—	245
Total	198	47	—	245

*Note: Increase in 47 treasury stocks is due to the acquisition of fractional shares.

2. Type and number of warrant

Not applicable.

3. Dividend

(1) 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 March 27, 2008	Common stock	3,988	30	2007/12/31	2008/3/28

(2) Amount which reference date is in the current year but effective date is in the following year (forecast)

Resolution (forecast)	Type of share	Total amount of dividend (million yen)	Resource	Dividend per share (yen)	Reference date	Effective date
Regular general shareholders meeting March 27, 2009	Common stock	3,988	Retained earnings	30	2008/12/31	2009/3/28

(Consolidated statement of cash flow - related)

Balance of cash and cash equivalents agrees with balance of cash and deposit the balance sheet as of the year end of 2007 and 2008.

(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 year end

Millions of yen	December 31, 2007	December 31, 2008
Buildings and structures		
Acquisition cost	1	0
Accumulated depreciation	0	0
Accumulated impairment loss	-	-
Net leased property	0	0
Machinery and equipment		
Acquisition cost	8,672	6,662
Accumulated depreciation	4,730	3,333
Accumulated impairment loss	145	96
Net leased property	3,795	3,233
Tools, appliances and fixtures		
Acquisition cost	3,901	1,802
Accumulated depreciation	2,442	1,300
Accumulated impairment loss	68	35
Net leased property	1,389	466
Total		
Acquisition cost	12,575	8,465
Accumulated depreciation	7,174	4,633
Accumulated impairment loss	214	131
Net leased property	5,186	3,700

(2) Equivalent amount of unearned lease payments

Millions of yen	December 31, 2007	December 31, 2008
Due within one year	1,937	1,073
Due after one year	3,234	2,356
Total	5,171	3,430
Account balance of impairment loss for leased assets	88	22

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

Millions of yen	December 31, 2007	December 31, 2008
Lease rents	2,603	2,009
Reversal of impairment loss for lease assets account	81	66
Equivalent depreciation	2,182	1,383
Equivalent amount of interest paid	144	116
Impairment loss for lease assets	1	1

(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 for both Year 2007 and 2008.

(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 both Year 2007 and 2008.

2. Operating Leases

Millions of yen	December 31, 2007	December 31, 2008
Unexpired leases		
Within 1 year	337	-
More than 1 year	561	-
Total	898	-

*All operation leases from 2007 were terminated during year 2008.

(Marketable and investment securities)

1. Other quoted securities

	December 31, 2007			December 31, 2008		
Millions of yen	Cost of acquisition	Book value	Unrealized gain (loss)	Cost of acquisition	Book value	Unrealized gain (loss)
Securities valued on the consolidated balance sheet at amounts greater than purchase cost						
Shares	120	3,386	3,266	-	-	-
Total	120	3,386	3,266	-	-	-

*Securities sold in 2008:

Selling price: 2,702 million yen, Gain: 2,582 million yen, Loss: 0 million yen

2. Major investment securities without market prices

Millions of yen	December 31, 2007	December 31, 2008
Other securities		
Unlisted stocks	56	56

(Derivatives)

I. Items related to the status of transactions

December 2007 term and December 2008 term

1. Transaction details

Derivative transactions used by the Company consist of forward foreign exchange contracts. The forward foreign exchange contracts with importers for food materials are carried out based on the decision made by McDonald's Company (Japan), Ltd. The forward foreign exchange contracts with financial institutions for inventories are carried out based on the decision made by McDonald's Company (Japan), Ltd.

The effect of these forward foreign exchange contracts is reflected in the price of transactions with shipping companies that purchase ingredients from the importer and deliver them to McDonald's Company (Japan), Ltd. and its franchisees.

2. Policy regarding transactions

The Company's derivative transactions are undertaken for the purpose of avoiding risk from future movements in foreign exchange rates, always taking into consideration the amount of expected future imports. The Company does not enter into derivative transactions for speculative purposes.

3. Purpose of transactions

Forward foreign exchange contracts are undertaken for the purpose of maintaining stable purchase prices for food ingredients etc at McDonald's Company (Japan), Ltd. and its franchisees. The Company uses hedge accounting for the derivatives. The detail for accounting treatment is described in "Accounting policy".

4. Transaction risks

Forward foreign exchange contracts are recognized as having some market risk due to exchange rate fluctuations. But because the counterparties to the contracts undertaken by importers and McDonald's Company (Japan), Ltd. are major domestic banks, the risk of a counterparty defaulting on a contract (credit risk) is deemed negligible.

5. Risk management system for transactions

The execution and management of derivative transactions are carried out in accordance with internal rules and procedures of McDonald's Company (Japan), Ltd. The policy for forward foreign exchange contracts is determined by the responsible officers, and the request to the importer for the execution of a full or partial contract is made based on the decision of the general manager of the purchasing department. The execution of the contract is confirmed upon receipt of a written report or a copy of the confirmation from the importer for each contract.

