

## Consolidated Financial Results Report for the Three Months ended March 31, 2011 [Japanese Standards]

### McDonald's Holdings Company (Japan), Ltd.

Company code number: 2702 (URL <http://www.mcd-holdings.co.jp>)  
 Shares traded: Osaka Securities Exchange  
 Executive position of legal representative: Eikoh Harada  
 Chairman and CEO, President, Representative Director  
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 Schedule of quarterly securities report submission: May 6, 2011  
 Schedule of dividends payment: -  
 Preparation of supplementary materials for quarterly financial results: None  
 Information meeting for quarterly financial results to be held: None

### 1. Consolidated operating results (From January 1, 2011 to March 31, 2011)

#### (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, 2011	77,496	(10.4)	7,537	(26.0)	7,327	(27.7)	2,015	206.3
March 31, 2010	86,506	(7.7)	10,185	73.0	10,137	74.4	658	(80.4)

  

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
March 31, 2011	15.16	—
March 31, 2010	4.95	—

#### (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, 2011	198,670	150,489	75.7	1,130.79
December 31, 2010	200,228	152,462	76.1	1,145.63

(Reference) Total equity March 31, 2011 150,348 mil December 31, 2010 152,321 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
December 31, 2010	—	0.00	—	30.00	30.00
December 31, 2011	—	—	—	—	—
December 31, 2011 (Forecast)	—	0.00	—	30.00	30.00

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

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

(%: year-on-year change)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Interim	149,900	(8.4)	14,700	0.5	14,300	0.5
Annual	304,500	(6.0)	29,200	3.8	28,200	3.8

	Net income		Net income per share
	(Millions of yen)	%	(Yen)
Interim	5,700	175.9	42.87
Annual	13,700	74.2	103.03

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

**4. Others** (For details, please refer to page 4 of this report.)

(1) Changes in significant subsidiaries during the period: None

Note: Changes in specific subsidiaries with an adjustment of a scope of consolidation.

(2) Simplified accounting procedures or special accounting procedures: Yes

Note: Simplified accounting procedures specified to quarterly consolidated financial statements.

(3) Changes in accounting principles, procedures and descriptions.

a. Changes caused by revision of accounting standard: Yes

b. Changes other than (3) - a. above: None

Note: Changes of significant accounting principles, procedures and descriptions for quarterly consolidated financial statements (Described in "Changes in the accounting method" in "Important accounting policies")

(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):

b. Number of treasury stock at the end of each period:

c. Average number of shares issued and outstanding in each period:

a	March 31, 2011	132,960,000 units	December 31, 2010	132,960,000 units
b	March 31, 2011	702 units	December 31, 2010	702 units
c	March 31, 2011	132,959,298 units	March 31, 2010	132,959,488 units

(Implementation status of quarterly review procedures)

This quarterly financial results report is not subject to quarterly review procedures under Japan's Financial Instruments and Exchange Law. At the time of this report's release, however, the quarterly review procedures under the Financial Instruments and Exchange Law had been almost completed.

(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.

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## 1. Qualitative information on financial statement etc.

### (1) Qualitative information on the progress of consolidated operating results

During first quarter of this fiscal year, our Group has deployed strategic activities to improve QSC (trusted quality, speedy and friendly service and clean and comfortable atmosphere), by expanding capital investment and offering products, which further enhance McDonald's exclusive value. Capital investment was expanded to enhance kitchen equipment capacities, to open Drive-thru restaurants and to remodel restaurants in order to further improve the sales per restaurant. Franchise migration was implemented at appropriate speed based on McDonald's strategy as a system, by carefully taking Franchisee's cash flow status into consideration. Highly exclusive menu items such as Big America 2 (Texas 2, Idaho, Miami and Manhattan) were introduced to further promote the awareness for palatability of McDonald's beef, with which we successfully cultivated new customers base. As a result of implementation of above strategies to enhance our exclusivity, same-store sales from the previous year increased by 2.2% in January and 4.3% in February, close to the forecast announced at the beginning of this year.

