(Translation)

Financial Results Report
for the December 2010 Term (Consolidated)

February 3, 2011

McDonald's Holdings Company (Japan), Ltd.

Company code number:	2702 (URL http://www.mcd-holdings.co.jp/)
Shares traded:	Osaka securities exchange, 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 29, 2011
Schedule of dividends payment:	March 30, 2011
Schedule of annual security report submission:	March 30, 2011

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

(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, 2010	323,799	(10.6)	28,135	16.1	27,161	16.8
December 31, 2009	362,312	(10.8)	24,230	24.0	23,252	27.5

	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, 2010	7,864	(38.6)	59.15	-	5.2	13.5	8.7
December 31, 2009	12,809	3.4	96.34	-	8.9	11.6	6.7

Note:
Gains or losses on investments through equity method accounting: December 2010 term: - December 2009 term: -

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2010	200,228	152,462	76.1	1,145.63
December 31, 2009	200,798	148,502	73.9	1,115.95

Note:
Equity amount (consolidated): December 2010 term: 152,321 million yen December 2009 term: 148,375 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, 2010	20,075	(3,337)	(3,922)	32,953
December 31, 2009	22,919	(3,964)	(8,589)	20,148

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, 2009	—	0.00	—	30.00	30.00	3,988	31.1	2.8
December 31, 2010	—	0.00	—	30.00	30.00	3,988	50.7	2.7
December 31, 2011 (Estimated)		0.00	0.00	30.00	30.00	-	29.1	-

3. Consolidated forecasts for December 2011 term
(From January 1, 2011 to December 31, 2011)

	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	149,900	(8.4)	14,700	0.5	14,300	0.5	5,700	175.9	42.87
Annual	304,500	(6.0)	29,200	3.8	28,200	3.8	13,700	74.2	103.03

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: None
2. Other: None

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

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

   December 2010: 132,960,000 shares   December 2009: 132,960,000 shares

2. The number of treasury stock

   December 2010: 702 shares   December 2009: 473 shares

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

(Reference) Summary of nonconsolidated results

Nonconsolidated operating results (From January 1, 2010 to December 31, 2010)

(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, 2010	85,036	52.1	25,309	—	25,768	—
December 31, 2009	55,920	1.1	743	(28.0)	1,248	(24.7)

	Net income		Net income per share	Net income per share, fully diluted
	(Millions of yen)	%	(Yen)	(Yen)
December 31, 2010	24,803	—	181.13	-
December 31, 2009	708	(70.6)	5.33	-

(2) Nonconsolidated financial position

	Total assets	Shareholders’ equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2010	148,994	141,733	95.1	1,065.99
December 31, 2009	128,958	121,639	94.3	914.86

(Reference)
Equity amount:
December 2010 term: 141,733 million yen December 2009 term: 121,639 million yen

As for nonconsolidated financial performance of the fiscal year ended December 2010, both sales and profit increased significantly compared to the previous year. As the Company's principal business is to invest in or to lease real-estate properties to subsidiaries, major reason for this increase was dividends income from McDonald's Company (Japan), Ltd., our consolidated subsidiary, accrued during this fiscal year.

※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 2010 (from January 1, 2010 to December 31, 2010), corporate sector's performance and the employment situation in Japan started to show subtle sign of recovery from the prolonged downturn, however Japanese economy is still suffering severely from persistent slowdown in consumers' spending.

In such hostile economic environment, the Group continued to further pursue QSC (trusted quality, speedy and friendly service, and clean and comfortable atmosphere) and provided more opportunities for our customers to visit our restaurants. The Company executed the following strategic promotional activities which are consistent with the economic situation and trend at each given time. Activities include development of new restaurants centered on drive-thru restaurants (1,331 drive-thru restaurants as of this consolidated fiscal year end) and active restaurant remodeling (171 restaurants were remodeled during this fiscal year, of which 13 were "Next Generation Design Restaurants"), aiming to expand Company's customer base as well as to increase the frequency of their visit by providing McDonald's exclusive value to our customers.

(Major promotional activities)

1. Rollout of "Big America Campaign", where the all-new American taste were brought to reality as limited time offer with the introduction of four new promotional products, "Texas Burger", "New York Burger", "California Burger", and "Hawaiian Burger".
2. New products centered on chicken, such as "Chicken Burger Salt & Lemon" and "Juicy Chicken Select" were added to regular menu. Icon Chicken Select, collaboration of chicken and European taste, "Cheese Fondue", "German Sausage", "Diavolo", and "Carbonara" was introduced.
3. McCafe Specialty Coffee was expanded to Kinki Area in addition to Tokyo area, providing more opportunities to our customers to enjoy specialty coffee, not during snack time, but other day parts, too.
4. ¥100 menu was introduced to breakfast day part, enhancing Value Strategy with "Combi ¥200 (set menu with small size beverage)".

In addition to the conventional scrap-and-build to enhance revenue base and asset efficiency, the Company pressed ahead with strategic closure of 433 restaurants aligned with franchising of McDonald's business. In the next few years, quality of overall restaurant portfolio including franchised restaurants will be improved by selectively opening new restaurants that produce better profitability and brand image.

