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Ticker: MRM
March 16, 2023

MEDIROM Healthcare Technologies Inc.
Tradepia Odaiba 2-3-1 Daiba, Minato-ku,
Tokyo, Japan, 135-0091

Notice of Convocation of the 23rd Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 23rd Ordinary General Meeting of Shareholders of MEDIROM Healthcare Technologies Inc. (the “Company”). The meeting will be held at the Head Office of the Company (16F, Tradepia Odaiba, 2-3-1 Daiba, Minato-ku, Tokyo, Japan) on Friday, March 31, 2023 at 9:00 a.m., Japan Standard Time. At the meeting, you will be asked to consider the following proposals: (1) to amend the Articles of Incorporation; (2) to reduce the registered paid-in capital and additional reserved capital by re-classifying as other capital surplus and to dispose of such re-classified other capital surplus, offset against accumulated deficit; (3) to re-elect four (4) directors to serve for the ensuing year as members of the Board of Directors; and (4) to ratify the appointment of Crea Audit Corporation as the Accounting Auditor for the Company. The accompanying *Details of the 23rd Ordinary General Meeting of Shareholders* describe these matters in more detail. We urge you to read this information carefully. The Board of Directors recommends a vote “**FOR**” each of the proposals.

YOUR VOTE IS VERY IMPORTANT. In the event you cannot attend the meeting in person, you may vote your common shares by completing, dating and signing the proxy card enclosed herein. To do so, please review the accompanying *Reference Documents for General Meeting of Shareholders*, and make sure to mail the completed proxy card in accordance with the instruction stated in this notice of convocation.

Details of the 23rd Ordinary General Meeting of Shareholders

- 1. Date and Time:** Friday, March 31, 2023, at 9:00 a.m., Japan Standard Time
- 2. Venue:** Head Office of the Company (16F, Tradepia Odaiba, 2-3-1 Daiba, Minato-ku, Tokyo, Japan)
- 3. Agenda:**

Matters to be reported:

The Business Report and the Non-Consolidated (Audited) Financial Statements for the 23rd fiscal year (from January 1, 2022 to December 31, 2022), which financial statements were based upon our statutory financial results prepared in accordance with Japanese GAAP, and have not been reviewed or audited under U.S. GAAP. As such, these financial results and financial statements may differ in material respects from the audited

consolidated financial results and financial statements prepared in accordance with U.S. GAAP that will be reported at a later date and included in our Annual Report on Form 20-F to be filed with the U.S. Securities and Exchange Commission and available at www.sec.gov. The discussion of our financial results and financial statements under the Japanese GAAP is presented to our shareholders and holders of American Depository Shares, each representing one (1) common share of the Company (the “ADSs”), solely for purposes of compliance with requirements under the Japanese Companies Act in connection with our annual meeting.

Matters to be resolved:

Proposal 1: To amend the Articles of Incorporation

Proposal 2: To reduce the registered paid-in capital and additional reserved capital by re-classifying as other capital surplus in Company’s book and to dispose of such re-classified other capital surplus, offset against accumulated deficit

Proposal 3: To re-elect four (4) Directors to serve for the ensuing year as members of the Board of Directors

Proposal 4: To ratify the appointment of Crea Audit Corporation as the Accounting Auditor (which is responsible for the audit in Japan under the local laws) for the Company.

Recommendation of the Board

Our Board of Directors unanimously recommends that the shareholders or ADS holders vote “**FOR**” each of the proposals listed above.

- * If you attend the meeting in person, please complete the proxy card enclosed herein and submit completed proxy card at the reception desk at the meeting location on the day of the meeting.
- * If you are a holder of the common shares of the Company and you cannot attend the meeting in person, you may vote your common shares by completing, dating and signing the proxy card enclosed herein. To do so, please review the accompanying Reference Documents for General Meeting of Shareholders, and make sure to mail the completed proxy card for the Company to receive NO LATER THAN 6:00 P.M., JAPAN STANDARD TIME, ON THURSDAY, MARCH 30, 2023.
- * If you are a holder of the ADSs, each representing one (1) common share of the Company, you may instruct Bank of New York Mellon, as the depository for the ADSs, as to how to vote the number of deposited common shares your ADSs represent. The accompanying Reference Documents for General Meeting of Shareholders shall describe the matters to be voted on and explain how you, as an ADS holder, may instruct the depository as to how to vote. For voting instructions to be valid, they must reach the depository by the date and time set by the depository (which shall be NO LATER THAN 12 P.M., EASTERN STANDARD TIME, ON FRIDAY, MARCH 24, 2023). The depository will try, as far as practical, subject to the laws of Japan and the provisions of our articles of association or similar documents, to vote or to have its agents vote the common shares as instructed by you.
- * The depository will not exercise any discretion in voting the deposited common shares and it will only vote or attempt to vote as instructed, with the exception that, under certain circumstances, the depository may give a discretionary proxy to a person designated by us to vote the number of ADSs of certain ADS holders.

Reference Documents for General Meeting of Shareholders

Proposal 1: To amend the Articles of Incorporation

I. Reason for Amendment and Details

To ensure the Independent Accounting Auditor delivers a high level of performance in its duty, the Company proposes to amend its Articles of Incorporation to add a new Article 38, as shown below, to authorize the Company to enter into an agreement concerning a limitation of liability with the Accounting Auditor.

(The underlined indicates portions to be amended.)

Current	New
(n/a)	<p><u>Article 38 (Independent Accounting Auditor’s Limitation of Liability)</u></p> <p><u>Pursuant to the provisions of Article 427 of the Companies Act, the Company may enter into an agreement with accounting auditor to limit such accounting auditor’s liabilities for loss or damage arising from such accounting auditor’s conducts under Article 423 of the Companies Act, provided, however, that the maximum amount that the Company may limit under such agreement shall be the higher of: (i) the amount greater than one million (1,000,000) yen which shall be set forth in the agreement; and (ii) the amount permitted by applicable law.</u></p> <p style="text-align: center;">Chapter VIII Accounts</p> <p>Articles <u>39</u> – <u>41</u> (There are no changes to the provisions.)</p>

II. Board Recommendation

Our Board of Directors unanimously recommends that you vote “**FOR**” this proposal.

Proposal 2: To reduce the registered paid-in capital and additional reserved capital by re-classifying as other capital surplus in Company’s book and to dispose of such re-classified other capital surplus, offset against accumulated deficit

I. Details of Proposal

1. Description of reduction of registered paid-in capital and additional reserved capital

(1) Amount of registered paid-in capital and additional reserved capital to be reduced

The total registered paid-in capital, which is 1,223,234,510 yen to date, will be reduced by 1,203,234,510 yen to 20,000,000 yen as ending balance.

The total additional reserved capital, which is 1,234,234,510 yen to date, will be reduced by 1,214,234,510 yen to 20,000,000 yen as ending balance.

(2) Method of capital reduction

Entire amount of reduced registered paid-in capital and additional capital reserve will be reclassified to other capital surplus in Company’s book entry.

(3) Scheduled effective date

May 31, 2023

2. Description of disposition of surplus

(1) Category of surplus to be reduced and its amount

Other capital surplus, 2,509,940,796 yen

(2) Category of surplus to be increased and its amount

Accumulated retained earnings, 2,509,940,796 yen

(3) Scheduled effective date of disposition of surplus

May 31, 2023

As a result of the disposition, the ending balance of other capital surplus and accumulated retained earnings will be 9,336,261 yen and zero (0) yen, respectively.

II. Board Recommendation

Our Board of Directors unanimously recommends that you vote “FOR” this proposal.

Proposal 3: To elect four (4) Directors to serve for the ensuing year as members of the Board of Directors

I. Details of Proposal

The terms of office of all four (4) Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we are seeking to re-elect four (4) Directors, including two (2) Outside Directors. The nominees for Directors are as described below.

