(Translation)

Consolidated Financial Results for the Year ended December 31, 2013

February 6, 2014

McDonald's Holdings Company (Japan), Ltd.

Company code number:	2702 (URL http://www.mcd-holdings.co.jp/)
Shares traded:	Tokyo Securities Exchange, JASDAQ
Executive position of legal representative:	Eikoh Harada Chairman and CEO, President, Representative Director
Please address all communications to:	Row Imamura Vice President, Finance Division Phone: (03) 6911-6000
Schedule of ordinary annual shareholders' meeting:	March 25, 2014
Schedule of dividends payment:	March 26, 2014
Schedule of annual securities report submission:	March 26, 2014

Preparation of supplementary materials for quarterly financial results: Yes
Information meeting for financial results to be held: Yes (for institutional investors)

1. Consolidated operating results (From January 1, 2013 to December 31, 2013)

(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, 2013	260,441	(11.6)	11,524	(53.5)	10,236	(56.9)
December 31, 2012	294,710	(2.5)	24,780	(12.0)	23,770	(13.9)

	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, 2013	5,138	(60.1)	38.64	-	3.0	4.7	4.4
December 31, 2012	12,870	(3.2)	96.80	-	7.8	10.6	8.4

Note:
Comprehensive income: Year ended December 31, 2013: 5,147 million yen Year ended December 31, 2012: 12,939 million yen

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2013	213,226	171,895	80.5	1,291.53
December 31, 2012	226,338	170,737	75.4	1,282.89

Note:
Owner's equity: As of December 31,2013 : 171,720 million yen As of December 31, 2012 : 170,571 million yen

(3) Cash flows

	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, 2013	7,916	(14,743)	(5,209)	60,139
December 31, 2012	20,464	(5,488)	(4,967)	72,148

2. Dividends

	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, 2012	—	0.00	—	30.00	30.00	3,988	30.9	2.6
December 31, 2013	—	0.00	—	30.00	30.00	3,988	77.6	2.3
December 31, 2014 (Estimated)	—	0.00	—	30.00	30.00	—		

3. Consolidated earnings forecasts for the year ending December 31,2014 (From January 1, 2014 to December 31, 2014)

	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	122,000	(5.9)	4,000	(43.4)	3,500	(53.1)	1,900	(58.4)	14.29
Annual	250,000	(4.0)	11,700	1.5	10,700	4.5	6,000	16.7	45.13

4. Other

(1) Changes in significant subsidiaries (Changes in scope of consolidation): None

Newly consolidated: — Excluded: —

(2) Changes of significant accounting principles, procedures and descriptions for the financial results report

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

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

1. The number of shares outstanding (inclusive of treasury stock)
   December 2013: 132,960,000 shares December 2012: 132,960,000 shares
2. The number of treasury stock
   December 2013: 829 shares December 2012: 703 shares
3. Average number of common shares outstanding
   December 2013: 132,959,239 shares December 2012: 132,959,297 shares

(Indication of review procedure implementation status)

At the time of disclosure of the financial results, the financial statement review procedures based upon the Financial Instruments and Exchange Act have not completed.

(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.

Contents

1. Operating results

(1) Business strategy

In the consolidated fiscal year 2013, from January 1, 2013 to December 31, 2013, the Group's business continued to face severe business environment due to contraction of IEO market and shift to to-go meals. In such circumstances, the Group implemented product strategy and restaurant development strategy with a focus on large-scale drive-thru restaurants in suburban areas, based on the QSC (trusted Quality, speedy and friendly Service, and Clean and comfortable environment).

＜Product Strategy＞

During the summer campaigns including the 'BITE! Quarter Pounder' project, the Company offered unique products successively, such as the one-day only 'Quarter Pounder Jewelry' series in limited amount, the 'McFloat' drinks appeared for the first time in Japan market, as well as the 'McFizz' drinks. In addition to our popular limited-time offerings 'Teritama', 'Chicken Tatsuta' and 'Tsukimi Burger', new products were introduced as extensions of the series. Other product strategies include an introduction of 'NEW! Chicken Filet-O', of which light and crispy texture was well accepted by female customers.