Change in numbers of restaurants are as follows:

Category	Previous term end	Newly Opened	Closure	Ownership Change*		Current term end
				Increase	Decrease	
Company-operated	1,705	30	(278)	28	(148)	1,337
Franchised	2,010	43	(208)	148	(28)	1,965
Total	3,715	73	(486)	176	(176)	3,302

*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 154 inclusive of sales by BFL exercise, and gain on sales of restaurant businesses was recorded at 1,667 million yen (down 2,662 million yen from the previous 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) and McDonald’s approve the application after examination procedures by McDonald's Japan.

As a result of above activities, the Company achieved 4.5% increase in same-store sales from the previous year, and the 7th consecutive year-over-year sales growth. Systemwide restaurant business achieved new sales record of 542,710 million yen (up 10,788 million yen or 2.0% from the previous year). The Group’s consolidated sales were 323,799 million yen (down 38,513 million yen or 10.6% from the preceding year). This is due to the decrease in number of company-operated restaurants as a result of franchising strategy. The Group’s consolidated operating income was 28,135 million yen (up 3,905 million yen or 16.1% from preceding year), consolidated ordinary income was 27,161 million yen (up 3,909 million yen or 16.8%), both of which were record highs since its listing on the JASDAQ market.

As for the strategic closure of 433 restaurants, total of 409 restaurants were closed during the term, which resulted in extraordinary loss of 9,738 million yen. For the remaining 24 restaurants planned to be closed in the next consolidated fiscal year and some restaurants closed during the term, a reasonably assessed 862 million yen is recorded as the provision for loss on store closing in extraordinary loss. The Group’s consolidated net income was 7,864 million yen (down 4,944 million yen or 38.6% from the preceding year).

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 statement of income.

(Analysis of the Group's operating results)

Millions of yen		Year ended December 31, 2009	%	Year ended December 31, 2010	%	Year-on-year Change
Systemwide sales		531,921		542,710		10,788
Net Sales						
Company-operated restaurant sales	Note 1	302,529		255,589		(46,940)
Franchise revenue	Note 2	59,229		67,651		8,422
Other		553		558		4
Net sales		362,312	100.0	323,799	100.0	(38,513)
Cost of sales						
Cost of sales for company operated restaurant	Note 1	259,001	71.5	212,434	65.6	(46,566)
Raw material		95,433	26.3	81,421	25.1	(14,011)
Labor		88,252	24.4	71,578	22.1	(16,674)
Other		75,315	20.8	59,434	18.4	(15,880)
Cost of franchise revenue	Note 2	34,453	9.5	43,181	13.3	8,728
Cost of other sales		547	0.1	495	0.2	(51)
Total cost of sales		294,002	81.1	256,112	79.1	(37,889)
Gross profit		68,310	18.9	67,686	20.9	(624)
Selling, general and administrative expenses	Note 3					
Advertising and selling expense		19,412	5.4	14,847	4.6	(4,564)
Labor		13,564	3.7	11,998	3.7	(1,566)
Other		11,104	3.1	12,705	3.9	1,601
Total selling, general and administrative expenses		44,080	12.2	39,551	12.2	(4,529)
Operating income		24,230	6.7	28,135	8.7	3,905
Non-operating income		1,225	0.3	792	0.2	(432)
Non-operating expenses		2,202	0.6	1,766	0.5	(436)
Ordinary income		23,252	6.4	27,161	8.4	3,909
Extraordinary income		64	0.1	117	0.0	52
Extraordinary loss	Note 4	1,279	0.4	13,402	4.1	12,122
Income before income taxes and minority interests		22,037	6.1	13,876	4.3	(8,160)
Net income		12,809	3.5	7,864	2.4	(4,944)

Note 1: Sales and cost of sales for company-operated restaurant

Company-operated restaurant sales in this consolidated fiscal year dropped 46,940 million yen or 15.5％ from the preceding year to 255,589 million yen. Cost of sales for company-operated restaurant also declined by 46,566 million yen or 18.0% from the previous year to 212,434 million yen. The major reason for these declines is the decreased number of company-operated restaurants resulting from promotion of restaurant franchising.

Note 2: Franchise revenue and cost of franchise revenue

In this consolidated fiscal year, franchise revenue increased by 8,422 million yen or 14.2% from the previous year to 67,651 million yen. Cost of franchise revenue also rose by 8,728 million yen or 25.3% from last year to 43,181million 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 1,667 million yen while gain on sales of restaurant businesses in the previous year was 4,329 million yen.

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

Note 3: Selling, general and administrative expenses

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

Note 4: Extraordinary loss

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

(Forecasts for 2011)

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 further improvement of restaurant portfolio through relocation, introduction of innovative new restaurant designs, and full-capacity kitchen equipment and facilities.

Based on the above activity, we expect to record in 2011, 304,500 million yen in sales, 29,200 million yen in operating income, 28,200 million yen in ordinary income, and 13,700 million yen in net income on a consolidated basis.