Name (Date of Birth)	Biography, Position, Responsibilities, and Significant Concurrent Positions, etc.	Number of Shares Held (as of December 31, 2022)
Kouji Eguchi (July 27, 1973)	March 1996: Bachelor of Oceanography, Department of Marine Resources, Tokai University April 1996: Jac Co. Ltd. (current Curtis Holdings, Inc.) December 1999: Senior Managing Director, PriceDown.com, Inc. (Jac's subsidiary) July 2000: Director, Young Leaves, Inc. (currently MEDIROM Healthcare Technologies Inc.) November 2001: Representative Director (current), ReRaKu Inc. (currently MEDIROM Healthcare Technologies Inc.) June 2010: Director of the Japan Relaxation Industry Association (current) Significant Concurrent Positions Representative Director, Medirom Human Resources Inc. Representative Director, SAWAN CO. LTD. Director, the Japan Relaxation Industry Association	Common Shares 1,884,960 Common Shares Class A share: 1 Share

<p>Fumitoshi Fujiwara (December 28, 1965)</p>	<p>March 1989: Bachelor in Law, Meiji Gakuin University April 1989: Shuwa Corporations April 1993: Koei Tecmo Holdings Co., Ltd. December 1998: CFO, Executive Officer Management Division June 2000: Director and CFO, Spiralstar Japan, Inc. June 2002: CEO, AC Capital Inc. November 2009: Founder & CEO, Eaglestone Capital Management (current) March 2017: Director and CFO, MEDIROM Healthcare Technologies Inc. (current)</p> <p>Significant Concurrent Positions</p> <p>Representative Director, Eaglestone Capital Management</p>	<p>40,000 Common Shares</p>
<p>Tomoya Ogawa (November 9, 1976) Outside Director</p>	<p>September 1999: Bachelor of Economics, Tokyo University September 2001: Monitor Group Tokyo Branch April 2004: Master in Law, Hitotsubashi University April 2006: Legal Training Institute September 2007: Abe, Ikubo & Katayama Law Office December 2010: DeNA Inc. March 2013: Director, MEDIROM Healthcare Technologies Inc. (current) December 2014: Director, Akatsuki Corporation December 2020: Founder & Representative Director, Kreation Inc. (current)</p> <p>Significant Concurrent Positions</p> <p>Representative Director, Kreation Inc.</p> <p>Reason for Election</p> <p>Mr. Tomoya Ogawa has abundant experience as a lawyer, expertise in the broad area of law, track records as CFO and Director of a listed company, and we believe Mr. Ogawa can provide advice, direction and supervision to the management in a proper manner. For this reason, we consider he is a great fit for an outside director of the Company and he will be able to perform his duty as the outside director.</p>	<p>28,500 Common Shares</p>
<p>Akira Nojima (May 23, 1964) Outside Director</p>	<p>March 1988: Bachelor in Law, Meiji Gakuin University April 1988: Recruit Holdings Co., Ltd. April 2013: Visiting Professor, May Ushiyama Academy's Hollywood Graduate School (current) January 2015: Director and CEO, No Track Inc. (current) January 2015: Advisor, Japan Beauty Coordinator Association (current) April 2016: Director, Japan Academy of Beauty Business (current) January 2018: Vice President, Japan Cosmetic Licensing Association (current) January 2020: Advisor, Customer Loyalty Association (current) March 2020: Director, MEDIROM Healthcare Technologies Inc. (current) April 2021: Visiting Professor, Professional University of Information and Management for Innovation (current) April 2021: Outside Corporate Auditor, GO TODAY SHAiRE SALON Inc. (current) July 2022: Member of Audit Committee, Beauty Garage Inc. (current) September 2022: Outside Director, Atelier M H Co., Ltd. (current) February 2023: Outside Director, Kabushiki Kaisha soeasy (current)</p>	<p>NIL</p>

	<p><i>Significant Concurrent Positions</i></p> <p>Professor, May Ushiyama Academy’s Hollywood Graduate School</p> <p>Director and CEO, No Track Inc.</p> <p>Visiting Professor, Professional University of Information and Management for Innovation</p> <p>Outside Corporate Auditor, GO TODAY SHAiRE SALON Inc.</p> <p>Member of Audit Committee, Beauty Garage Inc.</p> <p>Outside Director, Atelier M H Co., Ltd.</p> <p>Outside Director, Kabushiki Kaisha soeasy</p> <p><i>Reason for Election</i></p> <p>Mr. Akira Nojima has broad experience and expertise of management and direction, especially with high level of knowledge in the field of healthcare, for various organizations in Japan. We believe that Mr. Nojima can provide advice, direction and supervision to the management in a proper manner. For this reason, we consider he is a great fit for an outside director of the Company and he will be able to perform his duty as the outside director.</p>	
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*There is no conflict of interest between each director nominee and the Company.

* The Company has obtained the consent of each director nominee to assume the office, subject to the approval of this.

* The Company has purchased a limited liability insurance policy for the directors and officers as stipulated under Article 430-3, Paragraph 1 of the Companies Act, which provides that the insured shall be liable for damages and litigation expenses incurred by the insured in connection with the performance of his/her duties under the law. All premiums are paid by the Company. If the director nominee is elected as a director, he/she will be included as an insured under the policy and the policy will be renewed with the same converge during his/her term of office.

II. Board Recommendation

Our Board of Directors unanimously recommends that you vote “**FOR**” this proposal.

Proposal 4: To ratify the appointment of Crea Audit Corporation as the Accounting Auditor (which is responsible for the audit in Japan under the local laws) for the Company.

I. Details of Proposal

The Company elected Crea Audit Corporation as a Temporary Accounting Auditor at the meeting of the Board of Corporate Auditors held on November 15, 2022. We are seeking to officially ratify the appointment of Crea Audit Corporation as Accounting Auditor of the Company in accordance with the decision of the Board of Corporate Auditors.

The reason for this proposal is we have considered that, through the review of the performance provided as a Temporary Accounting Auditor, Crea Audit Corporation maintains competency, independence, and quality control and appropriate to perform as the Accounting Auditor of the Company. The nominee for Accounting Auditor is as described below.

Name	Crea Audit Corporation
Address of Head Office	4-25-31 Hirai, Edogawa-ku, Tokyo
Foundation	March 2022
Summary	<p>Amount of Capital: JPY 5,000,000</p> <p>Members: 5 partners, certified public accountants</p> <p> 2 associates, certified public accountants</p> <p> 7 members in total (as of February 28, 2023)</p>

II. Board Recommendation

Our Board of Directors unanimously recommends that you vote “**FOR**” this proposal.

Fiscal Year 2022 Business Report

(From January 1 to December 31, 2022)

Forward-Looking Statements

The information contained herein includes forward-looking statements. These statements relate to future events or to our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. You should not place undue reliance on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control and which could, and likely will, materially affect actual results, levels of activity, performance or achievements. Any forward-looking statement reflects our current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. The safe harbor for forward-looking statements contained in the Securities Litigation Reform Act of 1995 (the “Act”) protects companies from liability for their forward-looking statements if they comply with the requirements of the Act.

1. Current status of MEDIROM Healthcare Technologies Inc. (the “Company”)

(1) Business Progress and Activities

During the current fiscal year (January 1, 2022 to December 31, 2022), the Japanese economy showed signs of normalization in economic activities as restrictions on activities due to the prolonged COVID-19 were gradually eased. On the other hand, the rapid depreciation of Japanese Yen and rising costs in various industries due to soaring crude oil prices increased economic uncertainty.

Under these circumstances, the Company, as a holding company that plays a central role in group management, endeavored to improve profitability. As a result, the relaxation salon segment, the demand for which had been sluggish since the beginning of the COVID-19 pandemic, showed signs of recovery, and Wing Inc., the wholly-owned subsidiary of the Company overseeing and managing the salon operations, contributed management fee income to the Company for the full year. With regard to new store openings, while continuing to closely monitor the impact of the COVID-19 on the communities and regions where we operate, we managed to close certain existing stores and open new stores with caution. As a result, the total number of group stores was 312 as of December 31, 2022. In addition, store sales to investors, which were newly launched in the fourth quarter of the fiscal year of 2021, also grew steadily, with 31 stores sold by Wing Inc. during this fiscal year. Furthermore, revenues from two subsidiaries which we acquired in the fiscal year of 2021, Sawan Co., Ltd. and Kabushiki Kaisha ZACC, were included throughout the year.

