

**MEDIROM HEALTHCARE TECHNOLOGIES INC. CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

	<u>Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<b>Revenues:</b>		
Revenue from directly-operated salons	2,026,806	2,031,155
Franchise revenue	1,289,141	1,833,501
Other revenues	25,670	43,608
Total revenues	<u>3,341,617</u>	<u>3,908,264</u>
<b>Cost of revenues and operating expenses:</b>		
Cost of revenue from directly-operated salons	2,149,843	1,912,893
Cost of franchise revenue	745,102	1,019,956
Cost of other revenues	17,722	24,657
Selling, general and administrative expenses	1,068,537	871,862
Impairment loss on long-lived assets	106,501	44,546
Total cost of revenues and operating expenses	<u>4,087,705</u>	<u>3,873,914</u>
<b>Operating income</b>	<u>(746,088)</u>	<u>34,350</u>
Other income (expense):		
Dividend income	2	2
Interest income	1,332	1,336
Interest expense	(13,234)	(13,591)
Gain from bargain purchases	0	6,487
Subsidies	111,581	0
Other, net	19,718	4,153
<b>Total other income (expense)</b>	<u>119,399</u>	<u>(1,613)</u>
Income before income tax expense and equity in earnings (loss) of investment	(626,689)	32,737
Income tax expense	(87,519)	15,961
Equity in earnings (loss) of investment	0	559
<b>Net income</b>	<u>(539,170)</u>	<u>17,335</u>
Net earnings per share		
Basic	(133.97)	4.63
Diluted	(133.97)	4.06
Weighted average shares outstanding		
Basic	4,024,692	3,747,296
Diluted	4,024,692	4,272,302
Net income	(539,170)	17,335
Foreign currency translation adjustments, net of tax	0	278
<b>Comprehensive income</b>	<u>(539,170)</u>	<u>17,613</u>