(Translation)

Consolidated Financial Results for the Six Months Ended June 30, 2013

August 9, 2013

McDonald's Holdings Company (Japan), Ltd.

Company code number:	2702 (URL http://www.mcd-holdings.co.jp/)
Stock Market:	Tokyo securities exchange, JASDAQ
Representative:	Eikoh Harada Chairman and CEO, President, Representative Director
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Schedule of dividends payment:	-
Schedule of quarterly securities report submission:	August 12, 2013

Preparation of supplementary materials for quarterly financial results: Yes
Quarterly results briefing: Yes (for institutional investors)

1. Consolidated operating results (From January 1, 2013 to June 30, 2013)

(1) Consolidated financial results

(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, 2013	129,703	(11.4)	7,062	(40.6)	7,459	(39.3)	4,566	(34.9)
June 30, 2012	146,366	(1.2)	11,895	(19.0)	12,294	(14.7)	7,018	18.7

	Net income per share	Net income per share, Fully diluted
	(Yen)	(Yen)
June 30, 2013	34.35	—
June 30, 2012	52.78	—

(2) Consolidated financial position

(In millions of yen, with fractional amounts discarded)

	Total assets	Shareholders' equity	Owner's equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2013	213,554	171,319	80.1
As of December 31, 2012	226,338	170,737	75.4

(Note) Owner's equity: As of June 30, 2013: 171,149 million yen. As of December 31, 2012: 170,571 million yen

2. Dividends

	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, 2012	—	0.00	—	30.00	30.00
December 31, 2013	—	0.00	—	—	—
December 31, 2013 (Forecast)	—	—	—	30.00	30.00

(Note) Changes to the dividend forecast from the most recently announced figures: None

3. Consolidated earnings forecasts for the year ending December 31, 2013
(From January 1, 2013 to December 31, 2013)

	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)
Annual	265,000	(10.1)	20,000	(19.3)	19,500	(18.0)	11,700	(9.1)	88.00

(Note) Change to the earnings forecast from the most recently announced figures: Yes

4. Other

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

Note: Changes in specified subsidiaries with an adjustment of a scope of consolidation: None

(2) Simplified accounting policies for quarterly financial statements: Yes

(3) Changes in accounting policies and accounting estimates

1. Changes caused by revision of accounting standard: None
2. Changes other than (3) - 1. above: Yes
3. Changes in accounting estimates: None
4. Restatement: None

(4) Number of shares outstanding (Common stock)

1. Number of shares outstanding (including treasury stock)
   As of June 30, 2013: 132,960,000 shares   As of December 31, 2012: 132,960,000 shares
2. Number of treasury stock
   As of June 30, 2013: 779 shares   As of December 31, 2012: 703 shares
3. Average number of common shares outstanding
   As of June 30, 2013: 132,959,274 shares   As of June 30, 2012: 132,959,297 shares

(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.

(Forward - looking statements)
Certain statements in this release, other than purely historical information, such as current plans, strategies, and beliefs are forward-looking statements. Such forward looking statements are based on management's assumptions and beliefs in light of information currently available to us, and it should be noted that risks and unforeseen factors could cause actual results to differ significantly from those discussed in the report. We do not intend to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws.

Contents

1. Qualitative information on financial results for the second quarter ended June 30, 2013

(1) Qualitative Information on Consolidated Operating Results

(Business Strategy)

During the quarter, our Group continued to focus on QSC as our business foundation and worked on business restructuring based on marketing and restaurant development strategies. To create new markets and values, we implemented full-scale deployment of brand extensions such as ‘McDelivery Service’ and ‘McCafe by Barista’ simultaneously.

(Note) QSC stands for Q: reliable quality, S: speedy and pleasant service, and C: clean and comfortable environment

Marketing

During the first quarter, as transition for marketing strategy perspective, we focused on regular menu items such as Big Mac in order to enhance our business baseline. In the second quarter, we added new products such as ‘Chicken Teritama’ and ‘Pork Tatsuta’ to our popular seasonal menus. In late June we launched the ‘BITE! Quarter Pounder’ project at an unprecedented scale and offered the new ‘Quarter Pounder BLT’ and ‘Quarter Pounder Habanero Tomato’ burgers, followed by ‘Coke ®McFloat’ and ‘Coffee McFloat’ drinks, appearing for the first time ever in Japan market.

