

## Consolidated Financial Results for the Three Months Ended March 31, 2017

May 10, 2017

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

Company code number: 2702 (URL <http://www.mcd-holdings.co.jp/>)  
Stock market: Tokyo Securities Exchange, JASDAQ  
Representative: Sarah L. Casanova  
CEO and President, Representative Director  
Contact: Keiji Nakazawa  
IR Executive Adviser  
Phone: +81-3-6911-6000

Schedule of dividends payment: —

Schedule of quarterly securities report submission: May 11, 2017

Preparation of supplementary materials for quarterly financial results: None

Quarterly results briefing: No

### 1. Consolidated operating results (From January 1, 2017 to March 31, 2017)

#### (1) Consolidated financial results

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

	Net sales		Operating income		Ordinary income/(loss)		Net income/(loss) attributable to owners of parent	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
March 31, 2017	61,042	16.9	6,401	—	6,415	—	7,609	—
March 31, 2016	52,199	27.7	151	—	(126)	—	(176)	—

(Note) Comprehensive income/(loss):

Three months ended March 31, 2017: 7,491 million yen (—%)

Three months ended March 31, 2016: (213) million yen (—%)

	Net income/(loss) per share	Net income/(loss) per share, fully diluted
	(Yen)	(Yen)
March 31, 2017	57.23	—
March 31, 2016	(1.33)	—

#### (2) Consolidated financial position

(In millions of yen, with fractional amounts discarded)

	Total assets	Shareholders' equity	Owner's equity ratio
	(Millions of yen)	(Millions of yen)	%
As of March 31, 2017	174,234	113,717	65.1
As of December 31, 2016	180,499	110,214	60.9

(Note) Owner's equity: As of March 31, 2017: 113,502 million yen. As of December 31, 2016: 110,000 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, 2016	—	0.00	—	30.00	30.00
December 31, 2017	—	—	—	—	—
December 31, 2017(Forecast)	—	0.00	—	30.00	30.00

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

**3. Consolidated earnings forecasts for the year ending December 31, 2017**  
**(From January 1, 2017 to December 31, 2017)**

	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
Interim period	119,000	13.4	8,000	—	8,000	—	8,500	—	63.93
Annual	246,000	8.5	15,000	116.4	15,000	126.8	14,500	170.2	109.06

(Note) Change to the earnings forecast from the most recently announced figures: Yes

**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 March 31, 2017: 132,960,000 shares As of December 31, 2016: 132,960,000 shares
2. Number of treasury stock  
As of March 31, 2017: 869 shares As of December 31, 2016: 869 shares
3. Average number of common shares outstanding  
As of March 31, 2017: 132,959,131 shares As of March 31, 2016: 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.

## Contents

### 1. Qualitative information on financial results for the first quarter ended March 31, 2017

(1) Qualitative information on consolidated operating results-----	2
(2) Qualitative information on consolidated financial position-----	3
(3) Qualitative information on consolidated earnings forecasts-----	3

### 2. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets-----	4
(2) Quarterly consolidated statements of income and comprehensive income-----	6
(3) Notes to consolidated financial statements-----	8
(Notes for assumption of going concern)-----	8
(Notes for significant changes in the amount of shareholders' equity)-----	8
(Application of simplified accounting policies for quarterly financial statements) -----	8
(Segment information) -----	8

## 1. Qualitative Information on Financial Results for the First Quarter Ended March 31, 2017

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

#### (Operating results)

During the consolidated cumulative first quarter of this year, the synergy of various activities carried out since 2015, where McDonald's Holdings Company (Japan), Ltd. and subsidiaries (the "Group" or "we") listen to our customers and focus on meeting customers' needs, enabled us to continue the momentum from last year and saw 15.5% same-store sales growth. System-wide sales were 117,345 million yen (up 15,217 million yen from the same period last year), revenue was 61,042 million yen (up 8,843 million yen from the same period last year), and ordinary income was 6,415 million yen (we posted ordinary loss of 126 million yen a year earlier). Net income attributable to owners of parent was 7,609 million yen, reflecting recognition of 2,475 million yen of commercial agreement fund as special income (we posted a loss of 176 million yen a year earlier).

- (\*) 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.

#### (Business strategies)

In 2017, we will continue and strengthen investment in the most important three pillars for customers, "menu and value", "restaurant experience", and "brand engagement", while continuing to address food safety and quality. Furthermore, we will actively invest in three areas such as 1) taste, 2) convenience and 3) people, aiming to further improve customer experience.

