

(Translation)



Consolidated Financial Results for the Year ended December 31, 2025

February 6, 2026

McDonald's Holdings Company (Japan), Ltd.

Company code number: 2702 (URL <https://www.mcd-holdings.co.jp/en/>)
Stock market: Tokyo Securities Exchange, Standard
Representative: Thomas Ko
Representative Director, President and CEO
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Schedule of ordinary annual shareholders' meeting: March 25, 2026
Schedule of dividends payment: March 26, 2026
Schedule of annual securities report submission: March 19, 2026
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, 2025 to December 31, 2025)

(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, 2025	416,602	2.7	53,257	10.9	52,051	9.8	33,909	6.1
December 31, 2024	405,477	6.1	48,021	17.5	47,389	16.3	31,961	27.0

(Note) Comprehensive income:

Year ended December 31, 2025: 33,961 million yen <6.3%>

Year ended December 31, 2024: 31,955 million yen <27.1%>

	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, 2025	255.04	-	12.7	14.8	12.8
December 31, 2024	240.39	-	13.3	14.6	11.8

(Note) Equity method earnings :

Year ended December 31, 2025: -

Year ended December 31, 2024: -

(2) Consolidated financial position

	Total assets	Total net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	%	(Yen)
December 31, 2025	364,473	280,467	77.0	2,109.44
December 31, 2024	337,094	253,044	75.1	1,903.18

(Note) Owner's equity:

As of December 31, 2025: 280,467 million yen

As of December 31, 2024: 253,044 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, 2025	53,240	(42,474)	(6,672)	71,422
December 31, 2024	52,689	(44,764)	(5,839)	67,327

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, 2024	-	0.00	-	49.00	49.00	6,514	20.4	2.7
December 31, 2025	-	0.00	-	56.00	56.00	7,445	22.0	2.8
December 31, 2026 (Estimated)	-	0.00	-	64.00	64.00		24.7	

3. Consolidated earnings forecasts for the year ending December 31, 2026

(From January 1, 2026 to December 31, 2026)

	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	405,500	(2.7)	54,500	2.3	54,500	4.7	34,500	1.7	259.48

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

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

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

- The number of shares outstanding (inclusive of treasury stock)
December 2025: 132,960,000 shares December 2024: 132,960,000 shares
- The number of treasury stock
December 2025: 1,231 shares December 2024: 1,173 shares
- Average number of common shares outstanding
December 2025: 132,958,803 shares December 2024: 132,958,857 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.

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1. Operating results

(1) Business strategy

In February 2025, the Group announced its Medium-Term Management Plan for the period from fiscal year 2025 through fiscal year 2027, aimed at achieving sustained growth and improving profitability in order to continuously enhance corporate value. To address increasingly diverse and elevated customer expectations and to remain the most loved restaurant brand in Japan, the Group aims to achieve further growth by strengthening and expanding its community-based franchise business. As specific strategic priorities, we will focus on three key areas—Menu & Value, Restaurant Portfolio & Digital, and Sustainability & People—to drive continuous sales growth and improve restaurant profitability, while realizing sustainable growth rooted in local communities. We have set financial targets including a system-wide sales annual growth rate of 4–6%, an operating income annual growth rate of 4–6%, an operating income ratio of 13%, and a return on equity (ROE) of 11% or higher.

During the current consolidated fiscal year, as in prior years, we listened closely to customer feedback, ensured rigorous hygiene management, enhanced QSC and convenience, and made proactive investments in marketing, restaurants, and human resources, with a focus on improving the overall customer experience. As a result, system-wide sales increased year on year, and same-store sales rose for the 41st consecutive quarter, from the fourth quarter of fiscal year 2015 through the fourth quarter of fiscal year 2025. On the earnings front, despite a challenging business environment marked by rising food and other restaurant operating costs, operating income increased year on year, driven by growth in system-wide sales as well as initiatives to improve efficiency and optimize costs in restaurant operations.

