

## Consolidated Financial Results for the Six Months Ended June 30, 2020

August 12, 2020

### McDonald's Holdings Company (Japan), Ltd.

Company code number: 2702 (URL <http://www.mcd-holdings.co.jp/>)  
Stock market: Tokyo Securities Exchange, JASDAQ  
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Schedule of dividends payment: —

Schedule of quarterly securities report submission: August 13, 2020

Preparation of supplementary materials for quarterly financial results: Yes

Quarterly results briefing: Yes (For analysts)

### 1. Consolidated operating results (From January 1, 2020 to June 30, 2020)

#### (1) Consolidated financial results

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

	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)	%
June 30, 2020	139,243	2.0	14,769	0.7	14,503	(4.7)	9,191	(4.9)
June 30, 2019	136,561	2.7	14,666	9.9	15,212	8.7	9,665	(28.6)

(Note) Comprehensive income:

Six months ended June 30, 2020: 9,186 million yen <(6.5%)>

Six months ended June 30, 2019: 9,820 million yen <(20.6%)>

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
June 30, 2020	69.13	—
June 30, 2019	72.69	—

#### (2) Consolidated financial position

(In millions of yen, with fractional amounts discarded)

	Total assets	Total net assets	Equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2020	214,314	164,093	76.6
As of December 31, 2019	221,696	159,295	71.9

(Note) Owner's equity: As of June 30, 2020: 164,093 million yen. As of December 31, 2019: 159,295 million yen

### 2. Dividends

	Dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of year	Total
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)
December 31, 2019	—	0.00	—	33.00	33.00
December 31, 2020	—	0.00	—	—	—
December 31, 2020 (Forecast)	—	—	—	33.00	33.00

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

**3. Consolidated earnings forecasts for the year ending December 31, 2020  
(From January 1, 2020 to December 31, 2020)**

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	Yen
Annual	287,000	1.9	29,000	3.5	28,500	3.7	18,200	7.8	136.88

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

**4. Others**

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

Newly consolidated: — Excluded: —

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

**(3) Changes in accounting policies and accounting estimates**

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

**(4) Number of shares outstanding (common stock)**

1. Number of shares outstanding (including treasury stock)  
As of June 30, 2020: 132,960,000 shares As of December 31, 2019: 132,960,000 shares
2. Number of treasury stock  
As of June 30, 2020: 969 shares As of December 31, 2019: 919 shares
3. Average number of common shares outstanding  
As of June 30, 2020: 132,959,056 shares As of June 30, 2019: 132,959,131 shares

(Indication of quarterly review procedure implementation status)

This quarterly earnings report is not subject to quarterly review procedures based upon the Financial Instruments and Exchange Act.

(Forward - looking statements)

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

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

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## **1. Qualitative Information on Financial Results for the Second Quarter Ended June 30, 2020**

### **(1) Qualitative information on consolidated operating results**

In February 2018, McDonald's Holdings Company (Japan) Ltd. and its subsidiary (the "Group" or "we") announced its medium-term management plan (from 2018 to 2020) that aims for sustainable growth, improved profitability and further enhancement of corporate value.

Specifically, we are aiming for system-wide average annual growth of 5% or more, average annual growth of 10% or more in operating income and ordinary income and ROE of 10% or more in each year through ongoing investments to strengthen our business foundation for growth ("best-in-class restaurant experience", "people" ( and "brand trust")) that we have built until now as well as making strategic investments in the three areas of (1) "strengthening core business (menu, value and family)", (2) "accelerators for growth" (delivery, digital, EOTF) and (3) "developing restaurants including opening of new ones/remodeling".

In 2020, which marks the third year of our medium-term management plan, we have strengthened our "menu" and "value" by ensuring the safety and security of food- elements that form the foundation of McDonald's business - while also focusing our efforts specifically in the following four items of (1) EOTF, (2) delivery, (3) people and (4) restaurant development, for further enhancement of our customer experience.

In the consolidated cumulative second quarter, we continued to listen to the voices of our customers and made efforts to enhance their restaurant experience by improving QSC. Additionally, thorough sanitary management was conducted at restaurants per requests from the Japanese and local governments to prevent the spreading of the new coronavirus while business hours were shortened, restaurant seating areas were closed and social distancing was secured for restaurant operation. With the way that customers were making use of our restaurants changing, orders for take-out, drive-thru and delivery increased, leading to same-store sales growing by 5.7% compared to the same term of the previous year.