<Restaurant Development Strategy>

While focusing on opening highly-profitable large-scale drive-thru restaurants in suburban areas and remodeling and relocations of existing restaurants, the Company also executed strategic closures of restaurants at appropriate timings to promote optimization of restraint portfolio. The changes in the number of restaurants caused by such activities are as follows:

<Number of Restaurants>

Category	Previous year-end	Newly Opened	Closure	Ownership Change:		Current year-end
				Increase	Decrease	
Company-owned	1,105	25	(82)	1	(36)	1,013
Franchised	2,175	41	(100)	36	(1)	2,151
Total	3,280	66	(182)	37	(37)	3,164

<Brand Extension>

As of the end of the consolidated fiscal year 2013, the number of restaurants with 'McCafe by Barista', where authentic cafe and coffee are served by full-time baristas, reached 85. To meet the changes in customers' needs, such as increasing demand for HMR (Home Meal Replacement), we accelerated our efforts to expand McDelivery Service; the number of McDelivery hubs reached 133 at the end of the consolidated fiscal year ---steadily making progress towards a full-scale rollout across Japan.

(2) Analysis of operating results

<System-wide Sales and Revenue>

System-wide sales were reduced to 504 billion 459 million yen, down by 4.8% from the same period of the previous year due to contraction of the IEO market and the long-term focus on highly profitable marketing strategies. Same-store sales were down by 6.2% from the same period of the previous year. Revenue was reduced to 260 billion 441 million yen, down by 11.6% from the same period of the previous year, due mainly to system-wide sales decline and decrease in gain on sales of restaurant business associated with franchising.

<Cost of Sales>

The company-owned restaurants' cost of sales ratio rose by 0.8 percentage points due mainly to external factors such as increased raw material costs caused by a sharp depreciation of yen. During this consolidated fiscal year, investments to improve restaurant environment and enhance customer services were actively made for future business development; expenses for remodeling and maintenance of existing restaurants as well as the costs for active staffing resulted in rises of labor cost by 1.0 percentage point and the company-owned restaurants' cost of sales by 2.1 percentage points. Franchise revenue cost rose by 5.6 percentage points due mainly to decline in franchise revenue impacted by the system-wide sales decrease.

(Breakdown of Cost of Sales)

Millions of yen

		Year ended December 31, 2012		Year ended December 31, 2013		Year-on-year change	
		Amount	%	Amount	%	Amount	%
Company-owned restaurant’s cost of sales		191,943	89.3%	169,057	93.2%	(22,885)	3.9%
(Breakdown)	Raw material	74,198	34.5%	64,009	35.3%	(10,189)	0.8%
	Labor	64,881	30.2%	56,619	31.2%	(8,262)	1.0%
	Other	52,863	24.6%	48,428	26.7%	(4,434)	2.1%
Franchise restaurants -occupancy expenses		48,676	61.5%	52,661	67.1%	3,985	5.6%
Other		561	95.0%	532	94.4%	(28)	(0.6)%
Total		241,181	81.8%	222,252	85.3%	(18,929)	3.5%

<Selling, General and Administrative Expenses>
Advertising and selling expense decreased 979 million yen as a result of further franchising effort. Additionally, other general and administrative expense decreased 1 billion 105 million yen through optimization of headcounts as well as continuous cost-cutting efforts.

(Breakdown of Selling, General and Administrative Expenses)

Millions of yen

		Year ended December 31, 2011		Year ended December 31, 2012		Year-on-year change	
		Amount	%	Amount	%	Amount	%
Selling, general and administrative expenses		28,749	9.8%	26,664	10.2%	(2,084)	0.5%
(Breakdown)	Advertising and selling	7,587	2.6%	6,608	2.5%	(979)	0.0%
	Other	21,161	7.2%	20,056	7.7%	(1,105)	0.5%

<Ordinary Income>
Reflecting the above results, ordinary income was 10 billion 236 million yen (13 billion 534 million yen decrease from the same period last year) . With the purpose of improving the restaurant portfolio, the Company continued to execute strategic closures; 752 million yen was recorded this year for the loss of strategic closures of 74 restaurants.
<Net Income>
Net income was 5 billion 138 million yen (7 billion 732 million yen decrease from the same period of the previous year) due mainly to decrease in ordinary income by 13 billion 534 million yen from the same period of the previous year and booking of impairment loss of 1 billion 216 million yen.

Notes:
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.
System-wide sales are sales of company-owned restaurants and franchised restaurants and are not equal to the total sales reported in the consolidated statements of income.

(3) Analysis of financial position

1. Summary of group’s assets, liabilities and net assets
Current assets at the end of consolidated fiscal year were 78 billion 608 million yen, a decrease of 12 billion 982 million yen from the previous fiscal year. Operation cash income of 7 billion 916 million yen and cash expenditures of 14 billion 743million yen resulted in the decrease of total cash and cash equivalent by 12 billion 9 million yen.