Restaurant Development

While promoting new restaurant development of highly profitable and large-scale drive-thru restaurants in the suburbs as well as remodeling and relocation of existing restaurants, we executed strategic closure of 110 restaurants at an appropriate pace (closure costs had been recorded in the previous year) to facilitate optimization of restaurant portfolio. These activities resulted in the number of restaurants as follows:

Classification	Previous year end	Newly opened	Closed	Classification change		Current reporting period
				Increase	Decrease	
Company operated	1,105	16	(20)	1	(28)	1,074
Franchised	2,175	21	(32)	28	(1)	2,191
Total	3,280	37	(52)	29	(29)	3,265

Brand Extension

At the end of this quarter, 65 ‘McCafe by Barista’ with full-time baristas serving authentic café coffee as well as 55 McDelivery Service are operating in McDonald’s restaurants, in preparation for their nationwide launch.

(Business Results)

Due to the aforementioned transition in marketing strategy, existing restaurant sales declined by 6.3% compared with the same quarter last year, resulting in system-wide sales of ¥247,466 million (down by 4.5%) and sales of ¥129,703 million (down by ¥16,663 million). Multiple factors affected profit, such as decline in system-wide sales, temporary drop in gain on restaurant sales from franchise agreement conclusion, and external factors of sudden weakening of yen with surge in ingredient costs, which resulted in ordinary income of ¥7,459 million (down by ¥4,835 million) and quarterly net income of ¥4,566 million (down by ¥2,451 million).

(Note) System-wide sales are the combined net sales of company operated and franchised restaurants; the amount does not equal to net sales specified in consolidated quarterly statement of income.

(2) Qualitative Information on Consolidated Financial Position

(Balance sheets)

Current assets at the end of second quarter were ¥80,291 million or down by ¥11,298 million from the end of previous fiscal year, due mainly to decrease in cash and deposits from payment of dividends and accelerated payment of trade payables resulted from the change in payment term.

Noncurrent assets were ¥133,262 million or down by ¥1,485 million from the end of previous fiscal year. Property, plant and equipment increased by ¥1,966 million, due mainly to capital investment including opening of new restaurants, remodels, and relocations. Main reasons for the decline in noncurrent assets are due to drop in intangible assets by ¥1,238 million from software amortization, as well as decrease in investment and other assets by ¥2,213 million from collection of lease and guarantee deposits.

Current liabilities were ¥29,524 million, down by ¥144,422 million from previous fiscal year, due mainly to decrease in accounts payable from the change in payment term.

Noncurrent liabilities were ¥12,710 million, up by ¥1,056 million from previous fiscal year, due mainly to increased provision for stock-price-linked bonus.

(Cash flows)

Cash and cash equivalents at the end of quarter were ¥63,783 million, down by ¥8,365 million from previous consolidated fiscal year.

(Cash flows provided by operating activities)

Cash flows from operating activities amounted to ¥2,756 million (down by ¥6,379 million compared with the same period last year). This is mainly due to combination of pretax income of ¥7,445 million and depreciation and amortization of ¥5,459 million offsetting by cash outflows from corporate tax payment of ¥4,653 million and payments on accounts payables of ¥6,880 million.

(Cash flows used in investing activities)

Cash flows used in investing activities came to ¥6,598 million (up by ¥2,902 million compared with the same quarter last year). This is mainly due to combination of acquisitions of properly, plant and equipment for ¥8,457 million offsetting by collections of lease and guarantee deposits of ¥2,025 million.

(Cash flows used in financing activities)

Cash flows used in financing activities came to ¥4,544 million (up by ¥125 million compared with the same period last year), due to dividend payment of ¥3,965 million.

(3) Qualitative Information regarding Consolidated Business Forecasts

We have decided to revise the full-year forecast after a thorough consideration to larger sales decline than originally anticipated in January and February and impact of external factors including rapid yen depreciation. While the "BITE! Quarter Pounder" Project, rolled out in June, went very successful, some other campaign items did not contribute to guest count increase as much as originally expected. A part of the reason is that the Informal Eating Out market has been very challenging for our business. Such environment is expected to continue for some time. However we will enhance Value for Money for our customers to drive guest count by actively offering promotions exceeding customers' expectation. The differences between the original forecasts and the revised forecasts are stated below.

