(Translation)

Consolidated Financial Results for the Year ended December 31, 2014

February 5, 2015

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:	Sarah L Casanova CEO and 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, 2015
Schedule of dividends payment:	March 26, 2015
Schedule of annual securities report submission:	March 26, 2015

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, 2014 to December 31, 2014)

(1) Consolidated financial results

(In millions of yen, with fractional amounts discarded)
(negative figures are shown in parenthesis)

	Net sales		Operating income/(loss)		Ordinary income/(loss)	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2014	222,319	(14.6)	(6,714)	-	(7,974)	-
December 31, 2013	260,441	(11.6)	11,524	(53.5)	10,236	(56.9)

Note:
Comprehensive income: Year ended December 31, 2014: (21,836) million yen < —%> Year ended December 31, 2013: 5,147 million yen <60.2%>

	Net income/(loss)		Net income/(loss) per share	Net income per share, fully diluted	Return on shareholders' equity	Ratio of ordinary income/(loss) to total assets	Ratio of operating income/(loss) to net sales
	(Millions of yen)	%	(Yen)	(Yen)	%	%	%
December 31, 2014	(21,843)	-	(164.29)	-	(13.7)	(4.0)	(3.0)
December 31, 2013	5,138	(60.1)	38.64	-	3.0	4.7	4.4

Note:
Equity method earnings: Year ended December 31, 2014: — Year ended December 31, 2013: —

Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2014	188,048	147,740	78.5	1,109.81
December 31, 2013	213,226	171,895	80.5	1,291.53

Note:
Owner's equity: As of December 31,2014 : 147,559 million yen As of December 31, 2013 : 171,720 million yen

(2) Cash flows

	Net cash (used in)/provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of term
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
December 31, 2014	(13,652)	(12,310)	(5,532)	28,628

December 31, 2013	7,190	(14,017)	(5,209)	60,139

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, 2013	—	0.00	—	30.00	30.00	3,988	77.6	2.3
December 31, 2014	—	0.00	—	30.00	30.00	3,988	(0.2)	2.7
December 31, 2015 (Estimated)	—	0.00	—	—	—	—	—	

(Note) Dividend for the year ending December 31, 2015 is yet to be determined. Refer to Section (4) at page 5 for our policy of dividend determination.

3. Consolidated earnings forecasts for the year ending December 31,2015 (From January 1, 2014 to December 31, 2015)

	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	—	—	—	—	—	—	—	—	—
Annual	—	—	—	—	—	—	—	—	—

In January 2015, there were media reports noting foreign objects in food served at some of our restaurants. As a result, sales have been significantly impacted, and also considerable amount of recovery costs were expected to be incurred. As it is extremely difficult to reasonably estimate the monetary impact caused by this incident to our business at the moment, we are unable to estimate earnings forecasts for the period ending June 30, 2015 and for the year ending December 31, 2015 and the annual dividend information is yet to be determined. We will disclose that information as soon as becoming available.

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: Yes
2. Changes other than (2) - 1. above: None
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 2014: 132,960,000 shares December 2013: 132,960,000 shares
2. The number of treasury stock
   December 2014: 869 shares December 2013: 829 shares
3. Average number of common shares outstanding
   December 2014: 132,959,146 shares December 2013: 132,959,239 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)

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. Operating results

(1) Business strategy

First of all, we sincerely apologize for the great anxiety and concerns the reports of food-related foreign objects have caused our customers.

To regain customers’ trust, we have committed to eliminate foreign objects in our restaurant foods, perform deep cleaning and equipment inspection for all System-wide restaurants. Also we will perform specific training regarding foreign objects tactics to our 150,000 Crew members throughout the System. Additionally, we are going to have third party providers to perform ad-hoc foreign objects controls around kitchen equipment and maintenance. We are sincere about working to meet customers’ expectations in order for them to enjoy our restaurants without concerns.