6. Supplementary explanation of items related to the market value of contracts

With regard to the market value of contracts, the contract amount is strictly that of the derivative contract, and in and of itself does not represent the amount of risk inherent in the derivative transaction.

In addition, the contract amounts, market values and valuation profits and losses include portions that will be returned to McDonald’s Company (Japan), Ltd. and its franchisees.

II. Market value of transactions

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

Currency-related

Millions of yen	December 31, 2007				December 31, 2008			
	Amount of contract etc.		Market value	Unrealized gain (loss)	Amount of contract etc.		Market value	Unrealized gain (loss)
Category and type		Over one year				Over one year		
Transactions other than market transactions								
Exchange contract transactions								
Buying contracts								
U.S. Dollar	48,102	18,329	49,315	1,213	49,822	16,118	42,790	(7,032)
	48,102	18,329	49,315	1,213	49,822	16,118	42,790	(7,032)

Note
Market value calculation method for 2007 and 2008
The end-of-term market value is calculated using prices in the futures market.
Derivative transaction using hedge accounting is excluded.

(Retirement benefits)

1. Outline of retirement benefit system

Consolidated subsidiary has adopted the defined benefit corporate pension plan for employees of mandatory retirement age. This is in addition to the internal reserve for lump-sum retirement payments as per its retirement regulations. Also, the company switched its pension plan from Qualified Pension Plan to the Defined Benefit Pension Plan in February 2008

2. Matters relating to retirement benefit liabilities

Millions of yen	December 31, 2007	December 31, 2008
(1) Retirement benefit liabilities	(19,767)	(20,377)
(2) Pension assets	25,201	18,025
(3) Unaccrued pension benefit liabilities (1) + (2)	5,434	(2,352)
(4) Unrecognized actuarial gains or losses	(3,100)	5,097
(5) Net amount shown on consolidated balance sheet (3) + (4)	2,334	2,744
(6) Prepaid pension expenses	4,341	4,938
(7) Allowance for retirement benefits (5) – (6)	(2,007)	(2,193)

3. Matters relating to retirement benefit expenses

Millions of yen	December 31, 2007	December 31, 2008
(1) Current service costs	1,650	1,653
(2) Interest expense	351	316
(3) Expected earnings on pension fund assets	(364)	(363)
(4) Expensing of differences based on actuarial calculations	(164)	(60)
(5) Subtotal	1,473	1,546
(6) Additional retirement funds	14	3
(7) Total retirement benefit expenses	1,488	1,549

4. Assumptions underlying the calculation of retirement benefit liabilities

	December 31, 2007	December 31, 2008
(1) Discount rate	1.6%	1.6%
(2) Expected rate of return	1.5%	1.5%
(3) Method of allocating prospective retirement benefits to each period	Straight-line method	Straight-line method
(4) Amortization period for actuarial gains or losses	8 years	8 years

(Stock option)

December 2007 term and December 2008 term

Not applicable.

(Deferred taxes)

1. Breakdown of primary causes of deferred tax assets and liabilities

Millions of yen	December 31, 2007	December 31, 2008
Deferred tax assets		
Enterprise taxes payable	670	503
Excess over limit of allowance for bonuses	1,060	1,222
Allowance for directors' retirement	41	49
Excess over limit of allowance for doubtful accounts	366	293
Excess over limit of allowance for retirement benefits	661	1,252
Valuation loss on food products and supplies	326	218
Depreciation expenses	799	1,063
Loss carried forward	2,513	850
Impairment loss	585	497
Others	1,341	1,202
Total	8,367	7,152
Valuation allowance	(194)	(203)
Grand total	8,172	6,948
Deferred tax liabilities		
Unrealized gains or losses on other securities	(1,329)	-
Gain from establishment of pension plan assets	(1,592)	-
Prepaid pension cost	-	(2,076)
Gift Card miscellaneous income	(14)	(22)
Reserve for special depreciation	(4)	-
Labor insurance	-	(78)
Others	(63)	(61)
Total	(3,003)	(2,239)
Total deferred tax assets – net	5,168	4,709

In addition to the above figures, there are deferred tax assets and liabilities for “revaluation for land” account as follows.