<Three Key Focus Areas of the Medium-Term Management Plan>

(1) Menu & Value

We will offer attractive and delicious menu items tailored to customer needs across all dayparts. In addition to McDonald's signature core menu items, we will continue to introduce limited-time offers that capture the unique appeal and enjoyment of Japan's four distinct seasons. Furthermore, during Asa Mac, Yoru Mac, and snack time outside lunch hours, we will expand menu offerings to serve a wider range of customers and dining occasions by providing menus optimized for each respective time segment.

We believe that the value perceived by customers is determined by the restaurant experience divided by price. Through proactive investments in our restaurants, high QSC standards, and marketing promotions, we work to enhance the overall restaurant experience, while also offering affordable menu items and campaigns to ensure that customers consistently perceive value that exceeds the price paid.

During the current consolidated fiscal year, we promoted the expansion of its fan base by delivering excitement to customers, while striving to enhance the restaurant experience through continuous improvements in daily operations and service. To continue providing a restaurant experience that satisfies our customers, we implemented price revisions in March 2025. By offering affordable menu selections and promotions aligned with customer expectations, we sustained high guest traffic throughout the year. In addition, we launched My McDonald's Rewards, a loyalty program that enables customers to earn points on purchases made via the official McDonald's app and redeem them for a variety of rewards. Following the full-scale rollout of My McDonald's Rewards in October 2025, we are expanding its scope of utilization and leveraging it across a broad range of initiatives to deliver enhanced experiences for our valued, frequent customers.

(2) Restaurant Portfolio & Digital

Through proactive new restaurant development and the strategic closure of locations facing capacity constraints or other challenges, we will increase our restaurant count with a focus on delivering an improved

customer experience. We aim to achieve a net increase of more than 100 restaurants over the three-year period starting in 2025, advance the optimization of our restaurant portfolio, and improve sales per restaurant and profitability. In addition, we will continue to strengthen and expand our franchise business, which is deeply rooted in local communities and capable of delivering an enhanced restaurant experience through consistently high QSC standards. The optimization of our restaurant portfolio and the expansion of the franchise business are closely interrelated; by steadily executing both and maximizing their synergies, we will build a robust business foundation.

We have significantly enhanced customer convenience through mobile ordering, delivery services, and self-order kiosks. Leveraging digital technologies has enabled restaurant crew members to deliver more hospitable service while also improving the efficiency of kitchen operations. Going forward, we will continue to accelerate the integration of Digital and People across all restaurants, and, in order to enhance the restaurant experience for both customers and employees, we plan to remodel more than 1,000 restaurants over the three-year period starting in 2025.

During the current consolidated fiscal year, we opened 120 new restaurants and closed 83 locations. As reflected in the increase in system-wide sales, we are making steady progress toward building an optimal restaurant portfolio. In addition, 220 restaurants were remodeled during the year. Based on the conditions of each restaurant, we are designing and steadily implementing optimal layouts on a restaurant-by-restaurant basis that both deliver an improved restaurant experience for customers and enhance profitability.

Classification	Previous Year-End	Newly Opened	Closed	Classification change		Current reporting period
				Increase	Decrease	
Company-operated	787	45	(29)	15	(113)	705
Franchised	2,201	75	(54)	113	(15)	2,320
Total	2,988	120	(83)	128	(128)	3,025

(3) Sustainability & People

In order to fulfill our purpose, “Feed and Foster Communities,” we are advancing initiatives focused on four priority areas: Food Quality & Sourcing, Our Planet, Community Connection, and Jobs, Inclusion, and Empowerment.

During the current consolidated fiscal year, in line with our goal to achieve net-zero greenhouse gas emissions by 2050, we introduced corporate Power Purchase Agreements (PPAs) utilizing solar power generation and advanced the procurement of renewable energy for our restaurants. We have also made steady progress in reducing plastic usage. As part of these efforts, we have steadily executed our goal to transition all customer packaging to renewable, recycled, or certified materials by the end of 2025, including the phased introduction of strawless lids made from 100% recycled PET. In community engagement, we have expanded the circle of support for Ronald McDonald House through charitable activities such as Blue McDonald’s Day, and enabled cashless payment options for in-store donations, thereby promoting ongoing fundraising activities.