Since Husi chicken incident in July, we have taken many of the measures as our top priority throughout the rest of 2014 to recover customers’ trust in our restaurants in regards to food safety and quality. Specifically, we have shifted to Thai chicken for all of our chicken products, implemented disclosure system for final destination country of food processing as well as country of origin for food, strengthened quality audit structure, established more transparent disclosure systems for quality controls and information disclosure such as Q&A website called “Mieru McDonald’s Quality”.
Since the beginning of 2014 we have always put customers at the center of everything we do. This mission will continue when we take very seriously about food safety and quality to regain customers’ trust and ensure delivering our promise to serve safe, quality food.

＜Product Strategy＞
In the first half of the year, we implemented multiple campaigns, including “American Vintage” and “Colorful Golden Week”, and launched FIFA World Cup™ official burgers. In the second half of the year, we ran a summer campaign called “Summer McFes!”; we launched “Habanero Tomato Quarter Pounder”, “Habanero Tomato Chicken Fillet-O’, and “BLT Mozzarella & Basil” for the first round of the campaign, and then launched “Chicken Tatsuta” and “Chicken Tatsuta Wafu-Oroshi” for the second round. In addition, we offered our popular regular menu items, “Big Mac” and “Ebi Fillet-O”, at a special value set price and launched seasonal limited time offering, “Tsukimi Burgers” and “Gra-Cro”. Lastly we had “McDonald’s Original Yokai Watch Calendar” for our winter seasonal product that is very popular amongst young families.

<Restaurant Development Strategy>

While opening up new restaurants at carefully-selected high-demand areas, we proactively executed remodeling on existing restaurants as well as investments for Non-Smoking throughout the System. Strategic closures were executed at 76 restaurants as planned in previous years.

<Number of Restaurants>

Category	Previous year-end	Newly Opened	Closure	Ownership Change:		Current year-end
				Increase	Decrease	
Company-owned	1,013	22	(42)	18	(2)	1,009
Franchised	2,151	18	(69)	2	(18)	2,084
Total	3,164	40	(111)	20	(20)	3,093

<Brand Extension>
As of the end of the consolidated fiscal year 2014, the number of restaurants with ‘McCafe by Barista’, where authentic cafe and coffee are served by full-time baristas, reached 94. 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 210 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>
Due to Husi chicken incident occurred in July 2014, system-wide sales went down to 446 billion 307 million yen, down by 11.5%, revenue decreased to 222 billion 319 million yen, or 38 billion 121 million yen decreased, from the same period of the previous year Same-store sales were down by 11.2% from the same period of the previous year.

<Cost of Sales>
Cost of sales went down due to the negative impact on sales driven by the aforementioned Husi incident, as well as direct or indirect costs in order to recover the adverse effect from the incident. During 2014 we focused on the future recovery such as improvement on restaurant environment as well as customer service structure. With that, we incurred remodeling on existing restaurants, maintenance and repairs, and labor utilization which resulted in increase in the points including labor 1.2 point, other cost for company-operated restaurants 1.1 point. Also, the franchise cost of sales ratio increased at 11.1 point due to the decrease in System-wide sales resulting in decrease in franchise revenue.

(Breakdown of Cost of Sales)

Millions of yen

		Year ended December 31, 2013		Year ended December 31, 2014		Year-on-year change	
		Amount	%	Amount	%	Amount	%
Company-owned restaurant’s cost of sales		169,057	93.2%	153,572	96.1%	(15,485)	2.9%
(Breakdown)	Raw material	64,009	35.3%	57,396	35.9%	(6,612)	0.6%
	Labor	56,619	31.2%	51,766	32.4%	(4,852)	1.2%
	Other	48,428	26.7%	44,409	27.8%	(4,019)	1.1%
Franchise restaurants -occupancy expenses		52,661	67.1%	48,856	78.2%	(3,805)	11.1%
Other		532	94.4%	55	85.4%	(477)	(9.0)%
Total		222,252	85.3%	202,484	91.1%	(19,767)	5.8%

<Selling, General and Administrative Expenses>
Advertising and selling expense increased 357 million yen as a result of further franchising effort. Additionally, other general and administrative expense decreased 473 million yen through continuous cost-cutting efforts and reduction of depreciation and amortization.

