

# (Translation)



## Consolidated Financial Results for the Six Months Ended June 30, 2022

August 10, 2022

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

Company code number: 2702 (URL <https://www.mcd-holdings.co.jp/>)  
Stock market: Tokyo Securities Exchange, Standard  
Representative: Tamotsu Hiiro  
CEO and President, Representative Director  
Contact: Shuko Yoshida  
McDonald's Company (Japan), Ltd.  
Vice President, Chief Financial Officer  
Phone: +81-3-6911-6000

Schedule of dividends payment: —

Schedule of quarterly securities report submission: August 12, 2022

Preparation of supplementary materials for quarterly financial results: Yes

Quarterly results briefing: Yes (For analysts)

### 1. Consolidated operating results (From January 1, 2022 to June 30, 2022)

#### (1) Consolidated financial results

(In millions of yen, with fractional amounts discarded)

	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, 2022	168,227	11.2	17,479	1.5	17,323	2.6	11,013	0.9
June 30, 2021	151,266	8.6	17,226	16.6	16,885	16.4	10,914	18.7

(Note) Comprehensive income:

Six months ended June 30, 2022: 11,004 million yen <0.9%>

Six months ended June 30, 2021: 10,905 million yen <18.7%>

	Net income per share	Net income per share, fully diluted
	(Yen)	(Yen)
June 30, 2022	82.83	—
June 30, 2021	82.09	—

#### (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, 2022	256,893	197,734	77.0
As of December 31, 2021	260,113	194,222	74.7

(Note) Owner's equity: As of June 30, 2022: 197,734 million yen. As of December 31, 2021: 194,222 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, 2021	—	0.00	—	39.00	39.00
December 31, 2022	—	0.00	—	—	—
December 31, 2022 (Forecast)	—	—	—	39.00	39.00

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

### 3. Consolidated earnings forecasts for the year ending December 31, 2022

(From January 1, 2022 to December 31, 2022)

	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	333,000	4.8	35,000	1.4	34,000	1.1	21,500	△10.2	161.70

(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 accounting procedures specific to preparation of quarterly consolidated financial statements:** Yes

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

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

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

1. Number of shares outstanding (including treasury stock)  
As of June 30, 2022: 132,960,000 shares As of December 31, 2021: 132,960,000 shares
2. Number of treasury stock  
As of June 30, 2022: 1,094 shares As of December 31, 2021: 1,020 shares
3. Average number of common shares outstanding  
As of June 30, 2022: 132,958,906 shares As of June 30, 2021: 132,958,981 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)

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 quarterly earnings report is Japanese. An English translation hereof is provided for reference purpose only.

## Contents

<b>1. Qualitative information on financial results for the second quarter ended June 30, 2022</b>	
(1) Qualitative information on consolidated operating results-----	2
(2) Qualitative information on consolidated financial position-----	4
(3) Qualitative information on consolidated earnings forecasts-----	5
<b>2. Quarterly consolidated financial statements</b>	
(1) Quarterly consolidated balance sheets-----	6
(2) Quarterly consolidated statements of income and comprehensive income-----	8
(3) Quarterly consolidated statements of cash flows -----	10
(4) Notes to quarterly consolidated financial statements -----	11
(Notes for assumption of going concern)-----	11
(Notes for significant changes in the amount of shareholders' equity)-----	11
(Application of accounting procedures specific to preparation of quarterly consolidated financial statements) -----	11
(Changes of accounting policy) -----	11
(Segment information) -----	11

## 1. Qualitative Information on Financial Results for the Second Quarter Ended June 30, 2022

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

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 ROE over the next three years.

In the cumulative second 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 27 consecutive quarters from 2015 Q4 to 2022 Q2.

On the other hand, we have revised over-the-counter prices of approximately 20% of our items after careful consideration in response to the recent sharp rise in prices of wheat, beef, and other raw materials, rising labor and logistic costs, and the yen's depreciation. We will continue to work with importers and suppliers to procure raw materials on a global scale, manage costs by building a more efficient distribution network, and flexibly implement pricing strategies, while striving to provide McDonald's-like hospitality that is close to each and every one of our customers.