With respect to the digital preventative healthcare segment, which mainly consists of the following operations: government-sponsored specific health guidance program; our MOTHER Bracelet[®] for fitness applications; and preventative healthcare services utilizing our experienced nutritionists and health nurses, we have promoted health guidance program utilizing our internally-developed on-demand health monitoring smartphone application, Lav[®] and steadily expanded our client base, who are mainly health insurance providers, and as of December 31, 2022, we had entered into contracts with 64 health insurance providers. In addition, the Company successfully completed the development of our MOTHER Bracelet[®], the smart health and fitness tracker, and launched the production and sales of MOTHER Bracelet[®] during this fiscal year.

Financial Results Under J-GAAP

Note: The following discussion is based upon our statutory financial results prepared in accordance with Japanese GAAP which have not been reviewed or audited under U.S. GAAP. As such, these results may differ in material respects from the financial results and audited consolidated financial statements prepared in accordance with U.S. GAAP that will be reported at a later date and included in our Annual Report on Form 20-F to be filed with the U.S. Securities and Exchange Commission and available at www.sec.gov. The discussion

below is presented to our shareholders and ADS holders solely for purposes of compliance with requirements under the Japanese Companies Act in connection with our 23rd Ordinary General Meeting of Shareholders. For your convenience, information presented in Japanese yen has been translated into U.S. dollars based upon the conversion rate of \$1.00 = JPY 136.360, as reported by the Federal Reserve Bank on February 24, 2023.

For the year ended December 31, 2022, the Company recorded (i) net revenues of 1,162,454 thousand yen (US\$8,525 thousand), representing a decrease of 781,524 thousand yen (US\$5,731 thousand) from the prior year, (ii) an operating income of 74,525 thousand yen (US\$546 thousand), representing an increase of 227,731 thousand yen (US\$1,670 thousand) from the prior year, (iii) an ordinary income of 90,053 thousand yen (US\$660 thousand), representing an increase of 211,236 thousand yen (US\$1,549 thousand) from the prior year, and (iv) a net income of 83,550 thousand yen (US\$613 thousand), representing an increase of 223,089 thousand yen (US\$1,636 thousand) from the prior year, on a non-consolidated basis, under Japanese GAAP.

As described in "5. Matters concerning the status of the accounting auditor for statutory Japanese financial statements", the Company is preparing the consolidated financial statements in accordance with U.S. GAAP and going through the audit of such consolidated financial statements by the U.S. independent auditor.

On a consolidated basis, under Japanese GAAP, the Company recognized net revenues of 6,945,253 thousand yen (US\$50,933 thousand), (ii) an operating income of 72,847 thousand yen (US\$534 thousand), and (iii) an ordinary income of 120,552 thousand yen (US\$884 thousand). Please note that those figures on a consolidated basis under Japanese GAAP are not reviewed or audited by our domestic auditor since their domestic audit only covers our standalone financial statements, on a non-consolidated basis. The convenience year-on-year comparison is as follows:

	December 31, 2020 (US-GAAP, Audited)	December 31, 2021 (US-GAAP, Audited)	December 31, 2022 (J-GAAP, Unaudited)
Consolidated Revenue	3,341,617 thousand yen	5,409,825 thousand yen	6,945,253 thousand yen
Consolidated Operating Income	△ 746,088 thousand yen	△ 470,587 thousand yen	72,847 thousand yen

(Note) While, for the fiscal years of 2020 and 2021, the table above provides figures under US-GAAP, which were audited by Baker Tilly, LLP, the audit for the fiscal year of 2022 has not been completed by the U.S. independent auditor as of the date of this business report. Therefore, the information provided for the fiscal year of 2022 is figures under Japanese GAAP, which are not subject to an audit by the accounting auditor in Japan.

(2) Capital Investment

Total capital expenditures during the fiscal year 2022 amounted to 74,715 thousand yen. This mainly consists of acquisition of assets of 17,354 thousand yen for the manufacturing of MOTHER Bracelet[®], increase of software assets of 15,999 thousand yen by upgrading applications, and acquisition of software for inhouse use of 25,620 thousand yen.

(3) Financing Activities

During the fiscal year 2022, the Company raised funds of 500 million yen by issuing 1st Unsecured Convertible-Type Corporate Bonds with Share Options to Kufu Company Inc.

(4) Status of the business transfer, absorption-type demerger or incorporation-type demerger

There are no matters to be stated.

(5) Challenges to be Addressed

While we continue to face a challenging business environment due to the re-expansion of the COVID-19, sharp exchange rate fluctuations, and rising raw material prices, we will build a robust internal structure that can withstand these conditions and aim to secure stable earnings.

With regard to the relaxation salon segment, the current fiscal year saw a turnaround from the impact of the COVID-19. We will continue to improve customer satisfaction and increase sales at our existing salons, and we further aim to increase market share by opening new salons, improve the efficiency of directly managed and franchised salon operations, and increase sales of salons to investors.

In connection with the digital preventative healthcare segment, we launched sales of MOTHER Bracelet® in the current fiscal year. We will continue to market and promote the product and increase sales volume, and at the same time, strive to improve production efficiency in response to the parts procurement difficulties.

Going forward, we will strive to improve the efficiency of our internal management system, and aim to improve management efficiency and control operating and other expenses, particularly expenses related to our listing on the Nasdaq Stock Market.

(6) Changes in Assets and Profits/Loss (Non-consolidated, Under Japanese GAAP)

(Unit: thousand yen other than per share or ratio information, and convenience translation for fiscal 2022)

	December 31, 2019 (Unaudited)	December 31, 2020 (Audited)	December 31, 2021 (Audited)	December 31, 2022 (Audited)	December 31, 2022 Convenience translation in \$ '000 other than per share or ratio information
Revenue	1,748,994	1,416,109	1,852,932	1,162,454	8,525
Ordinary income	△ 45,664	△ 949,541	△ 121,183	90,053	660
Net income	△ 310,158	△ 1,079,651	△ 139,539	83,550	613
Net income attributable to each common share	△ 82.76 yen	△ 268.26 yen	△28.61 yen	17.11 yen	0.13 USD
Total assets	2,511,105	3,041,593	2,353,098	4,134,464	30,320
Net assets	408,456	379,865	△ 30,560	52,845	388
Net assets per common share	126.40 yen	77 .37 yen	△7.62 yen	9.49 yen	0.07 USD
Capital adequacy ratio	16.26%	12.48%	△1.03%	1.27%	1.27%

(Note 1) For the convenience of the reader, the December 31, 2022 figures are translated into U.S. dollars based upon the conversion rate of \$1.00 = JPY136.360, as reported by the Federal Reserve Bank on February 24, 2023.

(7) Status of important subsidiaries, etc.

① Important subsidiaries

Name	Paid-in Capital	Ratio of our voting right	Major Businesses
Wing Inc.	1 million yen	100%	Relaxation industry
MEDIROM Human Resources Inc.	35 million yen	100%	Temporary staffing and job placement services
JOYHNANDS WELLNESS Inc.	1 million yen	100%	Relaxation industry
Bell & Joy Power Partner Inc.	1 million yen	100%	Outsourcing management
SAWAN CO. LTD.	0.5 million yen	100%	Relaxation industry
Kabushiki Kaisha ZACC	10 million yen	100%	Hair salon industry

② Significant affiliated companies

There are no matters to be stated.

(8) Significant business combinations, etc.

There are no matters to be stated.