However, Great Eastern Japan Earthquake happened in March 11, and 264 of our restaurants were forced to suspend operation due to the damage to restaurant facilities and social infrastructure, interruption of logistics and evacuation order (88 restaurants still suspend operation as of March 31 2011, end of the first quarter of this fiscal year), operation hours of the restaurants were forced to be reduced due to scheduled blackouts, and number of restaurants operating for 24 hours was reduced for energy-saving purposes. These situations arose during and in the aftermath of the earthquake had inevitable and material impact to our business, and resulted in -7.3% reduction in same-store sales from the previous year in March, which is significantly below our forecast announced at the beginning of this fiscal year.

In such hostile situation with blackouts and energy saving responsibility, however, average sales per restaurant excluding those restaurants forced to suspend operation was increased by 1.7% in same-store sales, and the business in normal circumstance is showing steady growth.

As a result, same-store sales was reduced by 0.5% compared to the same period of previous year, systemwide sales was reduced to 133,279 million yen (down 8,833 million yen or 6.2% from the same period of previous year). Group's consolidated sales were 77,496 million yen (down 9,010 million yen). In addition to the sales downturn caused by the earthquake, external factors such as increased royalty percentage and steep rise in commodity price also had negative effects to the profit of the Company. The Group's consolidated operating income was 7,537 million yen (down 2,648 million yen), and ordinary income was 7,327 million yen (down 2,809 million yen). Consolidated net income was 2,015 million yen (up 1,357 million yen) after recording extraordinary losses of 3,014 million yen for the impact from the application of Asset Retirement Obligation Accounting Standard, and 867 million yen for the disaster loss and provision for the reserve for disaster loss caused by the earthquake damage.

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

For restaurant development, the Company promoted strategic closure and Franchise migration as

Classification	Previous year end	Newly opened	Closed	Classification change *Note		Current term end
				Increase	Decrease	
Company operated	1,337	9	(14)	2	(44)	1,290
Franchised	1,965	5	(27)	44	(2)	1,985
Total number of restaurants	3,302	14	(41)	46	(46)	3,275

\*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.

(2) Qualitative information on the fluctuation in consolidated financial position

(Financial position analysis)

Total asset at the end of consolidated first quarter was 198,670 million yen, decreased by 1,558 million yen from previous consolidated fiscal year end. This is mainly due to 1,419 million yen decrease in Investments and other assets due to the redemption of Lease and guarantee deposit.

(Cash flow analysis)

Cash flow during consolidated first quarter of this fiscal year is stated below:

Cash and cash equivalents ('cash') outstanding as of the end of the term totaled 34,127 million yen, increase of 1,173 million yen from previous year end.

(Cash flows provided by operating activities)

Operating activities during the period resulted in a net cash inflow was 6,678 million yen (up 859 million yen compared to the same period of previous year). The main reasons of income are 3,432 million yen of net income before taxes, 2,922 million yen of depreciation and amortization and 3,014 million yen of impact from application of Asset Retirement Obligation Accounting Standard. The main reason of expenditure is 3,367 million yen reduction in account payable.

(Cash flows used in investment activities)

Investing activities during the period resulted in net cash outflow of 1,324 million yen (down 1,919 million yen from the same period of previous year). The main reason of expenditure is 3,551 million yen of purchase of tangible fixed assets. The main reason of income was 1,594 million yen from the redemption of Lease and guarantee deposit.

(Cash flows used by financing activities)

Financing activities during the period resulted in a net cash outflow of 4,179 million yen (up 2,109 million yen from the same period of pervious year). The main reason is 3,997 million yen of cash dividends paid.

(3) Qualitative Information regarding financial forecast

As the impact to our business performance caused by the Great Eastern Japan Earthquake is still impenetrable, no changes have been made to consolidated interim and full-year performance forecast ending December 31, 2011 at the time of this writing. If material effect is forecasted for our business performance, the Company will disclose the information without delay.

**2. Others**

(1) Important changes in subsidiaries : None

(2) Application of simplified accounting procedures or special accounting procedures

(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 in accounting principles, procedures and descriptions

(Change of standard for accounting process)

"Accounting Standard for Asset Retirement Obligation" (Corporate Accounting Standard, Article 18; March 31, 2008) and "Guideline for Application of Accounting Standard for Asset Retirement Obligation" (Guideline for Application of Corporate Accounting Standard, Article 21; March 31, 2008) were applied from the first quarter of this consolidated fiscal year.