#### (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, 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.

#### (2) "Menu and Value"

To meet the expectations of our customers, 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 new products such as Samurai Mac and Gohan Burger, and a series of products such as “Spicy Dabuchi” in collaboration with Char Aznable, a popular character from “Mobile Suit Gundam (Japanese animation series)”, as well as a campaign offering one of McDonald’s signature products, “Big Mac®”, at a special price for a limited time, which was well received by many customers. In addition, we have renewed the name of our weekday lunchtime special set menus the more familiar “Hiru-Mac” while maintaining the best price, and we continue to offer the “Choi-Mac” series, which customers can easily choose from a variety of products in the price range of 100, 150 and 200 yen 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 second quarter of the current consolidated accounting period, we opened 23 and closed 14 restaurants, and the total number of restaurants at the end of this quarter is 2,951. 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	9	(6)	0	(2)	868
Franchised	2,075	14	(8)	2	0	2,083
Total	2,942	23	(14)	2	(2)	2,951

**Digital:** With digital, we introduced “Mobile Order & Pay” as part of “Experience of the future”, a fusion of digital and people. The number of users is steadily increasing as a result of integration with the official app and the release of the web version. We aim to enhance functions, including expanding payment methods such as introducing “d-payment” in 2021, to enhance the convenience and increase the number of users.

**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, Demaegan, and others. As of June 2022, MDS is available in 931 restaurants, UberEats in 1,808, Demaegan in 1,862, making the total number of restaurants that offer delivery service to 2,114. In the future, we will continue to expand the number of restaurants and areas where we provide delivery services, aiming 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 1,067 restaurants as of June 2022.

**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 second quarter, more than 12,000 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 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 environment on a daily basis, while working toward the realization of a sustainable society and providing “Feed and Foster Communities”.

As a result of the above initiatives, same-store sales grew by 9.1% during the consolidated cumulative second quarter of this year. System-wide sales were 342,020 million yen (up 31,198 million yen from the same period last year), revenue was 168,227 million yen (up 16,960 million yen from the same period last year), and operating income was 17,479 million yen (up 252 million yen from the same period last year), ordinary income was 17,323 million yen (up 438 million yen from the same period last year). Net income attributable to owners of the parent was 11,013 million yen (up 98 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 97,580 million yen, a 5,314 million yen decrease from the end of the previous fiscal year. This was primarily due to a 5,279 million yen decrease in cash and deposits.

Non-current assets totaled 159,312 million yen, a 2,094 million yen increase from the end of the previous fiscal year. This was mainly due to a 1,198 million yen increase in deferred tax asset and a 950 million yen increase in lease and guarantee deposits.

Current liabilities were 52,105 million yen, a 6,522 million yen decrease from the end of the previous fiscal year. This was primarily due to a 7,462 million yen decrease in other.

Non-current liabilities totaled 7,053 million yen, a 208 million yen decrease from the end of the previous fiscal year. This was mainly due to a 129 million yen decrease in provision for bonuses and a 79 million yen decrease in lease obligations.

### 2) Cash flow summary

Cash and cash equivalent at the end of the second quarter was 44,987 million yen, down 5,279 million yen from the end of the previous fiscal year.

(Cash flow from operating activities)

A total of 14,357 million yen was provided by operating activities. (Decrease of 4,648 million yen from the same period previous last year) This was primarily due to a pre-tax income of 17,024 million yen.

(Cash flow from investing activities)

A total of 14,334 million yen was used in investing activities. (Increase 3,953 million yen from the same period last year) This was primarily due to purchases of property and equipment for 11,695 million yen.

(Cash flow from financing activities)

A total of 5,303 million yen was used in financing activities. (Decrease 145 million yen from the same period last year) This was primarily due to dividend payments of 5,185 million yen.

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

No change has been made to the forecast on the consolidated operating results for the fiscal year ending December 31, 2022, announced on February 9, 2022.

