

## Consolidated Financial Results Report for the Three Months ended March 31, 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 and President, Representative Director, CEO  
 Please address all communications to: Takayuki Yasuda  
 Senior Vice President, Corporate Relations  
 Phone: (03)6911-6000  
 Schedule of quarterly securities report submission: May 12, 2010  
 Schedule of dividends payment: -

### 1. Consolidated operating results (From January 1, 2010 to March 31, 2010)

#### (1) Consolidated financial results

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

	Net sales		Operating income		Ordinary income		Net income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2010	86,506	(7.7)	10,185	73.0	10,137	74.4	658	(80.4)
March 31, 2009	93,679	—	5,888	—	5,813	—	3,358	—

  

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
March 31, 2010	4.95	—
March 31, 2009	25.26	—

#### (2) Consolidated financial position

(In millions of yen, with fractional amounts discarded)

	Total assets	Net assets	Total equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
March 31, 2010	197,066	145,205	73.6	1,091.10
December 31, 2009	200,798	148,502	73.9	1,115.95

(Reference) Total equity March 31, 2010 145,071 mil December 31, 2009 148,375 mil

### 2. Dividends

(Date of record)	Dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
December 31, 2009	—	0.00	—	30.00	30.00
December 31, 2010	—				
December 31, 2010 (Forecast)		0.00	—	30.00	30.00

(Note) Changes to our forecast for year-end dividends: None

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

(%: year-on-year change)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Interim	164,000	(10.9)	12,800	32.8	12,000	33.2
Annual	313,000	(13.6)	26,000	7.3	24,400	4.9

	Net income		Net income per share
	(Millions of yen)	%	(Yen)
Interim	1,000	(80.0)	7.52
Annual	5,800	(54.7)	43.62

(Note) Revision of the forecast for consolidated results: None

#### 4. Others

- (1) Changes in significant subsidiaries during the period  
(Changes in specific subsidiaries with an adjustment of a scope of consolidation): None
- (2) Simplified accounting procedures specified to quarterly consolidated financial statements: Yes  
Note: For details, please refer to the section 4. Other of 【Qualitative information・Financial statement etc.】 on page 5.
- (3) Changes of significant accounting principles, procedures and descriptions for quarterly consolidated financial statements  
(Described in "Changes in the accounting method" in "Important accounting policies")  
a. Changes caused by revision of accounting standard: None  
b. Changes other than (3) - a. above: None
- (4) Number of shares issued and outstanding (Common stock)  
a. Number of shares issued and outstanding at the end of each period (including treasury stock):  
March 31, 2010 132,960,000 units December 31, 2009 132,960,000 units  
b. Number of treasury stock at the end of each period:  
March 31, 2010 532 units December 31, 2009 473 units  
c. Average number of shares issued and outstanding in each period:  
March 31, 2010 132,959,488 units March 31, 2009 132,959,720 units

(Information regarding appropriate use of the forecasts)

The forecasts shown above are predicated upon information that is available as of the day of the announcement of this report and certain reasonable assumptions, therefore, actual financial performances may differ considerably from these forecasts due to a variety of factors hereafter.

## **【Qualitative information・Financial statement etc.】**

### **1. Qualitative information on the progress of consolidated operating results**

Japan's economy during the period of 3 months, January 1, 2010 to March 31, 2010, indicated that deteriorating corporate performance and economy seemed to bottom out; however, uncertain outlook keeps personal consumption to a low level and situation remains severe.

Our group has generally performed well in the midst of this economic environment. We continued to implement measures to allocate our management resources to hamburger restaurant business and relentlessly executed consistent customer expansion strategy and other activities, which are stated below. As a result, existing restaurant sales grew by 5.7% compared with last year and systemwide sales increased by 9.076 billion yen or 6.8% compared with same period last year, to 142.112 billion yen during the consolidated 1st quarter period. Systemwide sales in March 2010 of 49.728 billion yen reached its highest monthly record since we started our business in Japan; previous record of 49.647 billion yen was made in March 2009. The group's consolidated net sales during the period was 86.506 billion yen, decreased by 7.172 billion yen from same period last year, consolidated operating income was 10.185 billion yen, increased by 4.297 billion yen from same period last year, consolidated ordinary income was 10.137 billion yen, increased by 4.323 billion yen from same period last year, and consolidated net income for the quarter was 658 million yen, decreased by 2.7 billion yen.