(Breakdown of Selling, General and Administrative Expenses)

Millions of yen

		Year ended December 31, 2013		Year ended December 31, 2014		Year-on-year change	
		Amount	%	Amount	%	Amount	%
Selling, general and administrative expenses		26,664	10.2%	26,548	11.9%	(117)	1.7%
(Breakdown)	Advertising and selling	6,608	2.5%	6,966	3.1%	357	0.6%
	Other	20,056	7.7%	19,582	8.8%	(473)	1.1%

<Ordinary Loss>
Ordinary loss was 7 billion 974 million yen (18 billion 210 million yen decrease from the same period last year) reflecting the increase in loss on disposals for store equipment as well as reserve for receivables.

<Net Loss>
Net loss was 21 billion 843 million yen (26 billion 981 million yen decrease from the same period of the previous year) due mainly to decrease in ordinary income by 18 billion 210 million yen from the same period of the previous year as well as impairment loss for 7 billion 761 million yen.
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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 48 billion 504 million yen, a decrease of 30 billion 104 million yen from the previous fiscal year. Operating cash outflows of 13 billion 652 million yen, investing cash outflows of 12 billion 310 million yen, and financing cash outflows of 5 billion 532 million yen resulted in a decrease of total cash and cash equivalent by 31 billion 511 million yen.
Noncurrent assets were increased by 49 billion 26 million yen from the previous fiscal year to 139 billion 544 million yen; increase in receivables stem from financial supports to franchisees is the main contributor for the above.
Current liabilities were 27 billion 471 million yen and decreased by 873 million yen from previous fiscal year. Decreases in other payables by 3 billion 123 million yen and income tax payable by 374 million yen are the main reasons for the above.
Noncurrent liabilities were 12 billion 836 million yen, decreased by 149 million yen from previous fiscal year, due mainly to a decrease of provision for stock-price-linked bonuses by 1 billion 257million yen.

2. Cash Flow Summary
Cash flow at the end of consolidated fiscal year is as follows:
Cash and cash equivalent at the end of consolidated fiscal year was 28 billion 628 million yen, down by 31 billion 511 million yen from previous fiscal year.

(Cash outflows in operating activities)
Operating cash outflows were 13 billion 652 million yen (it was cash inflows of 71 billion 90 million yen in previous fiscal year). This is primarily due to pre-tax income of 18 billion 469 million yen, depreciation and amortization of 10 billion 388 million yen, impairment loss of 7 billion 761 million yen, and the increase in other assets for 10 billion 942 million yen mainly stem from financial support to franchise owners.

(Cash outflows in investing activities)
A total of 12 billion 310 million yen (decrease of 1 billion 707 million yen from previous fiscal year) was allotted for investing activities.This is primarily due to purchases of property and equipment for restaurant development for 12 billion 387 million yen and collection of lease and guarantee deposits for 3 billion 110 million yen.

(Cash outflows in financing activities)
A total of 5 billion 532 million yen (increase of 323 million yen from previous fiscal year) was used for financing activities. This includes dividend payment of 3 billion 999 million yen, and repayment of 1 billion 533 million yen for lease obligations.

	2010	2011	2012	2013	2014
Equity ratio	76.1%	72.8%	75.4%	80.5%	79.0%
Equity ratio based on market prices	118.1%	124.4%	135.2%	167.6%	189.3%
Years required to redeem liabilities	0.2 years	0.2 years	0.5 years	1.2 years	—
Interest-coverage ratio	434.9 times	478.2 times	218.6 times	86.3 times	—

Equity ratio: Equity / total assets
Equity ratio based on market prices: Market capitalization/total assets
Years required redeeming 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.
*"Years required to redeem liabilities" and "interest-coverage ratio" are not provided herein due to the negative cash flows from operating activities.

(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 2014 the Company is planning to make a dividend of 30 yen per share (same amount as in last year) based on the above policy. Meanwhile, for 2015 dividend estimate is yet to be determined due to uncertainties surrounding our current business environment.