## 2. Quarterly consolidated financial statements

### (1) Quarterly consolidated balance sheets

Millions of yen	December 31, 2021	June 30, 2022
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	75,267	69,987
Accounts receivable-trade	20,557	19,704
Raw materials and supplies	1,243	1,184
Other	5,835	6,713
Allowance for doubtful accounts	(9)	(9)
Total current assets	102,894	97,580
<b>Non-current assets</b>		
<b>Property and equipment</b>		
Buildings and structures, net	63,070	61,770
Machinery and equipment, net	10,113	10,575
Tools, furniture and fixtures, net	7,778	7,240
Land	21,170	21,261
Lease assets, net	537	461
Construction in progress	359	1,125
Total property and equipment	103,029	102,435
<b>Intangible assets</b>		
Goodwill	518	512
Software	8,685	9,489
Other	694	694
Total intangible assets	9,898	10,695
<b>Investments and other assets</b>		
Investment securities	56	56
Long-term loans receivable	9	9
Deferred tax assets	7,558	8,756
Lease and guarantee deposits	34,240	35,190
Other	3,628	3,372
Allowance for doubtful accounts	(1,202)	(1,203)
Total investments and other assets	44,290	46,181
Total non-current assets	157,218	159,312
<b>Total assets</b>	260,113	256,893

Millions of yen	December 31, 2021	June 30, 2022
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	983	1,085
Lease obligations	237	233
Accounts payable-other	29,169	27,670
Accrued expenses	7,453	6,954
Income taxes payable	6,856	6,302
Consumption taxes payable	2,428	1,611
Contract liabilities	—	5,081
Provision for bonuses	2,316	1,459
Provision for loss on disposal of inventories	35	21
Other	9,147	1,684
Total current liabilities	58,628	52,105
<b>Non-current liabilities</b>		
Lease obligations	415	335
Provision for bonuses	417	288
Provision for directors' bonuses	200	170
Provision for directors' retirement benefits	271	308
Liabilities for retirement benefits	1,388	1,377
Asset retirement obligations	4,071	4,088
Deferred tax liabilities	3	3
Deferred tax liabilities due to land revaluation	289	289
Other	204	192
Total non-current liabilities	7,262	7,053
<b>Total liabilities</b>	65,890	59,159
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	132,179	135,656
Treasury stock	(2)	(3)
Total shareholders' equity	198,414	201,891
<b>Accumulated other comprehensive income</b>		
Revaluation reserve for land	(4,246)	(4,202)
Remeasurements of retirement benefits	53	45
Total accumulated other comprehensive income	(4,192)	(4,157)
Total net assets	194,222	197,734
<b>Total liabilities and net assets</b>	260,113	256,893

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

Quarterly consolidated statements of income for the Six months ended June 30, 2021 and 2022

<b>Millions of yen</b>	<b>Six months ended June 30, 2021</b>	<b>Six months ended June 30, 2022</b>
<b>Net sales</b>	151,266	168,227
<b>Cost of sales</b>	120,212	136,228
<b>Gross profit</b>	31,054	31,999
<b>Selling, general and administrative expenses</b>	13,827	14,519
<b>Operating income</b>	17,226	17,479
<b>Non-operating income</b>		
Interest income	57	48
Reversal of allowance for doubtful accounts	5	—
Compensation income	143	34
Insurance income	86	18
Other	189	116
Total non-operating income	482	218
<b>Non-operating expenses</b>		
Interest expenses	6	2
Provision of allowance for doubtful accounts	—	1
Loss on disposals of company-operated restaurants	805	347
Other	11	22
Total non-operating expenses	823	373
<b>Ordinary income</b>	16,885	17,323
<b>Special income</b>		
Gain on sales of non-current assets	247	41
Total special income	247	41
<b>Special loss</b>		
Loss on disposals of non-current assets	294	190
Impairment loss	—	149
Total special loss	294	340
<b>Income before income taxes</b>	16,839	17,024
Income taxes	5,924	6,011
<b>Net income</b>	10,914	11,013
<b>Net income attributable to owners of parent</b>	10,914	11,013

