

(Translation)



Consolidated Financial Results for the Year ended December 31, 2022

February 8, 2023

McDonald's Holdings Company (Japan), Ltd.

Company code number: 2702(URL <https://www.mcd-holdings.co.jp/en/>)
 Shares traded: Tokyo Securities Exchange, Standard
 Executive position of legal representative: Tamotsu Hiroy
 CEO and President, Representative Director
 Please address all communications to: Shuko Yoshida
 McDonald's Company (Japan), Ltd.
 Vice President, Chief Financial Officer
 Phone: +81-3-6911-6000
 Schedule of ordinary annual shareholders' meeting: March 28, 2023
 Schedule of dividends payment: March 29, 2023
 Schedule of annual securities report submission: March 29, 2023
 Preparation of supplementary materials for annual financial results: Yes
 Information meeting for financial results to be held: Yes (for institutional investors)

1. Consolidated operating results (From January 1, 2022 to December 31, 2022)

(1) Consolidated financial results

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2022	352,300	10.9	33,807	(2.1)	32,813	(2.4)	19,937	(16.7)
December 31, 2021	317,695	10.2	34,518	10.3	33,618	7.0	23,945	18.6

(Note) Comprehensive income:

Year ended December 31, 2022: 19,995 million yen <(16.4)%>

Year ended December 31, 2021: 23,927 million yen <18.6)%>

	Net income per share	Net income per share, fully diluted	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	(Yen)	(Yen)	%	%	%
December 31, 2022	149.96	—	9.9	12.2	9.6
December 31, 2021	180.10	—	13.0	13.6	10.9

(Note) Equity method earnings :

Year ended December 31, 2022: —

Year ended December 31, 2021: —

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2022	277,365	206,724	74.5	1,554.80
December 31, 2021	260,113	194,222	74.7	1,460.77

(Note) Owner's equity:

As of December 31, 2022 : 206,724 million yen

As of December 31, 2021 : 194,222 million yen

(3) Cash flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of period
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
December 31, 2022	23,775	(32,222)	(5,459)	36,362
December 31, 2021	38,860	(20,765)	(5,569)	50,266

2. Dividends

	Dividends per share					Dividend Payment	Dividend payout ratio	The ratio of dividend to shareholders' equity
	First Quarter - End	Second Quarter- End	Third Quarter- End	Year-End	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of Yen)	%	%
December 31, 2021	—	0.00	—	39.00	39.00	5,185	21.7	2.8
December 31, 2022	—	0.00	—	39.00	39.00	5,185	26.0	2.6
December 31, 2023 (Estimated)	—	0.00	—	39.00	39.00	—	24.7	—

3. Consolidated earnings forecasts for the year ending December 31, 2023 (From January 1, 2023 to December 31, 2023)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen
Annual	374,000	6.2	35,000	3.5	33,500	2.1	21,000	5.3	157.94

4. Other

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

Newly consolidated: — Excluded: —

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

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

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

1. The number of shares outstanding (inclusive of treasury stock)
December 2022: 132,960,000 shares December 2021: 132,960,000 shares
2. The number of treasury stock
December 2022: 1,094 shares December 2021: 1,020 shares
3. Average number of common shares outstanding
December 2022: 132,958,906 shares December 2021: 132,958,981 shares

(Public accountant's audit status)

Auditing procedures do not apply to the Consolidated Financial Results.

(Explanation of the appropriate use of financial forecast)

The financial forecasts and estimates in this release are based on information available at the time of disclosure and certain assumptions judged to be reasonable by the Company. Actual results may differ materially from expectations due to various factors.

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

Contents

1. Operating results -----	2
(1) Business strategy -----	2
(2) Analysis of operating results -----	4
(3) Analysis of financial position -----	5
(4) Fundamental policy with regard to the distribution of profits and dividend for the current and next fiscal year -----	6
2. Our policy of GAAP application -----	6
3. Consolidated financial statements -----	7
(1) Consolidated balance sheets -----	7
(2) Consolidated statements of income and consolidated statements of comprehensive income -----	9
(3) Consolidated statements of changes in net assets -----	11
(4) Consolidated statements of cash flows -----	13
(5) Notes to consolidated financial statements -----	14
(Notes for assumption of going concern) -----	14
(Significant accounting policies)-----	14
(Changes of accounting policy) -----	15
(Segment information etc.)-----	16
(Per share-related financial information) -----	17
(Significant subsequent events) -----	17

1. Operating results

(1) Business strategy

In February 2022, McDonald's Holdings Company (Japan) Ltd. and its subsidiary (the "Group" or "we") announced its medium-term management plan (from 2022 to 2024) with the aim of sustainable growth, stronger profitability, and further enhancement of the corporate value of the Group. We will strengthen the foundation of the McDonald's business and actively invest in areas for the future to realize steady growth and meet the increasingly diverse and growing expectations of our customers. We will focus on the three pillars for future growth in the areas of "Brand," "Menu & Value," and "Restaurant, Digital, and People," aiming for an average annual growth rate of around 5% for all store sales, 3-5% for operating income, and 10% or more for operating income ratio and ROE over the next three years.