Menu and value: We had implemented various initiatives that provide value to our customers (in line with the "value-for-money" strategy) through enhancement of our menu lineup to match demand of each day part and meet customer expectations. Limited time items such as "Samurai Mac" with thick beef patties, "Chicken Tatsuta Mentai Cheese", a new item for the popular "Chicken Tatsuta" series that combines the flavor of spicy pollock roe, and the three kinds of beef burgers that were gathered from around the world were also well received. In addition, by continuing to offer "Choi Mac" that enables various items to be enjoyed freely at the low prices of 100, 150 and 200 yen and "Value Lunch" that offers sets from 400 yen during weekday lunch time, we are delivering a sense of value and satisfaction to our customers.

EOTF: We aim to revolutionize the service concept of quick service restaurants, making a big change in people's perception of QSR services by providing even superior services to each of our customers. We will promote delivery of comfort and hospitality catering to various needs of our customers through introduction of "Omotenashi Leaders" (designated staff for customer hospitality), "table delivery" service in which freshly prepared products are delivered by crew to customers at their tables and "MOP", a smartphone app that enables customers to order and make payments ahead of time and receive freshly made food upon arrival at the store. Furthermore, the new service "Park & Go" that enables orders that are placed through "MOP" to be received in restaurant parking lots without having to leave cars has been rolled-out to approximately 270 restaurants nationwide as of the end of June 2020.

Delivery: Delivery is a marketable area with great potential for growth now and in the future. We offer delivery services through two channels; McDelivery service (MDS) by McDonald's crew as well as by partner vendor such as Uber Eats. As of the end of June 2020, the number of stores where MDS and Uber Eats services are available has reached 478 and 900, respectively, bringing the total number of restaurants offering delivery to 1,074 which is twice as high as the number from the same term of the previous year.

People: We continue aggressive investments in hiring and developing outstanding human resources in order to deliver the best-in-class restaurant experience to our customers. We develop new employees with training materials using digital devices.

Due to the investments in people and efforts for well-balanced enhancement of QSC&V, customer satisfaction on KODO, our app to gather customer opinions directly, is improving steadily, greatly contributing to the growth of business.

Restaurant development: The number of restaurants that were newly opened and closed during the consolidated cumulative second quarter was 16 and 17, respectively, bringing the total number of restaurants at the end of the consolidated second quarter to 2,909. We are taking a flexible approach with the allocation of funds among new openings, remodel, rebuild and EOTF to make effective use of our business resources.

Classification	Previous year-end	Newly opened	Closed	Classification change		Current reporting period
				Increase	Decrease	
Company-operated	886	7	(7)	8	(34)	860
Franchised	2,024	9	(10)	34	(8)	2,049
Total	2,910	16	(17)	42	(42)	2,909

In addition, McDonald's has built "Scale for Good" initiatives, which capitalizes on the Group's global scale, to take collaborative action on social and environmental challenges for a better future. In Japan, we are committed to "Sustainable Sourcing", "Packaging & Recycling" and "Commitment to Families." As part of these efforts, we have implemented a project called "Toy Recycling" where old HM toys are collected at storefront and recycled to be used partially as materials for plastic trays.

In addition, we have offered our appreciation and support for the contributions made by health care workers of the community.

We will continue to pay attention to the impact of the new coronavirus and policies of the Japanese and local governments and treat the safety and health of everyone including our customers and employees as top priority. Always standing by our customers, we will keep offering delicious food, a good sense of value for money and a convenient, comfortable restaurant environment every day that fit their new life style and ever-changing needs.

As a result of the above initiatives, same-store sales grew by 5.7% during the consolidated cumulative second quarter of this year. System-wide sales were 282,088 million yen (up 16,326 million yen from the same period last year), revenue was 139,243 million yen (up 2,682 million yen from the same period last year), and operating income was 14,769 million yen (up 103 million yen from the same period last year), ordinary income was 14,503 million yen (down 708 million yen from the same period last year). Net income attributable to owners of the parent was 9,191 million yen (down 473 million yen from the same period last year).

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

## **(2) Qualitative information on consolidated financial position**

### 1) Analysis of financial position

At the end of the second quarter, current assets totaled 78,086 million yen, a 7,210 million yen decrease from the end of the previous fiscal year. This was mainly due to 5,429 million yen decrease in cash and deposits and a 2,260 million yen decrease in account receivable-trade.

Non-current assets totaled 136,228 million yen, a 170 million yen decrease from the end of the previous fiscal year. This was primarily due to 191 million yen decrease in lease and guarantee deposits.