(9) Main business activities (as of December 31, 2022)

Business Segments	Business Description
Salon operations	Directly-operated relaxation salon operations and management outsourcing business
Franchise operations	Support for operation of relaxation salons under franchise agreements
Education and School business	Educational business for therapists conducting treatments at relaxation stores
Healthtech business	Government-sponsored specific health guidance program utilizing Lav® app; production and sales of MOTHER Bracelet®
Hair salon business	Operation of hair salon ZACC

(10) Main sales offices (as of December 31, 2022)

Head Office and Re.Ra.Ku® College located at 3-1, Daiba 2-chome, Minato-ku, Tokyo, 16th Floor Tradepia Odaiba

Nagoya Office and Re.Ra.Ku® College located at 2-10-22 Meieki Minami, Nakamura-ku, Nagoya-shi, Aichi

(11) Employees (as of December 31, 2022)

Number of employees	Increase/decrease from the previous year end	Average age
48	Decreased by 1	34.4

(Note) The above figures represent the status of permanent employees.

(12) Major lenders (as of December 31, 2022)

Lenders	Balance of Borrowings (Thousand yen)
Higashi-Nippon Bank	221,416
Japan Finance Corporation	211,440
Shoko Chukin Bank	100,000
Kabushiki Kaisha ZACC (our subsidiary)	130,000
Jonan Shinkin Bank	12,064

(13) Other significant matters concerning company's status

On December 28, 2022, U.S. time, the Company received a de-listing notice from the NASDAQ Stock Exchange ("NASDAQ") for failure to meet continued listing requirements. Subsequently, the Company appealed the de-delisting decision and applied for an extension of the grace period in accordance with NASDAQ rules. The Company will continue to work to maintain its listing on NASDAQ.

2. Matters concerning the status of our common shares (As of December 31, 2022)

① Total Number of shares	Common shares	19,899,999 Shares
Authorized to be issued	Class A shares	1 Share
② Total number of issued shares	Common shares	4,975,000 Shares
	Class A shares	1 Share

(NOTE)The total number of issued shares includes 92,500 shares of treasury stock.

③ Number of Shareholders	Common shares	24 (excluding treasury stock)
	Class A shares	1

④ Major Shareholders

Name of Shareholders	Number of shares held			Voting rights ratio
	Number of common shares held	Number of Class A shares held	Total number of Holdings	
The Bank of New York Mellon	2,582,810		2,582,810	52.90%
Kouji Eguchi	1,884,960	1	1,884,961	38.61%
Daihachiro Kawaguchi	200,000		200,000	4.10%
Takeo Inoue	47,100		47,100	0.96%
Fumitoshi Fujiwara	40,000		40,000	0.82%
Tomoya Ogawa	28,500		28,500	0.58%
Masae Omura	15,000		15,000	0.31%
Kazuyoshi Takahashi	12,500		12,500	0.26%
Norito Kawada	10,000		10,000	0.20%
Hirano Works Co., Ltd.	10,000		10,000	0.20%
Hisao Omura	10,000		10,000	0.20%

(Note 1) Although we own 92,500 shares of treasury stock, it is excluded from the above list of major shareholders.

(Note 2) The ratio of voting rights is calculated by deducting the number of treasury shares from the total number of common shares excluding Class A shares.

3. Matters concerning the status of stock acquisition rights, etc. (Stock acquisition rights issued and outstanding as of December 31, 2022)

(1) Status of stock acquisition rights granted to and held by Directors and Corporate Auditors (without payment, but in consideration of their engagement) as of the end of this fiscal year

Type of holders	Series of SAR (Exercise price)	Exercise period	Unit of SAR	Number of subject Shares	Number of holders
Directors (internal)	-		-		-
Outside directors	5th Series (400 yen per share)	From December 22, 2017 to December 21, 2025	25	12,500	1
Corporate auditors	-	-		-	-

(2) Stock acquisition rights granted to the Company employees, etc. during this fiscal year

There are no matters to be stated.

(3) Other material items to be stated concerning stock acquisition rights

Status of other stock acquisition rights granted to and held by Directors and Corporate Auditors as of the end of this fiscal year

(i) The 8th Series of Stock Acquisition Rights (SAR)

Date of Resolution	October 2, 2020
Number of Holders	1 director (internal)
Unit of SAR	150,000 units
Type of Shares Subject to SAR	Common Shares
Number of Shares Subject to SAR	150,000 shares
Issue Price	0.23 yen
Exercise Price	2,000 yen per share
Exercise Period	From October 1, 2021 to September 30, 2026

(ii) The 9th Series of Stock Acquisition Rights (SAR)

Date of Resolution	October 2, 2020
Number of Holders	1 director (internal) 1 outside director

	1 corporate auditor
Unit of SAR	40,000 units held by director (internal) 1,200 units held by outside director 1,200 units held by corporate auditor
Type of Shares Subject to SAR	Common Shares
Number of Shares Subject to SAR	40,000 shares for director (internal) 1,200 shares for outside director 1,200 shares for corporate auditor
Issue Price	22 yen
Exercise Price	128 yen per share
Conditions on Exercise	The exercise is subject to conditions where the Company records a revenue of 3,271,407 thousand yen or greater on a consolidated basis under US-GAAP in any of the fiscal years of 2020, 2021, and 2022.
Exercise Period	From October 1, 2021 to September 30, 2024

In addition, the Board of Directors held a meeting on December 9, 2022 and passed the resolution to issue 1st Unsecured Convertible-Type Corporate Bonds with Share Options. The payment was completed on December 28, 2022. The summary of the Bonds is as follows:

Name of Bonds	1st Unsecured Convertible-Type Corporate Bonds with Share Options
Balance of Bonds	500 million yen
Unit of SAR	40 units
Type of Shares Subject to SAR	Common Shares
Exercise Period	From December 28, 2022 to December 27, 2027 * During six months after December 28, 2022, the holder is allowed to exercise options only if any of matters listed in Item (3) in “Method of Redemption and Due Date” or “Special Clause for Acceleration” triggers.
Exercise Price	755 yen

4. Matters concerning Directors and Corporate Auditors

(1) Status of Directors and Corporate Auditors (As of December 31, 2022)

Title	Name	In Charge	Concurrent position
CEO	Kouji Eguchi	CEO	CEO, MEDIROM Human Resources, Inc. CEO, SAWAN CO. LTD.

			Director, Japan Relaxation Industry Association
CFO	Fumitoshi Fujiwara	CFO	CEO, Eaglestone Capital Management Inc.
Director	Tomoya Ogawa	Outside Director	CEO, Kreation Inc.
Director	Akira Nojima	Outside Director	Professor, May Ushiyama Academy's Hollywood Graduate School Director and CEO, No Track Inc. Visiting Professor, Professional University of Information and Management for Innovation Outside Corporate Auditor, GO TODAY SHAiRE SALON Inc. Member of Audit Committee, Beauty Garage Inc. Outside Director, Atelier M H Co., Ltd. Outside Director, Kabushiki Kaisha soeasy
Full-time Corporate Auditor	Toshiaki Komatsu	Outside Corporate Auditor	Representative Director, PHOTOCREATE TAIWAN CORP.
Corporate Auditor	Osamu Sato	Outside Corporate Auditor	Professor, School of Business Administration, Aoyama Gakuin University
Corporate Auditor	Tsukasa Karyu	Outside Corporate Auditor	Director, Karyu Tax Accountant Office Outside Corporate Auditor of Five Ring Inc.

* Mr. Minekazu Shimada, Corporate Auditor, resigned at the close of the meeting of Annual General Meeting of Shareholders held on March 29, 2022.

(2) Summary of Directors & Officers insurance

The Company has entered into the insurance agreement with an insurance company covering liabilities of directors and officers provided for by Paragraph 1 of Article 430-3 of the Companies Act. The Company expects the agreement to be renewed with the same terms.

(i) Scope of the insured

Directors and Corporate Auditors of the Company (Note: Insurance premium is not paid by the insured.)

(ii) Summary of terms of the agreement

Liabilities legally responsible and litigation expenses arising out of the insured's acts (including failure to act) in connection with their position will be covered.

(iii) Measures taken to ensure the insured to perform their duty appropriately

By setting the limitation of coverage amount, we ensure the insured to perform their duty appropriately.