In the consolidated cumulative fourth quarter, we continued to listen to the voices of our customers and made efforts to enhance their restaurant experience by improving QSC. Also, we have taken full measures to clean and sanitize our restaurants following requests from the Japanese and local governments to prevent the spread of COVID-19 and have operated restaurants with shortened open hours and thorough social distancing measures. An increase in same-store sales was gained for 29 consecutive quarters from 2015 Q4 to 2022 Q4.

On the other hand, the business environment was very challenging due to sharp exchange rate fluctuations, soaring prices of raw materials such as wheat and beef, and rising energy, labor, and logistics costs. We have made our utmost efforts to work with importers and suppliers to procure raw materials on a global scale, manage costs by building a more efficient distribution network, engage in currency hedging, reduce expenses, and make other maximum corporate efforts.

However, to ensure the healthy growth of the business, including franchise owners and suppliers, we have revised the over-the-counter prices of some products. In the current consolidated fiscal year, profits were lower than the previous year, and the business situation was more difficult than we expected at the beginning of the year, but were in line with our revised full-year earnings forecast announced in November.

<Three Pillars for the Medium-term Management Plan>

(1) Brand

As a member of the local community, we have positioned sustainability as an essential issue to be addressed proactively and have designated "Food Quality & Sourcing," "Our Planet," "Community Connection," and "Jobs, Inclusion & Empowerment" as the four areas to be focused on. In March 2022, we published McDonald's concept and initiatives as Sustainability Report 2021 on our website.

"Food Quality & Sourcing": As a company that provides food, we prioritize ensuring "food safety" and are committed to the accurate operation of its food management system so that customers can enjoy safe meals. In addition to complying with relevant laws and regulations, we have established a strict quality control system that is compliant with the Global Food Safety Initiative (GFSI) and consists of McDonald's own standards. In addition, to enhance customer trust in our products, we are building and strengthening a thorough quality control system by disclosing information on the country of final processing and the main country of origin of major raw materials, as well as conducting audits of targeted suppliers.

"Our Planet": We use materials certified as sustainable, such as MSC (Marine Stewardship Council) and FSC (Forest Stewardship Council), recycle Happy Set toys, reduce the use of plastic materials by introducing paper straws and wooden cutlery, and reduce greenhouse gas emissions by introducing energy-saving equipment in our restaurants and electric three-wheeled bikes for delivery.

"Community Connection": We will strive to contribute to the local community through support to the Ronald McDonald House Charities Japan, sports support, education support, and the provision of safety whistles.

"Jobs, Inclusion & Empowerment": As an employer of 190,000 crew members nationwide, we are going to create a work environment in which a diverse range of people with different personalities and backgrounds, including gender, age, and nationality, can leverage their strengths and feel

motivated to work.

In 2022, in addition to continued brand communication through TV commercials, websites, and social media, we have further enhanced the store experience through QSC improvements, which has further increased customers' favorable impression of the trust in our brand. We will continue to strengthen our ties with customers by continuing and reinforcing our current efforts.

(2) "Menu and Value"

To meet our customers' expectations, we have strengthened our menu lineup for each time zone and implemented various initiatives to provide customers with a sense of value for their money which is in line with the "value-for-money" strategy. As for limited-time products, we launched "Teritama," "Tsukimi Burger," and "Gracoro®," etc., which were well received by many customers as a seasonal tradition. In addition, we have renewed the name of our weekday lunchtime special set menus, the more familiar "Hiru-Mac," while maintaining the best price. We continue to offer the "Choi-Mac" series, in which customers can easily choose from a variety of products to provide products that let customers experience McDonald's value through "Deliciousness," "Value," and "Convenience."