Noncurrent assets were decreased by 130 million yen from the previous fiscal year to 134 billion 617 million yen; reduction of lease and guarantee deposit by 3 billion 58 million yen due to pay back was the main reason for the above.
Current liabilities were 28 billion 344 million yen and decreased by 15 billion 603 million yen from previous fiscal year. Decrease in both notes and accounts payable by 6 billion 386 million yen and accrued income tax by 4 billion 655 million yen are the main reasons for the above.
Noncurrent liabilities were 12 billion 987 million yen, increase by 1 billion 333 million yen from previous fiscal year, due mainly to increased provision for stock-price-linked bonuses.

2. Cash Flow Summary
Cash flow at the end of consolidated fiscal year is as follows:
Cash and cash equivalent ('funds') at the end of consolidated fiscal year was 60 billion 139 million yen, down by 12 billion 9 million yen from previous fiscal year.

(Cash inflows from operating activities)
Operation asset was 7 billion 916 million yen (decrease of 12 billion 547 million yen from previous fiscal year). Net income before taxes of 8 billion 597 million yen and depreciation cost of 10 billion 693 million yen are main contributors. Main payment factors include corporate tax payment of 11 billion 921 million yen and payment of trade payables of 6 billion 385 million yen.

(Cash outflows in investing activities)
A total of 14 billion 743 million yen (increase of 9 billion 255 million yen from previous fiscal year) was allotted for investing activities. Payment of 17 billion 86 million yen for purchase of property and equipment for new restaurant developments is the main reason for the above. Main cash inflow in this category are proceeds of lease and guarantee deposits, amounting to 4 billion 3 million yen.

(Cash outflows in financing activities)
A total of 5 billion 209 million yen (increase of 242 million yen from previous fiscal year) was used for financing activities. This includes dividend payment of 3 billion 995 million yen, and repayment of 1 billion 213 million yen for lease obligations.
Trends in cash flow-related indices for the corporate group are shown below.

	2009	2010	2011	2012	2013
Equity ratio	73.9%	76.1%	72.8%	75.4%	80.5%
Equity ratio based on market prices	117.8%	118.1%	124.4%	135.2%	167.6%
Years required to redeem liabilities	0.1 years	0.2 years	0.2 years	0.5 years	1.2 years
Interest-coverage ratio	634.8 times	434.9 times	478.2 times	218.6 times	86.3times

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.

(4) 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.

(5) 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, 2013.
(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 46,368 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)
In case an area heavily concentrated with our restaurants is struck by natural disasters (storm, earthquake), the affected restaurants may need to close temporarily or shorten its operation hours due to structural damage, impact to social infrastructure, logistics halt, or evacuation order. Further, possible long-term impact from natural disaster may discourage consumers to spend money, and this may cause serious impact to financial condition and performance of the group.
(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)

The company manages 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.

(6) Important matters for assumption of going concern

Not applicable.

2. Management policies

(1) Fundamental management policy

Since its foundation, McDonald's Group has always lived up to its fundamental management policy of being our customer's "favorite place and style to eat", which stands on the concept of "QSC & V". "QSC & V" represents 4 values provided to its customers, and the Company will continue to pursue the enhancement of corporate value and service to its stakeholders by providing the best "QSC & V" to our customers.

Q = Quality （Products with the best taste and quality）
S = Service （Speedy and pleasant service）
C = Cleanliness （Clean and comfortable environment）
V = Value （Maximum satisfaction of the customers）

(2) Performance indicators and targets

The Group recognizes sustainable profitability growth as the most critical business priority, and uses ROTA* and ordinary income ratio as major performance indicators.
* ROTA（Return on Total Assets）: Ordinary income ÷ （Total asset －Cash & deposit）

(3) Medium-term management strategy

The Group will focus its management resources to the following 4 areas to ensure building of long-term and highly profitable business baseline and capture opportunities for further growth:

■ **Enhance Our Exclusivity**

"Made For You" "Kids & Family" "Drive-Thru" "People" --- these are exclusive strengths of McDonald's. However, these strengths have been underleveraged to bring value to our customers adequately. We believe that we can delight our customers by further enhancing these exclusive strengths. In 2014, we will put our focus on the following four areas.

➢ **Kids & Family**

Kids & Family business is very important to our company; we aim to further strengthen this important business area. Specifically, by enhancing restaurant facilities for kids & family, holding a variety of events for kids, and introducing attractive menu items, we aim to bring the best restaurant experience to our customers.

➢ **Breakfast**

In 2013, aggressive investments were made for Breakfast to welcome more customers, and these efforts were successful. We continue to enhance our breakfast menus going forward so that we can better meet our customers' demand for both weekdays and weekends.

