BRINKER INTERNATIONAL INC
Form 10-Q
January 31, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 26, 2007

Commission File Number 1-10275

BRINKER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**75-1914582**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6820 LBJ FREEWAY, DALLAS, TEXAS 75240
(Address of principal executive offices)
(Zip Code)

(972) 980-9917

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date.

Class	**Outstanding at January 29, 2008**
Common Stock, $0.10 par value	101,187,116 shares

BRINKER INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

BRINKER INTERNATIONAL, INC.

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	December 26, 2007 (Unaudited)	June 27, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 82,175	$ 84,823
Accounts receivable	90,490	49,851
Inventories	28,941	29,189
Prepaid expenses and other	66,698	70,515
Deferred income taxes	23,977	16,100
Assets held for sale	303,054	417,842
Total current assets	595,335	668,320
Property and Equipment at Cost:		
Land	202,182	193,600
Buildings and leasehold improvements	1,488,326	1,395,299
Furniture and equipment	639,254	612,610
Construction-in-progress	75,631	94,636
	2,405,393	2,296,145
Less accumulated depreciation and amortization	(883,031)	(826,559)
Net property and equipment	1,522,362	1,469,586
Other Assets:		
Goodwill	139,064	138,876
Deferred income taxes	16,766	4,778
Other	44,115	36,461
Total other assets	199,945	180,115
Total assets	$ 2,317,642	$ 2,318,021
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Current installments of long-term debt	$ 1,865	$ 1,761
Accounts payable	174,909	167,789
Accrued liabilities	391,596	330,031
Income taxes payable	33,956	21,555
Liabilities associated with assets held for sale	19,354	21,046
Total current liabilities	621,680	542,182
Long-term debt, less current installments	884,414	826,918
Other liabilities	166,659	143,832
Commitments and Contingencies (Note 9)		

Shareholders Equity:				
Common stock 250,000,000 authorized shares; $0.10 par value; 176,246,649 shares issued and 101,166,942 shares outstanding at December 26, 2007, and 176,246,666 shares issued and 110,127,072 shares outstanding at June 27, 2007		17,625		17,625
Additional paid-in capital		455,035		450,665
Accumulated other comprehensive loss		(100)		(37)
Retained earnings		1,863,194		1,791,311
		2,335,754		2,259,564
Less Treasury stock, at cost (75,079,707 shares at December 26, 2007 and 66,119,594 shares at June 27, 2007)		(1,690,865)		(1,454,475)
Total shareholders equity		644,889		805,089
Total liabilities and shareholders equity	$	2,317,642	$	2,318,021

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

Consolidated Statements of Income

(In thousands, except per share amounts)

(Unaudited)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 26, 2007	December 27, 2006	December 26, 2007	December 27, 2006
Revenues	$ 868,206	$ 899,571	$ 1,763,292	$ 1,768,854
Operating Costs and Expenses:				
Cost of sales	245,283	251,901	490,901	490,316
Restaurant expenses	486,871	493,132	989,024	974,134
Depreciation and amortization	39,089	40,825	77,624	81,055
General and administrative	39,620	44,973	80,558	93,113
Other gains and charges	(21,948)	2,031	(21,436)	(1,210)
Total operating costs and expenses	788,915	832,862	1,616,671	1,637,408
Operating income	79,291	66,709	146,621	131,446
Interest expense	12,476	6,614	25,391	12,851
Other, net	(845)	(795)	(2,102)	(1,632)
Income before provision for income taxes	67,660	60,890	123,332	120,227
Provision for income taxes	21,434	19,900	38,570	39,165
Income from continuing operations	46,226	40,990	84,762	81,062
Income from discontinued operations, net of taxes	8,254	3,202	7,318	10,769
Net income	$ 54,480	$ 44,192	$ 92,080	$ 91,831
Basic net income per share:				
Income from continuing operations	$ 0.45	$ 0.33	$ 0.81	$ 0.65
Income from discontinued operations	$ 0.08	$ 0.03	$ 0.07	$ 0.09
Net income per share	$ 0.53	$ 0.36	$ 0.88	$ 0.74
Diluted net income per share:				
Income from continuing operations	$ 0.44	$ 0.32	$ 0.79	$ 0.64
Income from discontinued operations	$ 0.08	$ 0.03	$ 0.07	$ 0.09
Net income per share	$ 0.52	$ 0.35	$ 0.86	$ 0.73
Basic weighted average shares outstanding	103,498	123,451	104,981	123,835
Diluted weighted average shares outstanding	105,339	126,641	107,247	126,339
Cash dividends per share	$ 0.11	$ 0.09	$ 0.20	$ 0.16

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Twenty-Six Week Periods Ended_	
	December 26, 2007	**December 27, 2006**
Cash Flows from Operating Activities:		
Net income	$ 92,080	$ 91,831
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	77,624	81,055
Restructure charges and other impairments	7,798	2,031
Gain on sale of assets	(29,234)	(696)
Stock-based compensation	7,415	17,380
Deferred income taxes	(14,052)	(24,462)
Income from discontinued operations, net of taxes	(7,318)	(10,769)
Changes in assets and liabilities, excluding effects of dispositions:		
Accounts receivable	(39,709)	(24,102)
Inventories	52	2,983
Prepaid expenses and other	5,169	5,794
Other assets	(855)	(4,218)
Accounts payable	24,676	(9,902)
Accrued liabilities	57,123	68,917
Income taxes payable	30,113	47,331
Other liabilities	3,470	13,423
Net cash provided by operating activities of continuing operations	214,352	256,596
Cash Flows from Investing Activities:		
Payments for property and equipment	(149,361)	(185,811)
Proceeds from sale of assets	121,917	23,574
Investment in equity method investee	(6,425)	
Net cash used in investing activities of continuing operations	(33,869)	(162,237)
Cash Flows from Financing Activities:		
Net proceeds from issuance of debt	399,287	
Net payments on credit facilities	(341,686)	(12,051)
Payments on long-term debt	(531)	(794)
Purchases of treasury stock	(240,744)	(119,239)
Proceeds from issuances of treasury stock	2,469	38,502
Payments of dividends	(20,637)	(19,425)
Excess tax benefits from stock-based compensation	259	1,954
Net cash used in financing activities of continuing operations	(201,583)	(111,053)
Cash Flows from Discontinued Operations:		
Net cash provided by operating activities of discontinued operations	26,714	36,663
Net cash used in investing activities of discontinued operations	(8,262)	(8,952)
Net cash provided by discontinued operations	18,452	27,711
Net change in cash and cash equivalents	(2,648)	11,017