Current liabilities were 42,026 million yen, a 11,951 million yen decrease from the end of the previous fiscal year. This was mainly due to a 3,609 million yen decrease in other, a 2,421 million yen decrease in accounts payable-other and a 2,393 million yen decrease in income taxes payable.

Non-current liabilities totaled 8,195 million yen, a 227 million yen decrease from the end of the previous fiscal year. This was primarily due to a 234 million yen decrease in other.

### 2) Cash flow summary

Cash and cash equivalent at the end of the second quarter was 28,195 million yen, down 30,429 million yen from the end of the previous fiscal year.

(Cash flow from operating activities)

A total of 7,230 million yen was provided by operating activities. (Decrease of 6,365 million yen from the same period previous last year) This was primarily due to a pre-tax income of 14,269 million yen.

(Cash flow from investing activities)

A total of 33,129 million yen was used in investing activities. (Increase 26,510 million yen from the same period last year) This was primarily due to payments into deposits for 40,000 million yen and proceeds from sales of property.

(Cash flow from financing activities)

A total of 4,530 million yen was used in financing activities. (Decrease 10,366 million yen from the same period last year) This was primarily due to dividend payments of 4,387 million yen.

## **(3) Qualitative information on consolidated earnings forecasts**

Regarding the full year earnings forecast for the term ending December 2020, no changes have been made to what was announced on February 13, 2020. However, measures to address the spreading of the new coronavirus are being carried out in accordance with the policies of the Japanese and local governments such as ensuring sanitation control and reviewing the operation style of restaurants by shortening business hours and temporarily discontinuing eating-in with the safety of our customers and employees being top priority. As there are concerns that business may be further affected by such actions, information regarding any impact on business results and such will be disclosed appropriately depending on the circumstances.

## 2. Quarterly consolidated financial statements

### (1) Quarterly consolidated balance sheets

Millions of yen	December 31, 2019	June 30, 2020
(Assets)		
<b>Current assets</b>		
Cash and deposits	58,624	53,195
Accounts receivable-trade	19,496	17,235
Raw materials and supplies	1,151	993
Other	6,033	6,671
Allowance for doubtful accounts	(9)	(9)
Total current assets	85,296	78,086
<b>Non-current assets</b>		
<b>Property and equipment</b>		
Buildings and structures, net	52,271	50,354
Machinery and equipment, net	7,412	7,733
Tools, furniture and fixtures, net	6,652	6,569
Land	18,288	18,297
Lease assets, net	602	822
Construction in progress	1,174	2,579
Total property and equipment	86,401	86,356
<b>Intangible assets</b>		
Goodwill	210	98
Software	7,273	7,624
Other	694	694
Total intangible assets	8,178	8,417
<b>Investments and other assets</b>		
Investment securities	56	56
Long-term loans receivable	9	9
Deferred tax assets	4,718	4,721
Lease and guarantee deposits	33,994	33,802
Other	4,361	4,216
Allowance for doubtful accounts	(1,320)	(1,351)
Total investments and other assets	41,819	41,454
Total non-current assets	136,399	136,228
<b>Total assets</b>	221,696	214,314

Millions of yen	December 31, 2019	June 30, 2020
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	983	26
Lease obligations	282	294
Accounts payable-other	28,090	25,668
Accrued expenses	6,872	5,621
Income taxes payable	7,732	5,338
Consumption taxes payable	2,259	1,954
Provision for bonuses	2,130	1,220
Provision for loss on disposal of inventories	198	81
Other	5,427	1,818
Total current liabilities	53,978	42,026
<b>Non-current liabilities</b>		
Long-term loans payable	500	500
Lease obligations	420	634
Deferred tax liabilities due to land revaluation	291	291
Provision for bonuses	634	679
Provision for directors' bonuses	422	279
Provision for directors' retirement benefits	197	225
Liabilities for retirement benefits	1,327	1,348
Asset retirement obligations	4,041	3,884
Other	587	353
Total non-current liabilities	8,422	8,195
<b>Total liabilities</b>	62,401	50,221
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	97,216	102,020
Treasury stock	(2)	(2)
Total shareholders' equity	163,452	168,256
<b>Accumulated other comprehensive income</b>		
Revaluation reserve for land	(4,242)	(4,242)
Remeasurements of retirement benefits	84	79
Total accumulated other comprehensive income	(4,157)	(4,162)
Total net assets	159,295	164,093
<b>Total liabilities and net assets</b>	221,696	214,314