(2) Analysis of Financial position

(Group's financial position)

Millions of yen	December 31, 2009	%	December 31, 2010	%	Year-on-year Change
Assets					
Current assets	40,626	20.2	54,888	27.4	14,262
Noncurrent assets	160,171	79.8	145,340	72.6	(14,831)
1 Property, plant and equipment	73,229	36.5	68,126	34.0	(5,103)
2 Intangible assets	19,385	9.7	13,687	6.9	(5,698)
3 Investments and other assets	67,557	33.6	63,526	31.7	(4,030)
Total assets	200,798	100.0	200,228	100.0	(569)
Liabilities					
Current liabilities	47,838	23.8	41,346	20.7	(6,491)
Noncurrent liabilities	4,457	2.2	6,420	3.2	1,963
Total liabilities	52,295	26.0	47,766	23.9	(4,528)
Net assets					
Total net assets	148,502	74.0	152,462	76.1	3,959
Total liabilities and net assets	200,798	100.0	200,228	100.0	(569)

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

Total assets as of fiscal year end were 200,228 million yen, decrease of 569 million yen from previous year end. The main reasons are increase in current assets of 14,262 million yen due to increased cash and deposits based on the group’s good operating results and decrease in noncurrent assets of 14,831 million yen due to strategic restaurant closure.

Total liabilities were 47,766 million yen, decrease of 4,528 million yen from previous year end. The main reason is decrease in current liabilities of 6,491 million yen due to decreased accounts payable-corporate tax.

Net assets were 152,462 million yen, increase of 3,959 million yen from previous year end. The main reason is increase in retained earnings.

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 32,953 million yen, increase of 12,805 million from previous year end.

(Net cash provided by operating activities)

Operating activities during the period resulted in a net cash inflow of 20,075 million yen. The main reasons are 13,876 million yen of net income before taxes, 12,075 million yen of depreciation and amortization, 2,333 million yen of impairment loss, 5,257 million yen of loss on store closing, and 15,314 million yen of income taxes paid.

(Net cash used in investing activities)

Investing activities during the period resulted in a net cash outflow of 3,337 million yen. The main reasons are 9,671 million yen of purchase of property, plant and equipment, 3,082 million yen of payments for lease and guarantee deposits, 4,116 million yen of proceeds from sale of property, plant and equipment, and 6,560 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 3,922 million yen. The main reason is 3,977 million yen of cash dividends paid.

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

	2006	2007	2008	2009	2010
Equity ratio	67.3%	66.1%	69.6%	73.9%	76.1%
Equity ratio based on market prices	136.5%	123.3%	119.6%	117.8%	118.1%
Years required to redeem liabilities	0.2 years	0.2 years	0.3 years	0.1 years	0.2 years
Interest-coverage ratio	2,189.6 times	1,627.1 times	304.8 times	634.8 times	434.9 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.
* Market capitalization is calculated based on outstanding shares excluding treasury stocks.
* 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 and dividend for the current and next fiscal year

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 the current and next 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, 2010.

(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 54,802 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)

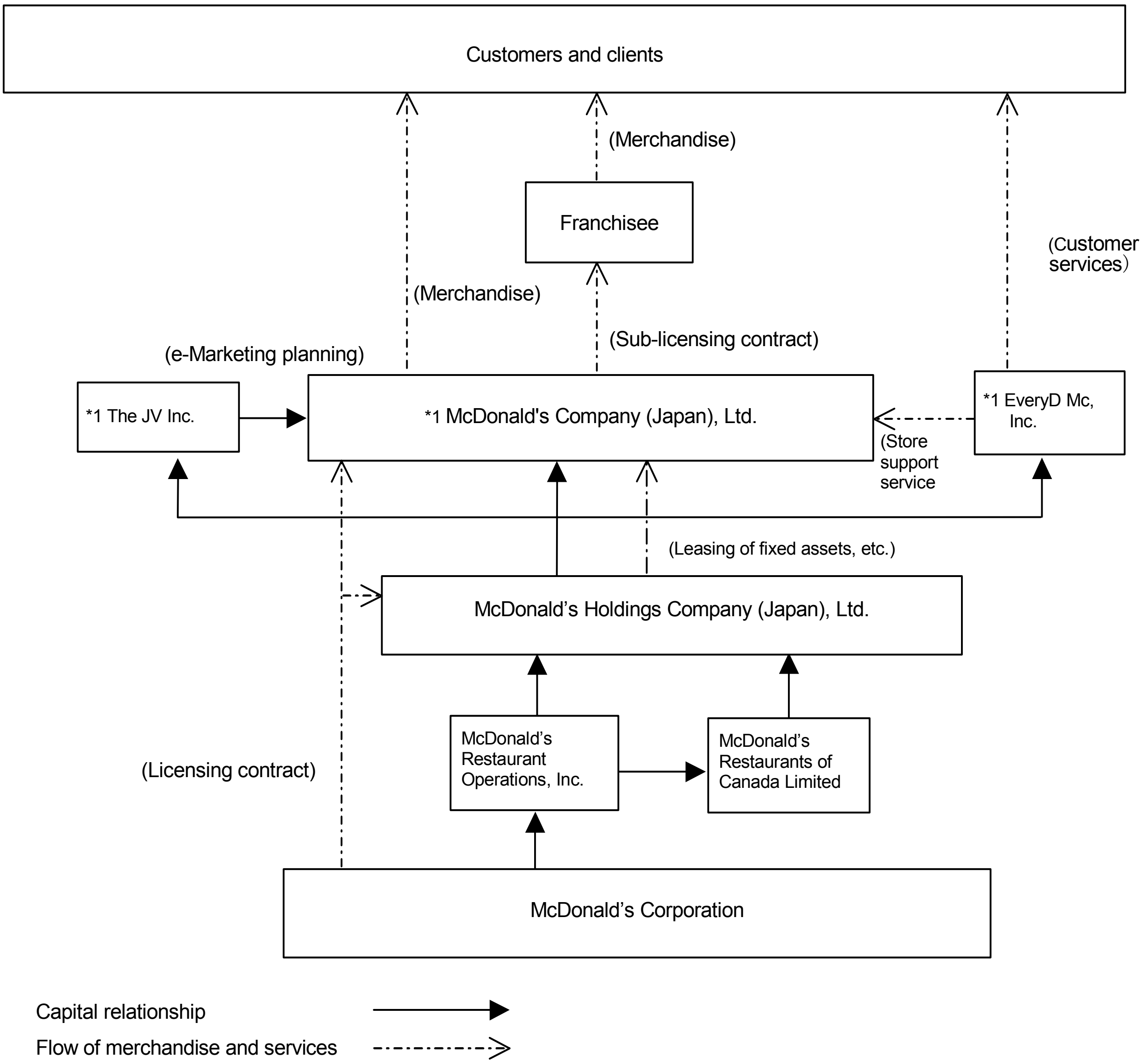
McDonald's Japan is competing not only with other burger-based fast food chains, but also with convenience stores and so-called "nakashoku" (takeaway) businesses. McDonald's Japan defines itself as a player in the IEO (Informal Eating Out) market; that is the market comprising of restaurant businesses 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)



