

Consolidated Financial Results for the Three Months Ended March 31, 2016

May 11, 2016

McDonald's Holdings Company (Japan), Ltd.

Company code number: 2702 (URL <http://www.mcd-holdings.co.jp/>)
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Schedule of dividends payment: -

Schedule of quarterly securities report submission: May 13, 2016

Preparation of supplementary materials for quarterly financial results: No

Quarterly results briefing: No

1. Consolidated operating results (From January 1, 2016 to March 31, 2016)

(1) Consolidated financial results

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

	Net sales		Operating income/(loss)		Ordinary loss		Loss attributable to owners of parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2016	52,199	27.7	151	—	(126)	—	(176)	—
March 31, 2015	40,874	(34.4)	(9,962)	—	(11,124)	—	(14,594)	—

(Note) Comprehensive loss:

Three months ended March 31, 2016: (213) million yen (—%)

Three months ended March 31, 2015: (14,642) million yen (—%)

	Net loss per share	Net loss per share, fully diluted
	(Yen)	(Yen)
March 31, 2016	(1.33)	—
March 31, 2015	(109.76)	—

(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, 2016	172,172	104,651	60.7
As of December 31, 2015	178,868	108,853	60.8

(Note) Owner's equity: As of March 31, 2016: 104,463 million yen. As of December 31, 2015: 108,666 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, 2015	—	0.00	—	30.00	30.00
December 31, 2016	—	—	—	—	—
December 31, 2016 (Forecast)	—	0.00	—	30.00	30.00

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

**3. Consolidated earnings forecasts for the year ending December 31, 2016
(From January 1, 2016 to December 31, 2016)**

	Net sales		Operating income/(loss)		Ordinary income/(loss)		Profit/(loss) attributable to owners of parent		Net income/(loss) per share
Interim period	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)		(Millions of yen)	%	Yen
Interim period	104,000	21.9	(1,800)	—	(2,500)	—	(1,800)	—	(13.54)
Annual	220,000	16.1	3,300	—	2,200	—	1,000	—	7.52

(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)

- Number of shares outstanding (including treasury stock)
As of March 31, 2016: 132,960,000 shares As of December 31, 2015: 132,960,000 shares
- Number of treasury stock
As of March 31, 2016: 869 shares As of December 31, 2015: 869 shares
- Average number of common shares outstanding
As of March 31, 2016: 132,959,131 shares As of March 31, 2015: 132,959,786 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.

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1. Qualitative Information on Financial Results for the First Quarter Ended March31, 2016

(1) Qualitative information on consolidated operating results

(Operating results)

During the first quarter, same-store sales were up for the second consecutive quarter with 26.9% growth. System-wide sales were 102,128 million yen (up 19,098 million yen compared to the same period last year) and consolidated-sales were 52,199 million yen (up 11,324 million yen compared to the same period last year). Ordinary loss for the quarter decreased by 10,997 million yen to a loss of 126 million yen, reflecting higher sales and restaurant profitability improvements. Loss attributable to owners of parent was 176 million yen (a 14,417 million yen decrease from the same period last year).

- (*) 1. Same-store sales are the total sales of restaurants operating for 13 months or longer.
- 2. System-wide sales are the combined net sales of company-operated and franchised restaurants; the amount does not equal to net sales presented in the quarterly consolidated statements of operations.
- 3. Operating results are not presented in relation to the segment information as the business of McDonald's Holding Company (Japan), Ltd. (the "Group" or "we") is based solely on operations of hamburger restaurants.

(Business strategies)

During the first quarter, we executed the following actions in accordance with the four-point business revitalization plan ("Customer Focused Initiatives", "Accelerate Restaurant Revitalization", "Localized Business Structure", and "Cost and Resource Efficiency Improvement"), implemented in April last year to accelerate business recovery and lay a foundation for mid to long-term growth.

<Customer focused initiatives>

- Expanded product lineup of "Otegoro Mac":

"Chicken Cheese Burger (Chiki Chee)" was launched as a new product in the menu lineup of "Otegoro Mac" which offers sandwiches for 200 yen, side menu items for 150 yen, and desserts and beverages for 100 yen. Also, "Cream Stew Pie (Stew Pie)" and "Shaka Chiki American BBQ" were launched as a limited-time addition to the side menu in January and March, respectively.