	Net Sale	Operating Income	Ordinary Income	Net Income
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Previous forecast（A)	269,500	25,200	24,000	14,100
Current forecast（B)	265,000	20,000	19,500	11,700
Variance amount (B-A)	△ 4,500	△ 5,200	△ 4,500	△ 2,400
Change (%)	△ 1.7%	△ 20.6%	△ 18.8%	△ 17.0%

2. Others

(1) Significant changes in subsidiaries: None

(2) Application of simplified accounting policies for quarterly financial statements

Income taxes:

Income taxes are determined based on the effective tax rate, multiplied by the estimated annual pre-tax income.

(3) Changes in accounting policies and accounting estimates

Change in accounting policy

Historically we recorded relevant costs of products provided for free coupons in Selling, General, and Administrative Expenses. Effective the first quarter, we have decided to record such costs in cost of sales due to the following reasons.

When coupons were originally introduced, relevant costs were recorded as promotion expenses within Selling, General and Administrative Expenses given its primary purpose being promotion. We also accounted for paper-coupons under the same accounting policy, which are issued several times per year.

Lately, we expanded our IT infrastructure to further cultivate use of electronic-based-coupons (e-coupons) noting that the total potential users of e-coupons reached to 35 million exceeding our initial target. The result also indicated that more than one fourth of total annual guest count uses coupons including e-coupons. The fact that e-coupons (which represents vast majority of coupon use lately) are reusable without limit essentially indicates change in selling prices of products since guest with such coupons can purchase products at a lower prices anytime. As a result, we concluded that current trend of coupon use represented change in selling prices rather than promotion nature.

As such, effective the first quarter we have changed to account relevant costs for products corresponding to coupons within Cost of Sales instead of Selling, General, and Administrative Expenses.

The change is applied retrospectively to the comparative figures on the consolidated statements of income. Therefore, cost of sales for the second quarter of 2012 is increased 3,243 million yen and Selling, General, Administrative Expenses decreased for the same amount. There are no impacts to Operating Income, Ordinary Income, Income before Income Taxes and Net Income.

3. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheets

Millions of yen	December 31, 2012	June 30, 2013
(Assets)		
Current assets		
Cash and deposits	50,950	45,184
Accounts receivable - trade	9,794	8,088
Short term investment securities	21,197	18,598
Raw materials and supplies	1,198	1,336
Deferred tax assets	1,768	1,886
Other	6,690	5,207
Allowance for doubtful accounts	(9)	(9)
Total current assets	91,590	80,291
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	39,811	42,098
Machinery and equipment	6,320	5,782
Tools, furniture and fixtures	3,974	3,741
Land	17,371	17,163
Lease assets	3,936	4,266
Construction in progress	643	972
Total property, plant and equipment	72,058	74,024
Intangible assets		
Goodwill	678	523
Software	4,562	3,479
Other	755	755
Total intangible assets	5,997	4,758
Investments and other assets		
Investment securities	56	56
Long-term loans receivable	9	9
Deferred tax assets	1,024	1,024
Lease and guarantee deposits	49,426	48,178
Other	6,766	5,683
Allowance for doubtful accounts	(590)	(474)
Total investments and other assets	56,691	54,478
Total noncurrent assets	134,747	133,262
Total assets	226,338	213,554

Millions of yen	December 31, 2012	June 30, 2013
(Liabilities)		
Current liabilities		
Accounts payable - trade	7,023	143
Lease obligations	1,007	1,145
Accounts payable - other	18,476	16,000
Accrued expenses	5,506	4,661
Income taxes payable	4,786	3,082
Provision for bonuses	693	65
Provision for loss on store closing	67	67
Provision for loss on natural disaster	99	-
Other	6,286	4,356
Total current liabilities	43,946	29,524
Noncurrent liabilities		
Long-term loans payable	500	500
Lease obligations	3,210	3,433
Deferred tax liabilities due to land revaluation	413	413
Provision for bonuses	347	1,150
Provision for directors’ bonuses	164	327
Allowance for retirement benefits	1,796	1,764
Allowance for directors' retirement benefits	202	218
Asset retirement obligation	4,715	4,601
Other	302	301
Total noncurrent liabilities	11,653	12,710
Total liabilities	55,600	42,234
(Net assets)		
Shareholders' equity		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	109,364	109,571
Treasury stock	(1)	(1)
Total shareholders’ equity	175,601	175,808
Accumulated other comprehensive income		
Revaluation reserve for land	(5,029)	(4,658)
Total accumulated other comprehensive income	(5,029)	(4,658)
Minority interests	165	165
Total net assets	170,737	170,319
Total liabilities and net assets	226,338	213,554