Millions of yen	December 31, 2007	December 31, 2008
Deferred tax assets for revaluation for land	2,433	2,433
Valuation allowance	(2,433)	(2,433)
Deferred tax liabilities for revaluation for land	(508)	(508)
Total deferred tax liabilities-net	(508)	(508)

2. Causes of differences between legal effective tax rates and actual corporate tax rate after the application of deferred tax accounting

December 31, 2007		December 31, 2008	
The detailed information about causes of differences between legal effective tax rates and actual corporate tax rate after the application of tax-effect accounting in this fiscal year is shown below:		The detailed information about causes of differences between legal effective tax rates and actual corporate tax rate after the application of tax-effect accounting in this fiscal year is shown below:	
Legal effective tax rate	40.69%		40.69%
<adjustment>		<adjustment>	
Expenses not deductible for tax purposes (such as entertainment expenses)	1.41%	Expenses not deductible for tax purposes (such as entertainment expenses)	0.80%
Incomes not included for tax purposes (such as interests receivable)	(0.16%)	Incomes not included for tax purposes (such as interests receivable)	(0.04%)
Per capita rate of inhabitant tax	0.52%	Per capita rate of inhabitant tax	0.33%
Tax rate variance of subsidiaries	1.28%	Tax rate variance of subsidiaries	1.10%
Valuation allowance	0.26%	Valuation allowance	0.04%
Others	(0.31%)	Others	(0.40%)
Income tax and others accompanying adoption of tax effect accounting	43.69%	Income tax and others accompanying adoption of tax effect accounting	42.52%

(Business combination-related financial information)

Not applicable for 2007 and 2008.

(Segment information)

Business segment information

For the year ended December 2007 (January 1 – December 31, 2007) and 2008 (January 1 – December 31, 2008), sales, operating income and assets corresponding to hamburger restaurant operations accounted for more than 90% of the group’s total sales, operating income and assets for all business segments. Accordingly, business segment information is omitted.

Geographical segment information

For the year ended December 2007 (January 1 – December 31, 2007) and 2008 (January 1 – December 31, 2008), the Company had no consolidated subsidiaries domiciled outside Japan. Accordingly, there is no geographical segment information.

Overseas sales

For the year ended December 2007 (January 1 – December 31, 2007) and 2008 (January 1 – December 31, 2008), the Company had no sales outside Japan, therefore this section is omitted.

(Transaction with related parties)

December 2007 term

(1) Parent company and primary institutional shareholders

December 31; Millions of yen	Address	Capital	Type of business or occupation	% of voting rights held (held by others)	Relationship: Shareholder and director	Relationship: Business relationship	Type of transaction	Value of transactions	Accounting classification	Balance at term end
Other affiliated company										
McDonald's Restaurant Operations, Inc.	Delaware, U.S.A.	US$ 3,000	Holding company	Owned: Direct 22.43 Indirect 27.56	-	-	-	-	Long-tem borrowings	500

The interest rate applied in the borrowings from McDonald's Restaurant Operations, Inc. is based on the market rate of interest.

Reference (Transaction with related parties)

December 2007 term

Transactions between parties affiliated with both the Company and its consolidated subsidiary, McDonald’s Company (Japan) Ltd. (affiliated party relationships on a consolidated basis) are as follows:

(1) Parent company and primary institutional shareholders

December 31; Millions of yen	Address	Capital	Type of business or occupation	% of voting rights held (held by others)	Relationship: Shareholder and director	Relationship: Business relationship	Type of transaction	Value of transactions	Accounting classification	Balance at term end
Other affiliated company										
McDonald's Corporation	Illinois, U.S.A.	US$ 16,600,000	Hamburger restaurant chain	Owned: Indirect 49.99	4	Licensing consent based on a licensing contract	Royalties	12,353	Accounts payable - other	6,347
							Accrued Income etc.	1,773	Others (current assets)	898
							Advertising expenses and salaries of seconded staff etc.	1,031	Others (current liabilities)	495
Other affiliated company										
McDonald's Restaurant Operations, Inc.	Delaware, U.S.A.	US$ 3,000	Holding company	Owned: Direct 22.43 Indirect 27.56	-	-	Borrowings	-	Long-tem borrowings	500

Policies regarding transaction conditions

1. McDonald’s Company (Japan), Ltd., a consolidated company, has concluded the License Agreement with McDonald’s Corporation, under which royalties are paid in the amount of 2.5% of systemwide sales (total sales of company-operated and franchised restaurants).

2. The interest rate applied in the borrowings from McDonald's Restaurant Operations, Inc. is based on the market rate of interest.

(Transaction with related parties)

December 2008 term

(1) Parent company and primary institutional shareholders

December 31; Millions of yen	Address	Capital	Type of business or occupation	% of voting rights held (held by others)	Relationship: Shareholder and director	Relationship: Business relationship	Type of transaction	Value of transactions	Accounting classification	Balance at term end
Other affiliated company										
McDonald's Restaurant Operations, Inc.	Delaware, U.S.A.	US$ 3,000	Holding company	Owned: Direct 22.43 Indirect 27.56	-	-	Borrowings	-	Long-tem borrowings	500

The interest rate applied in the borrowings from McDonald's Restaurant Operations, Inc. is based on the market rate of interest.

(2) Directors and major individual shareholders, etc.

Not applicable.