Cash and cash equivalents at beginning of period		84,823		55,016
Cash and cash equivalents at end of period	$	82,175	$	66,033

See accompanying notes to consolidated financial statements.

BRINKER INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

(Unaudited)

1. BASIS OF PRESENTATION

References to Brinker, the Company, we, us, and our in this Form 10-Q are references to Brinker International, Inc. and its subsidiaries any predecessor companies of Brinker International, Inc.

Our consolidated financial statements as of December 26, 2007 and June 27, 2007 and for the thirteen week and twenty-six week periods ended December 26, 2007 and December 27, 2006 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). We own, operate, or franchise various restaurant brands under the names of Chili s Grill & Bar (Chili s), Romano s Macaroni Grill (Macaroni Grill), On The Border Mexican Grill & Cantina (On The Border), and Maggiano s Little Italy (Maggiano s). Beginnin in the first quarter of fiscal 2008, Macaroni Grill has been presented as discontinued operations in the consolidated financial statements. See Note 5 for additional disclosures.

The information furnished herein reflects all adjustments (consisting only of normal recurring accruals and adjustments) which are, in our opinion, necessary to fairly state the interim operating results for the respective periods. However, these operating results are not necessarily indicative of the results expected for the full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to SEC rules and regulations. The notes to the consolidated financial statements (unaudited) should be read in conjunction with the notes to the consolidated financial statements contained in the June 27, 2007 Form 10-K. We believe the disclosures are sufficient for interim financial reporting purposes.

Certain prior year amounts in the accompanying consolidated financial statements have been reclassified to conform to fiscal 2008 presentation. These reclassifications have no effect on our net income or financial position as previously reported.

2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted net income per share, the basic weighted average number of shares is increased by the dilutive effect of stock options and restricted share awards determined using the treasury stock method. We had approximately 2.3 million stock options and restricted share awards outstanding at December 26, 2007 and 1.1 million stock options and restricted share awards outstanding at December 27, 2006 that were not included in the dilutive earnings per share calculation because the effect would have been antidilutive.

3. OTHER GAINS AND CHARGES

In May 2007, we entered into an agreement with ERJ Dining IV, LLC to sell 76 company-owned Chili s restaurants for approximately $122 million. The assets and liabilities associated with these restaurants were classified as held for sale in the consolidated balance sheet for the fiscal year ended June 27, 2007. The sale was completed in November 2007 and we recorded a gain of $29.2 million in other gains and charges in the consolidated statements of income. The net assets sold totaled approximately $88.2 million and consisted primarily of property and equipment of $86.4 million.

In the second quarter of fiscal 2008, we recorded $7.3 million in charges primarily related to long-lived asset impairments. The charges include a $5.5 million impairment related to two restaurants which were impaired based on an analysis of projected operating performance and operating cash flows. Also included is a $1.0 million charge related to the decrease in estimated sales value of land associated with previously closed restaurants and $646,000 related to restaurants closed in the second quarter of fiscal 2008.

In the first quarter of fiscal 2008, we recorded a $512,000 charge for asset impairments related to the relocation of a restaurant and the decrease in estimated sales value of land associated with a previously closed restaurant.

In the second quarter of fiscal 2007, we made the decision to close restaurants based on a comprehensive analysis that examined restaurants not meeting minimum return on investment thresholds and certain other operating performance criteria. As a result of this analysis, we recorded charges of $2.0 million in continuing operations and $8.6 million in discontinued operations for long-lived asset impairments.

In the first quarter of fiscal 2007, we recorded a $3.2 million gain related to the termination of interest rate swaps on an operating lease commitment.

5. DISPOSITION OF MACARONI GRILL

We have committed to a plan to sell Macaroni Grill and expect that the sale will be completed in late fiscal 2008 or early fiscal 2009. The decision to sell the brand was the result of our focus on achieving return on investment and growth targets. As of December 26, 2007, the net assets to be sold totaled approximately $283.7 million and consisted primarily of property and equipment of $279.8 million. We are currently in negotiations for the sale of the brand and believe the fair value less costs to sell of the disposal group exceeds the carrying value at December 26, 2007 based on the best information available. However, due to uncertainty in the credit markets and other factors outside of our control, management cannot be certain that an impairment will not be necessary until the transaction is completed.

