(Translation)

Consolidated Financial Results for the Three Months Ended March 31, 2015

May 1, 2015

McDonald's Holdings Company (Japan), Ltd.

Company code number:	2702 (URL http://www.mcd-holdings.co.jp/)
Stock Market:	Tokyo Securities Exchange, JASDAQ
Representative:	Sarah L. Casanova CEO and President, Representative Director
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Schedule of dividends payment:	-
Schedule of quarterly securities report submission:	May 12, 2015

Preparation of supplementary materials for quarterly financial results: No
Quarterly results briefing: No

1. Consolidated operating results (From January 1, 2015 to March 31, 2015)

(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)		Net income/(loss)	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2015	40,874	(34.4)	(9,962)	—	(11,124)	—	(14,594)	—
March 31, 2014	62,325	(5.4)	2,402	(28.7)	2,189	(34.3)	1,263	(34.7)

(Note) Comprehensive income:
Three months ended March 31, 2015: (14,642) million yen (—%)
Three months ended March 31, 2014: 1,264 million yen (-34.8%)

	Net income/(loss) per share	Net income per share, Fully diluted
	(Yen)	(Yen)
March 31, 2015	(109.76)	—
March 31, 2014	9.50	—

(2) Consolidated financial position

(In millions of yen, with fractional amounts discarded)

	Total assets	Shareholders' equity	Owner's equity ratio
	(Millions of yen)	(Millions of yen)	%
As of March 31, 2015	185,076	129,055	69.6
As of December 31, 2014	188,048	147,740	78.5

(Note) Owner's equity: As of March 31, 2015: 128,872 million yen. As of December 31, 2014: 147,559 million yen

2. Dividends

	Dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
December 31, 2014	—	0.00	—	30.00	30.00
December 31, 2015	—	—	—	—	—
December 31, 2015 (Forecast)	—	—	—	—	—

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

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

	Net sales		Operating income/(loss)		Ordinary income/(loss)		Net income/(loss)		Net income/(loss) per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Yen)
Annual	200,000	(10.0)	(25,000)	−	(31,000)	−	(38,000)	−	(285.80)

(Note) Change to the earnings forecast from the most recently announced figures: None

4. Others

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

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

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

(3) Changes in accounting policies and accounting estimates

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

(4) Number of shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)
   As of March 31, 2015: 132,960,000 shares As of December 31, 2014: 132,960,000 shares
2. Number of treasury stock
   As of March 31, 2015: 869 shares As of December 31, 2014: 869 shares
3. Average number of common shares outstanding
   As of March 31, 2015: 132,959,786 shares As of March 31, 2014: 132,959,171 shares

(Indication of quarterly review procedure implementation status)
This quarterly earnings report is not subject to quarterly review procedures based upon the Financial Instruments and Exchange Act. At the time of disclosure of this report, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act, have not been completed.

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

The governing language of this quarterly earnings report is Japanese. An English translation hereof is provided for reference purpose only.

Contents

1. Qualitative information on financial results for the first quarter ended March 31, 2015

(1) Qualitative information on consolidated operating results

(Operating results)

During the first quarter, system-wide sales were 83,029 million yen (down 39,916 million yen from the same period last year) impacted by a continuously challenging business environment due in part to the prolonged impact of food-related issues. Consolidated sales were 40,874 million yen (down 21,451 million yen from the same period last year) and same-store sales fell 32.3% compared with the same quarter a year earlier. Ordinary loss was 11,124 million yen, reflecting the sales decline and non-recurring costs for investment associated with the business revitalization plan. Net loss was 14,594 million yen (down 15,857 million yen from the same period last year) including impairment charges of 3,516 million yen, which was recorded under special loss.

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

(*) Existing restaurant sales are the total sales of restaurants operating for 13 months or longer.

