

Consolidated Financial Results Report for the Six Months ended June 30, 2012 [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: August 8, 2012
 Schedule of dividends payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results to be held: Yes (for institutional investors)

1. Consolidated operating results (From January 1, 2012 to June 30, 2012)

(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)	%
June 30, 2012	146,366	(1.2)	11,895	(19.0)	12,294	(14.7)	7,018	18.7
June 30, 2011	148,118	(9.5)	14,678	0.3	14,419	1.3	5,910	186.1

(Note) Comprehensive income June 30, 2012 7,082 mil (119.7%) June 30, 2011 5,914 mil (— %)

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
June 30, 2012	52.78	—
June 30, 2011	44.45	—

(2) Consolidated financial position

(In millions of yen, with fractional amounts discarded)

	Total assets	Net assets	Total equity ratio
	(Millions of yen)	(Millions of yen)	%
June 30, 2012	215,052	164,880	76.6
December 31, 2011	222,029	161,787	72.8

(Reference) Total equity June 30, 2012 164,719 mil December 31, 2011 161,631 mil

2. Dividends

(Date of record)	Dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
December 31, 2011	—	0.00	—	30.00	30.00
December 31, 2012	—	0.00	—	30.00	30.00
December 31, 2012 (Forecast)	—	—	—	30.00	30.00

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

3. Consolidated forecasts for December 2012 term (From January 1, 2012 to December 31, 2012)

(%: year-on-year change)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Annual	305,000	0.9	29,400	4.3	28,400	2.9

	Net income		Net income per share
	(Millions of yen)	%	(Yen)
Annual	16,000	20.3	120.34

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

※Note

- (1) Important changes in subsidiaries during the period
None
(Changes in specific subsidiaries with an adjustment of a scope of consolidation)
Newly consolidated: — Excluded: —
- (2) Accounting procedures specific to the preparation of quarterly consolidated financial statements
Yes (For details, please refer to page 4 of this report.)
- (3) Changes in accounting policies, changes in accounting estimations and retrospective restatements
a. Changes caused by revision of accounting standard: None
b. Changes other than (3) - a. above: None
c. Changes in accounting estimation : None
d. Restatement of Correction : None
- (4) Number of shares issued and outstanding (Common stock)
a. Number of shares issued and outstanding at the end of each period (including treasury stock):
b. Number of treasury stock at the end of each period:
c. Average number of shares issued and outstanding in each period:

a	June 30, 2012	132,960,000 units	December 31, 2011	132,960,000 units
b	June 30, 2012	703 units	December 31, 2011	703 units
c	June 30, 2012	132,959,297 units	June 30, 2011	132,959,298 units

(Indication of quarterly review procedure implementation status)

This quarterly earnings report is not subject to quarterly review procedures based upon the Financial Instruments and Exchange Act. Thus, at the time of disclosure of the financial results, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act, have not been completed.

(Information regarding appropriate use of the forecasts)

The forward-looking statements such as earnings forecasts contained in this document are based on the information currently available to us and certain assumptions which are regarded as legitimate. Actual results may differ from these forecasts due to various factors.

Contents

1. Qualitative information on financial statement etc.	2
(1) Qualitative information on the progress of consolidated operating results	2
(2) Qualitative information on the fluctuation in consolidated financial position	3
(3) Qualitative information on the financial forecast	4
2. Matters relating to Summary Information (note)	4
(1) Important changes in subsidiaries during the period	4
(2) Accounting procedures specific to the preparation of quarterly consolidated financial statements	4
(3) Changes in accounting policies, changes in accounting estimations and retrospective restatements	4
3. Consolidated quarterly financial statements	5
(1) Consolidated quarterly balance sheet	5
(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income	7
(3) Consolidated quarterly statements of cash flows	9
(4) Notes for assumption of going concern	10
(5) Notes for significant changes of shareholders' equity	10

1. Qualitative information on financial statement etc.

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

During the second quarter of this consolidated fiscal year, business environment for the Group remains severe; eating-out market contraction due to consumers' trend shift to home-meal and home-meal replacement market after East Japan Great Earthquake.