➢ **Hospitality**

Our people and hospitality are our business foundation and our biggest strength. We continue to make active investments to our Crew for this year so that we can improve restaurant experience of our customers by further extending hospitality.

➢ **Value**

In 2014, we will continue to offer menus with reasonable prices. By taking a holistic approach to improve total restaurant experience, we aim to improve the Value-For-Money.

■ **New Initiatives to address customers' demand**

After the March 2011 earthquake, consumer consumption behavior and demand have changed in some markets. In order to address these changing needs of our customers, we are going to increase attractive Food News and expand McDelivery. In addition, we will optimize the business hours of some of our 24-hour restaurants in view of the market needs.

➢ **Menu**

Menu is our utmost priority for 2014. We strive to meet the diversifying demands of customers by offering a wide variety of menu and presenting new food news with Limited Time Offers.

- **McDelivery expansion**

  To address changing needs of customers such as Home Meal Replacement on the rise, we aim to double the number of McDelivery hubs by the end of 2014, which is 133 as of the end of 2013.

■ **Restaurant Modernization**

To modernize restaurants environment for customers, we started making investments in renovation of our existing restaurants; we will continue our efforts in 2014 to optimize our restaurant portfolio.

- **Aggressive investments in existing restaurants**

  We will actively work on remodels and maintenance of existing stores to bring the best restaurant experience to our customers. On top of the above-mentioned efforts, such as McDelivery expansion and Play Place installation, we will further promote optimization of restaurant environment to better address varying customers' needs among different markets.

- **Ongoing optimization of restaurant portfolio**

  Gold Standard Drive-Thru will continue to be the key for new restaurant development. In addition to new openings and remodels, 74 restaurants will be strategically closed in 2014 to optimize restaurant portfolio and enhance customer experience.

(4) Company challenges

As a food company, securing of 'food safety' is a top priority for the Group, and we are focusing on precise operation of food management system in order to provide safe meal for our customers. Proactive engagement in social contribution activities is an important aspect for the Group, in addition to expanding its business. The Group is committed to deepen its involvement in this area to enhance our sustaining society.

3. Consolidated financial statements
(1) Consolidated balance sheets

Millions of yen	December 31, 2012	December 31, 2013
(Assets)		
Current assets		
Cash and deposits	50,950	45,041
Accounts receivable - trade	9,794	8,488
Securities	21,197	15,098
Raw materials and supplies	1,198	1,203
Deferred tax assets	1,768	797
Other	6,690	8,089
Allowance for doubtful accounts	(9)	(110)
Total current assets	91,590	78,608
Noncurrent assets		
Property and equipment		
Buildings and structures	75,073	79,728
Accumulated depreciation	(35,262)	(35,804)
Buildings and structures, net	39,811	43,923
Machinery and equipment	15,557	15,263
Accumulated depreciation	(9,237)	(9,706)
Machinery and equipment, net	6,320	5,556
Tools, furniture and fixtures	15,189	14,452
Accumulated depreciation	(11,214)	(10,528)
Tools, furniture and fixtures, net	3,974	3,924
Land	17,371	17,069
Lease assets	5,770	7,125
Accumulated depreciation	(1,833)	(2,925)
Lease assets, net	3,936	4,199
Construction in progress	643	959
Total property and equipment	72,058	75,633
Intangible assets		
Goodwill	678	376
Software	4,562	2,579
Other	755	755
Total intangible assets	5,997	3,711
Investments and other assets		
Investment securities	56	56
Long-term loans receivable	9	9
Deferred tax assets	1,024	1,910
Lease and guarantee deposits	49,426	46,368
Other	6,766	7,246
Allowance for doubtful accounts	(590)	(318)
Total investments and other assets	56,691	55,271
Total noncurrent assets	134,747	134,617
Total assets	226,338	213,226