We believe that people are the foundation of McDonald’s business. To accurately understand rapidly changing customer needs and deliver better restaurant experiences, the engagement of every individual within the McDonald’s system—including approximately 220,000 crew members nationwide—is essential. We will continue to provide growth opportunities for all employees, promote ways of working that enable everyone to thrive and build a more supportive and comfortable workplace environment.

(2) Analysis of Operating Results

<System-wide Sales and Revenue>

During the twelve months ended December 31, 2025, same store sales increased by 5.7% as a result of synergy effects from various initiatives that enhance the customer experience based on our medium-term management plan. System-wide sales were 888,649 million yen (a 59,508million yen increase from the same period last year) and revenue was 416,602 million yen (a 11,125 million yen increase from the same period last year).

<Cost of Sales>

The cost-of-sales ratio for company-operated restaurants dropped 0.4 percentage points, mainly due to higher sales and improved store profitability. Also, occupancy expenses for franchised restaurants increased 0.4 percentage points due to an increase in advertising expenses.

(Breakdown of Net sales and Cost of Sales)

(Unit: Million Yen)

	Year ended December 31, 2024		Year ended December 31, 2025		Year-on-year change	
	Amount	%	Amount	%	Amount	%
Sales by Company-operated restaurants	273,459	—	270,089	—	(3,370)	—
Company-operated restaurants' cost of sales	243,315	89.0%	239,355	88.6%	(3,960)	(0.4)%
(Breakdown)						
Raw material	101,134	37.0%	100,708	37.3%	(426)	0.3%
Labor	72,702	26.6%	69,496	25.7%	(3,205)	(0.9)%
Other	69,478	25.4%	69,150	25.6%	(327)	0.2%
Revenue from franchised restaurants	132,018	—	146,513	—	14,495	—
Franchised restaurants -occupancy expenses	81,173	61.5%	90,675	61.9%	9,501	0.4%
Total net sales	405,477	—	416,602	—	11,125	—
Total cost of sales	324,489	80.0%	330,031	79.2%	5,541	(0.8)%

<Selling, General and Administrative Expenses>

Regarding selling, general and administrative expenses, we made investments for further growth and optimized general and administrative expenses.

(Breakdown of Selling, General and Administrative Expenses)

(Unit: Million Yen)

	Year ended December 31, 2024		Year ended December 31, 2025		Year-on-year change	
	Amount	%	Amount	%	Amount	%
Selling, general & administrative expenses	32,966	8.1%	33,313	8.0%	347	(0.1)%
(Breakdown)						
Advertising & selling	8,477	2.1%	8,146	2.0%	(331)	(0.1)%
Other	24,488	6.0%	25,167	6.0%	678	0.0%

<Operating Income and Ordinary Income >

Operating income was 53,257 million yen (a 5,236 million yen increase from the same period last year), Ordinary income was 52,051 million yen (a 4,662 million yen increase from the same period last year), reflecting sales increase.

<Net Income Attributable to Owners of the Parent>

Net income attributable to owners of the parent was 33,909 million yen (a 1,947 million yen increase from the same period last year) after 16,496 million yen of tax provision due to 52,051 million yen of ordinary income, plus special loss of 1,792 million yen for impairment loss and loss on disposals of non-current assets.

<Outlook for the Next Fiscal Year>

In fiscal year 2026, we will continue to steadily execute the growth strategies set forth in our Medium-Term Management Plan, with the aim of achieving further growth in system-wide sales and improving profitability. Despite a challenging business environment marked by rising food and other restaurant operating costs, we will continue to strengthen our business foundation while investing for future growth, with a continued focus on safety, security, and enhancing the customer experience. Through these efforts, we will strive to contribute to local communities and to be a brand that is widely loved by everyone.

For the full year of fiscal 2026, we aim to achieve system-wide sales of 942.0 billion yen (an increase of 6.0% YoY), net sales of 405.5 billion yen (Δ 2.7% YoY), operating income of 54.5 billion yen (+ 2.3% YoY), ordinary income of 54.5 billion yen (+ 4.7% YoY), and net income attributable to owners of the parent of 34.5 billion yen (+ 1.7% YoY). Net sales will decrease from last year mainly due to classification change from company-operated restaurants to franchised restaurants.