In such circumstances, based on the QSC (trusted quality, speedy and friendly service, clean and comfortable environment) to improve profitability of the business, the Group continued to implement product strategy to comprehensively enhance Value for Money and restaurant development strategy focused on large-scale drive-thru restaurants. We also made further improvements in business management through ongoing fundamental review of general and administrative expense and concentrating management resources to financially efficient spendings.

<Product Strategy>

Amid the eating-out market contraction, the Company strengthened Value Campaign to comprehensively enhance Value for Money, including the free sampling of renewed Premium Roast Coffee and Premium Roast Iced Coffee, renewal of 100yen Mac menus with the release of Chicken Crisp, and introduction of 250yen Combi and 500yen Value Set etc. As a result of above efforts, the guest count grew by 2.7% compared to the same period of the previous year on same-store basis. We continued to release popular and well-known products, such as Big America series, Teritama burger and Chicken Tatsuta, and also introduced the all-new Big Chicken and Tomato Big Chicken burgers in June to steadily gain sales.

<Restaurant Development Strategy>

The Company focused to open suburban, large-scale, highly profitable drive-thru restaurants. Foundation to provide our customers with high quality products was established by expanding kitchen capacity of the existing restaurants. To make our restaurants our customer's favorite place to eat, we introduced global design to attract more customers to our restaurants.

<Franchising Strategy>

Franchising of the McDonald's restaurants was implemented at a reasonable speed with franchisee's cash flow taken into account, based on McDonald's Japan's total system investment strategy. We strived to improve franchisees cash flow by providing our franchisees with appropriate consultation for investment plan.

<Operating Results>

As a result of above strategies, newly opened restaurants, majority of which are drive thru restaurants, contributed to drive system-wide sales, achieving 2 billion 530 million yen (or 1.0%) growth compared to the same period of the previous year, despite same-store sales drop of 1.6% compared to the same period of the previous year. Sales on the other hand was 146 billion 366 million yen or 1 billion 751 million yen less than the same period of the previous year. Ordinary income achieved 12 billion 294 million yen (or 2 billion 124 million yen less than same period of the previous year) due mainly to marketing strategies for the second half year, investment in restaurant crews, decrease of gain on store sales. Net income increased to 7 billion 18 million yen (up 1 billion 107 million yen) due mainly to the extraordinary loss recorded last year for the application of asset retirement obligation accounting, loss on disaster and provision for loss on disaster.

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: system-wide 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 follows:

Classification	Previous year end	Newly opened	Closed	Classification change *Note		Current term end
				Increase	Decrease	
Company operated	1,269	14	(9)	8	(34)	1,248
Franchised	2,029	16	(20)	34	(8)	2,051
Total number of restaurants	3,298	30	(29)	42	(42)	3,299

*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 current assets were 78 billion 725 million yen on a consolidated basis at the end of the second quarter of the fiscal year, down by 2 billion 581 million yen from the end of the previous fiscal year due mainly to decrease in accounts receivable-trade by 2 billion 724 million yen.

Total noncurrent assets were 136 billion 326 million yen, down by 4 billion 395 million yen mainly due to 1 billion 762 million yen decrease for intangible noncurrent assets such as software amortization and 2 billion 6 million yen decrease due to the collection of lease and guarantee deposits.

Total current liability were 38 billion 883 million yen, down by 10 billion 180 million yen due mainly to 1 billion 806 million yen decrease in accounts payable-trade, 2 billion 63 million yen decrease in accounts payable-other, and 1 billion 918 million decrease in income taxes payable.

Total noncurrent liability were 11 billion 288 million yen, up by 110 million yen mainly due to 157 million yen increase in provision for bonuses.