(Business strategies)

Product strategies

In the beginning of this first quarter, we added two new varieties, "Teriyaki Chicken Fillet-O" and "Double Teriyaki McBurger", to our popular Limited Time Offering "Teriyaki McBurger", using the same Teriyaki sauce. We also launched a new and limited-time side menu "Curly Potato Fries". Then, for the first time in McDonald's Japan's history, we launched Hawaiian menu, certified by the Hawaii Tourism Japan as tasting authentically Hawaiian, for our customers to enjoy McDonald's-style Hawaiian food, including "Hawaiian BBQ Pork", "Loco Moco Burger", "Hawaiian Pancakes with Mix Berries" and "Pineapple Pie". Furthermore, we introduced a locally relevant taste using local ingredients; as an addition to a regular limited-time-offer "Teritama", we introduced "Chicken Teritama with Setouchi Lemon Sauce", using the sauce includes lemon juice that is harvested 100% from Seto Inland Sea coast area. We also offered other limited-time offerings, such as "Shaka Shaka Potato with Sakura Norishio (Salt & Seaweed)", "Strawberry Pie" "Strawberry Pie a la mode" and "McShake Cherry." These products were well-received by customers.

Restaurant development strategies

We went through the optimization of our restaurant portfolio through remodeling and relocating existing restaurants as follows:

Classification	Previous year end	Newly opened	Closed	Classification change		Current reporting period
				Increase	Decrease	
Company - operated	1,009	0	(9)	12	(0)	1,002
Franchised	2,084	0	(10)	0	(12)	2,062
Total	3,093	0	(19)	12	(12)	3,074

(Future plan for recovery)

<u>Business Revitalization Plan</u>

We have developed a four-pillar business revitalization plan, aiming to regain confidence of customers and stakeholders, accelerate the business recovery, and lay foundation for future growth. Through the execution of this business recovery plan, we strive to bring visible points of change to our customers and become a “Modern Burger Restaurant that Connects with Customers”.

■ **More Customer Facing Actions:**

We are striving to offer a comfortable restaurant experience to our customers every day. In the late April, we upgraded our official App and released a mobile app, KODO, that will solicit customers’ opinions on a timely manner.

We also have a plan to introduce new set menu and a new product for Happy Meal.

■ **Acceleration of Restaurant Investment**

We will accelerate the remodeling of existing restaurants so that we can offer a comfortable dining environment for customers to enjoy their meals.

We are targeting to remodel approximately 2,000 restaurants in the coming four years. Presently, only 25% of our restaurants fit our vision of a Modern Burger Restaurant; we aim to have 95% of our restaurants upgraded to modern within four years.

This year, we also plan to remodel approximately 500 restaurants located in Food Court and Shopping Malls. In addition, we will strategically close 131 underperforming restaurants with little long-term growth potential this year, and will reallocate resources resulting from the strategic closures to invest in the remodels of restaurants with greater growth potential.

■ **Localized Business Model**

Broad-scale national strategies, programs and initiatives, such as national marketing, product development and operation system development, are defined as “Big M”, whereas the activities rooted in restaurants and/or local communities are defined as “Little M”. Going forward, we will strengthen “Little M” activities and operate our business in a manner more rooted in local communities and restaurants.

✧ **Regional Headquarter System (“HQ”)**

In order to get closer to customers and make decisions faster, we have decided to localize our business structure. We will reorganize McDonald’s Japan into three regions. Each region will have business functions such as Marketing, HR and Finance, and have full business execution responsibility for their region, which will enable each region to implement activities rooted in the local community and customers. Also, we will continue to strengthen My Store Marketing (MSM; store-based marketing activities) to meet the demands of the local communities and customers.

■ **Efficiency Improvement and Optimization of Cost Structure and Resource Allocation**

To concentrate our resources into investments for long-term growth, we will drastically transform our cost structure and efficiently allocate our resources.

✧ **Resource Optimization**

➢ Acceleration of Restaurant Investment

We are shifting our focus from new store openings to remodeling existing restaurants. Although we will open new restaurants in carefully-selected locations, our focus is rather on accelerating remodels of existing restaurants so that we can bring visible points of change and the best possible dining experience to as many customers as possible.

On the other hand, we will strategically close underperforming restaurants to secure investment funds. The strategic closures require a one-time charge of 4 billion yen (a part of this charge, 1.1billion yen was posted as impairment loss in special loss section for the first quarter) this year, but is expected to generate an annualized 2.4 billion yen profit recovery.

