(Translation)

Financial Results Report
for the December 2009 Term (Consolidated)

February 9, 2010

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, President and Chief Executive Officer, Representative Director
Please address all communications to:	Takayuki Yasuda Senior Vice President, Corporate Relations Phone: (03) 6911-6000
Schedule of ordinary annual shareholders' meeting:	March 25, 2010
Schedule of dividends payment:	March 26, 2010
Schedule of annual security report submission:	March 26, 2010

1. Consolidated operating results (From January 1, 2009 to December 31, 2009)

(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, 2009	362,312	(10.8)	24,230	24.0	23,252	27.5
December 31, 2008	406,373	2.9	19,543	16.8	18,239	16.8

	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, 2009	12,809	3.4	96.34	-	8.9	11.6	6.7
December 31, 2008	12,393	58.5	93.21	-	9.1	9.1	4.8

(Notes)
1. *Gains or losses on investments through equity method accounting:*
   December 2009 term: -　　December 2008 term: -
2. *The percentages shown next to net sales, operating income, ordinary income and net income represent changes from the previous year.*

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2009	200,798	148,502	73.9	1,115.95
December 31, 2008	200,024	139,371	69.6	1,047.46

(Note)
Equity amount (consolidated):
December 2009 term: 148,375 million yen　　December 2008 term: 139,270 million yen

(3) Consolidated cash flows 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, 2009	22,919	(3,964)	(8,589)	20,148
December 31, 2008	17,855	(15,674)	(4,389)	9,782

2. Dividend

	Dividends per share					Dividend Payment	Dividend payout ratio	The ratio of dividend to shareholders' equity
	First Quarter -End	Second Quarter-End	Third Quarter-End	Year-End	Annual			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of Yen)		%
December 31, 2008	—	0.00	—	30.00	30.00	3,988	32.2	2.9
December 31, 2009	—	0.00	—	30.00	30.00	3,988	31.1	2.8
December 31, 2010 (Estimated)		0.00	0.00	30.00	30.00	-	84.9	-

3. Consolidated forecasts for December 2010 term
(From January 1, 2010 to December 31, 2010)

	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	164,000	(10.9)	12,800	32.8	12,000	33.2	1,000	(80.0)	7.52
Annual	313,000	(13.6)	26,000	7.3	24,400	4.9	5,800	(54.7)	43.62

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

4. Other

(1) Changes in significant subsidiaries (Changes in scope of consolidation): None

(2) Changes of significant accounting principles, procedures and descriptions for the financial results report (Described in "Changes in significant accounting policy")

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

*Note: Please refer to "Significant accounting policy" and "Changes in significant accounting policy" for details.

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

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

   December 2009: 132,960,000 shares   December 2008: 132,960,000 shares

2. The number of treasury stock

   December 2009: 473 shares   December 2008: 245 shares

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

(Reference) Summary of nonconsolidated results

1. Nonconsolidated operating results
(From January 1, 2009 to December 31, 2009)

(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, 2009	55,920	1.1	743	(△28.0)	1,248	(24.7)
December 31, 2008	55,315	1.4	1,033	31.4	1,659	62.3

	Net income		Net income per share	Net income per share, fully diluted
	(Millions of yen)	%	(Yen)	(Yen)
December 31, 2009	708	(70.6)	5.33	-
December 31, 2008	2,409	357.9	18.12	-

(Notes)
1. *The percentages shown next to net sales, operating income, ordinary income and net income represent changes from the previous year.*
2. *Net income for December 2008 term included 2,582 million yen of gain on sales of investment securities.*

(2) Nonconsolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2009	128,958	121,639	94.3	914.86
December 31, 2008	138,178	124,919	90.4	939.53

(Reference)
Equity amount:

December 2009 term: 121,639 million yen *December 2008 term: 124,919 million yen*

2. Nonconsolidated forecasts for December 2010 term
(From January 1, 2010 to December 31, 2010)

	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 noncurrent 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. Further, transactions with parties other than its consolidated subsidiary are less than 1% of its net 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. Operating Results

(1) Analysis of Operating Results

（Our group’s operating results）

In the consolidated fiscal year 2009 (from January 1, 2009 to December 31, 2009), the corporate sector’s performance and the employment situation in Japan showed no visible sign of recovery from the prolonged downturn due to expanded financial crisis since the previous year. The Japanese economy has severely suffered from persistent slowdown in consumers’ spending.

In such hostile economic environment, the Group continued to concentrate its management resources on its principal hamburger restaurant business virtually as planned and thoroughly carried out a consistent strategy to expand its customer base including the following activities in the business. This resulted in a 1.1% increase in same-store sales from the previous year and the 6th consecutive year-on-year sales growth. The restaurant business also achieved new record annual systemwide sales of 531,921 million yen (up 13,605 million yen or 2.6% from the previous year). While the Group’s consolidated sales 362,312 million yen (down 44,060 million yen or 10.8％ from the preceding year), its consolidated operating income was 24,230 million yen (up 4,686 million yen or 24.0％ from last year), consolidated ordinary income was 23,252 million yen (up 5,012 million yen or 27.5%) and consolidated net income was 12,809 million yen (up 416 million yen or 3.4％), all of which were record highs since its listing on the JASDAQ market.

As a part of its strategic store closures mainly of small restaurants that is to be completed in the next several years, the Group decided to close 68 restaurants in this consolidated fiscal year and recorded loss of 522 million yen on restaurant closing in extraordinary loss for 54 restaurants closed in the fiscal year. For the remaining 14 restaurants that are to be closed in the next consolidated fiscal year, 236 million yen from the provision for loss on store closing is recorded in extraordinary loss.

Notes:

1. Same-store sales are total sales achieved in the fiscal year by McDonald’s restaurants that have been in business for 13 months or longer compared to total sales achieved by such restaurants in the previous year.
2. Systemwide sales are sales of company-operated restaurants and franchised restaurants and are not equal to the total sales reported in the consolidated profit and loss statement.
3. Please refer to the “3. Management Policy (4) Issues facing the Company” below for more details about the strategic store closures.

(Operating results of hamburger restaurant businesses)

McDonald’s Company (Japan), Ltd. that operates the hamburger restaurant business, the Group’s core business, has continued strategic investment to provide more customers with opportunities to visit McDonald’s based on QSC (trusted quality, speedy and friendly service and clean and comfortable atmosphere). The Company strives to expand its customer base through expanded 24-hour operation (1,813 restaurant are open 24 hours as of the end of consolidated fiscal year 2009), expanded drive-thru restaurant operation (1,312 drive-thru restaurants in business as of the end of the fiscal year), and restaurant remodeling (178 restaurants remodeled as of the end of the fiscal year). The Company also has promoted its efforts to offer customers more opportunities to use McDonald’s by offering values unique to McDonald’s through promotional activities that match current economic conditions and the times.

The following are major measure taken by the company in the fiscal year.