- (*) 1. Same-store sales represent the aggregate sales of restaurants that have been in operation for 13 months.
2. System-wide sales represent the combined sales of company-operated and franchised restaurants and do not correspond to net sales reported 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 108,910 million yen, a 2,767 million yen decrease from end of the previous fiscal year. This was mainly due to a 4,967 million yen decrease in current portion of long-term deferred accounts receivable, a 2,000 million yen decrease in securities, and a 4,094 million yen increase in cash and deposits.

Non-current assets totaled 255,562 million yen, a 30,145 million yen increase from the end of the previous fiscal year. This was mainly due to a 15,919 million yen increase in property and equipment, a 13,946 million yen increase in investments and other assets.

Current Liabilities were 77,341 million yen, a 1,272 million yen increase from the end of the previous fiscal year. This was mainly due to a 5,486 million yen increase in other, a 4,509 million yen increase in income taxes payable, and a 9,684 million yen decrease in accounts payable-other.

Non-current liabilities totaled 6,663 million yen, a 1,317 million yen decrease from the end of the previous fiscal year. This was mainly due to a 739 million yen decrease in asset retirement obligations, a 201 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 71,422 million yen, a 4,094 million yen increase from the previous fiscal year.

(Cash flow from operating activities)

The net cash flow from operating activities was 53,240 million yen. (a 551 million yen increase from the previous fiscal year) This was mainly due to income before income taxes of 50,406 million yen and depreciation and amortization expenses of 18,244 million yen, and payment of 14,500 million yen for Income taxes.

(Cash flow from investing activities)

Cash used in investing activities totaled 42,474 million yen (a 2,289 million yen decrease from the previous fiscal year). This was mainly due to payment of 37,531 million yen for purchase of property and equipment and payment of 9,964 million yen for purchase of investment securities.

(Cash flow from financing activities)

A total of 6,672 million yen was used in financing activities. (a 833 million yen increase from the previous fiscal year) This was primarily as a result of the dividend payments of 6,514 million yen.

(4) Basic policy on profit distribution and dividends for the current and next fiscal years

The Company’s basic policy is to provide stable and sustainable returns to shareholders based on a comprehensive assessment of business performance trend, cash flow, and financial indicators such as the equity ratio, with a target dividend on equity of 3% for fiscal year 2027.

In addition, the Company’s basic policy is to pay a year-end dividend once per year from retained earnings, with the decision on such dividends made by the General Meeting of Shareholders.

Based on the above policy, the Company plans to pay a dividend of 56 yen per share for the current fiscal year and 64 yen per share for the next fiscal year.

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, 2024	December 31, 2025
(Assets)		
Current assets		
Cash and deposits	67,327	71,422
Accounts receivable - trade	25,229	26,012
Current portion of long-term deferred accounts receivable	5,142	175
Securities	4,000	2,000
Raw materials and supplies	1,660	1,511
Other	8,323	7,795
Allowance for doubtful accounts	(6)	(6)
Total current assets	111,677	108,910
Non-current assets		
Property and equipment		
Buildings and structures	150,435	166,872
Accumulated depreciation	(56,951)	(58,738)
Buildings and structures, net	93,483	108,133
Machinery and equipment	29,310	28,887
Accumulated depreciation	(11,555)	(11,922)
Machinery and equipment, net	17,754	16,965
Tools, furniture and fixtures	21,548	21,163
Accumulated depreciation	(12,378)	(11,837)
Tools, furniture and fixtures, net	9,170	9,326
Land	27,352	29,087
Lease assets	3,033	2,426
Accumulated depreciation	(2,815)	(2,297)
Lease assets, net	218	128
Construction in progress	1,532	1,790
Total property and equipment	149,512	165,431
Intangible assets		
Goodwill	640	920
Software	9,515	9,514
Other	694	694
Total intangible assets	10,850	11,129
Investments and other assets		
Investment securities	12,056	20,020
Long-term loans receivable	9	9
Deferred tax assets	7,669	9,536
Lease and guarantee deposits	40,944	43,053
Other	5,573	7,658
Allowance for doubtful accounts	(1,198)	(1,278)
Total investments and other assets	65,054	79,000
Total non-current assets	225,416	255,562
Total assets	337,094	364,473