Macaroni Grill has been presented as discontinued operations in the consolidated financial statements. Discontinued operations includes only the revenues and expenses which can be specifically identified with Macaroni Grill and excludes any allocation of corporate costs, including general and administrative expenses, or rental charges on company-owned properties. The results of Macaroni Grill consist of the following (in thousands):

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 26, 2007	**December 27, 2006**	**December 26, 2007**	**December 27, 2006**
Revenues	$ 161,579	$ 171,016	$ 321,179	$ 341,668
Other gains and charges (1)	$ 5,605	$ 8,599	$ 13,684	$ 8,599
Income before taxes from discontinued operations	10,446	3,467	7,637	14,083
Income tax expense	2,192	265	319	3,314
Net income from discontinued operations	$ 8,254	$ 3,202	$ 7,318	$ 10,769

(1) Other gains and charges includes a $3.2 million asset impairment charge associated with restaurant closures and $1.9 million in incremental charges related to the planned sale of Macaroni Grill recorded in the second quarter of fiscal 2008. During the first quarter of fiscal 2008, we recorded $9.2 million of impairment charges to adjust the value of the related restaurants carrying value to fair value less the expected cost to sell to a franchisee. This transaction will not be completed; however, these assets are still held for sale as part of the expected disposition of the Macaroni Grill brand. Other gains and charges in fiscal 2007 includes an $8.6 million charge for asset impairments associated with restaurant closures.

6. TAXES

Effective June 28, 2007, we adopted the provisions of the Financial Accounting Standards Board s (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). As a result of the adoption we recognized an $847,000 decrease in the liability for unrecognized tax benefits, net of the federal deferred tax benefit, with a corresponding increase to retained earnings.

We file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. We are no longer subject to U.S. federal examinations by tax authorities for fiscal years before 2006. We are audited by the taxing authorities of most states and certain foreign countries and are subject to examination by these taxing jurisdictions for fiscal years generally after 2003.

The total amount of unrecognized tax benefits as of June 28, 2007 was $23.2 million ($17.4 million of which would favorably affect the effective tax rate if resolved in our favor due to the effect of deferred tax benefits). Over the next twelve months, we anticipate that it is reasonably possible that the amount of unrecognized tax benefits could be reduced by approximately $786,000 ($604,000 of which would affect the effective tax rate due to the effect of deferred tax benefits) either because our tax position will be sustained upon audit or as a result of the expiration of the statute of limitations for specific jurisdictions.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. We had $4.3 million ($3.3 million net of a $1.0 million federal deferred tax benefit) of interest and penalties accrued at June 28, 2007.

7. SHAREHOLDERS EQUITY

The Board of Directors has authorized a total of $2,060.0 million of share repurchases. Pursuant to our stock repurchase plan, we repurchased approximately 9.1 million shares of our common stock for approximately $240 million during the first two quarters of fiscal 2008. As of December 26, 2007, approximately $60 million was available under our share repurchase authorizations. The repurchased common stock is reflected as a reduction of shareholders equity. Our stock repurchase plan has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. In the future, we may consider additional share repurchases based on several factors, including our cash position, share price, operational liquidity, and planned investment and financing needs. In November 2007, we announced the declaration of a dividend to common stock shareholders in the amount of $0.11 per share. Dividends of $11.1 million were paid in December 2007 and we have paid approximately $20.6 million in dividends year-to-date.

8. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes and interest for the first two quarters of fiscal 2008 and 2007 are as follows (in thousands):

	December 26, 2007	December 27, 2006

Income taxes, net of refunds	$	20,079	$	17,657
Interest, net of amounts capitalized		28,043		12,505

Non-cash investing and financing activities for the first two quarters of fiscal 2008 and 2007 are as follows (in thousands):

		December 26, 2007		December 27, 2006
Retirement of fully depreciated assets	$	15,920	$	23,244

9. CONTINGENCIES

As of December 26, 2007, we guarantee lease payments totaling $166.3 million as a result of the sale of certain brands and the sale of restaurants to franchisees. This amount represents the maximum potential liability of future payments under the guarantees. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from fiscal 2008 through fiscal 2023. We remain secondarily liable for the leases. In the event of default, the terms and conditions in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 26, 2007.

Certain current and former hourly restaurant employees filed a lawsuit against us in California Superior Court alleging violations of California labor laws with respect to meal and rest breaks. The lawsuit seeks penalties and attorney s fees and was certified as a class action in July 2006. In October 2007, the California Court of Appeal decertified the class action on all claims, but has been asked to reconsider that decision. We intend to vigorously defend our position. It is not possible at this time to reasonably estimate the possible loss or range of loss, if any.

We are engaged in various legal proceedings and have certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, based upon consultation with legal counsel, we are of the opinion that there are no matters pending or threatened which are expected to have a material adverse effect, individually or in the aggregate, on our consolidated financial condition or results of operations.

10. SUBSEQUENT EVENT

In January 2008, we made the decision to close 25 under performing restaurants based on a comprehensive analysis that examined restaurants not meeting minimum return on investment thresholds and certain other operating performance criteria. Based on our preliminary analysis, we expect to record a charge related to these planned closures in the third quarter of fiscal 2008 of approximately $7.0 to $9.0 million in continuing operations and approximately $4.0 to $6.0 million in discontinued operations, consisting primarily of long-lived asset impairments.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth selected operating data as a percentage of total revenues from continuing operations for the periods indicated. All information is derived from the accompanying consolidated statements of income.

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	December 26, 2007	December 27, 2006	December 26, 2007	December 27, 2006
Revenues	100.0%	100.0%	100.0%	100.0%
Operating Costs and Expenses:				
Cost of sales	28.2%	28.0%	27.8%	27.7%
Restaurant expenses	56.1%	54.8%	56.1%	55.1%
Depreciation and amortization	4.5%	4.6%	4.4%	4.6%
General and administrative	4.6%	5.0%	4.6%	5.3%
Other gains and charges	(2.5)%	0.2%	(1.2)%	(0.1)%
Total operating costs and expenses	90.9%	92.6%	91.7%	92.6%
Operating income	9.1%	7.4%	8.3%	7.4%
Interest expense	1.4%	0.7%	1.4%	0.7%
Other, net	(0.1)%	(0.1)%	(0.1)%	(0.1)%
Income before provision for income taxes	7.8%	6.8%	7.0%	6.8%
Provision for income taxes	2.5%	2.2%	2.2%	2.2%
Income from continuing operations	5.3%	4.6%	4.8%	4.6%
Income from discontinued operations, net of taxes	1.0%	0.3%	0.4%	0.6%
Net income	6.3%	4.9%	5.2%	5.2%

The following table details the number of restaurant openings during the second quarter, year-to-date, total restaurants open at the end of the second quarter, and total projected openings in fiscal 2008.