We executed the following actions during the first quarter:

#### 1) "Taste"

In January, we announced the "Oishisa Kojo Sengen", our relentless commitment to tastiness of core menu items, and revamped "Premium Roast Coffee" as the first product of this initiative. Then, the second round was launched in February; we added "Ginger Pork Burger" (nickname: YAKKI), a new regular menu item, to our "Otegoro Mac" lineup. Both have been very well received by customers.

We also held the first-ever "McDonald's General Election" in January, where twelve of our most popular regular sandwiches battled it out to become the number one burger of McDonald's Japan. To show our appreciation to customers who voted in the election, the winning "Double Cheese Burger" and the second placed "Teriyaki Mac Burger" were upgraded to "Triple Cheese Burger" and "Double Teriyaki Mac Burger" respectively for no extra charge for a limited period of time, in accordance with the campaign promises.

Furthermore, as limited-time offers in February, we offered a popular and established product, "Chicken Tatsuta" coupled with "Chicken Taruta", an additional new item to the lineup. In March, in addition to "Teritama" and "Cheese Teritama", our regular limited-time offers for spring, we introduced "Giga Bacon Teritama" and "Teritama Muffin", the first Teritama breakfast sandwich. All of these products were very well accepted by customers.

#### 2) "Convenience"

With the aim to create noticeable changes and to offer the best possible restaurant experience for customers, we are working towards modernizing 90% of our restaurants by the end of 2018 and preferentially investing resources in remodels of existing restaurants. During this first quarter, we have rebuilt three restaurants and remodeled 82 restaurants including the ones at shopping malls/food courts.

Also, as part of our initiatives to improve customer convenience and to further enhance restaurant

experience, all our restaurants nationwide (excluding restaurants at special locations) started accepting “d POINTs” offered by NTT DoCoMo, Inc. from March 1, 2017.

Classification	Previous year-end	Newly opened	Closed	Classification change		Current reporting period
				Increase	Decrease	
Company-operated	939	—	(5)	—	(2)	932
Franchised	1,972	—	(6)	2	—	1,968
Total	2,911	—	(11)	2	(2)	2,900

## 2) People

We are also committed to create a crew-friendly work environment and will actively invest in “people”. (Crew = part-timers)

In March, we held a “crew experience event” at all restaurants nationwide to communicate the appealing aspects of McDonald’s restaurants as a working place, and as a result, our restaurants welcomed so many people and were able to hire competent crew. We also made a major revision of crew training material; the revised material enabled us to provide high-quality training with reduced training hours.

## (2) Qualitative information on consolidated financial position

At the end of the first quarter, current assets totaled 35 billion yen, a 6,173 million yen decrease from the end of the previous fiscal year. This was mainly due to a 5,579 million yen decrease in cash and deposits.

Non-current assets totaled 139,234 million yen, an 90 million yen decrease from the end of the previous fiscal year. This was primarily due to a 1,250 million yen increase in “other” items reported under investment and other assets, a 554 million yen decrease in lease and guarantee deposits, and collections of long-term deferred accounts receivable.

Current liabilities were 30,746 million yen, a 9,056 million yen decrease from the end of the previous fiscal year. The decrease was primarily the results of a 5,309 million yen decrease in accounts payable - other and a 1,446 million yen decrease in consumption taxes payable.

Non-current liabilities totaled 29,771 million yen, a 710 million yen decrease from the end of the previous fiscal year mainly resulting from the repayment of long-term loans payable.

## (3) Qualitative information on consolidated earnings forecasts

An upward revision has been made to the consolidated annual earnings forecast for the fiscal year ending December 31, 2017, primarily reflecting strong sales brought about by the synergy of various initiatives as stated above. For details, please refer to the “Revision of Consolidated Financial Forecast for 2017” announced today.

## 2. Quarterly consolidated financial statements

### (1) Quarterly consolidated balance sheets

Millions of yen	December 31, 2016	March 31, 2017
(Assets)		
<b>Current assets</b>		
Cash and deposits	21,244	15,665
Accounts receivable-trade	10,558	10,226
Current portion of long-term deferred accounts receivable	3,336	3,301
Raw materials and supplies	999	971
Deferred tax assets	597	597
Other	5,574	5,302
Allowance for doubtful accounts	(1,136)	(1,065)
Total current assets	41,174	35,000
<b>Non-current assets</b>		
<b>Property and equipment</b>		
Buildings and structures, net	49,548	49,754
Machinery and equipment, net	4,195	4,072
Tools, furniture and fixtures, net	2,703	2,695
Land	17,325	17,325
Lease assets, net	1,987	1,779
Construction in progress	1,118	1,036
Total property and equipment	76,878	76,663
<b>Intangible assets</b>		
Goodwill	907	814
Software	6,118	6,245
Other	694	694
Total intangible assets	7,720	7,754
<b>Investments and other assets</b>		
Investment securities	56	56
Long-term loans receivable	9	9
Long-term deferred accounts receivable	6,049	5,185
Pension assets	7,328	7,218
Deferred tax assets	124	179
Lease and guarantee deposits	37,519	36,965
Other	6,286	7,536
Allowance for doubtful accounts	(2,647)	(2,333)
Total investments and other assets	54,725	54,816
Total non-current assets	139,324	139,234
<b>Total assets</b>	180,499	174,234