**Quarterly consolidated statements of comprehensive income**

For the six months ended June 30, 2021 and 2022

<b>Millions of yen</b>	<b>Six months ended June 30, 2021</b>	<b>Six months ended June 30, 2022</b>
<b>Net income</b>	10,914	11,013
<b>Other comprehensive income</b>		
Remeasurements of defined benefit plans	(9)	(8)
Total accumulated other comprehensive loss	(9)	(8)
<b>Comprehensive income</b>	10,905	11,004
<b>Comprehensive income attributable to:</b>		
Owners of parent	10,905	11,004

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

For the six months ended June 30, 2021 and 2022

Millions of yen	Six months ended June 30, 2021	Six months ended June 30, 2022
<b>Net cash provided by operating activities</b>		
Income before income taxes	16,839	17,024
Depreciation and amortization	6,032	6,818
Impairment loss	—	149
Increase (decrease) in allowance for doubtful accounts	△5	1
Increase (decrease) in other provisions	△837	△993
Increase (decrease) in pension liabilities	8	△11
Interest income	△57	△48
Interest expenses	6	2
Gain on sales of non-current assets	△247	△41
Loss on disposals of non-current assets	824	288
Decrease (increase) in accounts receivable-trade	4,169	853
Decrease (increase) in raw materials and supplies	117	59
Increase in goodwill from acquisition of franchised restaurants	△130	△84
Decrease (increase) in other assets	△770	△1,647
Increase (decrease) in accounts payable-trade	△773	101
Increase (decrease) in accounts payable-other	△1,028	△1,071
Increase (decrease) in accrued expenses	△646	△498
Increase (decrease) in other liabilities	△534	△1,072
Other, net	△17	0
Subtotal	22,949	19,829
Interest income received	41	20
Interest expenses paid	△150	△2
Proceeds from commercial agreement fund	159	179
Income taxes paid	△5,736	△6,749
Income taxes refunded	1,741	1,080
Net cash provided by operating activities	19,005	14,357
<b>Net cash used in investing activities</b>		
Payments into time deposits	△5,000	—
Proceeds from withdrawal of time deposits	5,000	—
Purchases of property and equipment	△9,843	△11,695
Proceeds from sales of property and equipment	890	467
Payments for lease and guarantee deposits	△565	△1,576
Refunds of lease and guarantee deposits	598	622
Purchases of software	△1,437	△2,122
Payments for assets retirement obligations	△31	△38
Other, net	8	8
Net cash used in investing activities	△10,381	△14,334
<b>Net cash used in financing activities</b>		
Repayments of long-term loans payable	△500	—
Repayments of lease obligations	△163	△117
Repurchase of treasury stock	—	△0
Dividends paid	△4,786	△5,185
Net cash used in financing activities	△5,449	△5,303
<b>Effect of exchange rate changes on cash and cash equivalents</b>	0	1
<b>Net increase in cash and cash equivalents</b>	3,175	△5,279
<b>Cash and cash equivalents at beginning of period</b>	37,741	50,266
<b>Cash and cash equivalents at end of period</b>	40,916	44,987

### **(3) 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 accounting procedures specific to preparation of quarterly consolidated financial statements)**

Income taxes:

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

#### **(Changes of accounting policy)**

Application of accounting standards for revenue recognition:

From the beginning of the first quarter of this 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 first quarter of this fiscal year, was added to or subtracted from the beginning balance of retained earnings of the first quarter of this fiscal year.

As a result, for the second quarter of this fiscal year, net sales increased by 22 million yen, selling, general and administrative expenses decreased by 190 million yen, and each of operating income, ordinary income and income before income taxes increased by 213 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 first quarter of this fiscal year.

As a result, "Other" presented as "Current liabilities" in the consolidated balance sheet decreased by 1,768 million yen for the second quarter of this fiscal year.

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 first quarter of this 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)**

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