Millions of yen	December 31, 2012	December 31, 2013
(Liabilities)		
Current liabilities		
Accounts payable trade	7,023	638
Lease obligations	1,007	1,239
Accounts payable other	18,476	17,025
Accrued expenses	5,506	5,020
Income taxes payable	4,786	131
Provision for bonuses	693	-
Provision for loss on store closing	67	159
Provision for loss on natural disaster	99	23
Other	6,286	4,107
Total current liabilities	43,946	28,344
Noncurrent liabilities		
Long-term loans payable	500	500
Lease obligations	3,210	3,363
Deferred tax liabilities due to land revaluation	413	413
Provision for bonuses	347	1,534
Provision for directors' bonuses	164	388
Provision for retirement benefits	1,796	1,805
Provision for directors' retirement benefits	202	237
Asset retirement obligations	4,715	4,439
Other	302	303
Total noncurrent liabilities	11,653	12,986
Total liabilities	55,600	41,331
(Net assets)		
Shareholders' equity		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	109,364	110,110
Treasury stock	(1)	(1)
Total shareholders’ equity	175,601	176,347
Valuation and translation adjustments		
Revaluation reserve for land	(5,029)	(4,626)
Total valuation and translation adjustments	(5,029)	(4,626)
Minority interests	165	174
Total net assets	170,737	171,895
Total liabilities and net assets	226,338	213,226

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

Millions of yen	Year ended December 31, 2012	Year ended December 31, 2013
Net sales		
Sales by Company-operated restaurants	214,968	181,426
Revenue from franchised restaurants	79,151	78,450
Others	590	563
Total net sales	294,710	260,441
Cost of sales		
Product cost	185,865	169,057
Franchised restaurants occupancy expenses	48,166	52,661
Others	561	532
Total cost of sales	234,593	222,252
Gross profit	60,117	38,188
Selling, general and administrative expenses	35,336	26,664
Operating income	24,780	11,524
Non-operating income		
Interest income	269	246
Compensation income	40	388
Insurance income	446	79
Reversal of allowance for doubtful accounts	43	32
Other	268	199
Total non-operating income	1,068	946
Non-operating expenses		
Interest expenses	97	100
Loss on disposal for company-operated restaurants	894	702
Loss on cancellation of leasehold contracts	-	262
Loss on store closing	834	752
Other	251	417
Total non-operating expenses	2,077	2,234
Ordinary income	23,770	10,236
Special income		
Gain on sales of noncurrent assets	-	59
Total special income	-	59
Special loss		
Loss on disposals of noncurrent assets	647	258
Impairment loss	113	1,216
Loss on sales of noncurrent assets	18	233
Loss on store closing	382	-
Office transfer expenses	3	-
Total special loss	1,166	1,698
Income before income taxes	22,604	8,597
Income taxes-current	9,707	3,366
Income taxes-deferred	17	84
Total income taxes	9,274	3,450
Income before minority interests	12,880	5,147
Minority interests	9	8
Net income	12,870	5,138

Consolidated statements of comprehensive income

Millions of yen	Year ended December 31, 2012	Year ended December 31, 2013
Income before minority interests	12,880	5,147
Other comprehensive income		
Revaluation reserve for land	59	-
Total other comprehensive income	59	-
Comprehensive income	12,939	5,147
Comprehensive income attributed to:		
Shareholders of McDonald's Holdings Company	12,929	5,138
Minority interests	9	8

(3) Consolidated statements of changes in net assets

Year ended December 31, 2012

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	24,113	42,124	100,477	(1)	166,713
Changes during the year					
Dividends			△3,988		△3,988
Net income			12,870		12,870
Difference for revaluation reserve for land			5		5
Reacquisition of treasury stock				—	—
Changes in items except shareholders' equity (net)					
Total changes	—	—	8,887	—	8,887
Ending balance	24,113	42,124	109,364	(1)	175,601

	Other cumulative comprehensive income		Minority interest	Total net assets
	Revaluation reserve for land	Total valuation and translation adjustments		
Beginning balance	(5,082)	(5,082)	155	161,787
Changes during the year				
Dividends				△3,988
Net income				12,870
Difference for revaluation reserve for land	(5)	(5)		—
Reacquisition of treasury stock				—
Changes in items except shareholders' equity (net)	59	59	9	68
Total changes	53	53	9	8,950
Ending balance	(5,029)	(5,029)	165	170,737

Year ended December 31, 2013

	Shareholders' Equity				
	Common stock	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total shareholders' equity**
Beginning balance	24,113	42,124	109,364	(1)	175,601
Changes during the year					
Dividends			(3,988)		(3,988)
Net income			5,138		5,138
Difference for revaluation reserve for land			(403)		(403)
Reacquisition of treasury stock				(0)	(0)
Changes in items except shareholders' equity (net)					
Total changes	—	—	746	(0)	745
Ending balance	24,113	42,124	110,110	(1)	176,347

	Other cumulative comprehensive income		**Minority interest**	**Total net assets**
	Revaluation reserve for land	Total valuation and translation adjustments		
Beginning balance	(5,029)	(5,029)	165	170,737
Changes during the year				
Dividends				△3,988
Net income				5,138
Difference for revaluation reserve for land	403	403		—
Reacquisition of treasury stock				(0)
Changes in items except shareholders' equity (net)	403	403	8	8
Total changes	403	403	8	1,157
Ending balance	(4,626)	(4,626)	174	171,895