*1 Consolidated subsidiary

Note: McDonald's Restaurant Operations Inc. and its co-owner submitted change report to notify that McD APMEA Holdings Pte, Ltd. acquired 10,078,663 shares (7.58% shareholding ratio) from McDonald's Restaurant Operations, Inc. As the Company could not confirm the actual number of shares held by the above mentioned company, and it was not included in above diagram.

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 a service provided by McDonald's Japan. 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 and with brand strategies under the “i’m lovin' it” theme. While it gained support from more customers through the Value Strategy, the Company will make further efforts to enhance revenue base and to improve asset efficiency s by executing strategies in speedier manner and with better quality, as well as continue to promote franchising of the business. The Company also proactively supports social contribution activities with good corporate citizenship such as pursuing food safety, environmental conservation activities, enhancing food education activities, and supporting Donald McDonald House.

(5) Other significant matters to the Company

Not applicable.

4. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen	Note	December 31, 2009	December 31, 2010
(Assets)			
Current assets			
Cash and deposits		20,148	25,954
Accounts receivable - trade		9,963	9,966
Securities		-	6,998
Merchandise		3	4
Raw materials and supplies		2,230	1,284
Deferred tax assets		2,355	1,788
Other		5,950	8,954
Allowance for doubtful accounts		(25)	(63)
Total current assets		40,626	54,888
Noncurrent assets			
Property, plant and equipment			
Buildings and structures		76,325	66,688
Accumulated depreciation		(42,264)	(35,573)
Buildings and structures, net		34,061	31,115
Machinery and equipment		22,333	18,304
Accumulated depreciation		(9,910)	(8,914)
Machinery and equipment, net		12,422	9,390
Tools, furniture and fixtures		20,394	17,871
Accumulated depreciation		(12,254)	(11,601)
Tools, furniture and fixtures, net		8,140	6,269
Land	4	17,677	17,526
Lease assets		927	3,682
Accumulated depreciation		(88)	(443)
Lease assets, net		839	3,239
Construction in progress		88	585
Total property, plant and equipment	3,5	73,229	68,126
Intangible assets			
Goodwill		1,656	1,375
Software		16,958	11,553
Other		770	758
Total intangible assets	5	19,385	13,687
Investments and other assets			
Investment securities	1	398	398
Long-term loans receivable		9	9
Deferred tax assets		1,646	1,485
Lease and guarantee deposits		59,535	54,802
Other		6,802	7,510
Allowance for doubtful accounts		(833)	(677)
Total investments and other assets		67,557	63,526
Total noncurrent assets		160,171	145,340
Total assets		200,798	200,228

Millions of yen	Note	December 31, 2009	December 31, 2010
(Liabilities)			
Current liabilities			
Accounts payable-trade		8,527	8,840
Accounts payable-other		16,823	17,178
Accrued expenses		7,708	6,120
Lease obligations		161	639
Income taxes payable		5,732	770
Provision for bonuses		2,069	1,947
Provision for loss on store closing		236	927
Other		6,577	4,921
Total current liabilities		47,838	41,346
Noncurrent liabilities			
Long-term loans payable		500	500
Lease obligations		730	2,798
Provision for retirement benefits		2,123	1,864
Provision for directors' retirement benefits		148	167
Deferred tax liabilities due to land revaluation	4	508	508
Other		447	581
Total noncurrent liabilities		4,457	6,420
Total liabilities		52,295	47,766
(Net assets)			
Shareholders' equity			
Capital stock		24,113	24,113
Capital surplus		42,124	42,124
Retained earnings		87,449	91,120
Treasury stock		(0)	(1)
Total shareholders’ equity		153,687	157,357
Valuation and translation adjustments			
Deferred gains or losses on hedges		(70)	-
Revaluation reserve for land	4	(5,240)	(5,035)
Total valuation and translation adjustments		(5,311)	(5,035)
Minority interests		126	140
Total net assets		148,502	152,462
Total liabilities and net assets		200,798	200,228