Reference (Transaction with related parties)

December 2008 term

Transactions between parties affiliated with both the Company and its consolidated subsidiary, McDonald's Company (Japan) Ltd. (affiliated party relationships on a consolidated basis) are as follows:

(1) Parent company and primary institutional shareholders

Millions of yen	Address	Capital	Type of business or occupation	% of voting rights held (held by others)	Relationship: Shareholder and director	Relationship: Business relationship	Type of transaction	Value of transactions	Accounting classification	Balance at term end
Other affiliated company										
McDonald's Corporation	Illinois, U.S.A.	US$ 16,600,000	Hamburger restaurant chain	Owned: Indirect 49.99	4	Licensing consent based on a licensing contract	Royalties	13,346	Accounts payable - other	6,699
							Accrued Income etc.	23	Others (current assets)	5
							Advertising expenses and salaries of seconded staff etc.	2,041	Others (current liabilities)	406
Other affiliated company										
McDonald's Restaurant Operations, Inc.	Delaware, U.S.A.	US$ 3,000	Holding company	Owned: Direct 22.43 Indirect 27.56	-	-	Borrowings	-	Long-tem borrowings	500

Policies regarding transaction conditions

1. McDonald's Company (Japan), Ltd., a consolidated company, has concluded the License Agreement with McDonald's Corporation, under which royalties are paid in the amount of 2.5% of systemwide sales (total sales of company-operated and franchised restaurants).

2. The interest rate applied in the borrowings from McDonald's Restaurant Operations, Inc. is based on the market rate of interest.

(Per share-related financial information)

Yen	December 31, 2007		December 31, 2008
Shareholders' equity per share	1,001.50	Shareholders' equity per share	1,047.46
Net loss per share	58.81	Net loss per share	93.21
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 year to December 2007.		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 year to December 2008.	

(Note)
Net earning per share is calculated based on the following information.

Millions of yen	December 31, 2007	December 31, 2008
Net income	7,819	12,393
Income not available to common stockholders	-	-
Income available to common stockholders	7,819	12,393
Average number of common shares outstanding (thousands shares)	132,959	132,959

(Important matters occurring subsequent to report period)

Not applicable.

5. Nonconsolidated Financial Statements

(1) Nonconsolidated balance sheet

Millions of yen	Note	December 31, 2007	%	December 31, 2008	%	Year-on-year change
Current assets						
Cash and deposits		200		451		
Accounts receivable - trade	4	5,453		4,825		
Prepaid expenses		2,276		2,295		
Deferred tax assets		47		39		
Short-term loans receivable	4	17,500		19,000		
Others		269		210		
		25,747	18.2	26,823	19.4	1,075
Fixed assets						
Tangible fixed assets	3					
Buildings		54,971		46,767		
Accumulated depreciation		39,972		35,570		
		14,999		11,196		
Structures		6,256		5,148		
Accumulated depreciation		4,720		4,058		
		1,536		1,090		
Tools, appliances and fixtures		81		86		
Accumulated depreciation		81		81		
		0		5		
Land	5	17,277		17,490		
		33,813	23.9	29,782	21.6	(4,030)
Intangible fixed assets						
Leaseholds		729		729		
Software		7,621		14,561		
Telephone subscription rights		47		44		
		8,398	5.9	15,335	11.1	6,936
Investments and other assets						
Investments in securities		3,443		56		
Shares of affiliated companies		1,370		1,370		
Long-term loans receivable		11		9		
Claims in bankruptcy etc.		752		646		
Long-term prepaid expenses		1,319		1,341		
Deferred tax assets		1,926		1,490		
Leasing and guarantee deposits		64,064		61,910		
Others	1	1,668		121		
Allowance for doubtful accounts		(819)		(711)		
		73,737	52.0	66,237	47.9	(7,499)
Total fixed assets		115,948	81.8	111,354	80.6	(4,593)
Total assets		141,696	100.0	138,178	100.0	(3,518)

Millions of yen	Note	December 31, 2007	%	December 31, 2008	%	Year-on-year change
Current liabilities						
Accounts payable - trade		640		612		
Short-term loans payable		5,000		4,500		
Accounts payable - other	4	5,991		6,424		
Accrued expenses payable		194		232		
Income taxes payable		78		95		
Others		40		103		
		11,946	8.5	11,968	8.7	21
Long-term liabilities						
Long-term loans payable relating to affiliates		500		500		
Allowance for directors' retirement		45		57		
Guarantee deposits received		259		224		
Deferred tax liability due to revaluation	5	508		508		
		1,313	0.9	1,290	0.9	(23)
		13,260	9.4	13,258	9.6	(1)
Shareholders' equity						
Common stock		24,113	17.0	24,113	17.5	-
Additional paid-in capital		42,124	29.7	42,124	30.5	-
Retained earnings						
Legal income reserves		253		253		
Carried forward retained earnings		65,249		63,670		
		65,502	46.2	63,923	46.2	(1,579)
Treasury stock		(0)	(0.0)	(0)	(0.0)	(0)
		131,740	92.9	130,160	94.2	(1,579)
Revaluation & Translation adjustment						
Unrealized gain on other securities		1,937	1.4	-	-	(1,937)
Revaluation account for land	5	(5,240)	(3.7)	(5,240)	(3.8)	-
		(3,303)	(2.3)	(5,240)	(3.8)	(1,937)
Total shareholders' equity		128,436	90.6	124,919	90.4	(3,516)
Total liabilities and shareholders' equity		141,696	100.0	138,178	100.0	(3,518)