1. National launch of “Quarter Pounder with Cheese” and “Double Quarter Pounder with Cheese” that had been phased in since its initial offering in the Kanto area in November 2008.
2. Expansion of the variety of breakfast menu “Asa Mc” with launch of “McHotDog Classic”
3. Introduction of “Mc de DS”, a new service to offer fun activities that can be enjoyed with

Nintendo DS®, such as download of popular game characters and stamp rally, in about 3,200 restaurants all over Japan

4. Expansion of ¥100 menu as a part of “Value for Money”, by adding “Shaka Shaka Chicken” and “McPork”, offer of “M Power Special Lunch Sets” in week-day lunch time, the “Enjoy ¥100 Back” campaign in April to vitalize Japan suffering the economic downturn with “fun” and “tasty food”, and “Catch the Boom” campaign in May to offer ¥20,000 worth gift certificates at ¥12,000 to encourage consumers to use their fixed amount cash handouts.
5. Limited time-offer of a free cup of “Premium Roasted Coffee” in limited areas
6. “Nippon All Stars” Campaign to offer Japan’s popular original products in a sequence for a limited period of time
7. Limited time offer of the “Drive Set” in about 1,300 restaurants with drive-thru facilities all over Japan.
8. Introduction of “7 new coffee menu items” in about 400 restaurants in Tokyo and Fukuoka in November

The company also started an overseas training system as a part of its continued investment in people development to send about 100 restaurant salaried managers for training in McDonald’s restaurants in English-speaking countries for up to 6 months.

In addition, the Company has carried out various CSR activities including its support to Donald McDonald Houses that provide accommodations to seriously ill children and their families and these activities have contribute to enhancement of McDonald’s brand equity and expansion its customer base.

For restaurant development, the Company has promoted restaurant franchising as follows:

Classification	Previous term end	Newly opened	Closed	Classification change*Note		Current term end
				Increase	Decrease	
Company-operated	2,166	29	(51)	26	(465)	1,705
Franchised	1,588	41	(58)	465	(26)	2,010
Total number of restaurants	3,754	70	(109)	491	(491)	3,715

*Note: These figures do not include sales of restaurant businesses by BFL exercise. The total number of sales of restaurant businesses for the period is 386 inclusive of sales by BFL exercise, and gain on sales of restaurant businesses was recorded at 4,329 million yen (5 million yen decrease from the same period last year)

Meaning of BFL and BFL Exercise:

Arrangements where the company leases the businesses, including equipment, to franchisees who generally have options to purchase the businesses. BFL exercise is the case where franchisees choose to exercise (application by franchisees to McDonald's Japan) these options to convert into conventional contracts (where franchisees purchase all necessary equipments for restaurant operation) after examination procedures by McDonald's Japan.

(Operating results of other businesses)

EveryD Mc, Inc., a consolidated subsidiary of the Company, provides support to McDonald’s restaurants and their customers. As a result of its activities, the subsidiary reported 735million yen in sales in the consolidated fiscal year, 212 million yen down from the previous year, 42 million yen in ordinary income, also down 17 million yen from the last year, and 26 million yen in net income.

The JV Inc., another consolidated subsidiary of the Company (a joint venture of NTT DoCoMo, Inc. and the Company who own 30% and 70% of the venture respectively), designs and operates promotional activities of a membership organization of McDonald’s company (Japan), Ltd. The membership of the Tokusuru Keitai site” operated by the JV has been steadily increasing and exceeded 16 million members as of the end of the fiscal year (and more than 6,700 thousand members are also registered as “Kazasu Coupon (contactless coupon) members). The JV increased its sales by 92 million yen to 875 million yen and its ordinary income by 74 million yen to 146 million yen from last year, and attained 87 million yen in net income this year.

(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 received from one of its consolidated subsidiaries, McDonald’s Company (Japan), Ltd. The Company’s business activities in this fiscal year produced 55,920 million yen in sales, up 604 million yen from the last year, 1,248 million yean in ordinary income, down 410 million yen from the preceding year, and 708 million yen in net income, down 1,701 million yen from the previous year due to recording of 2,582 million yen in gain on sales of investment securities in the previous year.

(Analysis of the Group's operating results)

Millions of yen		Year ended December 31, 2008	%	Year ended December 31, 2009	%	Year-on-year Change
Systemwide sales	Note 1	518,316		531,921		13,605
Net Sales						
Company-operated restaurant sales	Note 2	361,670		302,529		(59,140)
Franchise revenue	Note 3	44,179		59,229		15,049
Other		523		553		30
Net sales	Note 1	406,373	100.0	362,312	100.0	(44,060)
Cost of sales						
Cost of sales for company operated restaurant	Note 2	312,499	76.9	259,001	71.5	(53,497)
Raw material		118,776	29.2	95,433	26.3	(23,343)
Labor		103,664	25.5	88,252	24.4	(15,412)
Other		90,057	22.2	75,315	20.8	(14,741)
Cost of franchise revenue	Note 3	24,410	6.0	34,453	9.5	10,043
Cost of other sales		503	0.1	547	0.1	43
Total cost of sales		337,412	83.0	294,002	81.1	(43,410)
Gross profit		68,960	17.0	68,310	18.9	(649)
Selling, general and administrative expenses	Note 4					
Advertising and selling expense		24,751	6.1	19,412	5.4	(5,339)
Labor		13,516	3.3	13,564	3.7	47
Other		11,148	2.8	11,104	3.1	(44)
Total selling, general and administrative expenses		49,416	12.2	44,080	12.2	(5,336)
Operating income		19,543	4.8	24,230	6.7	4,686
Non-operating income		1,344	0.3	1,225	0.3	(119)
Non-operating expenses		2,648	0.6	2,202	0.6	(445)
Ordinary income		18,239	4.5	23,252	6.4	5,012
Extraordinary income		4,114	1.0	64	0.1	(4,050)
Extraordinary loss	Note 5	769	0.2	1,279	0.4	510
Income before income taxes and minority interests		21,584	5.3	22,037	6.1	452
Net income		12,393	3.0	12,809	3.5	416

Note 1: Systemwide sales and total sales

Please refer to the above “Operating results of hamburger restaurant business” section for details about its business activities. The Group’s business activities produced 531,921 million yen in systemwide sales, up 13,605 million yen or 2.6％ from the preceding year, and 362,312 million yen in total sales, down 44,060 million yen or 10.8％ from last year.

Note 2: Sales and cost of products sold of company-operated restaurants

Total sales of company-operated restaurants in this consolidated fiscal year dropped 59,140 million yen or 16.4％ from the preceding year to 302,529 million yen. Cost of products sold of company-operated restaurants also declined by 53,497 million yen or 17.1% from the previous year to 259,001 million yen. The major reason for these declines is the decreased number of company-operated restaurants resulting from promotion of restaurant franchising.

Note 3: Franchise revenue and cost of franchise revenue

In this consolidated fiscal year, franchise revenue increased by 15,049 million yen or 34.1% from the previous year to 59,229 million yen. Cost of franchise revenue also rose by 10,043 million yen or 41.1% from last year to 34,453 million yen. The above increased mainly resulted from the increased number of franchised restaurants due to promotion of restaurant franchising. Gain on sales of restaurant businesses from entering franchise agreements, which is included in this fiscal year’s franchise revenue, is 4,329 million yen while gain on sales of restaurant businesses in the previous year was 4,335 million yen.

Please refer to “Note: Consolidated statement of income-related” for more details about gain on sales of restaurant businesses.

Note 4: Selling, general and administrative expenses

Please refer to “Note: Consolidated statement of income-related” for details of Selling, general and administrative expenses.

Note 5: Extraordinary loss

Please refer to “Note: Consolidated statement of income-related” for details of Extraordinary loss.

(Forecasts for 2010)

The Company will continue to focus on its core hamburger business. Based on its established QSC (trusted quality, speedy and friendly service and clean and comfortable atmosphere) and existing customer base, the Company will further promote its franchising strategy that has been in progress since 2007 and pursue higher Value for Money for customers through such efforts as providing menu and restaurant experiences exclusive to McDonald’s and investing in people development. As a part of its business structural reform along with the franchising strategy, the Company will deploy a new restaurant development strategy including innovative new restaurant designs and full-capacity kitchen equipment and facilities. At the same time it will promote strategic closure of 433 restaurants in 2010 including restaurants that the new strategy is inapplicable to, those impairing the brand image, and/or those investment in which is expected to produce no positive effect.