(2) Consolidated statement of income

Millions of yen	Note	Year ended December 31, 2009	Year ended December 31, 2010
Net sales	2	362,312	323,799
Cost of sales		294,002	256,112
Gross profit		68,310	67,686
Selling, general and administrative expenses	1,3	44,080	39,551
Operating income		24,230	28,135
Non-operating income			
Interest income		115	132
Revenue from unredeemed gift certificates		259	193
Insurance income		37	-
Compensation income		84	87
Subsidy income		361	-
Other		367	380
Total non-operating income		1,225	792
Non-operating expenses			
Interest expenses		44	62
Allowance for doubtful accounts		123	-
Loss on retirement of noncurrent assets at Company-operated restaurants		1,735	1,456
Other		299	247
Total non-operating expenses		2,202	1,766
Ordinary income		23,252	27,161
Extraordinary income			
Reversal of allowance for doubtful accounts		-	117
Compensation for transfer		64	-
Total extraordinary income		64	117
Extraordinary loss			
Loss on retirement of noncurrent assets	4	372	428
Impairment loss	6	130	2,333
Loss on sales of nonccurent assets	7	17	40
Provision for loss on store closing	5	236	862
Loss on store closing	5	522	9,738
Total extraordinary loss		1,279	13,402
Income before income taxes and minority interests		22,037	13,876
Income taxes-current		8,700	5,321
Income taxes-deferred		500	676
Total income taxes		9,201	5,997
Minority interests in income		25	13
Net income		12,809	7,864

(3) Consolidated statement of changes in net assets

Millions of yen	Year ended December 31, 2009	Year ended December 31, 2010
Shareholders Equity		
Capital stock		
Balance at previous year end	24,113	24,113
Changes during this term		
Total changes in this term	-	-
Balance at this year end	24,113	24,113
Capital Surplus		
Balance at previous year end	42,124	42,124
Changes during this term		
Total changes in this term	-	-
Balance at this year end	42,124	42,124
Retained earnings		
Balance at previous year end	78,628	87,449
Changes during this term		
Cash dividends	(3,988)	(3,988)
Net income	12,809	7,864
Difference for revaluation reserve for land	-	(205)
Total changes in this term	8,821	3,671
Balance at this year end	87,449	91,120
Treasury stock		
Balance at previous year end	(0)	(0)
Changes during this term		
Reacquisition of treasury stock	(0)	(0)
Total changes in this term	(0)	(0)
Balance at this year end	(0)	(1)
Total shareholders equity		
Balance at previous year end	144,866	153,687
Changes during this term		
Cash dividends	(3,988)	(3,988)
Net income	12,809	7,864
Difference for revaluation reserve for land	-	(205)
Reacquisition of treasury stock	(0)	(0)
Total changes in this term	8,820	3,670
Balance at this year end	153,687	157,357
Valuation & translation adjustment		
Deferred gains or losses on hedges		
Balance at previous year end	(355)	(70)
Changes during this term		
Changes in items except shareholders' equity (net)	284	70
Total changes in this term	284	70
Balance at this year end	(70)	-
Revaluation reserve for land		
Balance at previous year end	(5,240)	(5,240)
Changes during this term		
Changes in items except shareholders' equity (net)	-	205
Total changes in this term	-	205
Balance at this year end	(5,240)	(5,035)

Millions of yen	Year ended December 31, 2009	Year ended December 31, 2010
Total valuation & translation adjustment		
Balance at previous year end	(5,596)	(5,311)
Changes during this term		
Changes in items except shareholders’ equity (net)	284	275
Total changes in this term	284	275
Balance at this year end	(5,311)	(5,035)
Minority Interest		
Balance at previous year end	100	126
Changes during this term		
Changes in items except shareholders’ equity (net)	25	13
Total changes in this term	25	13
Balance at this year end	126	140
Total net asset		
Balance at previous year end	139,371	148,502
Changes during this term		
Cash dividends	(3,988)	(3,988)
Net income	12,809	7,864
Reacquisition of treasury stock	(0)	(0)
Changes in items except shareholders’ equity (net)	310	84
Total changes in this term	9,131	3,959
Balance at this year end	148,502	152,462

(4) Consolidated statement of cash flows

Millions of yen	Year ended December 31, 2009	Year ended December 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	22,037	13,876
Depreciation and amortization	12,233	12,075
Impairment loss	130	2,333
Loss on store closing	175	5,257
Increase (decrease) in provision for loss on store closing	236	702
Increase (decrease) in other provision	(91)	(397)
Unredeemed gift certificates	(259)	(193)
Interest income	(115)	(132)
Interest expenses	44	62
Loss (gain) on sales of noncurrent assets	17	40
Loss on retirement of noncurrent assets	1,332	1,149
Decrease (increase) in accounts receivable - trade	(115)	(9)
Decrease (increase) in inventories	583	944
Decrease (increase) in goodwill from acquisition of franchised restaurants	66	280
Decrease (increase) in other assets	463	1,162
Increase (decrease) in accounts payable-trade	(1,944)	312
Increase (decrease) in accounts payable-other	(3,951)	336
Increase (decrease) in accrued expenses payable	(838)	(1,497)
Increase (decrease) in other current liabilities	(56)	(1,095)
Other, net	31	55
Subtotal	29,982	35,265
Interest income received	4	132
Interest expenses paid	(36)	(46)
Income taxes paid	(7,265)	(15,314)
Income taxes refund	233	38
	22,919	20,075
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(9,268)	(9,671)
Proceeds from sales of property, plant and equipment	9,732	4,116
Payments for lease and guarantee deposits	(1,824)	(3,082)
Proceeds from collection of lease and guarantee deposits	3,849	6,560
Collection of loans receivable	2	-
Purchase of software	(6,445)	(1,340)
Other, net	(9)	79
	(3,964)	(3,337)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(4,500)	-
Repayments of finance lease obligations	(108)	(439)
Proceeds from sale and lease back	-	494
Repurchase of treasury stock	(0)	(0)
Cash dividends paid	(3,980)	(3,977)
	(8,589)	(3,922)
Effect of exchange rate changes on cash and cash equivalents	0	(9)
Net increase (decrease) in cash and cash equivalents	10,366	12,805
Cash and cash equivalents at beginning of period	9,782	20,148
Cash and cash equivalents at end of period	20,148	32,953