(3) Remuneration of Directors and Corporate Auditors during this fiscal year

Role	Total remuneration (thousand)	Amount by type of remuneration (thousand)		Number of persons
		Basic	Performance-based payment and payment in-kind	
Directors (Outside directors included)	JPY 60,288 (JPY 4,200)	JPY 60,288 (JPY 4,200)	- (-)	4 (2)
Corporate Auditors (Outside auditors included)	JPY 6,075 (JPY 6,075)	JPY 6,075 (JPY 6,075)	- (-)	4 (4)

(Note 1) The Company was authorized to pay remuneration to Directors up to 200 million yen annually in total at the meeting of Annual General Meeting of Shareholders held on December 21, 2016. The number of Directors was four (4) at the time of the authorization.

(Note 2) The Company was authorized to pay remuneration to Corporate Auditors up to 50 million yen annually in total at the meeting of Annual General Meeting of Shareholders held on December 21, 2016. The number of Corporate Auditors was three (3) at the time of the authorization.

(Note 3) The Board of Directors authorized Kouji Eguchi, CEO of the Company, to make decision on the amount of base remuneration for each Director. The reason for such authorization is that the Board of Directors considers the CEO is suitable for evaluating performance of the Company.

(Note 4) The number of persons of Corporate Auditors include both Minekazu Shimada, who resigned, during this fiscal year, and Toshiaki Komatsu, who was appointed during same year.

(Note 5) Any payments, whether called as remuneration or others, made to Directors and Corporate Auditors are included in the figures above. Thus, those figures are not necessarily consistent with “Remuneration” recorded in the financial statement.

(4) Matters regarding Outside Directors and Corporate Auditors

① Relationship between the Company and significant entities in which each has a concurrent business position

Role	Name	Concurrent business position and description of position	Relationship with the Company
Outside Director	Tomoya Ogawa	Representative Director, Kreation Inc.	The Company has no material relationship with the said concurrent business.
Outside Director	Akira Nojima	Professor, May Ushiyama Academy’s Hollywood Graduate School Director and CEO, No Track Inc. Visiting Professor, Professional University of Information and Management for Innovation	The Company has no material relationship with the said concurrent business.

		Outside Corporate Auditor, GO TODAY SHAIRE SALON Inc. Member of Audit Committee, Beauty Garage Inc. Outside Director, Atelier M H Co., Ltd. Outside Director, Kabushiki Kaisha soeasy	
Outside Corporate Auditor	Toshiaki Komatsu	Representative Director, PHOTOCREATE TAIWAN CORP.	The Company has no material relationship with the said concurrent business.
Outside Corporate Auditor	Osamu Sato	Professor, Aoyama Gakuin University	The Company has no material relationship with the said concurrent business.
Outside Corporate Auditor	Tsukasa Karyu	Principal, Karyu Tax Accountant Office Outside Corporate Auditor, Five Ring Inc.	The Company has no material relationship with the said concurrent business.

② Primary activities in the Company

Role	Name	Primary activities
Outside Director	Tomoya Ogawa	Attended 16 of 16 meetings of the Board of Directors held during the fiscal year 2022 (100%), and offered advice from a professional perspective as a lawyer and corporate manager when necessary.
Outside Director	Akira Nojima	Attended 16 of 16 meetings of the Board of Directors held during the fiscal year 2022 (100%), and offered advice from a professional perspective as a corporate manager when necessary.
Outside Corporate Auditor	Toshiaki Komatsu	Attended 13 of 13 meetings of the Board of Directors (100%) and 11 of 11 meetings of the Board of Corporate Auditors (100%) held during the relevant fiscal year, and made comments from a professional perspective as a corporate manager when necessary.
Outside Corporate Auditor	Osamu Sato	Attended 16 of 16 meetings of the Board of Directors (100%) and 13 of 13 meetings of the Board of Corporate Auditors (100%) held during the relevant fiscal year, and made comments from detection as a management scientist as necessary.
Outside Corporate Auditor	Tsukasa Karyu	Attended 11 of 16 meetings of the Board of Directors (69%) and 13 of 13 meetings of the Board of Corporate Auditors (100%) held during the relevant fiscal year, and made comments from detection as a certified tax expert when necessary.

Note: With respect to attendance of Mr. Toshiaki Komatsu, we counted meetings held after the close of the meeting of Annual General Meeting of Shareholders on March 29, 2022.

5. Matters concerning the status of the accounting auditor for statutory Japanese financial statements

(1) Name of Accounting Auditor

Crea Audit Corporation

* Sorei Audit Corporation, former Accounting Auditor of the Company, resigned on November 15, 2022. Crea Audit Corporation was appointed and assumed as a Temporary Accounting Auditor by the resolution of Board of Corporate Auditors on the same date.

(2) Remuneration, etc. as Accounting Auditor for the fiscal year 2022

① Remuneration as Accounting Auditor for the fiscal year

8,000 thousand yen

② Total amount of cash and other financial benefits to be paid by the Company and its subsidiaries

8,000 thousand yen

* The Board of Corporate Auditors of the Company agreed to the remuneration of Crea Audit Corporation because the Board of Corporate Auditors determined that Crea Audit Corporation is suitable for the position after considering the independence and expertise of an accounting auditor and the remuneration for auditing.

(3) Details of non-audit services

Not applicable.

(4) Matters concerning audit of subsidiaries

The Company prepares consolidated financial statements in accordance with U.S. GAAP to meet the SEC and Nasdaq listing requirements in connection with the listing of our common shares in the form of ADSs on the NASDAQ Capital Market in the United States and to comply with U.S. securities laws.

In addition to the accounting above, a domestic audit as required under Japan's Companies Act must be done concurrently. Therefore, the financial statements submitted to the SEC and the NASDAQ prepared by converting the consolidated statutory financial statements prepared under Japanese GAAP to U.S. GAAP have been audited by TAAD, LLP. The Company's consolidated financial statements in accordance with U.S. GAAP, including those of its subsidiaries, have been audited.

(5) Outline of the contents of the liability limitation agreement

Not applicable.

(6) Policy on dismissal or non-reappointment of accounting auditors

The Board of Corporate Auditors shall dismiss the Accounting Auditor with the Corporate Auditor's unanimous consent if the Accounting Auditor falls under any of the circumstances outlined in each item of Article 340, Paragraph 1 of the Companies Act. In this case, the corporate auditor selected by the Board of Corporate Auditors will report the accounting auditor's dismissal and the reasons for the release at the first general meeting of shareholders to be convened after the discharge.

The Board of Corporate Auditors will decide whether to reappoint or not to reappoint the accounting auditor, considering the number of years the accounting auditor has been in office.

6. Company structure and policies

(1) System to ensure the appropriateness of operations

The basic policy regarding the system to ensure the Company's operations, or systems of internal controls, is as follows.

- ① A system to ensure that the execution of duties by the directors and employees of the Company complies with laws and regulations and the Articles of Incorporation (compliance system)

In the event of any of the following circumstances, the Company's directors, etc. (meaning directors, executive officers, or any other officers, the same shall apply hereinafter.) shall determine the basic policy of compliance in the Company, establish an organization and regulations to make it effective, and promote it by incorporating it into each Company's activities in the Company. At the same time, the Company shall provide education on compliance, clarify the procedures for responding to compliance violations, and make these procedures known to each subsidiary of the Company. For these systems' establishment and operation, the Company's internal audit department shall conduct internal audits. The internal audit department of each subsidiary of the Company shall request reports on the content audits conducted and provide advice as necessary. In addition, the Company shall establish a reporting system for internal control to ensure the reliability of financial reporting and operate and evaluate the system effectively and efficiently.

- ② System for the storage and management of information related to the execution of duties by directors of the Company (information storage and management system)

The Company's Directors shall prepare and preserve documents (including electromagnetic records) that record information related to the execution of their duties. The Company's directors shall prepare and store documents (including electromagnetic records) that record information related to their duties' performance and maintain them where can be viewed as necessary. Information management shall be conducted by the "Basic Policy on Information Security" and the "Personal Information Protection Policy".