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

Consolidated quarterly statement of income for the six months ended June 30, 2012 and 2013

Millions of yen	Six months ended June 30, 2012	Six months ended June 30, 2013
Net sales	146,366	129,703
Cost of sales	120,416	109,303
Gross profit	25,949	20,400
Selling, general and administrative expenses	14,054	13,337
Operating income	11,895	7,062
Non-operating income		
Interest income	133	133
Income from unredeemed gift certificates	60	56
Compensation income	34	242
Insurance income	276	44
Income of allowance for doubtful accounts	17	3
Other	152	283
Total non-operating income	674	763
Non-operating expenses		
Interest expenses	49	50
Loss on disposals of company-operated restaurants	160	171
Other	64	144
Total non-operating expenses	274	366
Ordinary income	12,294	7,459
Extraordinary income		
Gain on sales of noncurrent assets	-	74
Total extraordinary income	-	74
Extraordinary loss		
Loss on disposals of noncurrent assets	100	85
Loss on sales of noncurrent assets	2	3
Total extraordinary loss	103	88
Income before income taxes	12,191	7,445
Income taxes	5,168	2,874
Income before minority interests	7,022	4,571
Minority interests in income	4	4
Net income	7,018	4,566

Consolidated quarterly statements of comprehensive income

For the six months ended June 30, 2012 and 2013

Millions of yen	Six months ended June 30, 2012	Six months ended June 30, 2013
Income before minority interests	7,022	4,571
Other comprehensive income		
Revaluation reserve for land	59	-
Total other comprehensive income	59	-
Comprehensive income	7,082	4,571
Comprehensive income attributed to:		
Shareholders of McDonald's Holdings Company (Japan)	7,077	4,566
Minority interests	4	4

(3) Consolidated quarterly statements of cash flows

For the six months ended June 30, 2012 and 2013

Millions of yen	Six months ended June 30, 2012	Six months ended June 30, 2013
Net cash provided by operating activities		
Income before income taxes and minority interests	12,191	7,455
Depreciation and amortization	5,980	5,459
(Decrease) increase in other provision	(1,161)	104
Unredeemed gift certificates	(60)	(56)
Interest income	(133)	(133)
Interest expenses	49	50
Gain on sales of noncurrent assets	2	(71)
Loss on disposals of noncurrent assets	142	257
Decrease in accounts receivable - trade	2,724	1,706
(Increase) decrease in raw materials and supplies	(16)	(137)
Decrease in goodwill from acquisition of franchised restaurants	78	155
Decrease in other assets	365	17
Decrease in accounts payable - trade	(1,806)	(6,880)
Decrease in accounts payable - other	(2,177)	(2,541)
Decrease in accrued expenses	(1,381)	(844)
(Decrease)increase in other current liabilities	(206)	293
Other, net	(51)	(6)
Subtotal	14,541	4,818
Interest income received	52	68
Interest expenses paid	(37)	(46)
Income taxes paid	(7,049)	(4,653)
Income taxes refund	1,628	2,569
Net cash provided by operating activities	9,135	2,756
Net cash used in investing activities		
Purchase of property, plant and equipment	(5,459)	(8,457)
Proceeds from sales of property, plant and equipment	952	888
Payments for lease and guarantee deposits	(767)	(711)
Refunds of lease and guarantee deposits	1,790	2,025
Purchase of software	(216)	(325)
Other, net	5	(16)
Net cash used in investing activities	(3,695)	(6,598)
Net cash used in financing activities		
Repayment of lease obligations	(470)	(578)
Repurchase of treasury stock	-	(0)
Dividends paid	(3,948)	(3,965)
Net cash used in financing activities	(4,418)	(4,544)
Effect of exchange rate changes on cash and cash equivalents	3	20
Net increase (decrease) in cash and cash equivalents	1,024	(8,365)
Cash and cash equivalents at beginning of period	62,130	72,148
Cash and cash equivalents at end of period	63,155	63,783

(4) Notes for assumption of going concern: None

(5) Notes for significant changes in the amount of shareholders' equity: None