(4) Consolidated statements of cash flows

Millions of yen	Year ended December 31, 2012	Year ended December 31, 2013
Net cash provided by operating activities		
Income before income taxes and minority interests	22,604	8,597
Depreciation and amortization	11,814	10,693
Impairment loss	1,262	1,818
Increase in provision for loss on store closing	67	92
Decrease (increase) in other provision	(965)	589
Interest income	(269)	(246)
Interest expenses	97	100
Loss on sales of noncurrent assets	18	163
Loss on disposals of noncurrent assets	730	961
Decrease in accounts receivable - trade	472	1,305
Increase in raw materials and supplies	(97)	(4)
Decrease in goodwill from acquisition of franchised restaurants	283	301
Decrease in other assets	1,549	964
Decrease in accounts payable trade	(1,463)	(6,385)
Decrease in accounts payable other	(595)	(1,444)
Decrease in accrued expenses	(1,393)	(486)
Decrease in other current liabilities	(325)	(293)
Other, net	(534)	424
Subtotal	33,255	17,152
Interest income received	142	124
Interest expenses paid	(93)	(91)
Income taxes paid	(14,510)	(11,921)
Income taxes refund	1,670	2,654
Net cash provided by operating activities	20,464	7,916
Net cash used in investing activities		
Purchase of property and equipment	(11,477)	(17,011)
Proceeds from sales of property and equipment	3,899	1,426
Payments for lease and guarantee deposits	(1,543)	(1,065)
Refunds from collection of lease and guarantee deposits	4,181	4,003
Purchase of software	(540)	(508)
Payments for deposit provided for gift certificates	-	(1,600)
Other, net	(6)	11
Net cash used in investing activities	(5,488)	(14,743)
Net cash used in financing activities		
Repayment of lease obligations	(978)	(1,213)
Repurchase of treasury stock	-	0
Dividends paid	(3,989)	(3,995)
Net cash used in financing activities	(4,967)	(5,209)
Effect of exchange rate changes on cash and cash equivalents	8	27
Net increase (decrease) in cash and cash equivalents	10,017	(12,009)
Cash and cash equivalents at beginning of period	62,130	72,148
Cash and cash equivalents at end of period	72,148	60,139

(5) Notes to consolidated financial statements

(Notes for assumption of going concern)

Not applicable.

(Significant accounting policies)

1. Basis of consolidation

Number of consolidated subsidiary: 3
Name of consolidated subsidiary:
McDonald's Company (Japan), Ltd.
EveryD Mc, Inc.
The JV Inc.

2. Fiscal years of consolidated subsidiaries

All consolidated subsidiaries end their fiscal years on the same day as the date of closing of consolidated accounts.

3. Items related to accounting standards

(1) Valuation for major assets

i. Marketable and investment securities
(a) Bonds held to maturity: cost amortization method (straight- line)
(b) Other securities: Unquoted securities: valued at cost using the periodic average method

ii. Inventories:
Raw materials and supplies
Inventories are measured at the lower of cost or market, determined by the total average method (book value is determined by write-down method base on decreased profitability).

(2) Methods of depreciation for important depreciable assets

i. Property and equipment (excluding lease assets): straight-line method
Years of useful lives for major assets:

Buildings and structures:	2 - 50 years
Machinery and equipment:	2 - 15 years
Tools, furniture and fixtures:	2 - 20 years

ii. Intangible assets (excluding lease assets): straight-line method
For software intended for internal use, the straight-line method is applied based on the period of expected use by the Company (5 years).

iii. Lease assets
Lease assets related to finance lease transactions with no transfer of ownership:
Straight-line method with estimated useful lives equal to lease terms, and zero residual values.
For finance lease transactions with no transfer of ownership entered into on or before December 31, 2008, the Company continues to use an accounting method that is based on the method used for operating lease transactions.

iv. Long-term prepaid expenses: Straight-line method

(3) Allowances and provisions

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.

ii. Provision for bonuses

Allowance for bonuses amount has been recorded for future bonus payments to employees for this consolidated fiscal year. As some employees are entitled to stock-price-linked bonus, such amount is estimated at the fair market value of each fiscal closing date for the period from the grant date to payment date calculated using the Black Scholes option model, multiplied by the proportion of the elapsed period over the total vested period. This calculation only reflects market conditions.

iii. 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.

iv. Provision for loss on natural disaster

A reasonably estimated amount is recorded in provision for disaster as loss expected to occur for this fiscal year.

v. Provision for directors' bonus

Directors are entitled to stock-price-linked bonus and such amount is estimated at the fair market value of each fiscal closing date for the period from the grant date to payment date calculated using the Black Scholes option model, multiplied by the proportion of the elapsed period over the total vested period. This calculation only reflects market conditions.

vi. 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.

vii. Provision for directors' retirement benefits

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.