Based on the above activity, we expect to record in 2010, 313,000 million yen in sales, 26,000 million yen in operating income, 24,400 million yen in ordinary income, and 5,800 million yen in net income on a consolidated basis. Approximately 12,000 million yen of extraordinary loss for the strategic store closures is included in the above forecasts.

(2) Analysis of Financial position

(Group's financial position)

Millions of yen	December 31, 2008	%	December 31, 2009	%	Year-on-year Change
Assets					
Current assets	30,610	15.3	40,626	20.2	10,015
Noncurrent assets	169,414	84.7	160,171	79.8	(9,242)
1 Property, plant and equipment	81,333	40.7	73,229	36.5	(8,103)
2 Intangible assets	17,060	8.5	19,385	9.7	2,324
3 Investments and other assets	71,020	35.5	67,557	33.6	(3,463)
Total assets	200,024	100.0	200,798	100.0	773
Liabilities					
Current liabilities	57,090	28.5	47,838	23.8	(9,252)
Noncurrent liabilities	3,562	1.8	4,457	2.2	894
Total liabilities	60,653	30.3	52,295	26.0	(8,358)
Net assets					
Total net assets	139,371	69.7	148,502	74.0	9,131
Total liabilities and net assets	200,024	100.0	200,798	100.0	773

1. Summary of group's assets, liabilities and net assets

Total assets as of fiscal year end were 200,798 million yen, increase of 773 million yen from previous year end. The main reasons are increase in current assets of 10,015 million yen due to increased cash and deposits based on the group's good operating results and decrease in noncurrent assets of 8,103 million yen due to sales of restaurant businesses etc.

Total liabilities were 52,295 million yen, decrease of 8,358 million yen from previous year end. The main reason is decrease in current liabilities of 9,252 million yen due to decreased accounts payable-other.

Net assets were 148,502 million yen, increase of 9,131 million yen from previous year end. The main reasons are 12,809 million yen of net income for this year and 3,988 million yen of dividends paid.

2. 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 20,148 million yen, increase of 10,366 million from previous year end.

(Net cash provided by operating activities)

Operating activities during the period resulted in a net cash inflow of 22,919 million yen. The main reasons are 22,037 million yen of net income before taxes, 12,233 million yen of depreciation and amortization and 7,265 million yen of income taxes paid.

(Net cash used in investing activities)

Investing activities during the period resulted in a net cash outflow of 3,964 million yen. The main reasons are 6,445 million yen of purchase of software, 1,824 million yen of payments for lease and guarantee deposits and 3,849 million yen of proceeds from collection of lease and guarantee deposits.

(Net cash used in financing activities)

Financing activities during the period resulted in a net cash outflow of 8,589 million yen. The main reasons are net decrease in short-term loans payable of 4,500 million yen and 3,980 million yen of cash dividends paid.

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

	2005	2006	2007	2008	2009
Equity ratio	71.4%	67.3%	66.1%	69.6%	73.9%
Equity ratio based on market prices	133.3%	136.5%	123.3%	119.6%	117.8%
Years required to redeem liabilities	0.3 years	0.2 years	0.2 years	0.3 years	0.1 years
Interest-coverage ratio	1,638.1 times	2,189.6 times	1,627.1 times	304.8 times	634.8 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 sheets 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 paid, 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, 2009.

(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 59,535 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 metropolitan area. 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) A 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 stores 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.

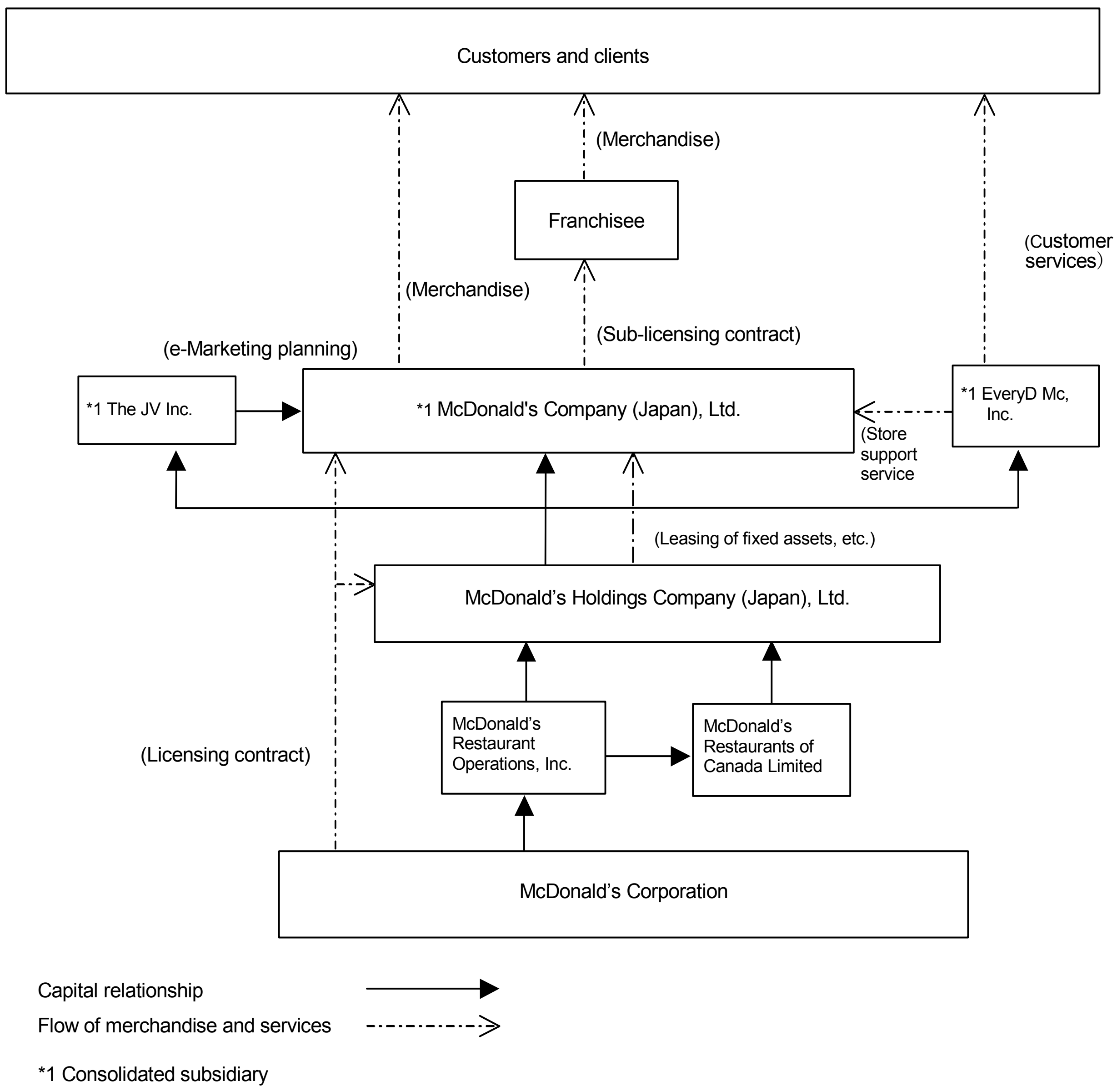
(Personal data protection)

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 2009 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) Performance Indicators and Targets

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 and 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 Japan as a group through comprehensive communication with McDonald's Japan, 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 Japan'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 and 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 Donald McDonald House.