(3) "Restaurant, Digital and People"

Restaurant development: For future growth, we will actively invest in new restaurant openings, including relocations, renovations, and rebuilds to evolve our store portfolio to better meet the needs of our customers and local communities. We will provide a more convenient and comfortable environment for our customers by increasing the manufacturing capacity of our kitchens, adding drive-through lanes, and optimizing our delivery services.

In the cumulative fourth quarter of the current consolidated accounting period, we opened 78 and closed 53 restaurants, and the total number of restaurants at the end of this fiscal year is 2,967. With regards to capacity expansion, we are gradually introducing kitchen systems with enhanced manufacturing capacity and stores with increased product delivery outlets. In order to effectively utilize management resources, we will continue to invest in improving customer satisfaction and business performance by flexibly allocating investments to new store openings, renovations and rebuilds.

Classification	Previous Year-End	Newly Opened	Closed	Classification change		Current reporting period
				Increase	Decrease	
Company-operated	867	26	(20)	0	(14)	859
Franchised	2,075	52	(33)	14	0	2,108
Total	2,942	78	(53)	14	(14)	2,967

Digital: With digital, we introduced "Mobile Order & Pay" as part of "Experience of the future", a fusion of digital and people. As a new initiative for 2022, we integrated our mobile ordering and delivery apps into our official app to provide seamless service to our customers. In order to continue to meet the needs of our customers, we aim to further enhance convenience and increase the number of users through functional enhancements, including the expansion of payment methods.

Delivery is a marketable area with great potential for growth moving forward. We offer delivery services through McDelivery Service (MDS) by McDonald's crew and external delivery partners such as UberEats, Demaekan, and others. As of December 2022, MDS is available in 967 restaurants, UberEats in 1,905, Demaekan in 1,932, making the total number of restaurants that offer delivery service to 2,200. We will continue to expand the number of stores that can offer delivery services to improve customer convenience.

With drive-thru, we are increasing its capacity and introducing "Park & Go" to even more restaurants, allowing customers to receive items at their parking spot using "Mobile Order & Pay," which is available at 1,104 restaurants as of December 2022. In addition, the "Drive-Thru Mobile Order" function, which enables drive-thru pickup, has been added to the mobile ordering function of the official McDonald's app, and is now available at drive-thru restaurants nationwide (excluding some restaurants).

People: We believe that we have been able to meet our customers' expectations despite the drastic changes in the environment caused by the COVID-19 infection because of our people, or human resources, including approximately 190,000 crew members and restaurant employees. As such, we believe that hiring and training excellent human resources is the most important factor for business development, and we will continue to expand our investment in human resources. Digital CDP, training material that leverages digital devices, is available in 5 languages in addition to Japanese, contributing to improved understanding and reduced training hours of our crew. In the cumulative fourth quarter, more than 19,000 people have attended online classes developed by Hamburger University. In addition, we have introduced a regional employee system to provide a flexible career path for our diverse workforce as employees to suit their various lifestyles. We will continue to provide an environment where people with diverse personalities and backgrounds, regardless of gender, nationality, age, or other attributes, can work and grow in their own way by utilizing their strengths, leading to human resource development and retention.

We will continue to monitor the impact of COVID-19, and while placing the highest priority on the safety and health of our customers, employees, and all others, we will always stay close to our customers and keep evolving by flexibly responding to the changing needs of society and our customers. We are committed to providing delicious menu items, value for money, convincing value, and a convenient and comfortable restaurant experience on a daily basis, while working toward the realization of a sustainable society and providing "Feed and Foster Communities".

(2) Analysis of Operating Results

<System-wide Sales and Revenue>

During the twelve months ended December 31, 2022, same store sales increased by +8.9% and average monthly sales per restaurant hit a record high in our history as a listed company as a result of synergy effects from various initiatives that put customer first and based on our medium-term management plan. System-wide sales were 717,589 million yen (a 65,541 million yen increase from the same period last year) and revenue was 352,300 million yen (a 34,605 million yen increase from the same period last year).

<Cost of Sales>

Cost of sales margin for company-operated restaurants increased by 3.3 percentage points year-on-year, mainly because cost of raw materials increased by 4.2 percentage points resulting from sharp exchange rate fluctuations and soaring prices of raw materials. Also, franchise cost of sales ratio decreased by 1.6 percentage points from the previous years due to an increase in franchise revenue resulting from an increase in sales.