(Change of Description)

"Cabinet Office regulations for the revision of a part of terms, format, and preparation method used for financial statements" (Cabinet Office regulation article 5, March 24, 2009) based on "Accounting Standard for Consolidated Financial Statements" (Corporate Accounting Standard, Article 22, December 26, 2008) was applied, and "Net income of the quarter before adjustment of minority shareholder profit and loss" account is used.

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

(Millions of yen)

	As of March 31, 2011	As of December 31, 2010
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	30,328	25,954
Accounts receivable - trade	8,328	9,966
Securities	3,799	6,998
Merchandise	3	4
Raw materials and supplies	1,062	1,284
Other	11,985	10,743
Allowance for doubtful accounts	(63)	(63)
<b>Total current assets</b>	<b>55,442</b>	<b>54,888</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	32,191	31,115
Machinery and equipment, net	9,092	9,390
Tools, furniture and fixtures, net	5,760	6,269
Land	17,294	17,526
Lease assets, net	3,452	3,239
Construction in progress	663	585
<b>Total property, plant and equipment</b>	<b>68,455</b>	<b>68,126</b>
<b>Intangible assets</b>		
Goodwill	1,254	1,375
Software	10,652	11,553
Other	757	758
<b>Total intangible assets</b>	<b>12,664</b>	<b>13,687</b>
<b>Investments and other assets</b>		
Lease and guarantee deposits	53,588	54,802
Other	9,261	9,402
Allowance for doubtful accounts	(743)	(677)
<b>Total investments and other assets</b>	<b>62,107</b>	<b>63,526</b>
<b>Total noncurrent assets</b>	<b>143,227</b>	<b>145,340</b>
<b>Total assets</b>	<b>198,670</b>	<b>200,228</b>
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	7,481	8,840
Accounts payable-other	13,907	17,178
Income taxes payable	2,265	770
Provision for bonuses	1,425	1,947
Provision for loss on store closing	223	927
Provision for loss on disaster	378	-
Other	11,135	11,681
<b>Total current liabilities</b>	<b>36,818</b>	<b>41,346</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	500	500
Provision for retirement benefits	1,849	1,864
Provision for directors' retirement benefits	172	167
Asset Retirement Obligation	4,803	-
Other	4,036	3,889
<b>Total noncurrent liabilities</b>	<b>11,362</b>	<b>6,420</b>
<b>Total liabilities</b>	<b>48,181</b>	<b>47,766</b>
<b>(Net assets)</b>		
<b>Shareholders' Equity</b>		
Capital stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	89,195	91,120
Treasury stock	(1)	(1)
<b>Total shareholders' equity</b>	<b>155,431</b>	<b>157,357</b>
<b>Valuation and translation adjustments</b>		
Revaluation reserve for land	(5,082)	(5,035)
<b>Total valuation and translation adjustments</b>	<b>(5,082)</b>	<b>(5,035)</b>
<b>Minority interests</b>	<b>140</b>	<b>140</b>
<b>Total net assets</b>	<b>150,489</b>	<b>152,462</b>
<b>Total liabilities and net assets</b>	<b>198,670</b>	<b>200,228</b>

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

(Millions of yen)