	Second Quarter Openings		Year-to-Date Openings		Total Open at End Of Second Quarter		Projected Openings
	Fiscal 2008	Fiscal 2007	Fiscal 2008	Fiscal 2007	Fiscal 2008	Fiscal 2007	Fiscal 2008
Chili s:							
Company-owned	14	28	28	56	865	944	64-67
Domestic Franchised	11	4	16	8	395	202	28-33
Total	25	32	44	64	1,260	1,146	92-100
Macaroni Grill:							
Company-owned	3	1	3	3	216	224	3
Domestic Franchised	4	2	4	2	17	13	7-9
Total	7	3	7	5	233	237	10-12
On The Border:							
Company-owned	3	3	5	5	137	128	6-8
Domestic Franchised	1		3	2	29	23	6-8
Total	4	3	8	7	166	151	12-16
Maggiano s	0	1	0	2	41	39	1
International: (a)							
Company-owned	1		1		6	5	0-3
Franchised	16	11	20	15	166	134	37-45
Total	17	11	21	15	172	139	37-48
Grand Total	53	50	80	93	1,872	1,712	152-177

(a) At the end of the second quarter of fiscal year 2008, international company-owned restaurants by brand included five Chili s and one Macaroni Grill. International franchise restaurants by brand included 154 Chili s, 11 Macaroni Grill s and one On the Border.

At December 26, 2007, we owned the land and buildings for 231 of the 1,048 company-owned restaurants (excluding Macaroni Grill). The net book values of the land and buildings associated with these restaurants totaled $184.3 million and $195.4 million, respectively.

GENERAL

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand Brinker International, our operations, and our current operating environment. For an understanding of the significant factors that influenced our performance during the quarters ended December 26, 2007 and December 27, 2006, the MD&A should be read in conjunction with the consolidated financial statements and related notes included in this quarterly report. The results of operations discussed in MD&A exclude discontinued operations, except where otherwise noted.

OVERVIEW

At December 26, 2007, we owned, operated, or franchised 1,872 restaurants through our four brands: Chili s, Macaroni Grill, On The Border, and Maggiano s. The casual dining industry continues to face a challenging operating environment due to various factors such as the continually expanding array of food options in the marketplace. Consumers have also limited their discretionary spending in response to economic uncertainties and price increases for essential goods and services. In addition, commodity and labor costs have continued to increase, all of which negatively impacted our results during the second quarter of fiscal 2008. While our results for the second quarter fell short of expectations, we are fully committed to aggressively pursuing all avenues to enhance shareholder return from both an operational and financial perspective. We have continued to drive shareholder value by executing several operational and financial strategies over the last eighteen months including selling company-owned restaurants to strong franchisees, closing underperforming locations, divesting of brands, returning capital directly to our shareholders through aggressive share repurchases, growth of our dividend program, reimaging Chili s restaurants and growing our international presence. The achievement of these strategies can be seen in the following highlights from the second quarter of fiscal 2008:

- Sold 76 Chili s restaurants to ERJ Dining IV, LLC;
- Increased royalty revenues from franchisees by 57.4 percent;
- Built 18 new company-owned restaurants and saw franchisees build 27 new restaurants;
- Entered into an agreement with CMR, S.A.B. de C.V. for the joint investment in a new corporation to develop 50 Chili s Grill & Bar and Maggiano s Little Italy restaurants in Mexico, 6 of which have recently opened;
- Increased quarterly dividend by 22 percent to $0.11 per share; and
- Repurchased 4.1 million common shares.

In addition, we have been very focused on managing operating expenses, including general and administrative expenses, which allows us to deliver the best possible value to our guests. We believe the financial discipline demonstrated during these difficult times gives us the flexibility to make the necessary long-term changes to evolve the business. Our ultimate goal is to build a business model that will enable us to be successful in all macro-economic environments. We believe the key to reaching this goal resides within our existing restaurants, which will be our focus in the coming months. Growing profitable ongoing comparable restaurant sales is a critical component of building this business model, the basis of which will be grounded in our five areas of key focus hospitality; food and beverage excellence; atmosphere; pace and convenience of the dining experience; and international expansion.

In the near-term, we are significantly reducing our domestic development and shifting a greater proportion of new restaurant development to our expanding franchise network in the United States and internationally. With our focus on existing company-owned restaurants, we will restrict development to a limited number of restaurants in selected high-potential markets. The restaurant site selection process is critical to our long-term success, and we devote significant effort to the investigation of new locations utilizing a variety of sophisticated analytical techniques. Multiple factors are considered when locating satisfactory sites including lease or purchase terms, construction and equipment costs, our ability to secure appropriate local governmental permits and approvals, and our capacity to supervise construction and recruit and train management personnel. We intend to concentrate on the development of certain identified markets to achieve penetration levels deemed desirable in order to improve competitive position, marketing potential and profitability. Expansion efforts by us and our franchisees will be focused not only on major metropolitan areas, but also on smaller market areas and non-traditional locations (such as airports and food courts) that can adequately support any of our restaurant brands.