In addition to the restaurant scrap and build strategy to reinforce its revenue base and improve return on assets, the Group started strategic closure of 68 unprofitable sites including small restaurants to further improve profitability and the McDonald’s brand in conjunction with its franchising strategy. Its Board of Directors decided at its meeting held on February 9, 2010 to begin strategic closure of additional 433 restaurants in the next consolidated fiscal year whose closure will maximize its managerial efficiency and brand image. The Group will also work to enhance the quality of its entire restaurant network including franchised restaurants through development of excellent restaurants in the coming years for higher profitability and brand image building.

(5) Other significant matters to the Company

Not applicable.

4. Consolidated financial statements
(1) Consolidated balance sheets

Millions of yen	Note	December 31, 2008	December 31, 2009
(Assets)			
Current assets			
Cash and deposits		9,782	20,148
Accounts receivable - trade		9,853	9,963
Inventories		2,817	-
Merchandise		-	3
Raw materials and supplies		-	2,230
Deferred tax assets		2,628	2,355
Other		5,530	5,950
Allowance for doubtful accounts		(1)	(25)
Total current assets		30,610	40,626
Noncurrent assets			
Property, plant and equipment			
Buildings and structures		86,638	76,325
Accumulated depreciation		(46,614)	(42,264)
Buildings and structures, net		40,024	34,061
Machinery and equipment		24,384	22,333
Accumulated depreciation		(10,495)	(9,910)
Machinery and equipment, net		13,889	12,422
Tools, furniture and fixtures		22,598	20,394
Accumulated depreciation		(12,864)	(12,254)
Tools, furniture and fixtures, net		9,733	8,140
Land	4	17,490	17,677
Lease assets		-	927
Accumulated depreciation		-	(88)
Lease assets, net		-	839
Construction in progress		195	88
Total property, plant and equipment	3,5	81,333	73,229
Intangible assets			
Goodwill		1,723	1,656
Software		14,563	16,958
Other		773	770
Total intangible assets	5	17,060	19,385
Investments and other assets			
Investment securities	1	398	398
Long-term loans receivable		9	9
Deferred tax assets		2,081	1,646
Lease and guarantee deposits		61,910	59,535
Other		7,343	6,802
Allowance for doubtful accounts		(721)	(833)
Total investments and other assets		71,020	67,557
Total noncurrent assets		169,414	160,171
Total assets		200,024	200,798

Millions of yen	Note	December 31, 2008	December 31, 2009
(Liabilities)			
Current liabilities			
Accounts payable-trade		10,472	8,527
Short-term loans payable		4,500	-
Accounts payable-other		20,812	16,823
Accrued expenses		8,709	7,708
Lease obligations		-	161
Income taxes payable		4,078	5,732
Provision for bonuses		2,309	2,069
Provision for loss on store closing		-	236
Other		6,207	6,577
Total current liabilities		57,090	47,838
Noncurrent liabilities			
Long-term loans payable		500	500
Lease obligations		-	730
Provision for retirement benefits		2,193	2,123
Provision for directors' retirement benefits		118	148
Deferred tax liabilities due to land revaluation	4	508	508
Other		242	447
Total noncurrent liabilities		3,562	4,457
Total liabilities		60,653	52,295
(Net assets)			
Shareholders' equity			
Capital stock		24,113	24,113
Capital surplus		42,124	42,124
Retained earnings		78,628	87,449
Treasury stock		(0)	(0)
Total shareholders’ equity		144,866	153,687
Valuation and translation adjustments			
Deferred gains or losses on hedges		(355)	(70)
Revaluation reserve for land	4	(5,240)	(5,240)
Total valuation and translation adjustments		(5,596)	(5,311)
Minority interests		100	126
Total net assets		139,371	148,502
Total liabilities and net assets		200,024	200,798

(2) Consolidated statement of income

Millions of yen

	Note	Year ended December 31, 2008	Year ended December 31, 2009
Net sales	2	406,373	362,312
Cost of sales		337,412	294,002
Gross profit		**68,960**	**68,310**
Selling, general and administrative expenses	1,3	49,416	44,080
Operating income		19,543	24,230
Non-operating income			
Interest income		105	115
Dividends income		37	-
Revenue from unredeemed gift certificates		144	259
Insurance income		119	37
Compensation income		405	84
Subsidy income		-	361
Other		532	367
Total non-operating income		1,344	1,225
Non-operating expenses			
Interest expenses		67	44
Allowance for doubtful accounts		-	123
Loss on retirement of noncurrent assets at Company-operated restaurants		2,355	1,735
Other		225	299
Total non-operating expenses		2,648	2,202
Ordinary income		18,239	23,252
Extraordinary income			
Reversal of allowance for doubtful accounts		152	-
Gain on settlement of lawsuit	4	1,378	-
Compensation for transfer		-	64
Gain on sales of investment securities		2,582	-
Total extraordinary income		4,114	64
Extraordinary loss			
Loss on retirement of noncurrent assets	5	370	372
Impairment loss	7	261	130
Loss on sales of nonccurent assets	8	136	17
Provision for loss on store closing	6	-	236
Loss on store closing	6	-	522
Loss on sales of investment securities		0	-
Total extraordinary loss		769	1,279
Income before income taxes and minority interests		21,584	22,037
Income taxes-current		7,131	8,700
Income taxes-deferred		2,047	500
Total income taxes		9,178	9,201
Minority interests in income		12	25
Net income		12,393	12,809

(3) Consolidated statement of changes in net assets

(Millions of yen)

Year ended December 31, 2008	Shareholders' equity				
	Capital stock	Capital surplus	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
Changes in items except shareholders' equity					—
Total changes 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	Valuation & translation adjustment				Minority Interests	Grand total
	Unrealized gain on other securities	Deferred gains or losses on hedges	Revaluation reserve 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
Changes in items except shareholders' equity	(1,937)	(356)	—	(2,293)	12	(2,280)
Total changes in the term	(1,937)	(356)	—	(2,293)	12	6,123
Balance at December 31, 2008	—	(355)	(5,240)	(5,596)	100	139,371

(Millions of yen)

Year ended December 31, 2009	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at December 31,2008	24,113	42,124	78,628	(0)	144,866
Cash dividends			(3,988)		(3,988)
Net income			12,809		12,809
Acquisition of Treasury Stock				(0)	(0)
Changes in items except shareholders' equity					—
Total changes in the term	—	—	8,821	(0)	8,820
Balance at December 31, 2009	24,113	42,124	87,449	(0)	153,687

Year ended December 31, 2009	Valuation & translation adjustment				Minority Interests	Grand total
	Unrealized gain on other securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total		
Balance at December 31, 2008	—	(355)	(5,240)	(5,596)	100	139,371
Cash dividends						(3,988)
Net income						12,809
Acquisition of Treasury Stock						(0)
Changes in items except shareholders' equity	—	284	—	284	25	310
Total changes in the term	—	284	—	284	25	9,131
Balance at December 31, 2009	—	(70)	(5,240)	(5,311)	126	148,502