(4) Goodwill

Amortization of goodwill is computed by using the straight-line method over five years.

(5) Cash and cash equivalents

Cash and cash equivalents for the purpose of the consolidated statements cash flows includes cash on hand, deposits held at call, 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.

(6) Other policies

Accounting for consumption taxes and local consumption taxes
Amounts shown in the consolidated financial statements are exclusive of consumption taxes.

(Change in accounting policy)

Historically we recorded relevant costs of products provided for free coupons in Selling, General, and Administrative Expenses. Effective this fiscal year, 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 this fiscal year 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 2012 is increased 6,587 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.

(Change in method of presentation)

(Consolidated statements of income)

Loss on cancellation of leasehold contracts was included in “Other” in Non-operating expenses section until last fiscal year. However, the recorded amount is significantly increased in this year; therefore, it is separately presented in the consolidated statements of income.

(Consolidated balance sheets)

1. Contingent liabilities

Guarantee obligation for bank borrowings of Toys"R"Us-Japan, Ltd.

Millions of yen

December 31, 2012	December 31, 2013
104	24

2. “Other” asset in investments and other assets in the amount of 1,600 million yen is provided as guarantee deposits for the issuing of gift certificates (McCard), as per the relevant laws regulating prepaid gift certificates. Liabilities collateralized by these guarantee deposits are advance receipts from customers in the amount of 1,115 million yen.

3. 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.

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.

Millions of yen

	December 31, 2012	December 31, 2013
Date of revaluation	December 31, 2001	December 31, 2001
Differential between book value and post-revaluation market value of revalued land at end of term	(4,707)	(4,654)

4. The book value of noncurrent assets transferred to other accounts due to selling of restaurant business to franchisee by entering franchise contracts:

Millions of yen

	December 31, 2012	December 31, 2013

Buildings and structures, net	2,719	649
Machinery and equipment, net	709	149
Tools, furniture and fixtures, net	420	93
Intangible assets	124	2
Total	3,973	893

(Consolidated statements of income)

1. Primary items and amounts included under selling, general and administrative expenses

Millions of yen

	December 31, 2012	December 31, 2013
Salaries	5,636	6,063
Advertising expenses	6,381	5,828
Depreciation and amortization	3,976	2,765
Provision for bonuses	959	1,113
Pension expenses	836	543
Provision of allowance for doubtful accounts	—	117
Provision for directors’ retirement allowances	28	34

2. R&D expenses in selling, general and administrative expenses

Millions of yen

	December 31, 2012	December 31, 2013
	330	298

3. Losses on disposals of noncurrent assets

Millions of yen

	December 31, 2012	December 31, 2013
Buildings and structures	365	168
Machinery and equipment	218	57
Tools, furniture and fixtures	63	32
Total	647	258

4. Loss on store closing

Fiscal year ended December 31, 2012 (January 1, 2012 to December 31, 2012)
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.

Millions of yen

	Company-Owned Restaurants	Franchised Restaurants
Impairment	810	338
Provision for loss on store closing (Penalty for cancellation of lease contracts)	23	43
Total	834	382

Fiscal year ended December 31, 2013 (January 1, 2013 to December 31, 2013)
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.

Millions of yen

	Company-Owned Restaurants	Franchised Restaurants
Impairment	199	403
Provision for loss on store closing (Penalty for cancellation of lease contracts)	5	144
Total	204	547

5. Impairment loss

Impairment loss was recognized during current term. Breakdown of impairment loss by assets type are as follows:

Fiscal year ended December 31, 2012 (January 1, 2012 to December 31, 2012)

Millions of yen

Intended use	Assets type	Region	Amount
Operating restaurant	Buildings and structures	KANTO	113
Operating restaurant (strategic closure)	Buildings and structures	National	1,148

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 (113 million yen) was reported as an impairment loss and shown in the extraordinary loss. For restaurants which are believed to maximize operation efficiency and brand image, and further promote structural reforms by closing them, due to its scale and location, their book value were written down to recoverable level and the write-down was included in loss on store closing.