(5) Notes for assumption of going concern

Not applicable.

(6) Significant accounting policy

Item	December 31, 2009	December 31, 2010
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 on the left
	(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 on the left (Reason for exclusion from consolidation) Same as on the left
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 on the left
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 on the left
4. Items related to accounting standards (1) Standards and methods of valuation for important assets	i. Marketable and investment securities (a) — (b) Other securities: Quoted securities: market price method based on closing prices on the date of the closing of accounts (all differences are credited or debited directly to the shareholders' equity account; sales prices are calculated on the basis of average cost) Unquoted securities: valued at cost using the periodic average method	i. Marketable and investment securities (a) Bonds held to maturity: cost amortization method (straight line) (b) Other securities: Quoted securities: — Unquoted securities Same as on the left
	ii. Derivatives Market price method.	ii. Derivatives Same as on the left
	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.	iii. Inventories: Same as on the left —

Item	December 31, 2009	December 31, 2010
(2) Major depreciable assets and methods of depreciation	i. Property, plant and equipment (excluding lease assets): straight-line method Years of useful life for principal assets: Buildings and structures: 2 - 50 years Machinery and equipment: 2 - 15 years Tools, appliances and fixtures: 2 - 20 years	i. Property, plant and equipment (excluding lease assets): Same as on the left
	ii. Intangible assets (excluding lease 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 on the left
	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. Lease assets Same as on the left
	iv Long-term prepaid expenses: Straight-line method	iv Long-term prepaid expenses: Same as on the left
(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 on the left
	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 on the left
	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 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 (6), and are treated as expenses from the year following the year in which they occur. (Additional information) With the depreciation of differences arising in the course of mathematical calculations, average number of remaining years of service of employees in each term was used. As the average year became less than 8 years, it was changed from 8 to 6, to better suit the current situation. This resulted in 329 million yen reduction of cost of sales and 218 million yen reduction of selling, general and administrative expenses, and operating income, ordinary income, and resulted in net income increase of 547 million yen (before tax and adjustment)

Item	December 31, 2009	December 31, 2010
	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 on the left
	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.	v. Provision for store closing Same as on the left
(4) Important hedge accounting methods	i. Accounting method Appropriated methods	i. Accounting method Same as on the left
	ii. Hedging methods and items hedged: Hedging methods: exchange contract Items hedged: expected future imports	ii. Hedging methods and items hedged: Same as on the left
	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 on the left
	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 on the left
(5) 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 on the left
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 on the left

(7) Changes in significant accounting policy

December 31, 2009	December 31, 2010
(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, 2009	December 31, 2010
(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, 2009		December 31, 2010	
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.	600	Toys"R"Us-Japan, Ltd.	424
(2) Guarantees provided for employees' mortgages from banks:	1	(2) Guarantees provided for employees' mortgages from banks:	0
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.		3. Reductions of Property, plant and equipment from gains on insurance claims were 80 million yen, and reductions of tangible assets from expropriation were 69 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	(3,777)	Differential between book value and post-revaluation market value of revalued land at end of term	(4,243)
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	6,071	Buildings and structures	2,562
Machinery and equipment	2,053	Machinery and equipment	746
Tools, furniture and fixtures	1,526	Tools, furniture and fixtures	574
Other	376	Other	140
Total	10,028	Total	4,024

(Consolidated statement of income - related)

Millions of yen	December 31, 2009		December 31, 2010
1. Primary items and amounts included under selling, general and administrative expenses		1. Primary items and amounts included under selling, general and administrative expenses	
Sales promotion expenses	12,556	Sales promotion expenses	8,637
Advertising expenses	6,856	Salaries	6,281
Salaries	6,780	Advertising expenses	6,209
Provision for bonuses	1,515	Depreciation and amortization	4,154
Pension expenses	1,456	Provision for bonuses	1,709
Provision for directors' retirement allowances	29	Pension expenses	493
Provision of allowance for doubtful accounts	27	Provision of allowance for doubtful accounts	64
		Provision for directors’ retirement allowances	25
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).		2. 1,667 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	346	3. R&D expenses in selling, general and administrative expenses	336
4. Breakdown of losses on retirement of noncurrent assets		4. Breakdown of losses on retirement of noncurrent assets	
Buildings and structures	146	Buildings and structures	241
Machinery and equipment	18	Machinery and equipment	27
Tools, furniture and fixtures	18	Tools, furniture and fixtures	77
Software	188	Software	81
Total	372	Total	428
5. Provision for loss on store closing and loss on store closing		5. 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.		A reasonably estimated amount is recorded in provision for loss on store closing, for the loss is expected to accrue from closure of restaurants scheduled for this fiscal year. Those restaurants are believed to maximize operation efficiency and brand image, and further promote structural reforms by closing them, due to its scale and location.	
		Loss on retirement of property, plant and equipment	23
		Restoration of leased building	525
		Penalty for breach of lease contract	57
		Loss on sale of land	209
		Other	46
		Total	862
		Loss accrued from the restaurants closed during this consolidated fiscal year was recorded as loss on store closing.	
		Loss on retirement of tangible assets	3,936
		Restoration of leased building	3,166
		Penalty for breach of lease contract	1,765
		Other	869
		Total	9,738

Millions of yen	December 31, 2009	December 31, 2010

December 31, 2009

6. 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.