(Cash flow analysis)

Cash and cash equivalents ('cash') reached 63 billion 155 million yen at the end of the second quarter of the fiscal year, up by 1 billion 24 million yen from previous consolidated year end.

Cash flow for the following activities during the consolidated second quarter of the fiscal year is as below:

(Cash flows provided by operating activities)

Operation activities generated cash of 9 billion 135 million yen, down by 10 billion 939 million yen from same period of the previous year, due mainly to 3 billion 460 million yen decrease in income taxes refund and 6 billion 368 million yen increase in income taxes paid.

(Cash flows used in investment activities)

Investment activities achieved cash of 3 billion 695 million yen, up by 841 million yen from same period of the previous year, due mainly to 1 billion 387 million yen decrease in income from sales of tangible and noncurrent assets.

(Cash flows used by financing activities)

Financial activities used cash of 4 billion 418 million yen, up by 95 million yen from same period of the previous year, due mainly to 91 million yen increase in repayments of finance lease obligations.

(3) Qualitative information on the financial forecast

No changes have been made to the full year performance forecast ending December 31, 2012 which was announced on February 9, 2012.

2. Matters relating to Summary Information (note)

(1) Important changes in subsidiaries during the period

None

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

Calculation of taxes:

Income taxes are calculated by applying a reasonably estimated effective tax rate to income before income taxes. The estimated effective tax rate is determined by estimating the effective tax rate after applying deferred tax accounting for the fiscal year.

(3) Changes in accounting policies, changes in accounting estimations and retrospective restatements

None

3. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheet

(Millions of yen)

	As of December 31, 2011	As of June 30, 2012
(Assets)		
Current assets		
Cash and deposits	28,433	38,457
Accounts receivable - trade	10,267	7,542
Securities	33,697	24,697
Raw materials and supplies	1,101	1,118
Other	7,820	6,922
Allowance for doubtful accounts	(12)	(12)
Total current assets	81,307	78,725
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	36,461	36,686
Machinery and equipment, net	8,041	7,425
Tools, furniture and fixtures, net	4,915	4,316
Land	17,383	17,383
Lease assets, net	3,790	3,848
Construction in progress	326	632
Total property, plant and equipment	70,919	70,292
Intangible assets		
Goodwill	963	884
Software	7,719	6,036
Other	757	757
Total intangible assets	9,440	7,677
Investments and other assets		
Lease and guarantee deposits	52,118	51,068
Other	9,029	8,003
Allowance for doubtful accounts	(785)	(715)
Total investments and other assets	60,362	58,356
Total noncurrent assets	140,721	136,326
Total assets	222,029	215,052

(Millions of yen)

	As of December 31, 2011	As of June 30, 2012
(Liabilities)		
Current liabilities		
Accounts payable-trade	8,487	6,681
Accounts payable-other	19,071	17,008
Income taxes payable	6,940	5,021
Provision for bonuses	1,848	577
Provision for loss on disaster	189	175
Other	12,526	9,418
Total current liabilities	49,064	38,883
Noncurrent liabilities		
Long-term loans payable	500	500
Provision for bonuses	115	272
Provision for retirement benefits	1,727	1,765
Provision for directors' retirement benefits	192	189
Asset Retirement Obligation	4,776	4,772
Other	3,866	3,787
Total noncurrent liabilities	11,178	11,288
Total liabilities	60,242	50,172
(Net assets)		
Shareholders' equity		
Capital stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	100,477	103,506
Treasury stock	(1)	(1)
Total shareholders' equity	166,713	169,743
Accumulated other comprehensive income		
Revaluation reserve for land	(5,082)	(5,023)
Total accumulated other comprehensive income	(5,082)	(5,023)
Minority interests	155	160
Total net assets	161,787	164,880
Total liabilities and net assets	222,029	215,052

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income

(Millions of yen)

