

**MEDIROM HEALTHCARE TECHNOLOGIES INC. CONSOLIDATED STATEMENTS OF INCOME FOR THE  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

(Yen in thousands, except share and per share data)

	<b>Years Ended December 31,</b>	
	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Revenue from directly-operated salons	2,031,155	1,477,985
Franchise revenue	1,833,501	1,870,057
Other revenues	43,608	85,093
Total revenues	<u>3,908,264</u>	<u>3,433,135</u>
<b>Cost of revenues and operating expenses:</b>		
Cost of revenue from directly-operated salons	1,912,893	1,416,818
Cost of franchise revenue	1,019,956	1,023,975
Cost of other revenues	24,657	35,474
Selling, general and administrative expenses	871,862	842,822
Impairment loss on long-lived assets	44,546	40,778
Total cost of revenues and operating expenses	<u>3,873,914</u>	<u>3,359,867</u>
<b>Operating income</b>	<u>34,350</u>	<u>73,268</u>
Other income (expense):		
Dividend income	2	2
Interest income	1,336	785
Interest expense	(13,591)	(15,485)
Gain from bargain purchases	6,487	33,218
Other, net	4,153	133
<b>Total other income (expense)</b>	<u>(1,613)</u>	<u>18,653</u>
Income before income tax expense and equity in earnings (loss) of investment	32,737	91,921
Income tax expense	15,961	25,252
Equity in earnings (loss) of investment	559	(359)
<b>Net income</b>	<u>17,335</u>	<u>66,310</u>
Net earnings per share		
Basic	5	18
Diluted	4	14
Weighted average shares outstanding	3,747,296	3,672,501
Basic		
Diluted	4,272,302	4,721,278
Net income	17,335	66,310
Foreign currency translation adjustments, net of tax	278	(278)
<b>Comprehensive income</b>	<u>17,613</u>	<u>66,032</u>