(Breakdown of Cost of Sales)

(Unit: Million Yen)

		Year ended December 31, 2021		Year ended December 31, 2022		Year-on-year change	
		Amount	%	Amount	%	Amount	%
Company-operated restaurants' cost of sales		189,349	88.4%	217,887	91.6%	28,538	3.3%
(Breakdown)	Raw material	75,797	35.4%	94,130	39.6%	18,332	4.2%
	Labor	60,751	28.4%	63,862	26.9%	3,111	△1.5%
	Other	52,800	24.6%	59,894	25.2%	7,093	0.5%
Franchised restaurants -occupancy expenses		64,916	62.8%	70,082	61.2%	5,166	△1.6%
Total		254,265	80.0%	287,969	81.7%	33,704	1.7%

<Selling, General and Administrative Expenses>

Selling, general and administrative expenses decreased 0.4 percentage points from the previous year as a result of sales increase and optimization of general and administrative costs according to the situation of COVID-19.

(Breakdown of Selling, General and Administrative Expenses)

(Unit: Million Yen)

	Year ended December 31, 2021		Year ended December 31, 2022		Year-on-year change	
	Amount	%	Amount	%	Amount	%
Selling, general & administrative expenses	28,911	9.1%	30,523	8.7%	1,611	△0.4%
(Breakdown)						
Advertising & selling	7,539	2.4%	7,723	2.2%	183	△0.2%
Other	21,371	6.7%	22,799	6.5%	1,428	△0.3%

<Operating Income and Ordinary Income >

Operating income was 33,807 million yen (a 710 million yen decrease from the same period last year), Ordinary income was 32,813 million yen (a 805 million yen decrease from the same period last year), reflecting sharp exchange rate fluctuations and soaring prices of raw materials inspite of sales increase.

<Net Income Attributable to Owners of the Parent>

Net income attributable to owners of the parent was 19,937 million yen (a 4,007 million yen decrease from the same period last year) mainly after 11,239 million yen of tax provision due to 32,813 million yen of ordinary income, plus special loss of 1,676 million yen for impairment loss and loss on disposals of non-current assets.

- (*)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 consolidated statements of income.
 3. Operating results are not presented in relation to the segment information as the business of our Group is based solely on operations of hamburger restaurants.

(3) Analysis of financial position

1. Summary of Group's Assets, Liabilities and Net Assets

At the end of the current consolidated fiscal year, current assets totaled 90,768 million yen, a 12,126 million yen decrease from end of the previous fiscal year. This was primarily due to a 13,904 million yen decrease in cash and deposits.

Non-current assets totaled 186,597 million yen, a 29,379 million yen increase from the end of the previous fiscal year. This was mainly due to a 11,632 million yen increase in Long-term deferred accounts receivable, a 10,205 million yen increase in property and equipment and a 4,000 million yen increase in investment securities.

Current liabilities were 63,826 million yen, a 5,198 million yen increase from the end of the previous fiscal year. This was primarily due to a 3,750 million yen increase in accounts payable-other.

Non-current liabilities totaled 6,814 million yen, a 448 million yen decrease from the end of the previous fiscal year. This was mainly due to a 158 million yen decrease in provision for bonuses, a 152 million yen decrease in lease obligations and a 120 million yen decrease in liabilities for retirement benefits.

2. Cash Flow Summary

The status of cash flow for the current consolidated fiscal year is as follows:

Cash and cash equivalent (“Cash”) at the end of the current year was 36,362 million yen, a 13,904 million yen decrease from the previous fiscal year.

(Cash flow from operating activities)

The net cash flow from operating activities was 23,775 million yen. (a 15,084 million yen decrease from the previous fiscal year) This was mainly due to income before income taxes of 31,177 million yen, depreciation and amortization expenses of 13,895 million yen, income taxes paid of 12,879 million yen and an increase in Long-term deferred accounts receivable of 12,326 million yen.

(Cash flow from investing activities)

Cash used in investing activities totaled 32,222 million yen (a 11,456 million yen increase from the previous fiscal year). This was mainly due to payment of 23,776 million yen for purchase of property, payment of 4,000 million yen for purchase of investment securities and payment of 3,953million yen for purchase of software.

(Cash flow from financing activities)

A total of 5,459 million yen was used in financing activities. (a 109 million yen decrease from the previous fiscal year) This was primarily as a result of the dividend payments of 5,459 million yen.

	2018	2019	2020	2021	2022
Equity ratio	69.6%	71.9%	75.1%	74.7%	74.5%
Equity ratio based on market prices	295.0%	314.3%	285.3%	260.2%	239.4%

Equity Ratio: $\text{Equity} / \text{Total Assets}$

Equity Ratio based on Market Prices: $\text{Market Capitalization} / \text{Total Assets}$

*Each of the foregoing ratios is calculated on the basis of consolidated financial data.