In addition, we intend to pursue domestic and international franchise expansion to achieve our goal of increasing franchise ownership of our brands to at least 35% by the end of fiscal year 2008 through an active program of franchising company-owned Chili s, On The Border and Maggiano s restaurants and development commitments from franchisees. Future franchise development agreements are expected to remain limited to enterprises having significant restaurant or enterprise management experience and proven financial ability to develop multi-unit operations.

As evidenced during fiscal 2008, the restaurant industry is a highly competitive business, which is sensitive to changes in economic conditions, trends in lifestyles and fluctuating costs. Operating margins for restaurants are susceptible to fluctuations in prices of commodities, which include among other things, beef, pork, chicken, seafood, dairy, cheese, produce, energy, wage rates and other necessities to operate a restaurant. Additionally, the restaurant industry is characterized by a high initial capital investment, coupled with high labor costs. Despite these risks, we remain confident in the long-term prospects of the industry and in our ability to perform effectively in an extremely competitive marketplace.

REVENUES

Revenues for the second quarter of fiscal 2008 were $868.2 million, a 3.5% decrease from the $899.6 million generated for the same quarter of fiscal 2007. Revenues for the twenty-six week period ended December 26, 2007 were $1,763.3 million, a 0.3% decrease from the $1,768.9 million generated for the same period in fiscal 2007. The decrease in revenue was primarily attributable to declines in comparable restaurant sales and capacity at company-owned restaurants.

	Thirteen Week Period Ended December 26, 2007			
	Comparable Sales	**Price Increase**	**Mix Shift**	**Capacity**
Brinker International (1)	(2.1)%	2.8%	0.3%	(2.9)%
Chili s	(2.4)%	2.8%	0.9%	(4.6)%
On The Border	(4.3)%	2.2%	0.1%	6.8%
Maggiano s	1.7%	3.1%	(2.7)%	6.6%

	Thirteen Week Period Ended December 27, 2006			
	Comparable Sales	Price Increase	Mix Shift	Capacity
Brinker International (1)	(1.4)%	2.0%	0.3%	9.4%
Chili s	(1.2)%	2.0%	(0.1)%	10.0%
On The Border	(3.6)%	1.8%	3.3%	6.0%
Maggiano s	(1.3)%	1.8%	(0.1)%	5.7%

	Twenty-Six Week Period Ended December 26, 2007			
	Comparable Sales	Price Increase	Mix Shift	Capacity
Brinker International (1)	(1.2)%	2.4%	0.4%	(0.2)%
Chili s	(1.0)%	2.5%	1.1%	(1.5)%
On The Border	(4.8)%	1.7%	(0.4)%	7.3%
Maggiano s	1.2%	2.6%	(2.3)%	8.1%

	Twenty-Six Week Period Ended December 27, 2006			
	Comparable Sales	Price Increase	Mix Shift	Capacity
Brinker International (1)	(1.8)%	2.5%	0.4%	9.7%
Chili s	(1.7)%	2.6%	%	10.4%
On The Border	(2.9)%	2.1%	3.4%	5.2%
Maggiano s	(1.3)%	2.2%	(0.2)%	8.8%

(1) Brinker International excludes Macaroni Grill.

Our capacity decreased 2.9% for the second quarter and 0.2% for the year-to-date period (as measured by average-weighted sales weeks) compared to the respective prior year periods. The reduction in capacity is primarily due to the sale of 173 company-owned restaurants to franchisees since the second quarter of fiscal 2007 and other restaurant closures. The decline in capacity was partially offset by the development of new company-owned restaurants. Including the impact of restaurant sales to franchisees, we experienced a net decrease of 67 company-owned restaurants since December 27, 2006. Comparable restaurant sales for the second quarter of fiscal 2008 decreased 2.1% compared to the same quarter of prior year primarily due to declines in guest traffic at Chili s and On the Border partially offset by price increases at all brands. Royalty revenues from franchisees increased 57.4% to $13.7 million in the second quarter of fiscal 2008 compared to $8.7 million in the prior year. For the year-to-date period, royalty revenues from franchisees increased 50.6% to $25.9 million compared to $17.2 million in fiscal 2007. The increases are primarily due to the net addition of 229 franchise restaurants since December 27, 2006. In addition, the company recognized franchise and development fee revenue of $6.3 million for the second quarter of fiscal 2008 and $7.7 million for the year-to-date as compared to $615,000 and $2.8 million in the respective prior year periods.

COSTS AND EXPENSES

Cost of sales, as a percent of revenues increased to 28.2% for the second quarter from 28.0% in the prior year. Cost of sales, as a percent of revenues increased to 27.8% for the year-to-date period from 27.7% in the prior year. Cost of sales was negatively impacted in the current year by unfavorable commodity prices, primarily beef, ribs, and cheese. Cost of sales was also affected by unfavorable product mix shifts related to new menu items, offset by favorable menu price changes and increased revenues from franchisees.

Restaurant expenses, as a percent of revenues, increased to 56.1% for the second quarter and year-to-date period of fiscal 2008 as compared to 54.8% and 55.1% in the same periods of the prior year. The increase was driven by increased labor costs caused by increases in state minimum wage rates and increased restaurant supply costs, partially offset by increased revenues from franchisees and lower pre-opening and stock-based compensation expenses. The increase in state minimum wages began impacting restaurant expense in January 2007; therefore, we expect that labor costs will be more comparable beginning with the third quarter of fiscal 2008. We anticipate that state and federal minimum wage increases planned for calendar 2008 will have less of an impact on our labor costs in future quarters.