(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 as of December 31, 2014.

(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 as known as global standard for cleanliness management method (Hazard Analysis Critical Control Point: see note below). It also has strict quality management system ("SQMS") by combining McDonald's Japan specific standards and the requirements from the international management system standards such as ISO9001, ISO22000, and PAS220. SQMS has 182 items of required items to be conducted by suppliers in order to maintain high quality cleanliness.
Meanwhile, at restaurants 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)
We take customers' concern very seriously so that we realize the importance of communicating where our food is produced, how McDonald's Japan ensures food safety and quality. Thus, it discloses names of countries for final processing and food materials and ensures robust quality controls. Specifically, it performs unannounced examination by independent third party auditors, checks restaurants follow required procedures, and conducts inspection on five major items inspection by government-designated inspectors upon arrivals in Japan.

(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 44 billion 212 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. Also, labor issues in exporting countries such as strikes could cause major delays in distributions which may lead to significant adverse impact to the Group's operational 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.

(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) Mid-term management strategy
Our System consisting of all of the McDonald’s Japan’s employees, Franchise Owner Operators, Restaurant Managers, Crews, and Suppliers, are committed to make every effort that we could possibly do to meet customers’ expectations and regain trust on our brand and products. We put customers in the center of everything we do and address any feedback from customers. With this mission, we are confident that we will be able to realize modern burger restaurant that enables us to reconnect and engage with our customers on a deeper level.

- Tactics for safe, quality food

The Group realizes the importance of regaining customers’ trust and providing good tasting safe quality food for the entire System.

- ➢ Disclosure of information around countries of final processing and origins for our food materials.
- ➢ More frequent audits to suppliers and regular reconfirmation of required procedures on the fields.
- ➢ High frequency in performing quality controls in Japan for all Chinese products and Thai chicken.
- ➢ Implementation of “Let Us Talk about Food Quality”.

Additionally, since January 2015, we implemented the following tactics to eliminate foreign objects in our restaurant food as well as to improve customer services for safe, quality food.

<Tactics to eliminate foreign objects>

- ➢ Large-scale cleaning throughout all System-wide restaurants
- ➢ Involvement of independent third party to perform cleanliness and maintenance results

- Training programs to enhance knowledge and awareness around foreign objects
- More robust collaboration with suppliers

<Tactics to improve customer service process>

- Establishment of customer service taskforce
- Involvement of third party experts in the taskforce

- Modern Burger Restaurant to reconnect with customers

First of all, we must regain customers' trust on our food in order to reconnect with our customers at deeper level to stand out. And we will deliver very clear "customer visible point of change" to meet customers' expectations in the areas such as value, menu, and restaurant environment.

<Value>

We will continue to support our 100 yen menu with rotating new items in 2015. We also continue with Hire Mac, which offers all our meals at affordable prices between 350 and 550 yen at lunch. We will further launch simpler and more value-conscious combo menu at selected restaurants. As we see the results in those selected restaurants, this movement will be expanded to all System-wide restaurants.

<Menu>

We will bring locally relevant tastes that meet Japanese favorite flavors. Additionally, we will consider flexibility of menu choice in combo means and provide more nutritious menu based on feedbacks from Moms throughout Japan.

<Restaurant development>

We will make a fundamental change to our investment strategy and instead of building new restaurants; we will focus on remodeling, relocating and rebuilding existing restaurants to bring our customers a more modern dining experience. Also, we will perform experimental testing for various different formatting and service model. We will continue to expand McDelivery Service at a right pace. Furthermore, the following new attempts will be launched such as "Dual-Point Service" will be launched which enables customers to place orders and pick-up at different locations, "Club-and-Go" to make your own favorite burgers. Currently, 25% of the entire restaurants are considered as a modern restaurant standard; but it will be 90% by 2018 through proactive remodeling.

<Reconnect with Customers>

The Group will continue putting focus in community, and expand connections with such communities and customers such as our 10th Ronald McDonald's House in Fukuoka, Clean Patrol in community, sponsorship to kids' baseball games and food education. For our effort in connecting with families, we will renew Happy Meal selections, Donald Appearance, and McAdventure.