*Market capitalization is calculated based on outstanding shares excluding treasury stocks.

(4) Fundamental policy with regard to the distribution of profits and dividend for the current and next fiscal year

Taking into consideration of the overall balance between business results, dividend payout ratios, and cash flows, the Company strives to return profits while maintaining financial indicators at appropriate levels, such as capital ratio and return on equity.

The Company’s basic policy is to make annual dividend once in a year end from retained earnings and its decision making is made at annual shareholders’ meeting.

For the current and next fiscal year, the Company is planning to make a dividend of 39 yen per share based on the above policy.

2. Our policy of GAAP application

The Group adopts generally accepted accounting principles in Japan by considering comparability amongst competitors as well as one between periods for consolidated financial statements.

3. Consolidated financial statements

(1) Consolidated balance sheets

Millions of yen	December 31, 2021	December 31, 2022
(Assets)		
Current assets		
Cash and deposits	75,267	61,362
Accounts receivable - trade	20,557	19,997
Current portion of long-term deferred accounts receivable	-	693
Raw materials and supplies	1,243	1,428
Other	5,835	7,297
Allowance for doubtful accounts	(9)	(11)
Total current assets	102,894	90,768
Non-current assets		
Property and equipment		
Buildings and structures	116,464	127,341
Accumulated depreciation	(53,394)	(56,721)
Buildings and structures, net	63,070	70,620
Machinery and equipment	19,837	22,951
Accumulated depreciation	(9,724)	(10,478)
Machinery and equipment, net	10,113	12,472
Tools, furniture and fixtures	17,913	19,534
Accumulated depreciation	(10,135)	(11,848)
Tools, furniture and fixtures, net	7,778	7,685
Land	21,170	21,498
Lease assets	4,902	4,283
Accumulated depreciation	(4,364)	(3,897)
Lease assets, net	537	386
Construction in progress	359	571
Total property and equipment	103,029	113,234
Intangible assets		
Goodwill	518	596
Software	8,685	10,023
Other	694	694
Total intangible assets	9,898	11,314
Investments and other assets		
Investment securities	56	4,056
Long-term loans receivable	9	9
Long-term deferred accounts receivable	-	11,632
Deferred tax assets	7,558	8,449
Lease and guarantee deposits	34,240	35,921
Other	3,628	3,180
Allowance for doubtful accounts	(1,202)	(1,202)
Total investments and other assets	44,290	62,048
Total non-current assets	157,218	186,597
Total assets	260,113	277,365

Millions of yen	December 31, 2021	December 31, 2022
(Liabilities)		
Current liabilities		
Accounts payable-trade	983	1,080
Lease obligations	237	218
Accounts payable-other	29,169	32,919
Accrued expenses	7,453	8,266
Income taxes payable	6,856	5,277
Consumption taxes payable	2,428	1,274
Contract liabilities	-	5,216
Provision for bonuses	2,316	2,257
Provision for loss on disposal of inventories	35	8
Other	9,147	7,307
Total current liabilities	58,628	63,826
Non-current liabilities		
Lease obligations	415	262
Provision for bonuses	417	258
Provision for directors' bonuses	200	173
Provision for directors' retirement benefits	271	261
Liabilities for retirement benefits	1,388	1,268
Asset retirement obligations	4,071	4,050
Deferred tax liabilities	3	44
Deferred tax liabilities due to land revaluation	289	289
Other	204	204
Total non-current liabilities	7,262	6,814
Total liabilities	65,890	70,641
(Net assets)		
Shareholders' equity		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	132,179	144,580
Treasury stock	(2)	(3)
Total shareholders' equity	198,414	210,815
Accumulated other comprehensive loss		
Revaluation reserve for land	(4,246)	(4,202)
Remeasurements of retirement benefits	53	111
Total accumulated other comprehensive loss	(4,192)	(4,091)
Total net assets	194,222	206,724
Total liabilities and net assets	260,113	277,365