	Three months ended March 31, 2010	Three months ended March 31, 2011
<b>Net sales</b>	86,506	77,496
<b>Cost of sales</b>	66,759	60,976
<b>Gross profit</b>	19,747	16,519
<b>Selling, general and administrative expenses</b>	9,561	8,982
<b>Operating income</b>	10,185	7,537
<b>Non-operating income</b>		
Interest income	30	42
Revenue from unredeemed gift certificates	48	43
Compensation income	11	8
Other	67	85
<b>Total non-operating income</b>	157	179
<b>Non-operating expenses</b>		
Interest expenses	12	22
Provision of allowance for doubtful accounts	-	65
Loss on retirement of noncurrent assets at Company-operated restaurants	182	268
Other	12	32
<b>Total non-operating expenses</b>	206	389
<b>Ordinary income</b>	10,137	7,327
<b>Extraordinary income</b>		
Reversal of allowance for doubtful accounts	10	-
Compensation for transfer	-	56
<b>Total extraordinary income</b>	10	56
<b>Extraordinary loss</b>		
Loss on retirement of noncurrent assets	71	56
Loss on sales of noncurrent assets	0	12
Provision for loss on store closings	8,437	-
Loss on store closings	326	-
Financial Impact from the application of Asset Retirement Obligation Accounting Standard	-	3,014
Provision for loss on disaster	-	378
Loss on disaster	-	488
<b>Total extraordinary loss</b>	8,836	3,951
<b>Income before income taxes</b>	1,311	3,432
<b>Income taxes</b>	646	1,416
<b>Income before minority interests</b>	-	2,015
<b>Minority interests in income</b>	6	(0)
<b>Net income</b>	658	2,015

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

(Millions of yen)

	Three months ended March 31, 2010	Three months ended March 31, 2011
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	1,311	3,432
Depreciation and amortization	3,115	2,922
Increase (decrease) in provision for loss on store closings	8,291	(342)
Increase (decrease) in provision	76	(82)
Unredeemed gift certificates	(48)	(43)
Interest income	(30)	(42)
Interest expenses	12	22
Loss on store closings	149	-
Loss on retirement of noncurrent assets	129	179
Financial Impact from the application of Asset Retirement Obligation Accounting Standard	-	3,014
Decrease (increase) in accounts receivable-trade	(20)	1,636
Decrease (increase) in inventories	244	223
Decrease (increase) in goodwill from acquisition of franchise restaurants	85	121
Decrease (increase) in other assets	1,483	(458)
Increase (decrease) in accounts payable-trade	549	(1,358)
Increase (decrease) in accounts payable-other	(3,595)	(3,367)
Increase (decrease) in accrued expenses payable	(961)	(549)
Increase (decrease) in other current liabilities	703	1,797
Other, net	1	262
<b>Subtotal</b>	<b>11,497</b>	<b>7,367</b>
Interest income received	1	4
Interest expenses paid	(1)	(20)
Income taxes paid	(5,678)	(673)
Income taxes refund	-	0
<b>Net cash provided by (used in) operating activities</b>	<b>5,819</b>	<b>6,678</b>
<b>Net cash provided by (used in) investment activities</b>		
Purchase of property, plant and equipment	(3,071)	(3,551)
Proceeds from sales of property, plant and equipment	97	1,369
Payments for lease and guarantee deposits	(411)	(536)
Proceeds from collection of lease and guarantee deposits	955	1,594
Purchase of software	(806)	(160)
Other, net	(7)	(39)
<b>Net cash provided by (used in) investment activities</b>	<b>(3,243)</b>	<b>(1,324)</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	1,500	-
Repayments of finance lease obligations	(67)	(182)
Proceeds from sale and lease-back transactions	494	-
Purchase of treasury stock	(0)	-
Cash dividends paid	(3,997)	(3,997)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,069)</b>	<b>(4,179)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(1)</b>	<b>(1)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>503</b>	<b>1,173</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>20,148</b>	<b>32,953</b>
<b>Cash and cash equivalents at end of period</b>	<b>20,652</b>	<b>34,127</b>



(4) Notes for assumption of going concern

None

(5) Segment information

(Business segment information)

For the period ended March 2010 (January 1 – March 31, 2010) , sales and operating income corresponding to hamburger restaurant operations accounted for more than 90% of the group's total sales and operating income for all business segments. Accordingly, business segment information is omitted.

(Geographical segment information)

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

(Segment information)

Our Group's only business segment is hamburger restaurant business, therefore, there is no segment information.

(Additional Information)

“Accounting Standard for disclosure of segment information” (Corporate Accounting Standard, Article 17; March 27, 2009) and “Guideline for Application of Standard for disclosure segment information” (Guideline for Application of Corporate Accounting Standard, Article 20; March 21, 2008) were applied from the first quarter of this consolidated fiscal year.

(6) Notes for significant changes of shareholders' equity

None