Depreciation and amortization decreased $1.7 million for the second quarter and $3.4 million for the year-to-date period in fiscal 2008 compared to the same periods of the prior year primarily driven by the sale of 95 company-owned Chili s restaurants to Pepper Dining, Inc. in the fourth quarter of fiscal 2007 and the sale of 76 company-owned Chili s restaurants to ERJ Dining IV, LLC in the second quarter of fiscal 2008. An increase in fully depreciated assets and restaurant closures also contributed to the decrease. These decreases were partially offset by an increase in depreciation due to the addition of new restaurants and remodel investments.

General and administrative expenses decreased $5.4 million, or 11.9%, for the second quarter of fiscal 2008 as compared to the same period of fiscal 2007. General and administrative expenses decreased $12.6 million, or 13.5%, for the year-to-date period of fiscal 2008 as compared to the same period of fiscal 2007. The decrease in fiscal 2007 was primarily due to lower performance and stock-based compensation expenses.

Other gains and charges consist of net gains of $21.9 and $21.4 million for the second quarter and year-to-date periods of fiscal 2008 respectively compared to a $2.0 million net charge for the second quarter and a $1.2 million net gain for the year-to-date period in fiscal 2007. The increase in fiscal 2008 was primarily related to the $29.2 million gain recorded in the second quarter related to the sale of 76 Chili s restaurants to ERJ Dining IV, LLC, partially offset by $7.3 million in charges primarily related to long-lived asset impairments.

Interest expense was $12.5 million for the second quarter and $25.4 million for the year-to-date period of fiscal 2008 compared to $6.6 million for the second quarter and $12.9 million for the year-to-date period of prior year. The increase in interest expense in fiscal 2008 is primarily due to additional debt outstanding of $400 million borrowed under a three-year term loan used to fund share repurchases in fiscal 2007 and general corporate purposes.

INCOME TAXES

The effective income tax rate for continuing operations decreased to 31.7% for the second quarter of fiscal 2008 from 32.7% in the prior year and to 31.3% for year-to-date fiscal 2008 as compared to 32.6% for the same period of fiscal 2007. The decrease in the tax rate was primarily due to an increase in federal tax credits, leverage from FICA tip credits and a decrease in stock-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity is cash flows generated from our restaurant operations. We expect our ability to generate strong cash flows from operations to continue into the future. Net cash provided by operating activities of continuing operations decreased to $214.4 million for the first two quarters of fiscal 2008 from $256.6 million for the first two quarters of fiscal 2007 primarily due to the sale of 173 restaurants to franchisees as well as declines in operating earnings adjusted for non-cash items and the timing and amount of operational receipts and payments.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement restaurant furniture and equipment, and ongoing remodeling programs. Capital expenditures were $149.4 million for the first two quarters of fiscal 2008 compared to $185.8 million for the same period of fiscal 2007. We estimate that our capital expenditures for fiscal 2008 will be approximately $330 to $340 million and will be funded entirely from operations and existing credit facilities.

In November 2007, we announced the declaration of a cash dividend to common stock shareholders in the amount of $0.11 per share which represented a 22% increase in our quarterly dividend. Dividends of $11.1 million were paid in December 2007 and we have paid approximately $20.6 million in dividends year-to-date.

The Board of Directors has authorized a total of $2,060.0 million in share repurchases, which has been and will be used to return capital to shareholders and to minimize the dilutive impact of stock options and other share-based awards. In June 2007, we entered into a written trading plan in compliance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, which provided for the purchase of up to $140.0 million of shares of our common stock. Following the expiration of this plan, we entered into another 10b5-1 plan for the purchase of up to $100.0 million of shares of our common stock in November 2007. We terminated the latest trading plan on November 23, 2007. Pursuant to our stock repurchase plan, we repurchased approximately 9.1 million shares of our common stock for approximately $240 million during the first two quarters of fiscal 2008, which was funded through existing credit facilities.

In the future, we may consider additional share repurchases based on several factors, including our cash position, share price, operational liquidity, and planned investment and financing needs. The repurchased common stock is reflected as a reduction of shareholders equity.

In August 2007, we extended the $50.0 million uncommitted credit facility through August 2008. In September 2007, we increased the $50.0 million uncommitted credit facility to $100.0 million and extended the expiration date to September 2008.

On October 24, 2007 we entered into a three-year term loan agreement for $400.0 million and terminated the one-year unsecured committed credit facility of $400.0 million set to expire in April 2008. The term loan proceeds were used to pay off all outstanding amounts under the one-year unsecured committed credit facility. The term loan bears interest at LIBOR plus an applicable margin, which is a function of our credit rating at such time, but is subject to a maximum of LIBOR plus 1.5% Based on our current credit rating, we are paying interest at a rate of LIBOR plus 0.65%.

Excluding the impact of assets held for sale, the working capital deficit increased to $310.0 million at December 26, 2007 from $270.7 million at June 27, 2007 primarily due to the increase in gift card liabilities as a result of increased holiday sales and an increase in income taxes payable due to timing of payments. These increases were partially offset by an increase in third party gift card receivables as well as the reclassification of certain tax exposures to long-term pursuant to the adoption of FIN 48.

We believe that our various sources of capital, including availability under existing credit facilities, ability to raise additional financing, and cash flow from operating activities of continuing operations, are adequate to finance operations as well as the repayment of current debt obligations. We are not aware of any other event or trend that would potentially affect our liquidity. In the event such a trend develops, we believe that there are sufficient funds available under our credit facilities and from our internal cash generating capabilities to adequately manage our ongoing business.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141R, Business Combinations, (SFAS 141R). SFAS 141R requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value. The Statement applies to all business combinations, including combinations among mutual entities and combinations by contract alone. Under SFAS 141R, all business combinations will be accounted for by applying the acquisition method. SFAS 141R is effective for periods beginning on or after December 15, 2008 and will be effective for us beginning in the third quarter of fiscal 2009 for business combinations occurring after the effective date.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51, (SFAS 160). SFAS 160 will require noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. The Statement applies to the accounting for noncontrolling interests and transactions with noncontrolling interest holders in consolidated financial statements. SFAS 160 is effective for periods beginning on or after December 15, 2008 and is effective for us beginning in the third quarter of fiscal 2009. We do not expect that SFAS 160 will have a material impact on our financial statements.