(4) Consolidated statement of cash flows

Millions of yen	Year ended December 31, 2008	Year ended December 31, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	21,584	22,037
Depreciation and amortization	11,867	12,233
Impairment loss	261	130
Increase (decrease) in provision for loss on store closing	-	236
Increase (decrease) in other provision	312	(91)
Unredeemed gift certificates	(144)	(259)
Interest and dividends income	(142)	(115)
Interest expenses	67	44
Loss on store closing	-	175
Loss (gain) on sales of noncurrent assets	136	17
Loss on retirement of noncurrent assets	1,542	1,332
Loss(gain) on sales of investment securities	(2,582)	-
Decrease (increase) in accounts receivable - trade	(803)	(115)
Decrease (increase) in inventories	54	583
Decrease (increase) in goodwill from acquisition of franchised restaurants	(335)	66
Decrease (increase) in other assets	(460)	463
Increase (decrease) in accounts payable-trade	(2,123)	(1,944)
Increase (decrease) in accounts payable-other	-	(3,951)
Increase (decrease) in accrued expenses payable	(1,129)	(838)
Increase (decrease) in other current liabilities	(1,233)	(56)
Other, net	42	31
Subtotal	26,913	29,982
Interest and dividend income received	42	4
Interest expenses paid	(58)	(36)
Income taxes paid	(9,042)	(7,265)
Income taxes refund	-	233
	17,855	22,919
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(23,522)	(9,268)
Proceeds from sales of property, plant and equipment	9,199	9,732
Proceeds from sales of investment securities	2,702	-
Proceeds from return of investment in equity	0	-
Payments for lease and guarantee deposits	(2,659)	(1,824)
Proceeds from collection of lease and guarantee deposits	4,660	3,849
Collection of loans receivable	14	2
Purchase of software	(7,708)	(6,445)
Proceeds from returned deposited money	1,610	-
Other, net	29	(9)
	(15,674)	(3,964)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(500)	(4,500)
Repayments of finance lease obligations	-	(108)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(3,889)	(3,980)
	(4,389)	(8,589)
Effect of exchange rate changes on cash and cash equivalents	(14)	0
Net increase (decrease) in cash and cash equivalents	(2,223)	10,366
Cash and cash equivalents at beginning of period	12,005	9,782
Cash and cash equivalents at end of period *Note	9,782	20,148

(5) Notes for assumption of going concern

Not applicable.

(6) Significant accounting policy

Item	December 31, 2008	December 31, 2009
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.	(1) Number of consolidated subsidiary: 3 Name of consolidated subsidiary: Same as December 31, 2008
	(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, 2008 (Reason for exclusion from consolidation) Same as December 31, 2008
2. Item relating to application of the equity method	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.	) The Company did not apply the equity method to its nonconsolidated subsidiary Same as December 31, 2008
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, 2008
4. Items related to accounting standards		
(1) Standards and methods of valuation for important assets	i. Marketable and investment securities (a) 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	i. Marketable and investment securities (a) Other securities: Quoted securities: — Unquoted securities Same as December 31, 2008
	ii. Derivatives Market price method.	ii. Derivatives Same as December 31, 2008
	iii. Inventories: Food materials and supplies: valued at cost, computed on a periodic average basis	iii. Inventories: Merchandise Raw materials and supplies Inventories are measured principally at the lower cost or market, determined by the total average method (The carrying amount of inventories is determined by write-down method base on decreased profitability). (Changes in accounting policies) Beginning with the year under review, the Accounting Standard for Measurement of inventories (ASBJ Statement No. 9, July 5, 2006) is being applied. There was no impact of the change on operating income, ordinary income and income before income taxes.

Item	December 31, 2008	December 31, 2009
(2) Major depreciable assets and methods of depreciation	i. Property, plant and equipment: 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. Property, plant and equipment (excluding lease assets): Same as December 31, 2008
	ii. Intangible 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 assets (excluding lease assets) Same as December 31, 2008
	—	iii. Lease assets Lease assets related to finance lease transactions where there is no transfer of ownership: straight-line method with estimated useful lives equal to lease terms, and zero residual values For finance lease transactions where there is no transfer of ownership beginning on or before December 31, 2008, the Company continues to use an accounting method that is based on the method used for ordinary lease transactions.
	iii. Long-term prepaid expenses: Straight-line method	iv Long-term prepaid expenses: Same as December 31, 2008
(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, 2008
	ii. Provision for bonuses In order to prepare for the payment of bonuses to employees, a provision is made for the estimated amount to be paid as of the end of the fiscal year.	ii. Provision for bonuses Same as December 31, 2008
	iii. Provision for 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. Provision for retirement benefits Same as December 31, 2008
	iv. Provision for directors' retirement benefit In order to prepare for the payment of retirement benefit to directors, a provision 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. Provision for directors' retirement benefit Same as December 31, 2008
	—	v. Provision for store closing A reasonably estimated amount is recorded in provision for store closing as loss expected to occur from store closing scheduled for this fiscal year.
(4) Accounting for significant lease transactions	Financing leases, which exclude lease assets for which title is recognized as being conveyed to lessees, are treated as ordinary rental transactions.	—

Item	December 31, 2008	December 31, 2009
(5) Important hedge accounting methods	i. Accounting method Appropriated methods.	i. Accounting method Same as December 31, 2008
	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, 2008
	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, 2008
	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, 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, 2008
5. Scope of funds in the consolidated statement of cash flows	"Funds" (cash and cash equivalents) in the context of the consolidated cash flows 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, 2008

(7) Changes in significant accounting policy

December 31, 2008	December 31, 2009
—	(Accounting standards for lease transactions) In prior years, the Company accounted for finance lease transactions where there is no transfer of ownership as ordinary lease transactions for accounting purpose. From the current year, the Company has adopted “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: originally issued on June 17, 1993 by Section 1 of the Business Accounting Deliberation Counsel, and revised on March 30, 2007 by Accounting Standards Board of Japan), and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16: originally issued on January 18, 1994 by Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007 by Accounting Standards Board of Japan) in the current fiscal year, and using an accounting method for leases that is based on the method used for ordinary purchases and sales. For finance lease transactions where there is no transfer of ownership beginning on or before December 31, 2008, the Company continues to use an accounting method that is based on the method used for ordinary lease transactions. The impact of the change on operating income, ordinary income and income before income taxes is immaterial.

(8) Changes in the method of presentation

December 31, 2008	December 31, 2009
(Consolidated balance sheets) "Software" was included in "Other" in the intangible assets section of consolidated balance sheets 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 2008 was 7,621 million yen.	(Consolidated balance sheets) With the adoption of “Cabinet Office Ordinance Partially Revising Regulation for Terminology, Forms and Preparation Methods of Financial Statements” (Cabinet Office Ordinance No. 50, August 7, 2008), “Inventories” is reclassified and presented as “Merchandise” and “Raw materials and Supplies” in the current fiscal year. The amount of “Merchandise” and “Raw Materials and Supplies” in the current fiscal year was 4 million yen and 2,812 million yen, respectively (Consolidated statement of cash flows) “Increase (decrease) in accounts payable-other” was included in “Increase (decrease) in other current liabilities” in the net cash provided by operating activities section until last fiscal year. However, the importance of the account is increased in this year. Therefore, the account is designated in the statement. The amount for the last fiscal year was (476) million yen.