Breakdown of the amount by assets type:

	Millions of yen
Buildings and structures	975
Machinery and equipment	222
Tools, furniture and fixtures	60
Intangible assets	3
Total	1,262

The recoverable value of the group assets was calculated by utility value and it was calculated by discounting future cash flow at 5.4% rate.

Fiscal year ended December 31, 2013 (January 1, 2013 to December 31, 2013)

Millions of yen

Intended use	Assets type	Region	Amount
Operating restaurant	Buildings and structures	KANTO	1,216
Operating restaurant (strategic closure)	Buildings and structures	National	602

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 (1,216 million yen) was reported as an impairment loss and shown in the extraordinary loss.

For restaurants which are believed to maximize operation efficiency and brand image, and further promote structural reforms by closing them, due to its scale and location, their book value were written down to recoverable level and the write-down was included in loss on store closing.

Breakdown of the amount by assets type:

Millions of yen

Buildings and structures	1,447
Machinery and equipment	261
Tools, furniture and fixtures	106
Intangible assets	3
Total	1,818

The recoverable value of the group assets was calculated by utility value and it was calculated by discounting future cash flow at 4.8% rate.

6. Loss on sales of noncurrent assets

Millions of yen

	December 31, 2012	December 31, 2013
Land	8	133
Buildings and structures	6	85
Machinery and equipment	1	4
Tools, furniture and fixtures	2	0
Intangible assets	0	-
Total	18	223

(Consolidated statements of cash flows)

1. Reconciliations of cash and cash equivalents to the amounts in the consolidated balance sheets

Millions of yen

	December 31, 2012	December 31, 2013
Cash and deposits	50,950	45,041
Securities	21,197	15,098
Cash and cash equivalents	72,148	60,139

2. Significant noncash transactions

(1) Finance lease transactions:

Millions of yen

	December 31, 2012	December 31, 2013
Asset and liability related to finance lease transactions	1,616	1,639

(2) Asset retirement obligations:

Millions of yen

	December 31, 2012	December 31, 2013
Asset retirement obligations	667	331

(Segment information)

(Segment information)
Business segment of the Group is only hamburger restaurant operation therefore the business segment information is omitted.

(Relevant information)
Fiscal year ended December 31, 2012 (January 1, 2012 to December 31, 2012)

1. Information by Products and Service
   Sales by company-operation restaurants was 214 billion 968 million yen, franchise revenue was 79 billion 151 million yen, and other sales was 590 million yen. Franchise revenue includes 4 billion 320 million yen of gain on store sales brought by franchising of hamburger restaurants. Selling price of these restaurants was calculated based on the cash flow expected to be generated by the corresponding restaurant and agreed with buyer franchisee.

2. Information by Region

The Company does not own consolidated subsidiary in other country or area of the world other than Japan, so neither overseas sales nor tangible fixed asset exists.

3. Information by Major Customers
Description of this item is abbreviated as the Company does not have client whose purchase volume is more than 10% of total sales.

Fiscal year ended December 31, 2013 (January 1, 2012 to December 31, 2013)

1. Information by Products and Service
Sales by Company – operated restaurants was 181 billion 426 million yen, franchise revenue was 78 billion 450 million yen, and other sales was 563 million yen. Franchise revenue includes 958 million yen of gain on store sales brought by franchising of hamburger restaurants. Selling price of these restaurants was calculated based on the cash flow expected to be generated by the corresponding restaurant and agreed with buyer franchisee.

2. Information by Region
The Company does not own any consolidated subsidiary in other country or area of the world other than Japan, so neither overseas sales nor tangible fixed asset exists.

3. Information by Major Customers
Description of this item is abbreviated as the Company does not have client whose purchase volume is more than 10% of total sales.

(Per share-related financial information)

Yen

December 31, 2012		December 31, 2013	
Shareholders' equity per share	1,282.89	Shareholders' equity per share	1,291.53
Net income per share	96.8	Net income per share	38.64
No amounts for fully diluted earnings per share have been shown because the Company had neither bonds with warrants nor convertible bonds outstanding.		No amounts for fully diluted earnings per share have been shown because the Company had neither bonds with warrants nor convertible bonds outstanding.	

Note: Net income per share is calculated based on the following information.

Millions of yen

	December 31, 2012	December 31, 2013
Net income	12,870	5,138
Income not available to common shareholders	-	-
Income available to common shareholders	12,870	5,138
Average number of common stock outstanding (thousands shares)	132,959	132,959

(Subsequent events)

Not applicable

4. Other

(1) Changes in board of directors

It will be disclosed when information becomes available.