(2) Nonconsolidated statement of income

Millions of yen	Note	Year ended December 31, 2007	%	Year ended December 31, 2008	%	Year-on-year change
Sales	3	54,553	100.0	55,315	100.0	762
Cost of sales		51,287	94.0	51,505	93.1	217
Gross profit on sales		3,265	6.0	3,810	6.9	544
Selling, general and administrative expenses	1	2,479	4.6	2,776	5.0	297
Operating income		786	1.4	1,033	1.9	247
Nonoperating income						
Interest income	3	318		453		
Dividend income		37		37		
Compensation for interruption of business at restaurants		335		195		
Management service fee income	3	204		184		
Others		120		58		
		1,015	1.9	929	1.7	(86)
Nonoperating expenses						
Interest expenses		23		67		
Loss on disposal of fixed assets at restaurants		485		165		
Amortization of idle software		86		17		
Others		183		52		
		779	1.4	303	0.6	(476)
Ordinary income		1,022	1.9	1,659	3.0	637
Extraordinary gains						
Reversal of allowance for doubtful accounts		143		83		
Loss on sale of investments in securities		-		2,582		
Compensation for relocation of restaurants		144		-		
		288	0.5	2,666	4.8	2,378
Extraordinary losses						
Loss on disposal of fixed assets	2	330		134		
Loss on sale of investments in securities		-		0		
		330	0.6	134	0.2	(195)
Income before taxes and other adjustments		980	1.8	4,191	7.6	3,211
Corporate, inhabitant and enterprises taxes		9		9		
Deferred taxes		444		1,772		
		454	0.8	1,781	3.2	1,327
Net Income		526	1.0	2,409	4.4	1,883

Breakdown of cost of sales

Millions of yen	Note	Year ended December 31, 2007	%	Year ended December 31, 2008	%	Year-on-year change
Rent		46,270	90.2	46,480	90.2	209
Depreciation and amortization		5,016	9.8	5,025	9.8	8
Cost of sales		51,287	100.0	51,505	100.0	217

(3) Nonconsolidated Statements of Shareholders' Equity

(Millions of yen)

Year ended December 31, 2007	Shareholders' equity							
	Common stock	Additional paid-in capital		Retained earnings			Treasury stock	Total
		Capital reserve	Total additional paid-in capital	Legal income reserve	Other retained earnings	Total retained earnings		
					Carried forward retained earnings			
Balance at December 31, 2006	24,113	42,124	42,124	253	68,712	68,965	(0)	135,202
Cash dividends					(3,988)	(3,988)		(3,988)
Net income					526	526		526
Changes in items except shareholders' equity, net								—
Total change in the term	—	—	—	—	(3,462)	(3,462)	—	(3,462)
Balance at December 31, 2007	24,113	42,124	42,124	253	65,249	65,502	(0)	131,740

Year ended December 31, 2007	Revaluation & Translation Adjustment			Grand total
	Unrealized gain on other securities	Revaluation account for land	Total	
Balance at December 31, 2006	2,639	(5,240)	(2,601)	132,601
Cash dividends				(3,988)
Net income				526
Changes in items except shareholders' equity, net	(702)	—	(702)	(702)
Total change in the term	(702)	—	(702)	(4,164)
Balance at December 31, 2007	1,937	(5,240)	(3,303)	128,436

(Millions of yen)

Year ended December 31, 2008	Shareholders' equity								
	Common stock	Additional paid-in capital		Retained earnings			Treasury stock	Total
		Capital reserve	Total additional paid-in capital	Legal income reserve	Other retained earnings	Total retained earnings		
					Carried forward retained earnings			
Balance at December 31, 2007	24,113	42,124	42,124	253	65,249	65,502	(0)	131,740
Cash dividends					(3,988)	(3,988)		(3,988)
Net income					2,409	2,409		2,409
Acquisition of Treasury Stock							(0)	(0)
Changes in items except shareholders' equity, net								—
Total change in the term	—	—	—	—	(1,579)	(1,579)	(0)	(1,579)
Balance at December 31, 2008	24,113	42,124	42,124	253	63,670	63,923	(0)	130,160