- New and exciting limited-time offerings:

In January, "McChoco Potato" was launched; we have received tremendous good responses from customers for its entirely new and surprising combination. In February, "Kitano Iitoko Gyutto Burger" was launched --- the first in asking the public to name the new menu. Customers enjoyed this and we received more than 5 million entries. And then in March, our popular seasonal offerings since its first launch in 1996, "Teritama" was introduced with "Camembert Cheese Teritama", a new addition to the series.

- New brand "By McSWEETS"

A new brand "By McSWEETS" was launched, showcasing the appeal of sweet dessert and beverage items as anytime snacks or treats for a wide age group of customers. The first product launched under this brand in February was "McShake Setouchi Honey Lemon" made with local Setouchi Lemon and Japanese produced honey, followed by the launch of new limited-time dessert offerings "Hokkaido Milk Pie" using local Hokkaido milk and "McFlurry Uji Maccha & Azuki" made with Hokkaido red beans and Uji green tea in March.

<Accelerate Restaurant Revitalization>

Aiming to deliver customer visible changes and offer the best possible restaurant experience to as many customers as possible, we are implementing the plan to modernize 90% of our restaurants by the end of 2018 and have narrowed our investment focus on remodels of existing restaurants. During

the first quarter, 72 remodels and 1 rebuild were completed, including the restaurants in a food court and a shopping mall. Dual Point Services (DPS) --- where the order and pick up areas are separated --- was introduced to 234 restaurants as of the end of the first quarter.

Classification	Previous year end	Newly opened	Closed	Classification change		Current reporting period
				Increase	Decrease	
Company-operated	954	1	(13)	4	0	946
Franchised	2,002	1	(21)	0	(4)	1,978
Total	2,956	2	(34)	4	(4)	2,924

(2) Qualitative information on consolidated financial position

At the end of the first quarter, current assets totaled 28,284 million yen, decreased 6,240 million yen from the end of the previous fiscal year. This was due mainly to a decrease of cash and deposits by 4,858 million yen and a 1,294 million yen decrease in other current assets.

Non-current assets totaled 143,888 million yen, a 455 million yen decrease from the end of the previous fiscal year. This was primarily due to a 1,813 million yen increase in property and equipment brought about by acquisitions of buildings and structures and a 2,105 million yen decrease in investment and other assets resulting from collections of lease and guarantee deposits and other factors.

Current liabilities were 27,955 million yen, a 13,529 million yen decrease from the end of the previous fiscal year. The decrease was primarily the results of a 5 billion yen decrease in short-term loans payable, a 6,932 million yen decrease in accounts payables-other, and a 651 million yen decrease in provisions for loss on store closing.

Non-current liabilities totaled 39,566 million yen, an 11,035 million yen increase from the end of the previous fiscal year; this was mainly due to an increase of long-term loans payable of 11,375 million yen.

(3) Qualitative information regarding consolidated earnings forecasts

No change has been made to the consolidated earnings forecasts for the year ending December 31, 2016, announced on February 9, 2016.

We are currently investigating the potential impact of Kumamoto Earthquake occurred in April, 2016 on our business; as far as we understand at this point, no significant impact is expected.

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) Changes in accounting policy, changes in accounting estimates, or restatements

(Change in accounting policy)

“Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013), and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued on September 13, 2013) have been applied from this first quarter; accordingly, the Group has made changes in the presentation of quarterly net loss and other relevant line items and has changed from presenting minority interests to non-controlling interests. To reflect these changes in presentation, the current and previous periods are presented using the new standards.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

Millions of yen	December 31, 2015	March 31, 2016
(Assets)		
Current assets		
Cash and deposits	20,388	15,529
Accounts receivable-trade	8,119	7,970
Raw materials and supplies	862	924
Deferred tax assets	478	478
Other	4,711	3,417
Allowance for doubtful accounts	(35)	(35)
Total current assets	34,524	28,284
Noncurrent assets		
Property and equipment		
Buildings and structures, net	45,481	47,019
Machinery and equipment, net	3,915	3,827
Tools, furniture and fixtures, net	2,334	2,392
Land	17,325	17,325
Lease assets, net	2,874	2,660
Construction in progress	479	998
Total property and equipment	72,410	74,224
Intangible assets		
Goodwill	1,195	1,154
Software	6,760	6,637
Other	693	694
Total intangible assets	8,650	8,486
Investments and other assets		
Investment securities	56	56
Long-term loans receivable	9	9
Long-term deferred accounts receivable	10,116	10,050
Pension assets	6,773	6,654
Deferred tax assets	224	194
Lease and guarantee deposits	41,457	39,533
Other	8,634	8,673
Allowance for doubtful accounts	(3,988)	(3,993)
Total investments and other assets	63,283	61,177
Total noncurrent assets	144,344	143,888
Total assets	178,868	172,172