Millions of yen	December 31, 2024	December 31, 2025
(Liabilities)		
Current liabilities		
Accounts payable-trade	354	748
Lease obligations	147	88
Accounts payable-other	35,532	25,848
Accrued expenses	8,738	8,288
Income taxes payable	7,633	12,143
Consumption taxes payable	3,614	3,313
Contract liabilities	5,644	6,750
Provision for bonuses	2,228	2,531
Provision for loss on disposal of inventories	17	10
Asset retirement obligations	84	57
Other	12,074	17,560
Total current liabilities	76,069	77,341
Non-current liabilities		
Lease obligations	116	68
Provision for bonuses	89	—
Provision for directors' bonuses	34	—
Provision for directors' retirement benefits	214	62
Liabilities for retirement benefits	1,174	973
Asset retirement obligations	5,832	5,093
Deferred tax liabilities	37	45
Deferred tax liabilities due to land revaluation	289	311
Other	191	108
Total non-current liabilities	7,981	6,663
Total liabilities	84,050	84,005
(Net assets)		
Shareholders' equity		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	190,936	218,302
Treasury stock	(3)	(3)
Total shareholders' equity	257,171	284,536
Accumulated other comprehensive loss		
Revaluation reserve for land	(4,202)	(4,195)
Remeasurements of retirement benefits	75	127
Total accumulated other comprehensive loss	(4,126)	(4,068)
Total net assets	253,044	280,467
Total liabilities and net assets	337,094	364,473

(2) Consolidated statements of income and comprehensive income

Millions of yen	Year ended December 31, 2024	Year ended December 31, 2025
Net sales		
Sales by Company-operated restaurants	273,459	270,089
Revenue from franchised restaurants	132,018	146,513
Total net sales	405,477	416,602
Cost of sales		
Product cost	243,315	239,355
Franchised restaurants occupancy expenses	81,173	90,675
Total cost of sales	324,489	330,031
Gross profit	80,987	86,571
Selling, general and administrative expenses	32,966	33,313
Operating income	48,021	53,257
Non-operating income		
Interest income	154	247
Compensation income	323	105
Insurance income	319	248
Other	909	708
Total non-operating income	1,706	1,309
Non-operating expenses		
Interest expenses	9	8
Provision of allowance for doubtful accounts	—	86
Loss on disposal of Company-operated restaurants	1,949	1,857
Loss on cancellation of leasehold contracts	233	207
Other	146	356
Total non-operating expenses	2,338	2,516
Ordinary income	47,389	52,051
Special income		
Gain on sales of shares of subsidiaries	1,209	—
Gain on sales of non-current assets	451	147
Total special income	1,660	147
Special loss		
Loss on disposal of non-current assets	877	1,052
Impairment loss	944	740
Total special loss	1,822	1,792
Income before income taxes	47,226	50,406
Current taxes	15,090	18,284
Deferred taxes	174	(1,788)
Total provision for income taxes	15,264	16,496
Net income	31,961	33,909
Net income attributable to owners of parent	31,961	33,909

Consolidated statements of comprehensive income

Millions of yen	Year ended December 31, 2024	Year ended December 31, 2025
Net income	31,961	33,909
Other comprehensive income		
Remeasurements of retirement benefits	(6)	51
Total other comprehensive loss/income	(6)	51
Comprehensive income	31,955	33,961
Comprehensive income attributable to:		
Owners of parent	31,955	33,961

(3) Consolidated statements of changes in net assets

Year ended December 31, 2024

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	24,113	42,124	164,558	(3)	230,794
Changes during the year					
Dividends			(5,584)		(5,584)
Net income			31,961		31,961
Purchase of treasury shares				(0)	(0)
Changes in items other than shareholders' equity (net)					
Total changes	—	—	26,377	(0)	26,377
Ending balance	24,113	42,124	190,936	(3)	257,171