In December 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements, (SFAS 157). SFAS 157 clarifies the definition of fair value, describes methods used to appropriately measure fair value, and expands fair value disclosure requirements. This statement applies under other accounting pronouncements that currently require or permit fair value measurements and is effective for us beginning in fiscal 2009. In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, (SFAS 159). SFAS 159 provides companies with an option to report selected assets and liabilities at fair value. This statement contains financial statement presentation and disclosure requirements for assets and liabilities reported at fair value as a consequence of the election and is effective for us beginning in fiscal 2009. We are currently in the process of assessing the impact that SFAS 157 and SFAS 159 may have on our consolidated financial statements.

The Emerging Issues Task Force (EITF) reached a consensus on EITF 06-11, Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards (EITF 06-11) in June 2007. The EITF consensus indicates that the tax benefit received on dividends associated with share-based awards that are charged to retained earnings should be recorded in additional paid-in capital and included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards. The consensus is effective for the tax benefits of dividends declared in fiscal years beginning after December 15, 2007. EITF 06-11 will be effective for us beginning in fiscal 2009. We are currently in the process of evaluating the impact that EITF 06-11 may have on our consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our quantitative and qualitative market risks since the prior reporting period.

Item 4. CONTROLS AND PROCEDURES

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 [the Exchange Act]), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during our second quarter ended December 26, 2007, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

We wish to caution you that our business and operations are subject to a number of risks and uncertainties. The factors listed below are important factors that could cause actual results to differ materially from our historical results and from those projected in forward-looking statements contained in this report, in our other filings with the SEC, in our news releases, written or electronic communications, and verbal statements by our representatives.

You should be aware that forward-looking statements involve risks and uncertainties. These risks and uncertainties may cause our or our industry s actual results, performance or achievements to be materially different from any future results, performances or achievements contained in or implied by these forward-looking statements. Forward-looking statements are generally accompanied by words like believes, anticipates, estimates, predicts, expects, and other similar expressions that convey uncertainty about future events or outcomes.

Risks Related to Our Business

Competition may adversely affect our operations and financial results.

The restaurant business is highly competitive as to price, service, restaurant location, nutritional and dietary trends and food quality, and is often affected by changes in consumer tastes, economic conditions, financial and credit markets, population and traffic patterns. We compete within each market with locally-owned restaurants as well as national and regional restaurant chains, some of which operate more restaurants and have greater financial resources and longer operating histories than ours. There is active competition for management personnel and hourly employees, and for attractive commercial real estate sites suitable for restaurants.

Our sales volumes generally decrease in winter months.

Our sales volumes fluctuate seasonally and are generally higher in the summer months and lower in the winter months, which may cause seasonal fluctuations in our operating results.

Changes in governmental regulation may adversely affect our ability to open new restaurants and our existing and future operations.

Each of our restaurants is subject to licensing and regulation by alcoholic beverage control, health, sanitation, safety and fire agencies in the state, county and/or municipality where the restaurant is located. We generally have not encountered any material difficulties or failures in obtaining the required licenses and approvals that could delay or prevent the opening of a new restaurant, or impact the continuing operations of an existing restaurant. Although we do not, at this time, anticipate any occurring in the future, we cannot assure you that we will not experience material difficulties or failures that could delay the opening of restaurants in the future or impact the continuing operations of an existing restaurant.

We are subject to federal and state environmental regulations, and although these have not had a material negative effect on our operations, we cannot ensure that there will not be a material negative effect in the future. More stringent and varied requirements of local and state governmental bodies with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations.

We are subject to the Fair Labor Standards Act, which governs such matters as minimum wages, overtime and other working conditions, along with the Americans with Disabilities Act, the Immigration Reform and Control Act of 1986, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated, by federal, state and local governmental authorities that govern these and other employment matters. We expect increases in payroll expenses as a result of federal and state mandated increases in the minimum wage, and although such increases are not expected to be material, we cannot assure you that there will not be material increases in the future. In addition, our vendors may be affected by higher minimum wage standards, which may increase the price of goods and services they supply to us.

Inflation may increase our operating expenses.

We have not experienced a significant overall impact from inflation. Inflation can cause increased food, labor and benefits costs and can increase our operating expenses. As operating expenses increase, we, to the extent permitted by competition, recover increased costs by increasing menu prices, or by reviewing, then implementing, alternative products or processes, or by implementing other cost reduction procedures. We cannot ensure, however, that we will be able to continue to recover increases in operating expenses due to inflation in this manner.

Our profitability may be adversely affected by increases in energy costs.

Our success depends in part on our ability to absorb increases in utility costs. Various regions of the United States in which we operate multiple restaurants have experienced significant increases in utility prices. If these increases continue to occur, it would have an adverse effect on our profitability.

Successful mergers, acquisitions, divestitures and other strategic transactions are important to our future growth and profitability.

We evaluate potential mergers, acquisitions, franchisees of new and existing restaurants, joint venture investments, and divestitures as part of our strategic planning initiative. These transactions involve various inherent risks, including accurately assessing:

- the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- our ability to achieve projected economic and operating synergies;
- unanticipated changes in business and economic conditions affecting an acquired business;
- the ability to obtain adequate funding and financing for the transaction; and
- our ability to complete divestitures on acceptable terms and at or near the prices estimated as attainable by us.