(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, 2013	December 31, 2014
(Assets)		
Current assets		
Cash and deposits	45,041	28,628
Accounts receivable - trade	8,488	5,010
Securities	15,098	-
Raw materials and supplies	1,203	1,011
Deferred tax assets	797	23
Tax refundable	3,830	2,707
Other	4,259	11,257
Allowance for doubtful accounts	(110)	(134)
Total current assets	78,608	48,504
Noncurrent assets		
Property and equipment		
Buildings and structures	79,728	82,015
Accumulated depreciation	(35,804)	(38,427)
Buildings and structures, net	43,923	43,587
Machinery and equipment	15,263	14,851
Accumulated depreciation	(9,706)	(10,501)
Machinery and equipment, net	5,556	4,350
Tools, furniture and fixtures	14,452	13,560
Accumulated depreciation	(10,528)	(10,121)
Tools, furniture and fixtures, net	3,924	3,439
Land	17,069	17,442
Lease assets	7,125	7,960
Accumulated depreciation	(2,925)	(4,094)
Lease assets, net	4,199	3,865
Construction in progress	959	710
Total property and equipment	75,633	73,394
Intangible assets		
Goodwill	376	497
Software	2,579	3,070
Other	755	692
Total intangible assets	3,711	4,260
Investments and other assets		
Investment securities	56	56
Long-term loans receivable	9	9
Deferred tax assets	1,910	160
Lease and guarantee deposits	46,368	44,212
Pension assets	-	6,078
Other	7,246	12,129
Allowance for doubtful accounts	(318)	(757)
Total investments and other assets	55,271	61,889
Total noncurrent assets	134,617	139,544
Total assets	213,226	188,048

Millions of yen	December 31, 2013	December 31, 2014
(Liabilities)		
Current liabilities		
Accounts payable trade	638	545
Lease obligations	1,239	1,548
Accounts payable other	17,025	13,902
Accrued expenses	5,020	4,857
Income taxes payable	131	505
Provision for bonuses	-	276
Provision for loss on store closing	159	20
Provision for loss on natural disaster	23	-
Other	4,107	5,814
Total current liabilities	28,344	27,471
Noncurrent liabilities		
Long-term loans payable	500	500
Lease obligations	3,363	3,292
Deferred tax liabilities due to land revaluation	413	390
Provision for bonuses	1,517	574
Provision for directors' bonuses	405	91
Provision for retirement benefits	1,805	-
Liabilities for retirement benefits	-	1,696
Deferred tax liabilities due to retirement benefits	-	994
Provision for directors' retirement benefits	237	420
Asset retirement obligations	4,439	4,565
Other	303	311
Total noncurrent liabilities	12,986	12,836
Total liabilities	41,331	40,307
(Net assets)		
Shareholders' equity		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	110,110	84,319
Treasury stock	(1)	(1)
Total shareholders’ equity	176,347	150,555
Valuation and translation adjustments		
Revaluation reserve for land	(4,626)	(4,667)
Remeasurements of defined benefit plans	-	1,671
Total valuation and translation adjustments	(4,626)	(2,996)
Minority interests	174	181
Total net assets	171,895	147,740
Total liabilities and net assets	213,226	188,048