- Cost Structure Reform

  To maximize the effect of the regional HQ structure, we will review and reprioritize the HQ functions and operations, and will put the right people into the right jobs. This involves the offering of voluntary early retirement package to approximately 100 permanent positions in our Tokyo HQ and the field. This early retirement program requires a one-time charge of 0.8 billion yen this year, but is expected to generate an annualized SG&A savings of 0.5 billion yen in 2015 and 1 billion yen in 2016 and beyond.

  Also, we have identified approximately 12 billion yen in potential cost savings across Food & Paper, logistics, labor, and other indirect spends; we strive to continue our efforts in optimizing the cost.

- **Financial Support to Franchise Owners**

  We will continue to provide financial support to franchise owners this year to ensure to continually offer the best possible restaurant experience to our customers at all of our restaurants across Japan.

- **Borrowing Facilities**

  To secure capital required to execute our business revitalization plan, we borrowed 22 billion yen and increased borrowing facilities.

Meanwhile, in order to clearly show management's responsibility for the recent business performance, it has been decided to reduce remuneration of management for six months as follows: -20% for Representative Director & CEO, -15% for Representative Director and -10% for Board Members who are still with the company and were on the board in 2014.

(2) Qualitative Information on Consolidated Financial Position

At the end of the first quarter, current assets totaled 47,084 million yen, decreased 1,420 million yen from the end of the previous fiscal year. This is mainly due to decrease of trade receivables and other receivables.

Non-current assets totaled 137,992 million yen, a 1,551 million yen decrease from the end of the previous fiscal year. Tangible non-current assets decreased by 3,471 million yen reflecting impairment charges. Investment and other assets increased by 1,155 million yen, primarily because of financial support programs for franchise owners.

Current liabilities were 24,071 million yen, a 3,399 million yen decrease from the end of the previous fiscal year. This is mainly due to the decrease in payables resulted from the payments of royalties.

Non-current liabilities totaled 31,949 million yen, a 19,112 million yen increase from the end of the previous fiscal year, primarily due to the bank borrowing of 22,000 million yen.

(3) Qualitative Information regarding Consolidated Business Forecasts

No change has been made to the consolidated business forecasts for this fiscal year ending December 31, 2015, announced on April 16, 2015.

2. Others

(1) Changes in significant subsidiaries

None

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

Income taxes:

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

(3) Change in accounting policy change of estimation in accounting and modified restatement

（Change in accounting policy）

Effective from the three months ended March 31, 2015, the Company has applied the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter the “Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” ASBJ Guidance No. 25, May 17 2012; hereinafter the “Guidance”), whereby the method of calculating retirement benefit obligation and current service costs have been revised. Based on this revision, the method of attributing expected retirement benefits to periods has been changed from the straight-line basis to the benefit formula basis, while the method of determining discount rates has been changed from the method based on the average period until the expected timing of retirement benefits payment to the method using a single weighted average discount rate reflecting the period up to the expected timing of retirement benefits payment and the amount of retirement benefits payment for each period.

With respect to application of the Standard and the Guidance, the transitional treatment as prescribed in article 37 of the Standard was applied. As of the beginning of the three months ended March 31, 2015, the effect of the change in the method of calculating retirement benefit obligation and current service costs was reflected in retained earnings.

As a result of this change, as of the beginning of the three months ended March 31, 2015, net defined benefit asset decreased by 68 million yen, retained earnings decreased by 53 million yen, and net defined benefit liability increased by 17 million yen. The effect of this change on operating loss, ordinary loss, and loss before income taxes and minority interests for the three months ended March 31, 2015 is immaterial.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

Millions of yen	December 31, 2014	March 31, 2015
(Assets)		
Current assets		
Cash and deposits	28,628	30,554
Accounts receivable - trade	5,010	3,915
Raw materials and supplies	1,011	1,083
Deferred tax assets	23	23
Income taxes receivable	2,707	2,758
Other	11,257	9.396
Allowance for doubtful accounts	(134)	(646)
Total current assets	48,504	47,084
Noncurrent assets		
Property and equipment		
Buildings and structures, net	43,587	40,694
Machinery and equipment, net	4,350	3,844
Tools, furniture and fixtures, net	3,439	3,140
Land	17,442	17,620
Lease assets, net	3,865	3,411
Construction in progress	710	1,211
Total property and equipment	73,394	69,923
Intangible assets		
Goodwill	497	538
Software	3,070	3,793
Other	692	691
Total intangible assets	4,260	5,024
Investments and other assets		
Investment securities	56	56
Long-term loans receivable	9	9
Pension assets	6,078	5,873
Deferred tax assets	160	222
Lease and guarantee deposits	44,212	43,595
Other	12,129	14,907
Allowance for doubtful accounts	(757)	(1,619)
Total investments and other assets	61,889	63,044
Total noncurrent assets	139,544	137,992
Total assets	188,048	185,076