	Six months ended June 30, 2011	Six months ended June 30, 2012
Net sales	148,118	146,366
Cost of sales	116,942	117,173
Gross profit	31,175	29,193
Selling, general and administrative expenses	16,497	17,298
Operating income	14,678	11,895
Non-operating income		
Interest income	92	133
Revenue from unredeemed gift certificates	87	60
Compensation income	24	34
Insurance income	-	276
Reversal of allowance for doubtful accounts	-	17
Other	194	152
Total non-operating income	398	674
Non-operating expenses		
Interest expenses	46	49
Provision of allowance for doubtful accounts	56	0
Loss on retirement of noncurrent assets at Company-operated restaurants	494	160
Other	59	64
Total non-operating expenses	657	275
Ordinary income	14,419	12,294
Extraordinary income		
Reversal of allowance for doubtful accounts	2	-
Compensation for transfer	56	-
Total extraordinary income	58	-
Extraordinary loss		
Loss on retirement of noncurrent assets	97	100
Loss on sales of noncurrent assets	17	2
Financial Impact from the application of Asset Retirement Obligation Accounting Standard	3,014	-
Provision for loss on disaster	421	-
Loss on disaster	797	-
Total extraordinary loss	4,349	103
Income before income taxes	10,129	12,191
Income taxes	4,214	5,168
Income before minority interests	5,914	7,022
Minority interests in income	4	4
Net income	5,910	7,018

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Six months ended June 30, 2011	Six months ended June 30, 2012
Income before minority interests	5,914	7,022
Other comprehensive income		
Revaluation reserve for land	-	59
Total other comprehensive income	-	59
Comprehensive income	5,914	7,082
Comprehensive income attributed to:		
Shareholders of McDonald's Holdings Company	5,910	7,077
Minority interests	4	4

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended June 30, 2011	Six months ended June 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes	10,129	12,191
Depreciation and amortization	5,867	5,980
Increase (decrease) in provision for loss on store closings	(449)	-
Increase (decrease) in provision	(702)	(1,161)
Unredeemed gift certificates	(87)	(60)
Interest income	(92)	(133)
Interest expenses	46	49
Loss on retirement of noncurrent assets	383	142
Financial Impact from the application of Asset Retirement Obligation Accounting Standard	3,014	-
Decrease (increase) in accounts receivable-trade	1,807	2,724
Decrease (increase) in inventories	217	(16)
Decrease (increase) in goodwill from acquisition of franchise restaurants	133	78
Decrease (increase) in other assets	(354)	365
Increase (decrease) in accounts payable-trade	(2,378)	(1,806)
Increase (decrease) in accounts payable-other	(2,536)	(2,177)
Increase (decrease) in accrued expenses payable	(872)	(1,381)
Increase (decrease) in other current liabilities	1,496	(206)
Other, net	71	(48)
Subtotal	15,692	14,541
Interest income received	17	52
Interest expenses paid	(42)	(37)
Income taxes paid	(680)	(7,049)
Income taxes refund	5,088	1,628
Net cash provided by (used in) operating activities	20,075	9,135
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(6,121)	(5,459)
Proceeds from sales of property, plant and equipment	2,339	952
Payments for lease and guarantee deposits	(1,368)	(767)
Proceeds from collection of lease and guarantee deposits	2,542	1,790
Purchase of software	(243)	(216)
Other, net	(1)	5
Net cash provided by (used in) investment activities	(2,853)	(3,695)
Net cash provided by (used in) financing activities		
Repayments of finance lease obligations	(378)	(470)
Cash dividends paid	(3,945)	(3,948)
Net cash provided by (used in) financing activities	(4,323)	(4,418)
Effect of exchange rate change on cash and cash equivalents	1	3
Net increase (decrease) in cash and cash equivalents	12,899	1,024
Cash and cash equivalents at beginning of period	32,953	62,130
Cash and cash equivalents at end of period	45,853	63,155

(4) Notes for assumption of going concern
None

(5) Notes for significant changes of shareholders' equity
None