Regarding the decision made in consolidated 1st quarter of FY2010 to strategically close 433 restaurants, 29 of them were closed during the current period and 326 million yen of loss on store closings was posted under extraordinary loss. In addition, 8.437 billion yen of provision for loss on store closings, rational estimation amount of closure negotiation results, is posted under extraordinary loss for the remaining restaurants planned to be closed on or after consolidated 2nd quarter of FY2010.

Note1: existing restaurant sales include restaurants operating for at least 13 months or longer; sales of current and previous year are added separately for comparison

2: systemwide sales is the total net sales of company operated and franchised restaurants; its amount is not identical with net sales specified in consolidated income statement

3: see below (hamburger restaurant business) for more details on strategic closure

(Hamburger Restaurant Business)

McDonald's Company (Japan), Ltd. operates hamburger restaurant business, the core business of our group. Based on restaurant foundation of QSC, trusted Quality, speedy and friendly Service, Clean and comfortable atmosphere, the company continues to make strategic investments to create more opportunities for restaurant visit and increase the number of guests. Expansion of 24 hour restaurants, 1,823 at end of consolidated 1st quarter 2010, expansion of drive-thru restaurants, 1,310 at end of consolidated 1st quarter 2010, and remodeling of restaurants, 18 restaurants during consolidated 1st quarter 2010 were made to enlarge our customer base. At the same time, the company implemented various promotion activities to address economic climate and trends and offered 'value' unique to McDonald's; all these contributed to increase the number of restaurant visits.

Stated below are our main activities we executed during the consolidated 1st quarter period to capture new guests and differentiate ourselves from others:

- 1) Deployment of 'Big America' campaign with limited offer of 4 new products 'Texas Burger', 'NewYork Burger', 'California Burger', 'Hawaiian Burger' providing all-new genuine American taste
- 2) Deployment of 'total non-smoking campaign' at 298 restaurants in Kanagawa prefecture, from March 1, 2010
- 3) Project launch of 'Big-na-yume-o-miyou' in line with opening of Central League season, to deliver 'dream' and 'cheer' through baseball game

In addition to the traditional scrap-and-build of restaurants to reinforce revenue base and enhance asset efficiency, decision to strategically close 433 restaurants was made at board of directors meeting on February 9, 2010 to further improve profit and McDonald's brand, which is closely interlocked with the group's franchise strategy. To accelerate our growth, restaurants that do not meet our criteria in size and location and at the same time have opportunity for better management efficiency and maximizing of brand image will be closed. In the next few years, we will facilitate building of new restaurants that are superior in profitability and establishing our brand image to raise the overall restaurant quality, including those that are franchised.

The number of restaurants as a result of strategic closure and smooth franchising is stated below:

Classification	Previous term end	Newly opened	Closed	Classification change *Note		Current term end
				Increase	Decrease	
Company operated	1,705	3	(42)	3	(4)	1,665
Franchised	2,010	4	(12)	4	(3)	2,003
Total number of restaurants	3,715	7	(54)	7	(7)	3,668

\*Note: These figures do not include sales of restaurant businesses by BFL exercise.

*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.

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, support to 'Donald McDonald House', accommodation facility for sick children and their family members, and installing of LED lighting at restaurants to reduce CO2 emission and address environmental concerns are all part of various CSR activities that contributed to strengthen McDonald's brand power and expansion of customer base.

(Other businesses)

EveryD Mc Inc., a subsidiary of the company, provides support to McDonald's restaurants and guests. During the consolidated 1st quarter, it reported net sales of 176 million yen, ordinary income of 9 million yen, and quarterly net income of 5 million yen.

The JV Inc., an additional subsidiary of the company, 70% owned by the Company and 30% owned by NTT DoCoMo Inc., designs and implements promotion activities for members of McDonald's Company (Japan), Ltd. Membership of 'Toku-suru Keitai Site', operated by the JV Inc., is growing steadily, reaching over 17 million members as of March 31, 2010, includes 7.8million 'Kazasu-coupon' members. Its performance during the consolidated 1st quarter resulted in sales of 214 million yen, ordinary income of 38 million yen, and quarterly net income of 23 million yen.

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

(Financial position analysis)

Total assets at the end of consolidated 1st quarter period was 197.066 billion yen, decreased by 3.731 billion yen from previous consolidated fiscal year end. Main reasons for decline are decreases of both 1.132 billion yen in current assets and 984 million yen in property, plant and equipment.

(Cash flow analysis)

Cash flow for each activity are stated below.

Cash and cash equivalents for the period rose by 503 million yen, to 20.652 billion yen.