	Other Cumulative Comprehensive Income / (Loss)			Total net assets
	Revaluation reserve for land	Remeasurements of retirement benefits	Total accumulated other comprehensive loss	
Beginning balance	(4,202)	81	(4,120)	226,673
Changes during the year				
Dividends				(5,584)
Net income				31,961
Purchase of treasury shares				(0)
Changes in items other than shareholders' equity (net)		(6)	(6)	(6)
Total changes	—	(6)	(6)	26,370
Ending balance	(4,202)	75	(4,126)	253,044

Year ended December 31, 2025

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	24,113	42,124	190,936	(3)	257,171
Changes during the year					
Dividends			(6,514)		(6,514)
Net income			33,909		33,909
Purchase of treasury shares				(0)	(0)
Difference for revaluation reserve for land			(29)		(29)
Changes in items other than shareholders' equity (net)					
Total changes	—	—	27,365	(0)	27,365
Ending balance	24,113	42,124	218,302	(3)	284,536

	Other Cumulative Comprehensive Income / (Loss)			Total net assets
	Revaluation reserve for land	Remeasurements of retirement benefits	Total accumulated other comprehensive loss	
Beginning balance	(4,202)	75	(4,126)	253,044
Changes during the year				
Dividends				(6,514)
Net income				33,909
Purchase of treasury shares				(0)
Difference for revaluation reserve for land	6		6	(22)
Changes in items other than shareholders' equity (net)		51	51	51
Total changes	6	51	58	27,423
Ending balance	(4,195)	127	(4,068)	280,467

(4) Consolidated statements of cash flows

Millions of yen	Year ended December 31, 2024	Year ended December 31, 2025
Net cash provided by operating activities		
Income before income taxes and non-controlling interests	47,226	50,406
Depreciation and amortization	17,098	18,244
Impairment loss	944	740
Gain on sale of shares of subsidiaries	(1,209)	—
Increase (decrease) in allowance for doubtful accounts	(18)	80
Increase (decrease) in other provisions	(928)	20
Increase (decrease) in liabilities for retirement benefits	(126)	(201)
Interest income	(154)	(247)
Interest expenses	9	8
Gain on sales of non-current assets	(451)	(147)
Loss on disposal of non-current assets	1,561	1,069
Decrease (increase) in accounts receivable - trade	2,132	(782)
Decrease (increase) in raw materials and supplies	(79)	148
Increase in goodwill from acquisition of franchised restaurants	(532)	(469)
Increase in Long-term deferred accounts receivable	6,467	5,160
Decrease (increase) in other assets	(2,920)	256
Increase (decrease) in accounts payable-trade	(1,340)	393
Increase (decrease) in accounts payable-other	1,059	(9,658)
Increase (decrease) in accrued expenses	(492)	(450)
Increase (decrease) in other current liabilities	254	1,608
Other, net	109	622
Subtotal	68,612	66,803
Interest income received	104	187
Interest expenses paid	(9)	(8)
Income taxes paid	(17,084)	(14,500)
Income taxes refunded	1,066	759
Net cash provided by operating activities	52,689	53,240

Millions of yen	Year ended December 31, 2024	Year ended December 31, 2025
Net cash used in investing activities		
Purchase of investment securities	(10,000)	(9,964)
Proceeds from redemption of investment securities	2,000	4,000
Purchase of property and equipment	(39,193)	(37,531)
Proceeds from sales of property and equipment	5,649	7,922
Purchase of shares of unconsolidated subsidiaries	(5,286)	—
Proceeds from sale of shares of unconsolidated subsidiaries	7,186	—
Payments for lease and guarantee deposits	(3,677)	(3,644)
Refunds from collection of lease and guarantee deposits	1,947	1,211
Purchases of software	(2,827)	(3,293)
Payments for assets retirement obligations	(571)	(789)
Other, net	7	(386)
Net cash used in investing activities	<u>(44,764)</u>	<u>(42,474)</u>
Net cash used in financing activities		
Repayment of lease obligations	(254)	(156)
Purchase of treasury shares	(0)	(0)
Dividends paid	(5,584)	(6,514)
Net cash used in financing activities	<u>(5,839)</u>	<u>(6,672)</u>
Effect of exchange rate changes on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	<u>2,086</u>	<u>4,094</u>
Cash and cash equivalents at beginning of period	<u>65,240</u>	<u>67,327</u>
Cash and cash equivalents at end of period	<u>67,327</u>	<u>71,422</u>

(5) Notes to consolidated financial statements

(Notes for assumption of going concern)

Not applicable.