Year ended December 31, 2008	Revaluation & Translation Adjustment			Grand total
	Unrealized gain on other securities	Revaluation account for land	Total	
Balance at December 31, 2007	1,937	(5,240)	(3,303)	128,436
Cash dividends				(3,988)
Net income				2,409
Acquisition of Treasury Stock				(0)
Changes in items except shareholders' equity, net	(1,937)	—	(1,937)	(1,937)
Total change in the term	(1,937)	—	(1,937)	(3,516)
Balance at December 31, 2008	—	(5,240)	(5,240)	124,919

Significant accounting policies

Item	December 31, 2007	December 31, 2008
1. Standards and methods of valuation for marketable and investment securities	(1) Bonds held to maturity: Cost amortization method (straight line)	(1) —
	(2) Shares in subsidiaries and affiliates: Valued at cost using the periodic average method	(2) Shares in subsidiaries: Same as December 31, 2007
	(3) 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	(3) Other securities: Same as December 31, 2007 Unquoted securities Same as December 31, 2007
2. Major depreciable assets and methods of depreciation	(1) Tangible fixed assets: straight-line method Years of useful life for principal assets: Buildings: 2 – 40 years Structures: 2 – 50 years Tools, appliances and fixtures: 2 - 20 years	(1) Tangible fixed assets: straight-line method . Same as December 31, 2007
	(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).	(2) Intangible fixed assets: straight-line method Same as December 31, 2007
	(3) Long-term prepaid expenses: Straight-line method	(3) Long-term prepaid expenses: Same as December 31, 2007
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 December 31, 2007
	(2) Reserve for directors' retirement allowances Recognition of full amount of liability at term end based on employment regulations.	(2) Reserve for directors' retirement allowances Same as December 31, 2007
4. Other significant items associated with preparation of the financial statements	Accounting for consumption taxes: Amounts shown are exclusive of consumption taxes.	Accounting for consumption taxes: Same as December 31, 2007

Changes in the representation policy

December 31, 2007	December 31, 2008
—	(Consolidated balance sheet) Due to revision of financial statement rules, item shown as “Claims in bankruptcy and substantial bankruptcy” prior to 2007 and before is now shown as “Claims in bankruptcy etc”.

Note

(Nonconsolidated balance sheet - related)

Millions of yen December 31, 2007		December 31, 2008	
1.“Other” asset in investments and other assets in the amount of 1,510 million yen is provided as guarantee deposits for the issuing of gift certificates (McCard), as per the relevant laws regulating prepaid gift certificates. Liabilities collateralized by these guarantee deposits are advance receipts from customers in the amount of 445 million yen of McDonald’s Company (Japan) Ltd., a consolidated subsidiary		1.	
		—	
2.Contingent liabilities		2.Contingent liabilities	
(1) Guarantees provided for borrowings from financial institutions by parties in which the Company has an equity stake:		(1) Guarantees provided for borrowings from financial institutions by parties in which the Company has an equity stake:	
Toys"R"Us-Japan, Ltd.	952	Toys"R"Us-Japan, Ltd.	776
(2) Guarantees provided for employees’ mortgages from banks:	3	(2) Guarantees provided for employees’ mortgages from banks:	1
(4) Liabilities (security deposits held) assumed by McDonald’s Company (Japan), Ltd. at the time of corporate separation:	19	(3) Liabilities (security deposits held) assumed by McDonald’s Company (Japan), Ltd. at the time of corporate separation:	9
3.Reductions of tangible fixed assets from gains on insurance claims were 68 million yen, and reductions of tangible fixed assets from expropriation were 110 million yen.		3.Reductions of tangible fixed assets from gains on insurance claims were 58 million yen, and reductions of tangible fixed assets from expropriation were 110 million yen.	
4.Note to affiliated companies		4.Note to affiliated companies	
Assets and liabilities at affiliated companies included in other items		Assets and liabilities at affiliated companies included in other items	
Accounts receivable	5,345	Accounts receivable	4,825
Short-term loans	17,500	Short-term loans	19,000
Accounts payable - other	5,940	Accounts payable - other	6,401
5.Revaluation of land		5.Revaluation of land	
As per the Law Regarding the Revaluation of Land (Public Law No. 34, March 31, 1998), land used for business purposes is revalued and any valuation differential is recorded under shareholders’ equity.		As per the Law Regarding the Revaluation of Land (Public Law No. 34, March 31, 1998), land used for business purposes is revalued and any valuation differential is recorded under shareholders’ equity.	
Revaluation method:		Revaluation method:	
As per Article 2-3 of the Implementation Order for the Revaluation of Land (Public Ordinance No. 119, March 31, 1998), the calculation was carried out using a rational adjustment based on the valuation amount for property tax.		As per Article 2-3 of the Implementation Order for the Revaluation of Land (Public Ordinance No. 119, March 31, 1998), the calculation was carried out using a rational adjustment based on the valuation amount for property tax.	
Date of revaluation: December 31, 2001		Date of revaluation: December 31, 2001	
Differential between book value and post-revaluation market value of revalued land at end of term	(3,922)	Differential between book value and post-revaluation market value of revalued land at end of term	(4,342)