**(2) Quarterly consolidated statements of income and comprehensive income**

Quarterly consolidated statements of income for the six months ended June 30, 2019 and 2020

<b>Millions of yen</b>	<b>Six months ended June 30, 2019</b>	<b>Six months ended June 30, 2020</b>
<b>Net sales</b>	136,561	139,243
<b>Cost of sales</b>	108,961	111,313
<b>Gross profit</b>	27,599	27,930
<b>Selling, general and administrative expenses</b>	12,932	13,161
<b>Operating income</b>	14,666	14,769
<b>Non-operating income</b>		
Interest income	59	60
Compensation income	345	160
Insurance income	222	174
Commission fee income	124	32
Other	136	143
Total non-operating income	887	572
<b>Non-operating expenses</b>		
Interest expenses	18	8
Provision of allowance for doubtful accounts	6	39
Loss on disposals of company-operated restaurants	296	665
Other	20	125
Total non-operating expenses	342	838
<b>Ordinary income</b>	15,212	14,503
<b>Special loss</b>		
Loss on disposals of non-current assets	192	234
Total special loss	192	234
<b>Income before income taxes</b>	15,019	14,269
Income taxes	5,354	5,077
<b>Net income</b>	9,665	9,191
<b>Net income attributable to owners of parent</b>	9,665	9,191

**Quarterly consolidated statements of comprehensive income**

For the six months ended June 30, 2019 and 2020

<b>Millions of yen</b>	<b>Six months ended June 30, 2019</b>	<b>Six months ended June 30, 2020</b>
<b>Net income</b>	9,665	9,191
<b>Other comprehensive income</b>		
Remeasurements of defined benefit plans	154	(5)
Total accumulated other comprehensive loss	154	(5)
<b>Comprehensive income</b>	9,820	9,186
<b>Comprehensive income attributable to:</b>		
Owners of parent	9,820	9,186

### (3) Quarterly consolidated statements of cash flows

For the six months ended June 30, 2019 and 2020

Millions of yen	Six months ended June 30, 2019	Six months ended June 30, 2020
<b>Net cash provided by operating activities</b>		
Income before income taxes	15,019	14,269
Depreciation and amortization	4,988	5,262
Increase (decrease) in allowance for doubtful accounts	△26	31
Increase (decrease) in other provisions	△1,092	△1,097
Increase (decrease) in pension liabilities	△10	21
Decrease (increase) in pension assets	△250	—
Interest income	△59	△60
Interest expenses	18	8
Loss on disposals of noncurrent assets	208	506
Decrease in accounts receivable-trade	844	2,260
Increase in raw materials and supplies	153	158
Decrease in long-term deferred accounts receivable	1,493	—
Increase (decrease) in other assets	957	△706
Decrease in accounts payable-trade	△568	△957
Decrease in accounts payable-other	△4,163	△2,421
Increase (decrease) in accrued expenses	△772	△1,250
Decrease in other liabilities	△1,165	△1,567
Other, net	277	27
Subtotal	15,852	14,483
Interest income received	9	9
Interest expenses paid	△9	0
Proceeds from commercial agreement fund	164	243
Income taxes paid	△2,420	△7,506
Net cash provided by operating activities	13,596	7,230
<b>Net cash used in investing activities</b>		
Payments into time deposits	—	△40,000
Proceeds from withdrawal of time deposits	—	15,000
Purchases of property and equipment	△6,256	△8,020
Proceeds from sales of property and equipment	445	953
Payments for lease and guarantee deposits	△549	△623
Refunds of lease and guarantee deposits	757	827
Purchases of software	△1,031	△1,238
Payments for assets retirement obligations	△20	△36
Other, net	36	8
Net cash used in investing activities	△6,619	△33,129
<b>Net cash used in financing activities</b>		
Repayments of long-term loans payable	△10,625	—
Repayments of lease obligations	△283	△142
Repurchase of treasury stock	—	△0
Dividends paid	△3,988	△4,387
Net cash used in financing activities	△14,897	△4,530
<b>Effect of exchange rate changes on cash and cash equivalents</b>	6	0
<b>Net increase in cash and cash equivalents</b>	△7,913	△30,429
<b>Cash and cash equivalents at beginning of period</b>	43,326	58,624
<b>Cash and cash equivalents at end of period</b>	35,413	28,195

**(4) Notes to quarterly consolidated financial statements**

**(Notes for assumption of going concern)**

None

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

None

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

Income taxes:

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

**(Segment information)**

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

**(Significant subsequent events)**

None