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

Millions of yen	Year ended December 31, 2013	Year ended December 31, 2014
Net sales		
Sales by Company-operated restaurants	181,426	159,749
Revenue from franchised restaurants	78,450	62,505
Others	563	65
Total net sales	260,441	222,319
Cost of sales		
Product cost	169,057	153,572
Franchised restaurants occupancy expenses	52,661	48,856
Others	532	55
Total cost of sales	222,252	202,484
Gross profit	38,188	19,834
Selling, general and administrative expenses	26,664	26,548
Operating income/(loss)	11,524	(6,714)
Non-operating income		
Interest income	246	149
Compensation income	388	119
Insurance income	79	77
Reversal of allowance for doubtful accounts	32	-
Other	199	167
Total non-operating income	946	515
Non-operating expenses		
Interest expenses	100	94
Allowance for doubtful accounts	-	279
Loss on disposal for company-operated restaurants	702	1,200
Loss on cancellation of leasehold contracts	262	36
Loss on store closing	752	-
Other	417	166
Total non-operating expenses	2,234	1,776
Ordinary income/(loss)	10,236	(7,974)
Special income		
Gain on sales of noncurrent assets	59	-
Total special income	59	-
Special loss		
Loss on disposals of noncurrent assets	258	339
Impairment loss	1,216	7,761
Husi issue related expenses	-	2,294
Loss on disposals of fixed assets	223	99
Total special loss	1,698	10,495
Income/(loss) before income taxes	8,597	(18,469)
Income taxes-current	3,366	802
Income taxes-deferred	84	2,564
Total income taxes	3,450	3,366
Income/(loss) before minority interests	5,147	(21,836)
Minority interests	8	6
Net income/(loss)	5,138	(21,843)

Consolidated statements of comprehensive loss

Millions of yen	Year ended December 31, 2013	Year ended December 31, 2014
Income/(loss) before minority interests	5,147	(21,836)
Other comprehensive income/(loss)		
Revaluation reserve for land	-	-
Total other comprehensive income/(loss)	-	-
Comprehensive income/(loss)	5,147	(21,836)
Comprehensive income/(loss) attributed to:		
Shareholders of McDonald's Holdings Company	5,138	(21,843)
Minority interests	8	6

(3) Consolidated statements of changes in net assets

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			
	Revaluation reserve for land	Remeasurements of defined befit plans	Total valuation and translation adjustments	**Minority interest**	**Total net assets**
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)		-		8	8
Total changes	403	-	403	8	1,157
Ending balance	(4,626)	-	(4,626)	174	171,895

Year ended December 31, 2014

	Shareholders' Equity				
	Common stock	**Capital surplus**	**Retained earnings**	**Treasury stock**	**Total shareholders' equity**
Beginning balance	24,113	42,124	110,110	(1)	176,347
Changes during the year					
Dividends			(3,988)		(3,988)
Net loss			(21,843)		(21,843)
Difference for revaluation reserve for land			41		41
Reacquisition of treasury stock				(0)	(0)
Changes in items except shareholders' equity (net)					-
Total changes	—	—	(25,791)	(0)	(25,791)
Ending balance	24,113	42,124	84,319	(1)	150,555

		Other cumulative comprehensive income		**Minority interest**	**Total net assets**
	Revaluation reserve for land	Remeasurements of defined befit plans	Total valuation and translation adjustments		
Beginning balance	(4,626)	-	(4,626)	174	171,895
Changes during the year					
Dividends					(3,988)
Net loss					(21,843)
Difference for revaluation reserve for land	(41)		(41)		—
Reacquisition of treasury stock					(0)
Changes in items except shareholders' equity (net)	-	1,671	1,671	6	1,677
Total changes	(41)	1,671	1,630	6	(24,154)
Ending balance	(4,667)	1,671	(2,996)	181	147,740