(2) Consolidated statements of income and comprehensive income

Millions of yen	Year ended December 31, 2021	Year ended December 31, 2022
Net sales		
Sales by Company-operated restaurants	214,275	237,757
Revenue from franchised restaurants	103,420	114,543
Total net sales	317,695	352,300
Cost of sales		
Product cost	189,349	217,887
Franchised restaurants occupancy expenses	64,916	70,082
Total cost of sales	254,265	287,969
Gross profit	63,429	64,330
Selling, general and administrative expenses	28,911	30,523
Operating income	34,518	33,807
Non-operating income		
Interest income	91	93
Compensation income	426	140
Insurance income	224	86
Reversal of allowance for doubtful accounts	35	-
Received incentive	77	88
Other	287	348
Total non-operating income	1,142	757
Non-operating expenses		
Interest expenses	9	5
Provision of allowance for doubtful accounts	-	1
Loss on disposal of Company-operated restaurants	1,936	1,307
Loss on cancellation of leasehold contracts	37	289
Other	59	148
Total non-operating expenses	2,042	1,752
Ordinary income	33,618	32,813
Special income		
Gain on sales of non-current assets	247	41
Total special income	247	41
Special loss		
Loss on disposal of non-current assets	835	813
Impairment loss	319	863
Total special loss	1,155	1,676
Income before income taxes	32,711	31,177
Current taxes	11,813	10,899
Deferred taxes	(3,047)	340
Total provision for income taxes	8,765	11,239
Net income	23,945	19,937
Net income attributable to owners of parent	23,945	19,937

Consolidated statements of comprehensive income

Millions of yen	Year ended December 31, 2021	Year ended December 31, 2022
Net income	23,945	19,937
Other comprehensive income		
Remeasurements of retirement benefits	(18)	57
Total other comprehensive loss/income	(18)	57
Comprehensive income	23,927	19,995
Comprehensive income attributable to:		
Owners of parent	23,927	19,995

(3) Consolidated statements of changes in net assets

Year ended December 31, 2021

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	24,113	42,124	113,016	(2)	179,251
Changes during the year					
Dividends			(4,786)		(4,786)
Net income			23,945		23,945
Purchase of treasury shares				(0)	(0)
Difference for revaluation reserve for land			4		4
Changes in items other than shareholders' equity (net)					
Total changes	-	-	19,163	(0)	19,163
Ending balance	24,113	42,124	132,179	(2)	198,414

	Other Cumulative Comprehensive Income/(Loss)			Total net assets
	Revaluation reserve for land	Remeasurements of retirement benefits	Total accumulated other comprehensive loss	
Beginning balance	(4,242)	72	(4,169)	175,081
Changes during the year				
Dividends				(4,786)
Net income				23,945
Purchase of treasury shares				(0)
Difference for revaluation reserve for land	(4)		(4)	—
Changes in items other than shareholders' equity (net)		(18)	(18)	(18)
Total changes	(4)	(18)	(22)	19,140
Ending balance	(4,246)	53	(4,192)	194,222

Year ended December 31, 2022

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	24,113	42,124	132,179	(2)	198,414
Cumulative effects of changes in accounting policies			(2,307)		(2,307)
Restated balance	24,113	42,124	129,872	(2)	196,107
Changes during the year					
Dividends			(5,185)		(5,185)
Net income			19,937		19,937
Purchase of treasury shares				(0)	(0)
Difference for revaluation reserve for land			(44)		(44)
Changes in items other than shareholders' equity (net)					
Total changes	-	-	14,708	(0)	14,708
Ending balance	24,113	42,124	144,580	(3)	210,815

	Other Cumulative Comprehensive Income/(Loss)			Total net assets
	Revaluation reserve for land	Remeasurements of retirement benefits	Total accumulated other comprehensive loss	
Beginning balance	(4,246)	53	(4,192)	194,222
Cumulative effects of changes in accounting policies				(2,307)
Restated balance	(4,246)	53	(4,192)	191,915
Changes during the year				
Dividends				(5,185)
Net income				19,937
Purchase of treasury shares				(0)
Difference for revaluation reserve for land	44		44	—
Changes in items other than shareholders' equity (net)		57	57	57
Total changes	44	57	101	14,809
Ending balance	(4,202)	111	(4,091)	206,724