(Significant accounting policies)

1. Basis of consolidation

(1) Number of consolidated subsidiaries: 1

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

(2) Number of nonconsolidated subsidiaries: 2

Name of consolidated subsidiaries: Yamazen Co., Ltd.

Red and White Co., Ltd.

(Main reason for exclusion of subsidiaries from consolidation)

Non-consolidated subsidiaries are small in scale and the Company's interests in their respective amounts of total assets, net sales and net income as well as retained earnings do not significantly affect the Group's consolidated financial statements.

2. Application of equity method

Non-consolidated subsidiaries (Yamazen Co., Ltd. and Red and White Co., Ltd.) are excluded from the scope of the equity method application, as their profit or loss, retained earnings, etc., do not have material impact on the consolidated financial statements and do not have significance as a whole.

3. Fiscal years of consolidated subsidiaries

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

4. Items related to accounting standards

(1) Valuation for major assets

i. Marketable and investment securities

a. Shares of subsidiaries: valued at cost using the periodic average method for unquoted.

b. Held-to-maturity securities: valued at cost, depreciation method (straight line method)

c. 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) Standards for recognition of significant revenues and expenses

i. Revenue recognition related to hamburger restaurant business

In store operations, sales transactions occur daily based on orders from customers, including sales transactions for orders received in stores, sales transactions for orders received via mobile ordering, and sales transactions through delivery services by company's own and using outside contractors. For mobile order and delivery services, order data from the customer is transferred to the POS system via the order receipt server and converted into sales transaction data.

a. Company operated store sales

For sales at company-operated stores, the performance obligation is satisfied when the goods are provided to customers, and therefore, revenue is recognized at that point. Company-operated store sales are recorded when sales transactions at company-operated stores are recorded in the POS system and automatically transferred to the accounting system via the sales management system.

b. Franchise revenue

Royalty income received from franchise corporations based on franchise agreements, is calculated based on the net sales of the franchise corporations, as they are promises to grant licenses to the franchise corporations, and revenue is recognized when such net sales are generated. Sales transactions at franchised stores are recorded in the POS system, automatically transferred to the accounting system via the sales management system, calculated based on the recorded sales transaction data and the rate stipulated in the franchise agreement, and recorded in the accounting system. For initial franchise fees received from franchise corporations based on franchise agreements, the Company recognizes the consideration as a contract liability when the franchise agreement is entered into and then recognizes it as revenue over some time in accordance with the satisfaction of performance obligations.

ii. Point program

With respect to the point program operated by the Company (My McDonald's Rewards), the Company identifies points granted to members in accordance with their purchase amounts as performance obligations. Transaction prices are allocated to these points based on their stand-alone selling prices, which are calculated taking into account factors such as the probability of future forfeiture. Revenue is recognized at the time when points are used or forfeited.

iii. Standards for recognition of revenue from finance lease transactions

Interest income is allocated to each period without recognizing sales.

(6) Goodwill

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

(7) 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.

(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, 2024 (January 1, 2024 to December 31, 2024)

1. Information by Products and Service

Sales by Company - operated restaurants was 273,459 million yen, Revenue from franchised restaurants was 132,018 million yen. Revenue from franchised restaurants includes 707 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, 2025 (January 1, 2025 to December 31, 2025)

1. Information by Products and Service

Sales by Company - operated restaurants was 270,089 million yen, Revenue from franchised restaurants was 146,513 million yen. Revenue from franchised restaurants includes 2,315 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, 2024		December 31, 2025	
Net assets per share	1,903.18	Net assets per share	2,109.44
Net income per share	240.39	Net income per share	255.04

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.

(Unit: Million Yen)

	December 31, 2024	December 31, 2025
Net income	31,961	33,909
Income not available to common shareholders	—	—
Income available to common shareholders	31,961	33,909
Average number of common stock outstanding (thousands shares)	132,958	132,958

(Significant Subsequent Events)

Not applicable.