(9) Notes to consolidated financial statements

(Consolidated balance sheets - related)

Millions of yen December 31, 2008		December 31, 2009	
1. Amounts at nonconsolidated subsidiaries and affiliates are as follows		1. Amounts at nonconsolidated subsidiaries and affiliates are as follows	
Investment securities	341	Investment securities	341
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.	776	Toys"R"Us-Japan, Ltd.	600
(2) Guarantees provided for employees' mortgages from banks:	1	(2) Guarantees provided for employees' mortgages from banks:	1
3. Reductions of property, plant and equipment from gains on insurance claims were 82 million yen, and reductions of tangible assets from expropriation were 110 million yen.		3. Reductions of Property, plant and equipment from gains on insurance claims were 80 million yen, and reductions of tangible assets from expropriation were 110 million yen.	
4. Revaluation of land		4. 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	(4,342)	Differential between book value and post-revaluation market value of revalued land at end of term	(3,777)
5. The book value of noncurrent assets transferred to other accounts due to selling of restaurant business to franchisee by entering franchise contracts:		5. The book value of noncurrent assets transferred to other accounts due to selling of restaurant business to franchisee by entering franchise contracts:	
Buildings and structures	5,395	Buildings and structures	6,071
Machinery and equipment	1,684	Machinery and equipment	2,053
Tools, furniture and fixtures	1,476	Tools, furniture and fixtures	1,526
Other	170	Other	376
Total	8,727	Total	10,028
The book value of noncurrent assets transferred in the previous year:			
Buildings and structures	1,229		
Machinery and equipment	371		
Tools, furniture and fixtures	118		
Other	84		
Total	1,803		

(Consolidated statement of income - related)

Millions of yen December 31, 2008		December 31, 2009	
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	10,877	(1)Sales promotion expenses	12,556
(2)Sales promotion expenses	13,874	(2)Advertising expenses	6,856
(3)Salaries	6,674	(3)Salaries	6,780
(4)Bonuses	1,718	(4)Provision for bonuses	1,515
(5)Provision for bonuses	1,616	(5)Pension expenses	1,456
(6)Pension expenses	435	(6)Provision for directors' retirement allowances	29
(7)Provision for directors' retirement allowances	22	(7)Provision of allowance for doubtful accounts	27
(8)Rent on real estate	809		
(9)Depreciation	2,556		
(10)Outside services expenses	3,363		
(11)Investigation and research expenses	402		
2. For 2008, 4,335 million yen of gain on sales of restaurant businesses from entering franchising contracts is included in sales. 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.		2. 4,329 million yen of gain on sales of restaurant businesses from entering franchising contracts is included in sales. The determination of the value of restaurant businesses is based on the expected stream of future cash flows and is agreed by franchisee (buyer).	
3. R&D expenses in selling, general and administrative expenses	402	3. R&D expenses in selling, general and administrative expenses	346
4. Income resulting from settlement of dispute between Toys"R"Us-Japan, Ltd and McDonald's Company (Japan), Ltd. (consolidated subsidiary).		4. —	
5. Breakdown of losses on retirement of noncurrent assets		5. Breakdown of losses on retirement of noncurrent assets	
Buildings and structures	170	Buildings and structures	146
Machinery and equipment	57	Machinery and equipment	18
Tools, furniture and fixtures	66	Tools, furniture and fixtures	18
Software	76	Software	188
Total	370	Total	372
6. —		6. Provision for loss on store closing and loss on store closing A reasonably estimated amount is recorded in provision for loss on store closing as loss expected to occur from closure of company-operated and franchised restaurants scheduled for this fiscal year as a part of strategic closure of small and other unprofitable restaurants in the coming years for business structural reform. Loss on restaurant closing actually occurred in this fiscal year is recorded in loss on store closing.	

Millions of yen	December 31, 2008	December 31, 2009

December 31, 2008

7. Impairment loss

Impairment loss was recognized during current term
Breakdown of impairment loss by assets type are as follows:

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

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 and equipment	82
Tools, furniture 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.

8. The detail for loss on sales of noncurrent assets is as below:

Tools, furniture and fixtures	136

December 31, 2009

7. Impairment loss

Impairment loss was recognized during current term
Breakdown of impairment loss by assets type are as follows:

Intended use	Assets type	Region	Amount
Restaurants in operation	Building and structures etc.	Kanto	130

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 (130 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	64
Machinery and equipment	42
Tools, furniture and fixtures	16
Lease assets	6
Total	130

The recoverable value of the group assets was calculated by utility value and it was calculated by discounting future cash flow at 10.2% rate.

8. The detail for loss on sales of noncurrent assets is as below:
(Breakdown)

Machinery and equipment	12
Tools, furniture and fixtures	4
Total	17

(Consolidated statement of shareholders' equity)

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)

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, 2009	Common stock	3,988	Retained earnings	30	2008/12/31	2009/3/30

December 31, 2009

1. Type and number of outstanding shares and treasury stock

	December 31, 2008	Increase	Decrease	December 31, 2009
Outstanding shares				
Common stock	132,960,000	—	—	132,960,000
Total	132,960,000	—	—	132,960,000
Treasury stock				
Common stock*	245	228	—	473
Total	245	228	—	473

*Note: Increase in 228 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, 2009	Common stock	3,988	30	2008/12/31	2009/3/30

(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 25, 2010	Common stock	3,988	Retained earnings	30	2009/12/31	2010/3/26

(Consolidated statement of cash flows - related)

December 31, 2008	December 31, 2009
1 Balance of cash and cash equivalents agrees with balance of cash and deposit the balance sheets	1 Same as December 31, 2008
2 —	2 Significant noncash transactions: The amount of asset and liability related to finance lease transactions newly booked in this year are 927 million yen and 973 million yen, respectively.

(Lease related)

Because the necessity of disclosing this information in the financial results report is regarded to be not high, this section is omitted.

(Marketable and investment securities)

Because the necessity of disclosing this information in the financial results report is regarded to be not high, this section is omitted.

(Derivatives)

I. Items related to the status of transactions

December 2008 term and December 2009 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 and 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, 2008				December 31, 2009			
	Amount of contract etc.		Market	Unrealized	Amount of contract etc.		Market	Unrealized
Category and type		Over one year	value	gain (loss)		Over one year	value	gain (loss)
Transactions other than market transactions								
Exchange contract transactions								
Buying contracts								
U.S. Dollar	49,822	16,118	42,790	(7,032)	67,223	35,126	65,266	(1,956)
	49,822	16,118	42,790	(7,032)	67,223	35,126	65,266	(1,956)

Note
Market value calculation method for 2008 and 2009
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, 2008	December 31, 2009
(1) Retirement benefit liabilities	(20,377)	(16,550)
(2) Pension assets	18,025	17,135
(3) Unaccrued pension benefit liabilities (1) + (2)	(2,352)	584
(4) Unrecognized actuarial gains or losses	5,097	1,803
(5) Net amount shown on consolidated balance sheets (3) + (4)	2,744	2,387
(6) Prepaid pension expenses	4,938	4,511
(7) Allowance for retirement benefits (5) – (6)	(2,193)	(2,123)

3. Matters relating to retirement benefit expenses

Millions of yen	December 31, 2008	December 31, 2009
(1) Current service costs	1,653	1,622
(2) Interest expense	316	300
(3) Expected earnings on pension fund assets	(363)	(270)
(4) Expensing of differences based on actuarial calculations	(60)	772
(5) Subtotal	1,546	2,425
(6) Additional retirement funds	3	514
(7) Total retirement benefit expenses	1,549	2,940

4. Assumptions underlying the calculation of retirement benefit liabilities

	December 31, 2008	December 31, 2009
(1) Discount rate	1.6%	1.3%
(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 2008 term and December 2009 term

Not applicable.