Millions of yen	December 31, 2015	March 31, 2016
(Liabilities)		
Current liabilities		
Accounts payable-trade	303	617
Short-term loans payable	5,000	—
Current portion of long-term loans payable	2,500	2,500
Lease obligations	1,428	1,410
Accounts payable-other	20,843	13,911
Accrued expenses	4,502	4,209
Income taxes payable	11	35
Provision for bonuses	428	534
Provision for loss on store closing	1,681	1,030
Provision for loss on disposal of inventories	337	337
Asset retirement obligations	453	123
Other	3,993	3,243
Total current liabilities	41,485	27,955
Noncurrent liabilities		
Long-term loans payable	18,125	29,500
Lease obligations	2,428	2,136
Deferred tax liabilities	1,351	1,278
Deferred tax liabilities due to land revaluation	311	291
Provision for bonuses	293	328
Provision for directors' bonuses	30	34
Provision for directors' retirement benefits	54	60
Liabilities for retirement benefits	1,474	1,479
Asset retirement obligations	4,149	4,143
Other	312	312
Total noncurrent liabilities	28,530	39,566
Total liabilities	70,015	67,521
(Net assets)		
Shareholders' equity		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	44,955	40,790
Treasury stock	(1)	(1)
Total shareholders' equity	111,191	107,026
Accumulated other comprehensive loss		
Revaluation reserve for land	(4,261)	(4,242)
Remeasurements of defined benefit plans	1,736	1,678
Total accumulated other comprehensive loss	(2,525)	(2,563)
Non-controlling interests		
Total net assets	108,853	104,651
Total liabilities and net assets	178,868	172,172

(2) Quarterly consolidated statements of operations and comprehensive loss

Quarterly consolidated statements of operations for the three months ended March 31, 2015 and 2016

Millions of yen	Three months ended March 31, 2015	Three months ended March 31, 2016
Net sales	40,874	52,199
Cost of sales	44,581	46,537
Gross profit/(loss)	(3,707)	5,661
Selling, general and administrative expenses	6,254	5,509
Operating income/(loss)	(9,962)	151
Non-operating income		
Interest income	31	24
Compensation income	53	2
Insurance income	11	9
Other	26	110
Total non-operating income	123	146
Non-operating expenses		
Interest expenses	24	65
Provision of allowance for doubtful accounts	639	59
Loss on disposals of company-operated restaurants	234	175
Loss on cancellation of leasehold contracts	16	11
Other	369	114
Total non-operating expenses	1,285	425
Ordinary loss	(11,124)	(126)
Special loss		
Loss on sales of noncurrent assets	—	10
Loss on disposals of noncurrent assets	32	39
Impairment loss	3,516	—
Total special loss	3,549	50
Loss before income taxes	(14,674)	(177)
Income taxes	(81)	(2)
Net loss	(14,592)	(175)
Profit attributable to non-controlling interests	1	1
Loss attributable to owners of parent	(14,594)	(176)

Quarterly consolidated statements of comprehensive loss

For the three months ended March 31, 2015 and 2016

Millions of yen	Three months ended March 31, 2015	Three months ended March 31, 2016
Net loss	(14,592)	(175)
Accumulated other comprehensive loss		
Revaluation reserve for land	37	19
Remeasurements of defined benefit plans	(87)	(57)
Total accumulated other comprehensive loss	(50)	(38)
Comprehensive loss	(14,642)	(213)
Comprehensive income/(loss) attributable to:		
Owners of parent	(14,644)	(214)
Non-controlling interests	1	1

(3) Notes to consolidated financial statements

(Notes for assumption of going concern)

None

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

None

(Segment information)

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