Millions of yen	December 31, 2016	March 31, 2017
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Accounts payable-trade	844	725
Current portion of long-term loans payable	2,500	2,500
Lease obligations	1,152	1,073
Accounts payable-other	20,893	15,583
Accrued expenses	4,918	4,750
Income taxes payable	1,112	1,279
Consumption taxes payable	3,299	1,853
Provision for bonuses	2,307	889
Provision for loss on disposal of inventories	261	—
Other	2,512	2,089
Total current liabilities	<u>39,802</u>	<u>30,746</u>
<b>Non-current liabilities</b>		
Long-term loans payable	20,625	20,000
Lease obligations	1,486	1,250
Deferred tax liabilities	1,342	1,303
Deferred tax liabilities due to land revaluation	291	291
Provision for bonuses	435	603
Provision for directors' bonuses	126	126
Provision for directors' retirement benefits	78	84
Liabilities for retirement benefits	1,424	1,445
Asset retirement obligations	4,352	4,343
Other	319	320
Total non-current liabilities	<u>30,482</u>	<u>29,771</u>
<b>Total liabilities</b>	<u>70,284</u>	<u>60,517</u>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Common stock	24,113	24,113
Capital surplus	42,124	42,124
Retained earnings	46,333	49,954
Treasury stock	(1)	(1)
Total shareholders' equity	<u>112,570</u>	<u>116,190</u>
<b>Accumulated other comprehensive income</b>		
Revaluation reserve for land	(4,242)	(4,242)
Remeasurements of defined benefit plans	1,672	1,553
Total accumulated other comprehensive income	<u>(2,569)</u>	<u>(2,688)</u>
<b>Non-controlling interests</b>	214	215
Total net assets	<u>110,214</u>	<u>113,717</u>
<b>Total liabilities and net assets</b>	<u>180,499</u>	<u>174,234</u>

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

Quarterly consolidated statements of income for the three months ended March 31, 2016 and 2017

<b>Millions of yen</b>	<b>Three months ended March 31, 2016</b>	<b>Three months ended March 31, 2017</b>
<b>Net sales</b>	52,199	61,042
<b>Cost of sales</b>	46,537	48,913
<b>Gross profit</b>	5,661	12,128
<b>Selling, general and administrative expenses</b>	5,509	5,727
<b>Operating income</b>	151	6,401
<b>Non-operating income</b>		
Interest income	24	56
Reversal of allowance for doubtful accounts	—	91
Compensation income	2	32
Insurance income	9	4
Other	110	70
Total non-operating income	146	256
<b>Non-operating expenses</b>		
Interest expenses	65	41
Provision of allowance for doubtful accounts	59	—
Loss on disposals of company-operated restaurants	175	174
Other	125	25
Total non-operating expenses	425	241
<b>Ordinary income/(loss)</b>	(126)	6,415
<b>Special income</b>		
Commercial agreement fund	—	2,475
Total special income	—	2,475
<b>Special loss</b>		
Loss on sales of non-current assets	10	—
Loss on disposals of non-current assets	39	59
Total special loss	50	59
<b>Income/(loss) before income taxes</b>	(177)	8,831
Income taxes	(2)	1,221
<b>Net income/(loss)</b>	(175)	7,610
Net income attributable to non-controlling interests	1	1
<b>Net income/(loss) attributable to owners of parent</b>	(176)	7,609



**Quarterly consolidated statements of comprehensive income**

For the three months ended March 31, 2016 and 2017

<b>Millions of yen</b>	<b>Three months ended March 31, 2016</b>	<b>Three months ended March 31, 2017</b>
<b>Net income/(loss)</b>	(175)	7,610
<b>Other comprehensive income</b>		
Revaluation reserve for land	19	—
Remeasurements of defined benefit plans	(57)	(118)
Total accumulated other comprehensive loss	(38)	(118)
<b>Comprehensive income/(loss)</b>	(213)	7,491
<b>Comprehensive income/(loss) attributable to:</b>		
Owners of parent	(214)	7,490
Non-controlling interests	1	1

**(3) Notes to 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.