(Deferred taxes)

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

Millions of yen	December 31, 2008	December 31, 2009
Deferred tax assets		
Enterprise taxes payable	503	614
Excess over limit of allowance for bonuses	1,222	1,071
Allowance for directors' retirement	49	61
Excess over limit of allowance for doubtful accounts	293	348
Excess over limit of allowance for retirement benefits	1,252	1,225
Valuation loss on food products and supplies	218	150
Depreciation expenses	1,063	649
Loss carried forward	850	386
Impairment loss	497	645
Other	1,202	1,059
Total	7,152	6,213
Valuation allowance	(203)	(207)
Grand total	6,948	6,006
Deferred tax liabilities		
Prepaid pension cost	(2,076)	(1,896)
Gift Card miscellaneous income	(22)	-
Labor insurance	(78)	-
Other	(61)	(107)
Total	(2,239)	(2,004)
Total deferred tax assets – net	4,709	4,001

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, 2008	December 31, 2009
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, 2008		December 31, 2009
Legal effective tax rate	40.69%	The differences between legal effective tax rates and actual corporate tax rate after the application of tax-effect accounting in this fiscal year is less than 5% of legal effective tax rate, this part is omitted.
<adjustment>		
Expenses not deductible for tax purposes (such as entertainment expenses)	0.80%	
Incomes not included for tax purposes (such as interests receivable)	(0.04%)	
Per capita rate of inhabitant tax	0.33%	
Tax rate variance of subsidiaries	1.10%	
Valuation allowance	0.04%	
Other	(0.40%)	
Income tax and other accompanying adoption of tax effect accounting	42.52%	

(Business combination-related financial information)

Not applicable for 2008 and 2009.

(Segment information)

Business segment information

For the year ended December 2008 (January 1 – December 31, 2008) and 2009 (January 1 – December 31, 2009), 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 2008 (January 1 – December 31, 2008) and 2009 (January 1 – December 31, 2009), the Company had no consolidated subsidiaries domiciled outside Japan. Accordingly, there is no geographical segment information.

Overseas sales

For the year ended December 2008 (January 1 – December 31, 2008) and 2009 (January 1 – December 31, 2009), the Company had no sales outside Japan, therefore this section is omitted.

(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		Type of transaction	Value of transactions	Accounting classification	Balance at term end
					Shareholder and director	Business relationship				
Other affiliated company										
McDonald's Restaurant Operations, Inc.	Delaware, U.S.A.	US$ 3,000	Holding company	Owned: Direct 22.43 Indirect 27.56	2	-	-	-	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 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

December 31; Millions of yen	Address	Capital	Type of business or occupation	% of voting rights held (held by others)	Relationship		Type of transaction	Value of transactions	Accounting classification	Balance at term end
					Shareholder and director	Business relationship				
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	Other (current assets)	5
							Advertising expenses and salaries of seconded staff etc.	2,041	Other (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	2	-	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 2009 term

(Additional information)

Effective from the current fiscal year, the Company has adopted “Accounting Standard for Related Party Disclosure” (ASBJ Statement No. 11, October 17, 2006) and the “Guidance on Accounting Standard for Related Party Disclosures” (ASBJ Guidance No. 13, October 17, 2006).　This change has no impact on the scope of disclosure.

(1) Transactions between the Company and related parties

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	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	Interlocking directorates	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) Transactions between the consolidated subsidiary of the Company and related parties

Parent company and primary institutional shareholders

Millions of yen	Address	Capital	Type of business or occupation	% of voting rights held (held by others)	Relationship	Type of transaction	Value of transactions	Accounting classification	Balance at term end
Other affiliated company of parent company									
McDonald's Corporation	Illinois, U.S.A.	US$ 16,600,000	Hamburger restaurant chain	Owned: Indirect 49.99	Licensing consent based on a licensing contract Interlocking directorates	Royalties	13,298	Accounts payable - other	6,782
						Accrued income etc.	1,012	Other (current assets)	957
						System maintenance cost, salaries of seconded staff etc.	2,208	Accounts payable - other	251

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, 2008		December 31, 2009
Shareholders' equity per share	1,047.46	Shareholders' equity per share	1,115.95
Net income per share	93.21	Net income per share	96.34
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.		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 2009.	

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

Millions of yen	December 31, 2008	December 31, 2009
Net income	12,393	12,809
Income not available to common stockholders	-	-
Income available to common stockholders	12,393	12,809
Average number of common shares outstanding (thousands shares)	132,959	132,959

(Important matters occurring subsequent to report period)

December 31, 2008	December 31, 2009
—	McDonald's Company (Japan), Ltd, a fully owned subsidiary of McDonald's Holdings Company (Japan), Ltd., decided at a board meeting held on February 9, 2010 to strategically close 433 restaurants over the year. 1 Reasons for their closing The Group has scrapped and built its restaurants for higher ROA to reinforce its revenue base and in the consolidated fiscal year 2009, started strategic closure of 68 restaurants including small restaurants to ensure improvement of profitability and McDonald's brand in conjunction with the franchising strategy. In addition to these strategic store closures, 433 more restaurants will be closed from a perspective of restaurant size and location to maximize the Group's managerial efficiency and the brand image for higher quality of its entire restaurant network including franchised restaurants. 2 Timing of closing The above 433 restaurants will be closed in sequence over the year as soon as necessary arrangements for their closure are completed. 3 Estimated loss on restaurant closing While it is still difficult to estimate the amount of the loss because it is anticipated to change depending on negotiations on store closing terms and conditions, we estimate the amount at around 12,000 million yen as of February 9, 2010.

5. Nonconsolidated Financial Statements

(1) Nonconsolidated balance sheets

Millions of yen	December 31, 2008	December 31, 2009
(Assets)		
Current assets		
Cash and deposits	451	1,330
Accounts receivable - trade	4,825	5,488
Prepaid expenses	2,295	2,328
Deferred tax assets	39	29
Short-term loans receivable	19,000	12,000
Other	210	100
Total current assets	26,823	21,277
Noncurrent assets		
Property, plant and equipment		
Buildings	46,767	39,321
Accumulated depreciation	(35,570)	(31,040)
Buildings, net	11,196	8,280
Structures	5,148	3,991
Accumulated depreciation	(4,058)	(3,285)
Structures, net	1,090	705
Tools, furniture and fixtures	86	81
Accumulated depreciation	(81)	(81)
Tools, furniture and fixtures, net	5	0
Land	17,490	17,677
Total property, plant and equipment	29,782	26,663
Intangible assets		
Leasehold right	729	729
Software	14,561	16,956
Telephone subscription right	44	40
Total intangible assets	15,335	17,727
Investments and other assets		
Investment securities	56	56
Stocks of subsidiaries and affiliates	1,370	1,370
Long-term loans receivable	9	9
Claims provable in bankruptcy, claims provable in rehabilitation and other	646	763
Long-term prepaid expenses	1,341	1,308
Deferred tax assets	1,490	958
Lease and guarantee deposits	61,910	59,527
Other	121	120
Allowance for doubtful accounts	(711)	(824)
Total investments and other assets	66,237	63,289
Total noncurrent assets	111,354	107,680
Total assets	138,178	128,958

Millions of yen	December 31, 2008	December 31, 2009
(Liabilities)		
Current liabilities		
Accounts payable - trade	612	654
Short-term loans payable	4,500	-
Accounts payable - other	6,424	4,983
Accrued expenses	232	86
Income taxes payable	95	74
Other	103	71
Total current liabilities	11,968	5,870
Noncurrent liabilities		
Long-term loans payable to subsidiaries and affiliates	500	500
Provision for directors' retirement benefits	57	71
Long-term guarantee deposited	224	214
Deferred tax liabilities for land revaluation	508	508
Other	-	154
Total noncurrent liabilities	1,290	1,448
Total liabilities	13,258	7,319
(Net assets)		
Shareholders' equity		
Capital stock	24,113	24,113
Capital surplus		
Legal capital surplus	42,124	42,124
Total capital surplus	42,124	42,124
Retained earnings		
Legal retained earnings	253	253
Other retained earnings		
Retained earnings brought forward	63,670	60,389
Total earned surpluses	63,923	60,642
Treasury stock	(0)	(0)
Total shareholders' equity	130,160	126,879
Valuation & translation adjustments		
Revaluation reserve for land	(5,240)	(5,240)
Total valuation and translation adjustments	(5,240)	(5,240)
Total net assets	124,919	121,639
Total liabilities and net assets	138,178	128,958