Millions of yen	December 31, 2014	March 31, 2015
(Liabilities)		
Current liabilities		
Accounts payable - trade	545	1,261
Lease obligations	1,548	1,539
Accounts payable - other	13,902	10,964
Short-term borrowings	-	2,500
Accrued expenses	4,857	4,387
Income taxes payable	505	195
Provision for bonuses	276	150
Provision for loss on store closing	20	3
Other	5,814	3,068
Total current liabilities	27,471	24,071
Noncurrent liabilities		
Long-term loans payable	500	20,000
Lease obligations	3,292	3,080
Deferred tax liabilities	994	918
Deferred tax liabilities due to land revaluation	390	353
Provision for bonuses	574	551
Provision for directors' bonuses	91	47
Provision for directors' retirement benefits	420	433
Liability for retirement benefits	1,696	1,725
Asset retirement obligations	4,565	4,526
Other	311	312
Total noncurrent liabilities	12,836	31,949
Total liabilities	40,307	56,021
(Net assets)		
Shareholders' equity		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	84,319	65,265
Treasury stock	(1)	(1)
Total shareholders' equity	150,555	131,502
Accumulated other comprehensive income		
Revaluation reserve for land	(4,667)	(4,213)
Remeasurements of defined benefit plans	1,671	1,583
Total accumulated other comprehensive income	(2,996)	(2,629)
Minority interests	181	182
Total net assets	147,740	129,055
Total liabilities and net assets	188,048	185,076

(2)Quarterly consolidated statements of operations and quarterly consolidated statements of comprehensive loss

Quarterly consolidated statements of operations for the three months ended March 31, 2014 and 2015

Millions of yen	Three months ended March 31, 2014	Three months ended March 31, 2015
Net sales	62,325	40,874
Cost of sales	53,513	44,581
Gross profit/(loss)	8,812	(3,707)
Selling, general and administrative expenses	6,409	6,254
Operating income/(loss)	2,402	(9,962)
Non-operating income		
Interest income	45	31
Compensation income	80	53
Insurance income	34	11
Reversal of allowance for doubtful accounts	2	-
Other	30	26
Total non-operating income	194	123
Non-operating expenses		
Interest expenses	24	24
Provision of allowance for doubtful accounts	-	639
Loss on disposals of company-operated restaurants	338	234
Loss on cancellation of leasehold contracts	-	16
Other	43	369
Total non-operating expenses	407	1,285
Ordinary income/(loss)	2,189	(11,124)
Special loss		
Loss on disposals of noncurrent assets	12	32
Loss on sales of noncurrent assets	-	3,516
Total special loss	12	3,549
Income/(loss) before income taxes	2,177	(14,674)
Income taxes	913	(81)
Income/(loss) before minority interests	1,264	(14,592)
Minority interests in income	1	1
Net income/(loss)	1,263	(14,594)

Quarterly consolidated statements of comprehensive loss

For the three months ended March 31, 2014 and 2015

Millions of yen	Three months ended March 31, 2014	Three months ended March 31, 2015
Income/(loss) before minority interests	1,264	14,592
Accumulated other comprehensive income/(loss)		
Revaluation reserve for land	-	37
Remeasurements of defined benefit plans	-	(87)
Total accumulated other comprehensive income/(loss)	-	(50)
Comprehensive income/(loss)	1,264	(14,642)
Comprehensive income/(loss) attributable to:		
Shareholders of McDonald's Holdings Company (Japan)	1,263	(14,644)
Minority interests	1	1

(2) Notes for assumption of going concern

None

(3) Notes for significant changes in the amount of shareholders' equity

None

(4) **Segment Information**

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