(Nonconsolidated statement of income - related)

Millions of yen	December 31, 2007		December 31, 2008	
1. There is no selling expense for the year. Primary items and amounts included under general and administrative expenses are as follows:			1. There is no selling expense for the year. Primary items and amounts included under general and administrative expenses are as follows:	
(1)Directors' salaries	384		(1)Directors' salaries	363
(2)Provision for directors' retirement allowances	12		(2)Provision for directors' retirement allowances	11
(3)Outsourcing expenses	708		(3)Outsourcing expenses	745
(4)Cost of preferential treatment to the shareholders	713		(4)Cost of preferential treatment to the shareholders	872
(5)Cost of stock administration	235		(5)Cost of stock administration	269
(6)Tax and dues	146		(6)Tax and dues	164
2. Breakdown of losses from removal of fixed assets			2. Breakdown of losses from removal of fixed assets	
Buildings	114		Buildings	57
Structures	0		Software	76
Software	215			134
	330			
3. Transactions with affiliated companies include the following			3. Transactions with affiliated companies include the following	
Rental income	54,335		Rental income	55,098
Management service fee income	204		Management service fee income	184
Interest received	218		Interest received	348

(Non-consolidated statement of shareholders' equity - related)

December 31, 2007

Type and number of treasury stock

	December 31, 2006	Increase	Decrease	December 31, 2007
Treasury stock				
Common stock	198	—	—	198
Total	198	—	—	198

December 31, 2008

Type and number of treasury stock

	December 31, 2007	Increase	Decrease	December 31, 2008
Treasury stock				
Common stock*	198	47	—	245
Total	198	47	—	245

*Note: Increase in 47 treasury stocks is due to the acquisition of fractional shares.

(Marketable and investment securities)

There are no shares of subsidiaries or affiliates for which a market value exists as of December 31, 2007 and December 31, 2008.

(Deferred taxes)

1. Breakdown of primary causes of deferred tax assets and liabilities

Millions of yen	December 31, 2007	December 31, 2008
Deferred tax assets		
Enterprise taxes payable	29	36
Amount denied as special retirement allowances for directors	18	23
Excess over limit of allowance for doubtful accounts	331	288
Depreciation expenses	439	380
Loss carried forward	2,510	850
Others	201	191
Subtotal	3,530	1,769
Valuation allowance	(171)	(178)
Total	3,358	1,591
Deferred tax liabilities		
Unrealized gains or losses on other securities	(1,329)	-
Others	(55)	(61)
Total	(1,384)	(61)
Total deferred tax assets – net	1,974	1,530

In addition to the above figures, there are deferred tax assets and liabilities for "revaluation for land" account as follows.

Millions of yen	December 31, 2007	December 31, 2008
Deferred tax assets for revaluation for land	2,433	2,433
Valuation allowance	(2,433)	(2,433)
Deferred tax liabilities for revaluation for land	(508)	(508)
Total deferred tax liabilities-net	(508)	(508)

2. Causes of differences between legal effective tax rates and actual corporate tax rate after the application of tax-effect accounting

December 31, 2007		December 31, 2008	
The detailed information about causes of differences between legal effective tax rates and actual corporate tax rate after the application of tax-effect accounting in this fiscal year is shown below:		The detailed information about causes of differences between legal effective tax rates and actual corporate tax rate after the application of tax-effect accounting in this fiscal year is shown below:	
Legal effective tax rate	40.69%	Legal effective tax rate	40.69%
<adjustment>		<adjustment>	
Expenses not deductible for tax purposes (such as entertainment expenses)	6.26%	Expenses not deductible for tax purposes (such as entertainment expenses)	1.64%
Incomes not included for tax purposes (such as interests receivable)	(1.34%)	Incomes not included for tax purposes (such as interests receivable)	(0.18%)
Per capita rate of inhabitant tax	0.96%	Per capita rate of inhabitant tax	0.21%
Valuation allowance	1.47%	Valuation allowance	0.15%
Others	(1.72%)	Others	0.00%
Income tax and others accompanying adoption of tax effect accounting	46.32%	Income tax and others accompanying adoption of tax effect accounting	42.51%

(Per share-related financial information)

Yen	December 31, 2007		December 31, 2008	
	Shareholders' equity per share	965.98	Shareholders' equity per share	939.53
	Net loss per share	3.96	Net loss per share	18.12
	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 year to December 2007.		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 year to December 2008.	

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

Millions of yen	December 31, 2007	December 31, 2008
Net Income	526	2,409
Income not available to common shares	-	-
Income available to common shares	526	2,409
Average number of common shares outstanding (thousands shares)	132,959	132,959

(Important matters occurring subsequent to report period)

Not applicable.

6. Others

(1) Change in the board of directors

This section will be disclosed as “addition of announcement of financial statement” later.