(4) Consolidated statements of cash flows

Millions of yen	Year ended December 31, 2013	Year ended December 31, 2014
Net cash provided by (used in) operating activities		
Income/(loss) before income taxes and minority interests	8,597	(18,469)
Depreciation and amortization	10,554	10,388
Impairment loss	1,818	7,761
(Decrease) increase in provision for loss on store closing	92	(138)
(Decrease) increase in accrued retirement benefits	8	(1,805)
(Decrease) increase in pension liabilities	-	1,696
Decrease (increase) in pension assets	-	(6,078)
(Decrease) increase in other provisions	504	(357)
Interest income	(246)	(149)
Interest expenses	100	94
Loss on sales of noncurrent assets	163	99
Loss on disposals of noncurrent assets	664	1,068
Decrease in accounts receivable - trade	1,305	3,479
Decrease (increase) in raw materials and supplies	(4)	191
Decrease (increase) in goodwill from acquisition of franchised restaurants	301	(470)
Decrease (increase) in other assets	1,046	(10,942)
Decrease in accounts payable trade	(6,385)	(92)
Decrease in accounts payable other	(1,444)	(3,112)
Decrease in accrued expenses	(486)	(171)
(Decrease) increase in other current liabilities	(218)	1,714
Other, net	53	188
Subtotal	16,425	(15,107)
Interest income received	124	42
Interest expenses paid	(91)	(86)
Income taxes paid	(11,922)	(1,997)
Income taxes refunded	2,654	3,496
Net cash provided by (used in) operating activities	7,190	(13,652)
Net cash used in investing activities		
Purchase of property and equipment	(15,223)	(12,387)
Proceeds from sales of property and equipment	1,263	372
Payments for lease and guarantee deposits	(1,065)	(1,007)
Refunds from collection of lease and guarantee deposits	4,003	3,110
Purchase of software	(508)	(1,761)
Payments for assets retirement obligations	(934)	(246)
Payments for deposit provided for gift certificates	(1,600)	(400)
Other, net	48	10
Net cash used in investing activities	(14,017)	(12,310)
Net cash used in financing activities		
Repayment of lease obligations	(1,213)	(1,533)
Repurchase of treasury stock	(0)	(0)
Dividends paid	(3,995)	(3,999)
Net cash used in financing activities	(5,209)	(5,532)
Effect of exchange rate changes on cash and cash equivalents	27	(15)
Net decrease in cash and cash equivalents	(12,009)	(31,511)
Cash and cash equivalents at beginning of period	72,148	60,139
Cash and cash equivalents at end of period	60,139	28,628

(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.

(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 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.

(3) Accounting treatment for retirement benefit obligations

i. For the purpose of retirement benefit obligation, straight-line method is used in attributing the current term retirement benefits estimated value through the end of this fiscal year.

ii. Actuarial gain and loss is expensed by allocating in straight-line method in each year of occurrence over a certain time period (6 years) at the time of respective fiscal year.

(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.

(7) 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)

(Adoption of Accounting Standard for Retirement Benefits)

The Company has adopted the "Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012, hereafter "Retirement Benefits Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012, hereafter "Retirement Benefits Guidance") from the end of the fiscal year ended December 31, 2014 (with the exception of the main clause of Articles 67 of the Retirement Benefits Guidance), thus changing to a method of recording the difference between retirement benefit obligations and plan assets as net defined benefit asset or net defined benefit liability, and has recorded actuarial gains and losses and past service costs that are yet to be recognized and the difference at the time of the change in accounting standard as net defined benefit asset or net defined benefit liability. The Retirement Benefits Accounting Standard and Retirement Benefits Guidance have been applied in accordance with the transitional handling set forth in Articles 37 of the Retirement Benefits Accounting Standard, and the impact of the change was an adjustment to remeasurements of defined benefit plans under accumulated other comprehensive inform as of December 31, 2014.

As a result, as of December 31, 2014, the Company recorded net defined benefit asset of 6 billion 78 million yen and net defined benefit liability of 1 billion 696 million yen. In addition, accumulated other comprehensive income increased by 1 billion 671 million yen.

(Consolidated balance sheets)

1. Contingent liabilities

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

Millions of yen

December 31, 2013	December 31, 2014
24	-

2. “Other” asset in investments and other assets in the amount of 2,000 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 2 billion 813 million yen. (Balance presented in the consolidated balance sheets is 1 billion 20 million yen by deducting unredeemed McCards that are expected to end up remaining unused ultimately.)