(Cash flows provided by operating activities)

Operating activities resulted in a net cash inflow of 5.819 billion yen, increased by 3.169 billion yen from same period last year. Inflows were mainly due to 1.311 billion yen of income before taxes and minority interests, 3.115 billion yen of depreciation and amortization and 8.291 billion yen increase in provision for loss on store closings. Outflows were mainly due to 3.595 billion yen decrease in accounts payable-other and 5.678 billion yen of income taxes paid.

(Cash flows used in investment activities)

Investment activities resulted in a net cash outflow of 3.243 billion yen, increased by 533 million yen from same period last year. Outflows were mainly due to 3.071 billion yen of purchase of property, plant and equipment and 806 million yen of purchase of software. Inflows were mainly due to 955 million yen of proceeds from collection of lease and guarantee deposits.

(Cash flows used by financing activities)

Financing activities resulted in a net cash outflow of 2.069 billion yen, increased by 1.588 billion yen from same period last year. Outflows were mainly due to 3.997 billion yen of cash dividends paid. Inflows were mainly due to increase of 1.5 billion in short-term loans payable .

## 3. Qualitative information regarding financial forecast

Current performance indicates that we are generally on plan against consolidated performance forecast ending December 31, 2010 announced on February 9, 2010. No changes have been made to consolidated interim and full-year forecasts at the time of this writing.

## 4. Other

(1) Changes in significant subsidiaries during the period

(Changes in specific subsidiaries with an adjustment of a scope of consolidation): None

(2) Adoption of any simplified accounting procedure and any specific accounting procedure for preparation of quarterly financial results

(a) Simplified accounting procedures:

Valuation of inventories

The carrying amount of inventories is only reduced to estimated net selling value when there is an obvious decrease of profitability.

(b) Accounting procedures specific to the preparation of quarterly consolidated financial statements:

Calculation of taxes:

Income taxes are calculated by multiplying the effective tax rate, the yearly net income before taxes which includes this quarter was used in determination.

Also, 'deferred tax expenses' is shown included in 'income taxes'.

(3) Changes of significant accounting principles, procedures and descriptions for quarterly consolidated financial statements: None

**5. Consolidated quarterly financial statements**  
**(1) Consolidated quarterly balance sheet**

(Millions of yen)

	As of March 31, 2010	As of December 31, 2009
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	20,652	20,148
Accounts receivable - trade	9,977	9,963
Merchandise	4	3
Raw materials and supplies	1,985	2,230
Other	6,883	8,305
Allowance for doubtful accounts	(10)	(25)
Total current assets	39,493	40,626
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	33,474	34,061
Machinery and equipment, net	11,399	12,422
Tools, furniture and fixtures, net	7,757	8,140
Land	17,677	17,677
Lease assets, net	1,636	839
Construction in progress	299	88
Total property, plant and equipment	72,245	73,229
<b>Intangible assets</b>		
Goodwill	1,571	1,656
Software	16,188	16,958
Other	770	770
Total intangible assets	18,529	19,385
<b>Investments and other assets</b>		
Lease and guarantee deposits	58,866	59,535
Other	8,760	8,855
Allowance for doubtful accounts	(828)	(833)
Total investments and other assets	66,798	67,557
Total noncurrent assets	157,573	160,171
<b>Total assets</b>	<b>197,066</b>	<b>200,798</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	9,076	8,527
Short-term loans payable	1,500	-
Accounts payable-other	13,331	16,823
Income taxes payable	589	5,732
Provision for bonuses	2,233	2,069
Provision for loss on store closing	8,515	236
Other	11,531	14,447
Total current liabilities	46,778	47,838
<b>Noncurrent liabilities</b>		
Long-term loans payable	500	500
Provision for retirement benefits	2,016	2,123
Provision for directors' retirement benefits	153	148
Other	2,412	1,685
Total noncurrent liabilities	5,082	4,457
<b>Total liabilities</b>	<b>51,861</b>	<b>52,295</b>
<b>(Net assets)</b>		
<b>Shareholders' Equity</b>		
Capital stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	84,119	87,449
Treasury stock	(1)	(0)
Total shareholders' equity	150,356	153,687
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges	(44)	(70)
Revaluation reserve for land	(5,240)	(5,240)
Total valuation and translation adjustments	(5,284)	(5,311)
<b>Minority interests</b>		
Total net assets	145,205	148,502
<b>Total liabilities and net assets</b>	<b>197,066</b>	<b>200,798</b>