(2) Nonconsolidated statement of income

Millions of yen	Year ended December 31, 2008	Year ended December 31, 2009
Net sales	55,315	55,920
Cost of sales	51,505	52,047
Gross profit on sales	3,810	3,873
Selling, general and administrative expenses	2,776	3,129
Operating income	1,033	743
Non-operating income		
Interest income	453	311
Dividend income	37	-
Management service fee income	184	224
Compensation income	195	159
Other	58	53
Total non-operating income	929	749
Non-operating expenses		
Interest expenses	67	27
Provision of allowance for doubtful accounts	-	123
Loss on retirement of noncurrent assets at Company-operated restaurants	165	84
Amortization of idle software	17	-
Other	52	9
Total non-operating expenses	303	244
Ordinary income	1,659	1,248
Extraordinary income		
Reversal of allowance for doubtful accounts	83	-
Gain on sales of investment securities	2,582	-
Compensation for transfer	-	51
Total extraordinary income	2,666	51
Extraordinary loss		
Loss on retirement of noncurrent assets	134	40
Loss on sales of investment securities	0	-
Total extraordinary loss	134	40
Income before income taxes	4,191	1,260
Income taxes-current	9	9
Income taxes-deferred	1,772	543
Total income taxes	1,781	552
Net Income	2,409	708

(3) Nonconsolidated statements of changes in net assets

(Millions of yen)

Year ended December 31, 2008	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings			Treasury stock	Total
		Capital surplus	Total capital surplus	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 changes 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	Valuation & translation adjustment			Grand total
	Unrealized gain on other securities	Revaluation reserve 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 changes in the term	(1,937)	—	(1,937)	(3,516)
Balance at December 31, 2008	—	(5,240)	(5,240)	124,919

(Millions of yen)

Year ended December 31, 2009	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings			Treasury stock	Total
		Capital surplus	Total capital surplus	Legal income reserve	Other retained earnings	Total retained earnings		
					Carried forward retained earnings			
Balance at December 31, 2008	24,113	42,124	42,124	253	63,670	63,923	(0)	130,160
Cash dividends					(3,988)	(3,988)		(3,988)
Net income					708	708		708
Acquisition of Treasury Stock							(0)	(0)
Changes in items except shareholders' equity, net								—
Total changes in the term	—	—	—	—	(3,280)	(3,280)	(0)	(3,280)
Balance at December 31, 2009	24,113	42,124	42,124	253	60,389	60,642	(0)	126,879

Year ended December 31, 2009	Valuation & translation adjustment		Grand total
	Revaluation reserve for land	Total	
Balance at December 31, 2008	(5,240)	(5,240)	124,919
Cash dividends			(3,988)
Net income			708
Acquisition of Treasury Stock			(0)
Changes in items except shareholders' equity, net	—	—	—
Total changes in the term	—	—	(3,280)
Balance at December 31, 2009	(5,240)	(5,240)	121,639

(4) Notes for assumption of going concern

Not applicable.

6. Other

(1) Changes in the board of directors

This section will be disclosed when information is fixed.

(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

Millions of yen	December 31, 2008 Amount	December 31, 2008 Percentage of total (%)	December 31, 2009 Amount	December 31, 2009 Percentage of total (%)
Company-operated restaurant sales				
Sandwiches	143,486	35.3	119,984	33.1
Desserts	112,027	27.6	87,997	24.3
Drinks	76,414	18.8	66,592	18.4
Breakfasts	12,883	3.2	13,321	3.7
Breakfast desserts	9,911	2.4	9,235	2.5
Other	6,946	1.7	5,398	1.5
	361,670	89.0	302,529	83.5
Franchise revenue	44,179	10.9	59,229	16.3
Other	523	0.1	553	0.2
	406,373	100.0	362,312	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 Hamburger, Cheeseburger, Big Mac, Quarter Pounder with Cheese, Double Quarter Pounder with Cheese, Teriyaki Mcburger and etc.*
4. *Sales amounts shown under franchise revenue include royalties, rental fees, sales promotion expenses, and proceeds from the sales of restaurant business.*
5. *"Other" sales consist of revenue from service fees related to restaurant support business etc.*

(2) Company-operated restaurant sales and number of restaurants by geographic region

Geographic region	December 31, 2008			December 31, 2009		
	Number of restaurants	Millions of yen Amount	Percentage of total (%)	Number of restaurants	Millions of yen Amount	Percentage of total (%)
Hokkaido	40	5,352	1.5	1	3,824	1.3
Aomori	-	794	0.3	-	-	-
Iwate	16	1,611	0.4	1	1,055	0.3
Miyagi	23	5,010	1.4	13	3,292	1.1
Akita	13	1,379	0.4	12	1,291	0.4
Fukushima	31	3,429	0.9	9	3,219	1.1
Ibaraki	41	8,204	2.3	27	4,945	1.6
Tochigi	41	5,491	1.5	-	3,334	1.1
Gunma	5	4,659	1.3	2	378	0.1
Saitama	125	18,146	5.0	96	16,903	5.6
Chiba	38	17,052	4.7	11	4,729	1.6
Tokyo	374	68,468	18.9	339	65,552	21.6
Kanagawa	217	34,947	9.7	182	31,741	10.5
Toyama	22	2,842	0.8	22	2,933	1.0
Ishikawa	9	2,254	0.6	3	831	0.3
Fukui	12	1,541	0.4	5	1,149	0.4
Yamanashi	8	1,899	0.5	2	533	0.2
Nagano	3	4,156	1.1	1	195	0.1
Gifu	49	5,857	1.6	39	5,419	1.8
Shizuoka	62	8,136	2.2	51	7,691	2.5
Aichi	183	26,498	7.3	156	23,313	7.7
Mie	39	5,082	1.4	25	4,605	1.5
Shiga	35	4,899	1.4	27	3,575	1.2
Kyoto	63	10,260	2.8	60	9,227	3.1
Osaka	246	38,237	10.6	228	37,709	12.5
Hyogo	115	17,259	4.8	113	16,950	5.6
Nara	30	3,752	1.0	13	2,851	0.9
Wakayama	19	2,381	0.7	8	1,825	0.6
Tottori	-	160	0.1	-	-	-
Shimane	3	844	0.2	4	562	0.2
Okayama	3	3,860	1.1	3	600	0.2
Hiroshima	44	6,771	1.9	47	7,274	2.4
Yamaguchi	18	2,071	0.6	14	2,003	0.7
Tokushima	11	1,740	0.5	9	1,756	0.6
Kagawa	25	3,223	0.9	24	3,356	1.1
Ehime	31	3,387	0.9	31	3,572	1.2
Fukuoka	60	10,609	2.9	50	8,369	2.8
Saga	13	1,387	0.4	-	1,293	0.4
Nagasaki	8	1,067	0.3	1	997	0.3
Kumamoto	14	3,517	1.0	9	1,957	0.6
Oita	22	3,313	0.9	16	3,118	1.0
Miyazaki	19	2,112	0.6	17	2,370	0.8
Kagoshima	19	2,706	0.7	17	2,841	0.9
Okinawa	17	5,286	1.5	17	3,373	1.1
	2,166	361,670	100.0	1,705	302,529	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, Kouchi-ken, Tochigi-ken and Saga-ken are franchised restaurants as of the final day of the term under review. (Restaurants in Tochigi-ken, Saga-ken became franchised regions during 2009).