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

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

December 31, 2010

6. 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
Common asset	Software	Headquarters	2,333

The Group coordinates assets into groups based on their geographical locations, with which we continually monitor income and expenditure for our managerial accounting purposes. As Headquarters does not generate cash flow, assets are categorized as common asset.
After holding a thorough review of IT investment strategy based on ever-changing current business environment, the company decided to write down the net book value of the software, which likely provides little returns from its continuous use or investment, to a recoupable level. This resulted in reporting extraordinary loss of 2,233 million yen as impairment loss.

Calculation of recoupable value is based on net sale value; however, sale and diversion of such asset is difficult to implement and thus assessed recoupable value as zero.

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

Machinery and equipment	21
Tools, furniture and fixtures	4
Other	13
Total	40

(Consolidated statement of shareholders' equity - related)

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

December 31, 2010

1. Type and number of outstanding shares and treasury stock

	December 31, 2009	Increase	Decrease	December 31, 2010
Outstanding shares				
Common stock	132,960,000	―	―	132,960,000
Total	132,960,000	―	―	132,960,000
Treasury stock				
Common stock*	473	229	―	702
Total	473	229	―	702

*Note: Increase in 229 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 25, 2010	Common stock	3,988	30	2009/12/31	2010/3/26

(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 29, 2011	Common stock	3,988	Retained earnings	30	2010/12/31	2011/3/30

(Consolidated statement of cash flows - related)

December 31, 2009	December 31, 2010
1. Balance of cash and cash equivalents agrees with balance of cash and deposit the balance sheets	1. Correlation between balance of cash and cash equivalents and amount recorded in consolidated balance sheet (as of December 31, 2010) (millions of yen) Cash and deposits 25,954 Securities 6,998 Cash and cash equivalents 32,953
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.	2. Significant noncash transactions: The amount of asset and liability related to finance lease transactions newly booked in this year are 3,091 million yen and 3,246 million yen, respectively.

(Segment information)

Business segment information

For the year ended December 2009 (January 1 – December 31, 2009) and 2010 (January 1 – December 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 year ended December 2009 (January 1 – December 31, 2008) and 2010 (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 2009 (January 1 – December 31, 2009) and 2010 (January 1 – December 31, 2010), the Company had no sales outside Japan, therefore this section is omitted.

(Per share-related financial information)

Yen	December 31, 2009		December 31, 2010
Shareholders' equity per share	1,115.95	Shareholders' equity per share	1,145.63
Net income per share	96.34	Net income per share	59.15
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.		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 2010.	

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

Millions of yen	December 31, 2009	December 31, 2010
Net income	12,809	7,864
Income not available to common stockholders	-	-
Income available to common stockholders	12,809	7,864
Average number of common shares outstanding (thousands shares)	132,959	132,959

(Important matters occurring subsequent to report period)

December 31, 2009	December 31, 2010
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 March 12, 2010.	–

(Omission of Disclosure)

Notes related to the following items are omitted as it was determined that disclosing them in the financial result report has little necessity: Lease, Financial commodity, Securities, Derivative, Retirement benefits, Stock option, Deferred tax, Business combination, Real-estate lease, and Related party information

5. Nonconsolidated Financial Statements

(1) Nonconsolidated balance sheets

Millions of yen	December 31, 2009	December 31, 2010
(Assets)		
Current assets		
Cash and deposits	1,330	10,424
Accounts receivable - trade	5,488	5,973
Securities	-	6,998
Prepaid expenses	2,328	2,235
Deferred tax assets	29	65
Short-term loans receivable	12,000	23,000
Other	100	5,000
Total current assets	21,277	53,699
Noncurrent assets		
Property, plant and equipment		
Buildings	39,321	30,446
Accumulated depreciation	(31,040)	(24,528)
Buildings, net	8,280	5,918
Structures	3,991	3,153
Accumulated depreciation	(3,285)	(2,665)
Structures, net	705	488
Tools, furniture and fixtures	81	77
Accumulated depreciation	(81)	(77)
Tools, furniture and fixtures, net	0	0
Land	17,677	17,526
Total property, plant and equipment	26,663	23,932
Intangible assets		
Leasehold right	729	718
Software	16,956	11,552
Telephone subscription right	40	39
Total intangible assets	17,727	12,310
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	763	611
Long-term prepaid expenses	1,308	1,291
Deferred tax assets	958	1,484
Lease and guarantee deposits	59,527	54,794
Other	120	105
Allowance for doubtful accounts	(824)	(670)
Total investments and other assets	63,289	59,052
Total noncurrent assets	107,680	95,295
Total assets	128,958	148,994