**(2) Consolidated quarterly statements of income**

(Millions of yen)

	Three months ended March 31, 2009	Three months ended March 31, 2010
<b>Net sales</b>	93,679	86,506
<b>Cost of sales</b>	76,384	66,759
<b>Gross profit</b>	17,294	19,747
<b>Selling, general and administrative expenses</b>	11,405	9,561
<b>Operating income</b>	5,888	10,185
<b>Non-operating income</b>		
Interest income	27	30
Revenue from unredeemed gift certificates	59	48
Compensation income	32	11
Other	142	67
<b>Total non-operating income</b>	261	157
<b>Non-operating expenses</b>		
Interest expenses	12	12
Loss on retirement of noncurrent assets at Company-operated restaurants	271	182
Other	52	12
<b>Total non-operating expenses</b>	336	206
<b>Ordinary income</b>	5,813	10,137
<b>Extraordinary income</b>		
Reversal of allowance for doubtful accounts	13	10
Compensation for transfer	63	-
<b>Total extraordinary income</b>	76	10
<b>Extraordinary loss</b>		
Loss on retirement of noncurrent assets	58	71
Loss on sales of noncurrent assets	-	0
Provision for loss on store closings	-	8,437
Loss on store closings	-	326
<b>Total extraordinary loss</b>	58	8,836
<b>Income before income taxes and minority interests</b>	5,831	1,311
<b>Income taxes</b>	2,465	646
<b>Minority interests in income</b>	7	6
<b>Net income</b>	3,358	658

**(3) Consolidated quarterly statements of cash flows**

(Millions of yen)

	Three months ended March 31, 2009	Three months ended March 31, 2010
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes and minority interests	5,831	1,311
Depreciation and amortization	3,107	3,115
Increase (decrease) in provision for loss on store closings	-	8,291
Increase (decrease) in provision	271	76
Unredeemed gift certificates	(59)	(48)
Interest income	(27)	(30)
Interest expenses	12	12
Loss on store closings	-	149
Loss on retirement of noncurrent assets	227	129
Decrease (increase) in notes and accounts receivable-trade	440	(20)
Decrease (increase) in inventories	137	244
Decrease (increase) in goodwill from acquisition of franchise restaurants	(135)	85
Decrease (increase) in other assets	1,569	1,483
Increase (decrease) in notes and accounts payable-trade	839	549
Increase (decrease) in accounts payable-other	(5,335)	(3,595)
Increase (decrease) in accrued expenses payable	(407)	(961)
Increase (decrease) in other current liabilities	-	703
Other, net	32	1
<b>Subtotal</b>	<b>6,505</b>	<b>11,497</b>
Interest and dividend income received	0	1
Interest expenses paid	(9)	(1)
Income taxes paid	(3,847)	(5,678)
<b>Net cash provided by (used in) operating activities</b>	<b>2,649</b>	<b>5,819</b>
<b>Net cash provided by (used in) investment activities</b>		
Purchase of property, plant and equipment	(3,090)	(3,071)
Proceeds from sales of property, plant and equipment	2,146	97
Payments for lease and guarantee deposits	(359)	(411)
Proceeds from collection of lease and guarantee deposits	865	955
Collection of loans receivable	1	-
Purchase of software	(2,200)	(806)
Other, net	(73)	(7)
<b>Net cash provided by (used in) investment activities</b>	<b>(2,710)</b>	<b>(3,243)</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	3,500	1,500
Repayments of finance lease obligations	-	(67)
Proceeds from sale and lease-back transactions	-	494
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(3,981)	(3,997)
<b>Net cash provided by (used in) financing activities</b>	<b>(481)</b>	<b>(2,069)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(6)</b>	<b>(1)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(549)</b>	<b>503</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>9,782</b>	<b>20,148</b>
<b>Cash and cash equivalents at end of period</b>	<b>9,232</b>	<b>20,652</b>



(4) Notes for assumption of going concern

None

(5) Segment information

(Business segment information)

For the period ended March 2009 (January 1 – March 31, 2009) and 2010 (January 1 – March 31, 2010), 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 period ended March 2009 (January 1 – March 31, 2009) and 2010 (January 1 – March 31, 2010), the company had no consolidated subsidiaries domiciled outside Japan. Accordingly, there is no geographical segment information.

(Overseas sales)

For the period ended March 2009 (January 1 – March 31, 2009) and 2010 (January 1 – March 31, 2010), the company had no sales outside Japan, therefore this section is omitted.

(6) Notes for significant changes of shareholders' equity

None