③ Rules and other systems for managing the risk of loss in the Company (Risk Management System)

The Company's directors shall determine the basic policy of risk management for the Company, establish an organization, regulations, bylaws, internal rules, guidelines and manuals to make this policy effective, and promote it by incorporating it into the activities of each subsidiary of the Company. At the same time, the Company shall provide education on risk management, clarify the procedures for disclosing risks and responding to crises, and make these procedures known to each subsidiary of the Company. The Company's internal audit department (including the internal audit departments of each subsidiary of the Company) shall monitor these systems' establishment and operation. The Company's internal audit department (including the internal audit departments of each subsidiary of the Company) shall conduct internal audits of each subsidiary of the Company concerning these systems' establishment and operation.

④ A system to ensure the efficient execution of duties by the directors, etc. of the Company (Efficient Duty Execution System).

The directors of the Company shall ensure efficiency in the execution of duties by the directors, etc., of the Company by establishing a business management system consisting of the following items.

- In addition to the Board of Directors, the Group Management Committee shall be organized to deliberate on important matters affecting the entire Company to make decisions carefully after multifaceted consideration.
- The Company shall appoint executive officers to be in charge of business execution and shall dispatch directors to each Company in the MEDIROM Group as necessary to supervise appropriate business execution and decision-making.
- The Company shall execute its duties appropriately and efficiently following the duties and authority and decision-making rules based on the Rules on Duties and Authority.
- Each subsidiary of the Company shall formulate quantitative and qualitative targets as its annual plan, manage its performance through quarterly monitoring, etc.

⑤ System for reporting on the execution of duties by the directors of Company and other strategies for ensuring the appropriateness of business operations (reporting on the performance of duties and other Group internal control systems).

The Company's Directors shall establish rules and standards applicable to each subsidiary of the Company, including the following items, and shall manage a business under these rules and standards and request various reports based on these rules and standards.

- Matters related to governance and monitoring of each subsidiary of the Company

- Matters related to the guidance and management of the development of internal control systems at each subsidiary of the Company
- Matters related to the Company's information communication system*
- Matters concerning the internal audit of the Company by the Company's Corporate Audit Department

* Matters including the system for sharing information within the Company and the internal whistle-blowing system

- ⑥ Matters related to employees who the Company's Corporate Auditors request to assist them in their duties* (*hereinafter collectively referred to as "corporate auditor-related systems")

The directors of the Company shall appoint employees to assist in the Company's Corporate Auditors' duties. These employees shall assist in the Corporate Auditors' responsibilities and shall be subject to the direction and orders of the Corporate Auditors.

- ⑦ Matters of the independence of employee item from the directors and issues concerning ensuring the effectiveness of instructions to such employee by the Corporate Auditors of the Company.

To ensure the employees' independence mentioned in the preceding item, decisions on matters related to personnel affairs, such as the appointment, transfer, and evaluation of such employees, shall require the consent of the Company's Corporate Auditors. Besides, such employees shall not concurrently hold positions related to the execution of business and shall be subject only to the direction and orders of the Company's Corporate Auditors.

- ⑧ System for Directors, Corporate Auditors and Employees of the Company to Report to the Company's Corporate Auditors.

The Company's directors shall report to the Company's Corporate Auditors on matters designated in advance by the Company's Corporate Auditors under the auditing standards for Corporate Auditors of the Company, etc. The main issues shall be as follows.

- Suppose a Company Director discovers a fact that is likely to cause significant damage to any of the subsidiary of the Company. In that case, the Director shall notify the Company of such fact.
- Statutory matters that require the consent of the Company's Corporate Auditors
- Status of development and operation of the internal control system of the Company

The Company's Corporate Auditors may request reports from the directors, Corporate Auditors, and employees of each subsidiary of the Company at any time as necessary, not limited to the

above matters, and those requested to report shall promptly make appropriate reports. The Directors, Corporate Auditors, and employees of each subsidiary of the Company (including those who have received information from such directors, Corporate Auditors, and employees) may request reports from the Directors, Corporate Auditors, and employees of each subsidiary of the Company. Directors, Corporate Auditors, and employees of each subsidiary of the Company (including those who have received reports from such directors, Corporate Auditors, and employees) shall report directly to the Company's Corporate Auditors. When matters arise, they deem it appropriate to report to the Company's Corporate Auditors to ensure each Company's business operations' appropriateness in the Company.

The Corporate Auditors of the Company shall receive reports on the operation of the internal reporting system once a quarter. The Company's Corporate Auditors shall receive notifications on the operation of the whistle-blowing system once a quarter. If they deem it necessary, the Corporate Auditors may have relevant personnel immediately report on the system's operation.

- ⑨ System to ensure that a person who has made a report as described in the preceding item is not treated disadvantageously for the reason that he or she has made a report to the Company's Corporate Auditors.

The Directors of the Company shall establish the standard rules of the Company. They stipulate those who have made the report described in the preceding item shall not be treated disadvantageously because of such information and shall operate the rules appropriately after making them known to each subsidiary of the Company.

- ⑩ Policy on procedures for prepayment or redemption of expenses incurred in the execution of duties by the Company's Corporate Auditors

Suppose the Company's Corporate Auditors request advance payment or redemption procedures of expenses incurred in their duties' performance. In that case, the Company's Directors shall promptly pay such fees, except in cases where such payment is deemed unnecessary for the performance of the Corporate Auditors' duties, under the internal rules established through consultation with the Company's Corporate Auditors.

- ⑪ Other systems to ensure that the audits of the Company's Corporate Auditors are conducted effectively

The Company's Corporate Auditors shall hold meetings to exchange opinions with the representative directors and outside directors of the Company regularly. Besides, the Directors of the Company shall establish a system to ensure that the audits of the Company's Corporate Auditors are conducted effectively, such as by ensuring that the Company's Corporate Auditors

have the opportunity to attend meetings of each subsidiary of the Company at the request of the Company's Corporate Auditors.

(2) Overview of the operation of the system to ensure the appropriateness of operations.

In the previous fiscal year, our common shares represented by ADSs became listed on the Nasdaq Stock Market in the United States, and as a large company under the Companies Act, we have worked to establish a so-called "system of internal control over financial reporting" to ensure appropriate business operations. Specifically, we worked to document business processes and improve deficiencies in internal controls to comply with the Sarbanes-Oxley Act of the United States, prepare for the replacement and introduction of business systems, and reinforce accounting personnel. At the same time, we promoted the acceleration of the account closing process and the strengthening of the review process by allocating operations more efficiently.

In addition, the Board of Directors met 16 times as the main meetings to monitor and supervise the appropriate operation of the business described in (1) above. In addition to ensuring the legality of the execution of duties by directors, outside directors who have no interest in us attended all Board of Directors meetings. The Board of Corporate Auditors met 13 times.

The Audit & Supervisory Board members conduct audits based on the audit plans established by the Audit & Supervisory Board, and exchange opinions with our representative directors, other directors, the Internal Audit Office, and the accounting auditor.

In order to confirm the appropriateness of the operational status of our business, we established the Internal Audit Office and appointed dedicated personnel.

(3) Basic Policy on Control of Kabushiki Kaisha

As a Japanese company with ADSs listed on overseas markets, we respect the free trading of our ADSs in the market, and according to our amended and restated articles of incorporation and under the Companies Act, the final decision on whether to accept a proposal for a purchase of the Company's shares that would result in a change of control should be left to the shareholders.

The Company has issued one (1) Class A share with Kouji Eguchi, the founder, and representative director, as the holder. The Class A share is so-called "golden share" with the same rights as common shares in terms of dividends and receipt of residual assets and have the right to consent to critical corporate decisions such as reorganization and disposal of substantial assets and issuance of new shares.

The Company's Board of Directors, including outside directors, shall determine whether a party conducting a tender offer for a significant purchase of the Company's shares is a party that contributes to the enhancement of the Company's corporate value and, in turn, the common interests of its shareholders. The Board of Directors, including the outside directors, will take appropriate measures

to consider the laws of Japan and the United States, where the Company's ADSs are listed.