(2) Sales

The Group derives its revenue from the development of company-operated McDonald’s hamburger restaurants and from royalties paid by franchised restaurants. The Composition of sales, sales of company-operated restaurants by geographic region, and number of company-operated restaurants are shown below.

Sales

(1) Sales results by division

	December 31, 2007		December 31, 2008	
Millions of yen	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Company-operated restaurant sales				
Sandwiches	149,615	37.9	143,486	35.3
Desserts	104,795	26.5	112,027	27.6
Drinks	76,310	19.3	76,414	18.8
Breakfasts	14,294	3.6	12,883	3.2
Breakfast desserts	9,876	2.5	9,911	2.4
Others	7,063	1.8	6,946	1.7
	361,956	91.6	361,670	89.0
Franchise revenue	32,554	8.2	44,179	10.9
Others	549	0.2	523	0.1
	395,061	100.0	406,373	100.0

(Note)

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 restaurant sales.*
3. *Sandwiches consist of burgers including Hamburgers, Cheeseburgers, Big Macs, Teriyaki Mcburgers, etc.*
4. *Sales amounts shown under franchise revenue include royalties, rental fees, sales promotion expenses, and proceeds from the sale of restaurants.*
5. *“Others” sales consist of revenue from service fees related to restaurant support business etc.*

(2) Company-operated restaurant sales and no. of restaurants by geographic region.

	December 31, 2007			December 31, 2008		
Millions of yen	No. of restaurants	Amount	Percentage of total (%)	No. of restaurants	Amount	Percentage of total (%)
Hokkaido	46	6,118	1.7	40	5,352	1.5
Aomori	15	1,587	0.4	-	794	0.3
Iwate	17	1,553	0.4	16	1,611	0.4
Miyagi	40	5,454	1.5	23	5,010	1.4
Akita	14	1,393	0.4	13	1,379	0.4
Yamagata	-	768	0.2	-	-	-
Fukushima	30	3,012	0.8	31	3,429	0.9
Ibaraki	77	8,878	2.5	41	8,204	2.3
Tochigi	53	5,338	1.5	41	5,491	1.5
Gunma	50	5,159	1.4	5	4,659	1.3
Saitama	147	18,036	5.0	125	18,146	5.0
Chiba	126	17,826	4.9	38	17,052	4.7
Tokyo	415	66,615	18.4	374	68,468	18.9
Kanagawa	233	35,149	9.7	217	34,947	9.7
Niigata	-	249	0.1	-	-	-
Toyama	21	2,695	0.7	22	2,842	0.8
Ishikawa	20	2,209	0.6	9	2,254	0.6
Fukui	11	1,582	0.4	12	1,541	0.4
Yamanashi	23	2,727	0.8	8	1,899	0.5
Nagano	51	4,771	1.3	3	4,156	1.1
Gifu	48	5,364	1.5	49	5,857	1.6
Shizuoka	66	8,938	2.5	62	8,136	2.2
Aichi	201	25,455	7.0	183	26,498	7.3
Mie	45	4,573	1.3	39	5,082	1.4
Shiga	45	5,270	1.5	35	4,899	1.4
Kyoto	73	10,012	2.8	63	10,260	2.8
Osaka	252	36,460	10.1	246	38,237	10.6
Hyogo	116	16,086	4.4	115	17,259	4.8
Nara	30	3,899	1.1	30	3,752	1.0
Wakayama	20	2,294	0.6	19	2,381	0.7
Tottori	5	470	0.1	-	160	0.1
Shimane	7	730	0.2	3	844	0.2
Okayama	26	3,928	1.1	3	3,860	1.1
Hiroshima	42	6,221	1.7	44	6,771	1.9
Yamaguchi	15	1,735	0.5	18	2,071	0.6
Tokushima	11	1,732	0.5	11	1,740	0.5
Kagawa	23	3,107	0.9	25	3,223	0.9
Ehime	30	3,219	0.9	31	3,387	0.9
Fukuoka	85	11,621	3.2	60	10,609	2.9
Saga	13	1,208	0.3	13	1,387	0.4
Nagasaki	8	1,399	0.4	8	1,067	0.3
Kumamoto	33	4,132	1.1	14	3,517	1.0
Oita	21	3,018	0.8	22	3,313	0.9
Miyazaki	17	1,916	0.5	19	2,112	0.6
Kagoshima	17	2,385	0.7	19	2,706	0.7
Okinawa	36	5,641	1.6	17	5,286	1.5
	2,674	361,956	100.0	2,166	361,670	100.0

(Note)

1. The number of restaurants shown above is the number of restaurants as of the final day of the term under review.

2. The above does not include consumption taxes.

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

4. All restaurants in Yamagata-ken, Niigata-ken, Aomori-ken, Tottori-ken and Kouchi-ken are franchised restaurants as of the final day of the term under review. (Restaurants in Aomori-ken, Tottori-ken became franchised regions during 2008).