If we are unable to meet our strategic plans, our profitability in the future may be adversely affected.

Our ability to meet our strategic plans is dependent upon, among other things, the ability to:

- identify by us and our franchisees available, suitable and economically viable locations for new restaurants,
- identify adequate sources of capital to fund and finance strategic initiatives, including new restaurant development,
- obtain all required governmental permits (including zoning approvals and liquor licenses) on a timely basis,
- hire all necessary contractors and subcontractors, and
- meet construction schedules.

The costs related to restaurant and brand development include purchases and leases of land, buildings and equipment and facility and equipment maintenance, repair and replacement. The labor and materials costs involved vary geographically and are subject to general price increases. As a result, future capital expenditure costs of restaurant development may increase, reducing profitability. We cannot assure you that we will be able to expand our capacity in accordance with our growth objectives or that the new restaurants and brands opened or acquired will be profitable.

Unfavorable publicity relating to one or more of our restaurants in a particular brand may taint public perception of the brand.

Multi-unit restaurant businesses can be adversely affected by publicity resulting from poor food quality, illness or health concerns or operating issues stemming from one or a limited number of restaurants. In particular, since we depend heavily on the Chili s brand for a majority of our revenues, unfavorable publicity relating to one or more Chili s restaurants could have a material adverse effect on the Chili s brand, and consequently on our business, financial condition and results of operations.

Identification of material weakness in internal control may adversely affect our financial results.

We are subject to the ongoing internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002. Those provisions provide for the identification of material weaknesses in internal control. If such a material weakness is identified, it could indicate a lack of adequate controls to generate accurate financial statements. We routinely assess our internal controls, but we cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods, or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

Other risk factors may adversely affect our financial performance.

Other risk factors that could cause our actual results to differ materially from those indicated in the forward-looking statements by affecting, among many things, pricing, consumer spending and consumer confidence, include, without limitation, changes in economic conditions and financial and credit markets, credit availability, increased fuel costs and availability for our employees, customers and suppliers, health epidemics or pandemics or the prospects of these events (such as reports on avian flu), consumer perceptions of food safety, changes in consumer tastes and behaviors, governmental monetary policies, changes in demographic trends, availability of employees, terrorist acts, energy shortages and rolling blackouts, and weather (including, major hurricanes and regional snow storms) and other acts of God.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 9 to our consolidated financial statements set forth in Part I of this report.

Item 1A. RISK FACTORS

There has been no material change in the risk factors set forth in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended June 27, 2007.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Shares repurchased during the second quarter of fiscal 2008 are as follows (in thousands, except share and per share amounts):

	Total Number of Shares Purchased (a)	Average Price Paid per Share	Approximate Dollar Value that May Yet be Purchased Under the Program
September 27,2007 through October 31, 2007			$ 160,052
November 1, 2007 through November 28, 2007	4,123,807	$ 24.22	$ 59,797
November 29, 2007 through December 26, 2007			$ 59,797
	4,123,807	$ 24.22	

(a) These amounts include shares purchased as part of the publicly announced programs described in part I of this report.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our Proxy Statement dated September 10, 2007 for the Annual Meeting of Shareholders held on November 1, 2007, as filed with the Securities and Exchange Commission on September 10, 2007, is incorporated herein by reference.

(a) The Annual Meeting of Shareholders of the Company was held on November 1, 2007.

(b) Each of the management s nominees, as described in the Proxy Statement referenced above, was elected a director to hold office until the next Annual Meeting of Shareholders or until his or her successor is elected and qualified.

	Votes For	**Votes Against or Withheld**
Douglas H. Brooks	89,305,573	4,803,664
Marvin J. Girouard	93,985,429	123,808
Ronald Kirk	93,986,998	139,403
John W. Mims	93,969,834	122,239
George R. Mrkonic	93,727,020	382,217
Erle Nye	93,976,189	133,048
James E. Oesterreicher	89,325,431	4,783,806
Rosendo G. Parra	93,985,885	123,352
Cece Smith	93,986,929	122,308

(c) The following matter was also voted upon at the meeting and approved by the shareholders:

(i) proposal to ratify the appointment of KPMG LLP as Independent Auditors for Fiscal 2008

Votes For	93,220,581
Votes Against	869,852
Votes Abstained	18,804

(d) The following matter was also voted upon at the meeting and rejected by the shareholders:

(i) shareholder proposal submitted by PETA and Calvert Group, LTD

Votes For	9,200,551
Votes Against	57,193,653
Votes Abstained	20,420,897

Item 6. EXHIBITS

10(a) $400,000,000 Term Loan Agreement, dated as of October 24, 2007, by and among Registrant, Brinker Restaurant Corporation, Citibank, N.A., Citigroup Markets, Inc., J.P. Morgan Securities, Inc., Bank of America, N.A., JPMorgan Chase Bank N.A., Wachovia Bank, National Association and the Bank of Tokyo-Mitsubishi UFJ, Ltd.

31(a) Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 17 CFR 240.13a - 14(a) or 17 CFR 240.15d - 14(a).

31(b) Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 17 CFR 240.13a - 14(a) or 17 CFR 240.15d - 14(a).

32(a) Certification by Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32(b) Certification by Charles M. Sonsteby, Executive Vice President and Chief Financial Officer of the Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

BRINKER INTERNATIONAL, INC.

Date: January 31, 2008	By:	/s/ Douglas H. Brooks Douglas H. Brooks, Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
Date: January 31, 2008	By:	/s/ Charles M. Sonsteby Charles M. Sonsteby, Executive Vice President and Chief Financial Officer (Principal Financial Officer)