Under the Japanese Companies Act and our Articles of Incorporation, our shareholders are entitled to have information and time to consider whether or not to accept a tender offer for a change of control and protect the Company's corporate value and the shareholders' common interests. The Company believes that it is essential to ensure that shareholders have such information and time.

(4) Company policy in regard to the decisions related to distribution of dividends etc.

The Company considers the distribution of earnings to our shareholders as one of the essential management policies. Our basic approach is to continuously provide stable returns to our shareholders while securing the necessary internal reserves to respond to future growth and changes in the business environment.

However, it was just in December 2020 when we raised additional capital through the IPO in the United States. We plan to actively invest in our business to achieve further growth in the future, and we do not expect to pay any dividends on our common shares for the foreseeable future.

7. Matters concerning important events, etc.

No such an event happened.

* Fractions less than the indicated figures are rounded down to the nearest whole numbers in this business report.

Balance Sheet

(Prepared in accordance with JGAAP as of December 31, 2022)

(Unit: thousand yen)

Account	Amount	Account	Amount
(Assets)		(Liabilities)	
Total current assets	2,955,097	Total current liabilities	2,915,079
Cash and cash equivalents	501,043	Accounts payable-trade	177,781
Accounts receivable-trade, net	160,287	Contract liabilities (current)	408,066
Inventories	282,083	Short-term borrowings	130,000
Accounts receivable-other, net	76,863	Current portion of long-term borrowings	62,628
Short-term loans receivable	1,635,104	Accounts payable-other	1,946,698
Other current assets	332,067	Accrued income taxes	36,232
Allowance for doubtful accounts	△ 32,353	Deposits received	3,657
Total non-current assets	1,179,366	Other current liabilities	150,014
Total tangible assets	90,356	Total non-current liabilities	1,166,539
Property and equipment, net	93,364	Long-term borrowings	482,292
Vehicles	9,547	Convertible bonds	500,000
Tools, furniture and fixtures	64,371	Long-term accounts receivable-other	4,708
Accumulated depreciation	△ 76,926	Asset retirement obligation	39,330
		Special account for shares arising from restructuring	140,208
Total intangible assets	86,612	Total liabilities	4,081,618
Software	54,458	(Net assets)	
Software in progress	31,706	Shareholders' equity	46,336
Other intangible assets, net	448	Share capital	1,223,234
Total investments	1,002,397	Capital surplus	1,336,042
Investments	53,020	Legal capital surplus	1,234,234
Shares of subsidiaries	563,351	Other capital surplus	101,808
Long-term accounts receivable-other	223,998	Total retained earnings	△ 2,509,940
Lease and guarantee deposits	285,905	Other retained earnings	△ 2,509,940
Other assets	821	Treasury shares	△ 3,000
Allowance for doubtful accounts	△ 124,699	Share acquisition rights	6,509
		Total net assets	52,845
Total assets	4,134,464	Total liabilities and net assets	4,134,464

Income Statement

(Prepared in accordance with JGAAP for the fiscal year ended December 31, 2022)

(Unit: thousand yen)

Account	Amount	
Revenue		1,162,454
Cost of revenue		88,585
Gross profit		1,073,869
Selling, general and administrative expenses		999,343
Operating income		74,525
Non-operating income		
Interest income	24,305	
Other non-operating income	9,920	34,226
Non-operating losses		
Interest expenses	10,410	
Foreign exchange losses	7,787	
Other non-operating losses	501	18,698
Ordinary income		90,053
Extraordinary income		
Gain on reversal of share acquisition rights	144	144
Income before tax		90,197
Income taxes-current		6,647
Net income		83,550

Statement of Changes in Shareholders' Equity

(Prepared in accordance with JGAAP for the fiscal year ended December 31, 2022)

(Unit: thousand yen)

Balance and causes of changes	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Beginning balance	1,223,234	1,234,234	101,808	1,336,042
Changes during the period				
Net income				
Changes during the period without shareholders' equity items				
Total changes during the year	-	-	-	-
Ending balance	1,223,234	1,234,234	101,808	1,336,042

Balance and causes of changes	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' capital
	Other retained earnings	Total retained earnings		
Beginning balance	△ 2,593,490	△ 2,593,490	△ 3,000	△ 37,213
Changes during the period				
Net income	83,550	83,550		83,550
Changes during the period without shareholders' equity items				
Total changes during the year	83,550	83,550		83,550
Ending balance	△ 2,509,940	△ 2,509,940	△ 3,000	46,336

Balance and causes of changes	Share acquisition rights	Total net assets
Beginning balance	6,653	△ 30,560
Changes during the period		
Net income		83,550
Changes during the period without shareholders' equity items	△ 144	△ 144
Total changes during the year	△ 144	83,406
Ending balance	6,509	52,845

Notes to the specific items

The financial results and financial statements included herein are prepared solely in accordance with JGAAP, and have not been reviewed or audited under U.S. GAAP. As such, financial results for the year ended December 31, 2022 under U.S. GAAP remain subject to the completion of management's reviews and reconciliations and/or adjustments under U.S. GAAP, the Company's other financial closing procedures, and the audit by the independent auditor in accordance with U.S. GAAP, and may differ from the financial results under JGAAP contained herein. For the financial results and audited consolidated financial statements prepared in accordance with U.S. GAAP, please see the Annual Report on Form 20-F, which will be filed by the Company with the U.S. Securities and Exchange Commission and available at www.sec.gov at a later date.

(Note regarding uncertainty related to going concern)

The Company recognized operating profit of JPY74,524 thousand, recurring profit of JPY90,053 thousand, and net income of JPY83,550 thousand for the year ended December 31, 2022, returning to profitability after two consecutive years of having losses.

In addition, this operational profitability contributed to a significant improvement in our financial position as the Company recorded a net asset position of JPY52,845 thousand as of December 31, 2022 compared to an accumulated deficit of JPY30,560 thousand as of December 31, 2021. However, the Company still has certain taxes payable and social security expenses payable, which have been accrued, but probated by the authorities until last fiscal year due to salon closure and/or operating losses during the COVID-19 pandemic. If the authorities decide not to further extend the probation period, the Company may have to pay the entire aggregate amount of such taxes and social security expenses within a short period during 2023, which will have a material adverse impact on the Company's future cash flows.

Moreover, the Company was registered as a registrant business operator under Payment Services Act ("PSA") in regard to the prepaid cards the Company has been issuing. The Company's net asset balance is below the required level by Article 10 (1)(ii) of PSA as of December 31, 2022. In the event that the Prime Minister revokes our status as a registrant business operator under PSA pursuant to Article 27 (1)(i) of PSA (Revocation of Registration of Issuers of Prepaid Payment Instruments for Third-Party Business), the Company may have to refund all of the remaining balances in the prepaid cards issued to date based on Article 20 (2) of PSA (Refunds to Holders of Prepaid Payment Instruments), which will have a material adverse impact on the Company's future cash flows.

Considering all the above, the Company has material uncertainty related to going concern assumption for the next 12 months from the date of issuance of the financial statements contained herein. Nonetheless, the financial statements contained herein are reported under the assumption of going concern for the year ended December 31, 2022, and no such uncertainty was reflected.

We may consider additional financings through the issuance and sale of our common shares or through other equity or debt financings, and we may also look into refinancing our existing debt obligations. In addition, we plan to expand the production and sale of MOTHER Bracelet[®], a wearable tracker that does not require recharging, which we started selling in small batches in 2022. We also plan to continuously sell selected salons to third party investors, who, in turn, outsource store management operations to our wholly owned subsidiary, Wing Inc., to further generate cash flows from operations. However, there can be no assurances that we will be successful in securing any debt or equity financing on terms favorable to us, or at all, or in the sales of MOTHER Bracelet[®] to customers or salons to third party investors, and it is not possible to

predict if we will obtain the necessary financing or whether the implementation of our business plans will be successful.