Millions of yen	December 31, 2009	December 31, 2010
(Liabilities)		
Current liabilities		
Accounts payable - trade	654	562
Accounts payable - other	4,983	4,478
Accrued expenses	86	93
Income taxes payable	74	77
Other	71	493
Total current liabilities	5,870	5,705
Noncurrent liabilities		
Long-term loans payable to subsidiaries and affiliates	500	500
Provision for directors' retirement benefits	71	82
Long-term guarantee deposited	214	185
Deferred tax liabilities for land revaluation	508	508
Other	154	279
Total noncurrent liabilities	1,448	1,555
Total liabilities	7,319	7,261
(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	60,389	80,279
Total earned surpluses	60,642	80,532
Treasury stock	(0)	(1)
Total shareholders' equity	126,879	146,769
Valuation & translation adjustments		
Revaluation reserve for land	(5,240)	(5,035)
Total valuation and translation adjustments	(5,240)	(5,035)
Total net assets	121,639	141,733
Total liabilities and net assets	128,958	148,994

(2) Nonconsolidated statement of income

Millions of yen	Year ended December 31, 2009	Year ended December 31, 2010
Net sales		
Income on real-estate rental	55,920	60,036
Dividend from affiliated company	-	25,000
Total net sales	55,920	85,036
Cost of sales		
Cost of real-estate rental	52,047	56,475
Total cost of sales	52,047	56,475
Gross profit on sales	3,873	28,561
Selling, general and administrative expenses	3,129	3,251
Operating income	743	25,309
Non-operating income		
Interest income	311	244
Management service fee income	224	206
Compensation income	159	37
Other	53	56
Total non-operating income	749	545
Non-operating expenses		
Interest expenses	27	8
Provision of allowance for doubtful accounts	123	-
Loss on retirement of noncurrent assets at Company-operated restaurants	84	70
Other	9	6
Total non-operating expenses	244	86
Ordinary income	1,248	25,768
Extraordinary income		
Reversal of allowance for doubtful accounts	-	117
Compensation for transfer	51	-
Total extraordinary income	51	117
Extraordinary loss		
Loss on retirement of noncurrent assets	40	22
Impairment loss	-	2,333
Total extraordinary loss	40	2,355
Income before income taxes	1,260	23,529
Income taxes-current	9	9
Income taxes-deferred	543	(562)
Total income taxes	552	(553)
Net Income	708	24,083

(3) Nonconsolidated statement of changes in net assets

Millions of yen	Year ended December 31, 2009	Year ended December 31, 2010
Shareholders Equity		
Capital stock		
Balance at previous year end	24,113	24,113
Changes during this term		
Total changes in this term	-	-
Balance at this year end	24,113	24,113
Capital Surplus		
Legal capital surplus		
Balance at previous year end	42,124	42,124
Changes during this term		
Total changes in this term	-	-
Balance at this year end	42,124	42,124
Total capital surplus		
Balance at previous year end	42,124	42,124
Changes during this term		
Total changes in this term	-	-
Balance at this year end	42,124	42,124
Retained earnings		
Legal retained earnings		
Balance at previous year end	253	253
Changes during this term		
Total changes in this term	-	-
Balance at this year end	253	253
Other retained earnings		
Carry forward retained earnings		
Balance at previous year end	63,670	60,389
Changes during this term		
Cash dividends	(3,988)	(3,988)
Net income	708	24,083
Difference for revaluation reserve for land	-	(205)
Total changes in this term	(3,280)	19,889
Balance at this year end	60,389	80,279
Total retained earnings		
Balance at previous year end	63,923	60,642
Changes during this term		
Cash dividends	(3,988)	(3,988)
Net income	708	24,083
Difference for revaluation reserve for land	-	(205)
Total changes in this term	(3,280)	19,889
Treasury stock		
Balance at previous year end	(0)	(0)
Changes during this term		
Reacquisition of treasury stock	(0)	(0)
Total changes in this term	(0)	(0)
Balance at this year end	(0)	(1)

	Year ended December 31, 2009	Year ended December 31, 2010
Total shareholders equity		
Balance at previous year end	130,160	126,879
Changes during this term		
Cash dividends	(3,988)	(3,988)
Net income	708	24,083
Difference for revaluation reserve for land	-	(205)
Reacquisition of treasury stock	(0)	(0)
Total changes in this term	(3,280)	19,889
Balance at this year end	126,879	146,769
Valuation & translation adjustment		
Revaluation reserve for land		
Balance at previous year end	(5,240)	(5,240)
Changes during this term		
Changes in items except shareholders' equity (net)	-	205
Total changes in this term	-	205
Balance at this year end	(5,240)	(5,035)
Total valuation & translation adjustment		
Balance at previous year end	(5,240)	(5,240)
Changes during this term		
Changes in items except shareholders' equity (net)	-	205
Total changes in this term	-	205
Balance at this year end	(5,240)	(5,035)
Total net asset		
Balance at previous year end	124,919	121,639
Changes during this term		
Cash dividends	(3,988)	(3,988)
Net income	708	24,083
Reacquisition of treasury stock	(0)	(0)
Changes in items except shareholders' equity (net)	-	-
Total changes in this term	(3,280)	20,094
Balance at this year end	121,639	141,733

(4) Notes for assumption of going concern

Not applicable.

6. Other

(1) Changes in the board of directors

Not applicable.