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, 2013	December 31, 2014
Date of revaluation	December 31, 2001	December 31, 2001
Difference between book value and post-revaluation market value of revalued land at end of term	(4,654)	(3,969)

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, 2013	December 31, 2014
Buildings and structures, net	649	77
Machinery and equipment, net	149	12
Tools, furniture and fixtures, net	93	12
Lease assets	-	23
Intangible assets	2	-
Total	893	125

(Consolidated statements of loss)

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

Millions of yen

	December 31, 2013	December 31, 2014
Salaries	6,063	6,233
Advertising expenses	5,828	5,882
Outsourcing	3,003	4,079
Depreciation and amortization	2,765	1,497
Sales promotion	780	1,083
Pension expense	543	813
Provision of allowance for doubtful accounts	42	250
Provision for bonuses	1,112	261
Provision for directors' retirement allowances	34	183
Provision for directors' bonuses	297	106

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

Millions of yen

	December 31, 2013	December 31, 2014
	298	279

3. Losses on disposals of noncurrent assets

Millions of yen

	December 31, 2013	December 31, 2014
Buildings and structures	168	293
Machinery and equipment	57	15
Tools, furniture and fixtures	32	16
Land	-	12
Other	-	1
Total	258	339

4. Loss on store closing

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	Total
Impairment	199	403	602
Provision for loss on store closing (Penalty for cancellation of lease contracts)	5	144	150
Total	204	547	752

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, 2013 (January 1, 2013 to December 31, 2013)

Millions of yen

Intended use	Assets type	Region	Amount
Operating restaurant	Buildings and structures	KANTO	1,199
		CHUGOKU	16
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 billion 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.

Fiscal year ended December 31, 2014 (January 1, 2014 to December 31, 2014)

Millions of yen

Intended use	Assets type	Region	Amount
Operating restaurant	Buildings and structures	TOHOKU	131
		KANTO	5,118
		CHUBU	382
		KINKI	1,233
		CHUGOKU	365
		KYUSHU	368
Operating restaurant (strategic closure)	Buildings and structures	CHUBU	161

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 (7 billion 761 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	5,418
Machinery and equipment	854
Tools, furniture and fixtures	623
Land	137
Lease assets	627
Intangible assets	99
Total	7,761

The recoverable value of the group assets was calculated by utility value and it was calculated by discounting future cash flow at 4.5% rate.

6. Loss on sales of noncurrent assets

Millions of yen

	December 31, 2013	December 31, 2014
Land	133	96
Buildings and structures	85	3
Machinery and equipment	4	0
Tools, furniture and fixtures	0	-
Intangible assets	0	-
Total	223	99

7. Husi issue related expenses

Millions of yen

	December 31, 2014
Disposal of food products	1,968
Media expenses	273
Promotion cancellation	52
Total	2,294

(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, 2013	December 31, 2014
Cash and deposits	45,041	28,628
Securities	15,098	-
Cash and cash equivalents	60,139	28,628

2. Significant noncash transactions

(1) Finance lease transactions:

Millions of yen

	December 31, 2013	December 31, 2014
Asset and liability related to finance lease transactions	1,639	1,677

(2) Asset retirement obligations:

Millions of yen

	December 31, 2013	December 31, 2014
Asset retirement obligations	655	687

(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, 2014 (January 1, 2014 to December 31, 2014)

1.Information by Products and Service

Sales by company-operation 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 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, 2014 (January 1, 2014 to December 31, 2014)

1. Information by Products and Service
Sales by Company – operated restaurants was 159 billion 749 million yen, franchise revenue was 62 billion 505 million yen, and other sales was 65 million yen. Franchise revenue includes 131 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, 2013		December 31, 2014	
Shareholders' equity per share	1,291.53	Shareholders' equity per share	1,109.81
Net income per share	38.64	Net loss per share	(164.29)
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/(loss) per share is calculated based on the following information.

Millions of yen

	December 31, 2013	December 31, 2014
Net income/(loss)	5,138	(21,843)
Income not available to common shareholders	-	-
Income/(loss) available to common shareholders	5,138	(21,843)
Average number of common stock outstanding (thousands shares)	132,959	132,959

(Subsequent events)

Since the media reports in January, 2015, indicating foreign objects found in our restaurant food, our consolidated wholly-owned subsidiary, McDonald’s Japan, has been experiencing significant decrease in sales and increase in certain recovery costs. The impact caused by this matter is expected to be significant. However, it is difficult to reasonably estimate an amount of the impact to our financial position as well as our operational results.