(4) Consolidated statements of cash flows

Millions of yen	Year ended December 31, 2021	Year ended December 31, 2022
Net cash provided by operating activities		
Income before income taxes and non-controlling interests	32,711	31,177
Depreciation and amortization	12,464	13,895
Impairment loss	319	863
Increase (decrease) in allowance for doubtful accounts	(35)	1
Increase (decrease) in other provisions	9	(281)
Increase (decrease) in liabilities for retirement benefits	23	(120)
Interest income	(91)	(93)
Interest expenses	9	5
Gain on sales of non-current assets	(247)	(41)
Loss on disposal of non-current assets	1,819	1,100
Decrease (increase) in accounts receivable - trade	1,111	560
Decrease (increase) in raw materials and supplies	(101)	(184)
Increase in goodwill from acquisition of franchised restaurants	(196)	(316)
Increase in Long-term deferred accounts receivable	-	(12,326)
Decrease (increase) in other assets	(1,399)	(2,218)
Increase (decrease) in accounts payable-trade	190	96
Increase in accounts payable-other	(13)	3,192
Increase in accrued expenses	480	812
Increase (decrease) in other current liabilities	430	(1,066)
Other, net	60	18
Subtotal	47,545	35,075
Interest income received	52	30
Interest expenses paid	(153)	(5)
Proceeds from commercial agreement fund	326	390
Income taxes paid	(10,691)	(12,879)
Income taxes refunded	1,781	1,164
Net cash provided by operating activities	38,860	23,775
Net cash used in investing activities		
Payments into time deposits	(5,000)	-
Proceeds from withdrawal of time deposits	5,000	-
Purchase of investment securities	-	(4,000)
Purchase of property and equipment	(18,943)	(23,776)
Proceeds from sales of property and equipment	1,352	1,453
Payments for lease and guarantee deposits	(1,856)	(3,137)
Refunds from collection of lease and guarantee deposits	1,333	1,299
Purchases of software	(2,485)	(3,953)
Payments for assets retirement obligations	(173)	(114)
Other, net	8	7
Net cash used in investing activities	(20,765)	(32,222)
Net cash used in financing activities		
Repayment of long-term loan payable	(500)	-
Repayment of lease obligations	(282)	(273)
Purchase of treasury shares	(0)	(0)
Dividends paid	(4,786)	(5,185)
Net cash used in financing activities	(5,569)	(5,459)
Effect of exchange rate changes on cash and cash equivalents	1	1
Net increase (decrease) in cash and cash equivalents	12,525	(13,904)
Cash and cash equivalents at beginning of period	37,741	50,266
Cash and cash equivalents at end of period	50,266	36,362

(5) Notes to consolidated financial statements

(Notes for assumption of going concern)

Not applicable.

(Significant accounting policies)

1. Basis of consolidation

Number of consolidated subsidiaries: 1

Name of consolidated subsidiaries: McDonald's Company (Japan), Ltd.

2. Fiscal years of consolidated subsidiaries

The fiscal year end of all consolidated subsidiaries is December 31.

3. Items related to accounting standards

(1) Valuation for major assets

i. Marketable and investment securities

a. Held-to-maturity securities: valued at cost.

b. Other securities: valued at cost using the periodic average method for unquoted.

ii. Inventories:

Raw materials and supplies

Inventories are measured at the lower of cost or market, determined by the total average method (book value is written down to the net realizable value).

(2) Depreciation and amortization

i. Property and equipment (excluding lease assets): straight-line method

Years of useful lives for major assets:

Buildings and structures: 2 - 50 years

Machinery and equipment: 2 - 15 years

Tools, furniture and fixtures: 2 - 20 years

ii. Intangible assets (excluding lease assets): straight-line method

For software intended for internal use, the straight-line method is applied based on the period of expected use by the Group (5 -10 years).

iii. Lease assets

Lease assets related to finance lease transactions with no transfer of ownership:

Straight-line method with estimated useful lives equal to lease terms, and zero residual values.

(3) Allowances and provisions

i. Allowance for doubtful accounts

To provide for potential losses from doubtful accounts, the Company recognizes an amount calculated on the basis of a statutory deduction ratio for general accounts receivable plus an amount for specific accounts for which collection appears doubtful.

ii. Provision for bonuses

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

iii. Provision for directors' bonuses

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

iv. Provision for directors' retirement benefits

In order to prepare for the payment of retirement benefit to directors, a provision is made for the estimated amount to be paid as of the end of the fiscal year based on the regulations of retirement allowance to retiring directors.

v. Provision for loss on disposal of inventories:

A reasonably estimated amount is recorded in provision for inventories as loss expected to occur from disposal in future.

(4) Accounting treatment for retirement benefit obligations

- i. For the purpose of retirement benefit obligation, straight-line method is used in attributing the current term retirement benefits estimated value through the end of this fiscal year.
- ii. Actuarial gain and loss is charged through income statement by allocating in straight-line method in each year of occurrence over a certain time period (6 years) at the time of respective fiscal year.

(5) Goodwill

Amortization of goodwill is computed by using the straight-line method over 5 years.

(6) Cash and cash equivalents

Cash and cash equivalents for the purpose of the consolidated statements cash flows includes cash on hand, deposits held at call, and short-term investments maturing in less than three months from the date of their acquisition, which must also be easily converted to cash and subject to minimal risk of price fluctuations.

(Changes of accounting policy)

Application of accounting standards for revenue recognition:

From the beginning of the current consolidated fiscal year, the Company applies "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and recognizes revenue with the amounts expected to be received in exchange for the promised goods or services as the control of such goods or services are transferred to customers.

As a result, initial franchise fees income, which were previously recognized at a point in time, are recognized as the Company satisfies the performance obligation over the franchise term.

In addition, the Company changed its method of recognizing revenues from loyalty programs operated by other companies, in which the amount equivalent to the points awarded at the time of product sales was recorded as selling, general and administrative expenses, to recognizing revenues on a net basis.

The application of such changes in accounting policies follows the transitional treatment prescribed in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current consolidated fiscal year, was added to or subtracted from the beginning balance of retained earnings of the current consolidated fiscal year.

As a result, for the consolidated cumulative fourth quarter, net sales decreased by 79 million yen, selling, general and administrative expenses decreased by 396 million yen, and each of operating income, ordinary income and income before income taxes increased by 317 million yen, accordingly. In addition, the beginning balance of retained earnings decreased by 2,307 million yen.

Due to the application of the Accounting Standard for Revenue Recognition, "Other" presented as

“Current liabilities” in the consolidated balance sheet for the previous fiscal year is included in “Contract liabilities” from the current consolidated fiscal year.

As a result, “Other” presented as “Current liabilities” in the consolidated balance sheet decreased by 2,006 million yen for the consolidated cumulative fourth quarter.

In accordance with the transitional treatment prescribed in the paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Application of accounting standard for fair value measurement:

From the beginning of the the current consolidated fiscal year, the Company applies “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019). In accordance with the transitional treatment prescribed in the paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), new accounting policies prescribed by the Accounting Standard for Fair Value Measurement is adopted prospectively. There is no effect by this change on the consolidated financial statements.

(Segment information)

(Segment information)

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

(Relevant information)

Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

1. Information by Products and Service

Sales by Company – operated restaurants was 214,275 million yen, Revenue from franchised restaurants was 103,420 million yen. Revenue from franchised restaurants includes 331 million yen of gain on store sales brought by franchising of hamburger restaurants. Selling price of these restaurants was calculated based on the cash flow expected to be generated by the corresponding restaurant and agreed with buyer franchisee.

2. Information by Region

The Group does not own any consolidated subsidiaries in other countries or areas of the world other than Japan, so neither overseas sales nor tangible fixed asset exists.

3. Information by Major Customers

Description of this item is omitted as the Company does not have client whose purchase volume is more than 10% of total sales.

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

1. Information by Products and Service

Sales by Company – operated restaurants was 237,757 million yen, Revenue from franchised restaurants was 114,543 million yen. Revenue from franchised restaurants includes 617 million yen of gain on store sales brought by franchising of hamburger restaurants. Selling price of these restaurants was calculated based on the cash flow expected to be generated by the corresponding restaurant and agreed with buyer franchisee.

2. Information by Region

The Group does not own any consolidated subsidiaries in other countries or areas of the world other than Japan, so neither overseas sales nor tangible fixed asset exists.

3. Information by Major Customers

Description of this item is omitted as the Company does not have client whose purchase volume is more than 10% of total sales.

(Disclosure of impairment loss on non-current assets for each reportable segment)
 Descriptions are omitted as the Group operates as a single segment.

(Amortization and unamortized balance of goodwill for each reportable segment)
 Descriptions are omitted as the Group operates as a single segment.

(Information about gain on bargain purchase for each reportable segment)
 Descriptions are omitted as the Group operates as a single segment.

(Per share-related financial information)

		Yen	
December 31, 2021		December 31, 2022	
Net assets per share	1,460.77	Net assets per share	1,554.80
Net income per share	180.10	Net income per share	149.96

Note: No amounts for fully diluted earnings per share have been shown because the Company had neither bonds with warrants nor convertible bonds outstanding.

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

		Millions of yen	
	December 31, 2021	December 31, 2022	
Net income	23,945	19,937	
Income not available to common shareholders	-	-	
Income available to common shareholders	23,945	19,937	
Average number of common stock outstanding (thousands shares)	132,958	132,958	

(Significant Subsequent Events)

Not applicable.