(Significant accounting policies)

1. Standards and methodologies of evaluation of assets
 - (1) Available for sale securities
Securities without market price are stated at the moving average cost.
 - (2) Inventories
Inventories are stated on the balance sheet at the lower of cost or net realizable value, cost being determined by the weighted average method for merchandise.
2. Depreciation and amortization methodologies of non-current assets
 - (1) Tangible non-current assets
The depreciation methods and applicable usage periods are as follows:
Facilities attached to buildings: Straight-line method, 8-15 years
Vehicles: Declining balance method, 6 years
Tools, furniture and fixtures: Declining balance method, 2-10 years
 - (2) Intangible non-current assets
Straight-line method is adopted. Software for company use is amortized over the useful life (3 or 5 years depending on each software).
3. Basis to recognize allowances
 - (1) Allowance for doubtful accounts
The Company estimates uncollectible amounts of its receivables by multiplying historical bad debt ratio of receivables with accounts receivable amount for those without specific sign of default, and by individually estimating collectability of each specific receivable such as those with sign of default.
4. Revenue and cost recognition
Revenues are recognized when control of the promised goods or services are transferred to the customers, in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.
The Company determines revenue recognition through the following steps:

Step 1: identification of the contract with a customer;
Step 2: identification of the performance obligations in the contract;
Step 3: determination of the transaction price;
Step 4: allocation of the transaction price to the performance obligations in the contract; and
Step 5: recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company primarily provides its subsidiaries with management services and administrative functions. In the contracts with the subsidiaries for such services, the performance obligation is deemed to be satisfied as time passes, since the subsidiaries receive benefits constantly from the recurring services from the Company. Hence, the Company recognizes revenue from the subsidiaries evenly during the contracted period. The consideration does not include significant financial elements.

(Note regarding change of accounting policies)

(Changes in accounting policies due to revisions of accounting standards, etc.)

1. Adoption of Accounting Standard of Fair Value

The Company newly adopted the “Accounting Standard regarding Fair Value” (Corporate Accounting Standard No. 30 issued by Corporate Accounting Standard Committee of Japan on July 4, 2019) from the beginning of this fiscal year. By adopting this, the Company follows Article 19 of the Accounting Standard regarding Fair Value and Article 44-2 of “Accounting Standard for Financial Instruments” (Corporate Accounting Standard No. 10 issued by Corporate Accounting Standard Committee [of Japan] on July 4, 2019) for the transitional measures, and shall continuously adopt the new accounting policies guided by the Accounting Standard regarding Fair Value for the future periods. This adoption does not affect the Company’s audited consolidated financial reports under U.S. GAAP to be filed with the SEC.

(Notes related to accounting estimates)

(Evaluation of investments, loans receivable, and accounts receivable from our affiliates)

1. The amounts on the financial statements as of end of this fiscal year

Common shares of subsidiaries	JPY563,351 thousand
Short-term loans receivable from subsidiaries	JPY1,635,104 thousand
Accounts receivable from subsidiaries	JPY138,242 thousand
Allowance for doubtful accounts (current) on subsidiaries	JPY26,479 thousand

2. Information related to accounting estimates over the identified items

The judgments on necessity/unnecessity to impair the investments on common shares of subsidiaries without market prices is done by comparing the purchase price and practical price, and if the practical price has dramatically decreased, the Company impairs the investment amounts except the case that collectability of the invested amounts is sufficiently supported by enough evidences. The Company uses future plans and so on for the judgment of such collectability, and the most critical primary assumption is the timing of COVID-19 containment.

The loans receivable and accounts receivable from our subsidiaries are evaluated by each entity for the estimated uncollectible amounts, and such estimated uncollectible amounts are recognized as allowance for doubtful accounts. Such uncollectible amounts are estimated based on the financial position of each subsidiary considering general ability to pay by each subsidiary.

If the financial positions or operating performance of the subsidiaries are worsened in the following fiscal year, there is a risk that the Company needs to recognize losses from impairment of the investments on subsidiaries and/or allowance for doubtful accounts, which could impact our financial positions and/or operating performance.

(Notes regarding the Balance Sheet)

1. Assets provided as collaterals and liabilities collateralized by them
 - (1) Assets provided as collaterals
Time deposits: JPY26,000 thousand

 - (2) Liabilities collateralized by the assets.
Long-term borrowings due within 1 year: JPY12,898 thousand
Long-term borrowings: JPY208,518 thousand
Total JPY221,416 thousand

2. Guaranteed liabilities
 - (1) The Company guarantees the lease payments on the following subsidiaries' salon facility:
Wing Inc. and SAWAN Co., Ltd. : 61 salons, JPY550,999 thousand

 - (2) The Company provides a guarantee for an advanced payroll payment service on behalf of the following subsidiary:
Medirom Human Resources Inc.: Maximum amount of JPY1,500 thousand

3. Receivables from and payables to subsidiaries
Short-term receivables: JPY2,052,658 thousand
Short-term payables: JPY800,195 thousand

(Notes regarding the Income Statement)

1. Transactions with subsidiaries
 - (1) Operating transactions:
Revenues: JPY987,872 thousand
Expenditures: JPY49,402 thousand

 - (2) Non-operating transactions:
Interest income from subsidiaries: JPY18,798 thousand
Interest expense to subsidiaries: JPY2,705 thousand

(Notes regarding the Statement of Shareholders' Equity)

- ① Number of shares issued as of fiscal year end:
Common shares: 4,975,000
Class A share: 1
- ② Number of treasury shares as of fiscal year end:
Common shares: 92,500
- ③ Notice regarding dividends of retained earnings
(1) Dividends paid:
No dividend was paid during this fiscal year.
- (2) Dividend to be paid after the ending date of this fiscal year:
No dividend is scheduled to be paid.
- ④ Notice regarding share acquisition rights:
Number of shares subject to the share acquisition rights:
The 5th Series of Stock Options: Common shares 85,500
The 7th Series of Stock Options: Common shares 73,000
The 8th Series of Stock Options: Common shares 150,000
The 9th Series of Stock Options: Common shares 288,250
Total 596,750

(Note regarding financial instruments)

(1) Items regarding transactions related to the financial instruments

① The Company policy on financial instruments

The Company plans its necessary financing at its Board of Directors based on the investment plan and operating cash flow prospect, and finances its working capital by means of bank loans after approval by the Board.

② Details of the financial instruments and related risks

Accounts receivable-trade and accounts receivable-other are operating claims and are subject to credit risk of our customers.

Investments in securities are stocks of private companies with whom we have transaction relationship and subject to credit risk and market risk of the issuers.

Loans receivable are subject to credit risk of the borrowers.

Lease and guarantee deposits are deposited for the purpose of entering into lease agreements of our offices and salons and are subject to credit risk of the landlords.

Accounts payable-trade are subject to liquidity risk that the Company is not able to make the payments on the due dates.

Borrowings are for working capital purpose and are subject to liquidity risk.

③ Risk management system over financial instruments

i. Credit risk (risks related to breach of contracts, etc.) management

The relevant divisions of the Company periodically monitor the primary customers and/or vendors over operating claims and loans receivable, manage due dates and balances, and try to collect information in the early timing about the risk of collectability due to worsened financial positions of them or mitigate risk of bad debt.

ii. Market risk management

The Company collects information about the issuers' (transaction parties') financial positions, etc. in regard to investments on securities.

iii. Liquidity risk (risk not to be able to pay on due) management

The Company recognizes the due dates on monthly basis based on reports submitted from each division, makes/updates payment plans, and prepares liquidity on hand. By doing such, the Company manages the liquidity risk.

④ Supplemental explanation about the fair value of financial instruments

The fair values of financial instruments include reasonably estimated amounts in case there is no market value. Such a value calculation reflects volatile factors, and so subject to change of the value due to adopting different assumptions.

(2) Fair value of financial instruments

The disclosed amounts on the Balance Sheet, fair values, the differences as of December 31, 2022 are as presented in the following table. The table excludes a financial instrument, the fair value of which is deemed impossible to determine. (Please see Note 2 below.) Furthermore, cash is omitted from the table and bank balances, accounts receivable-trade, accounts receivable-other, short-term loans receivable, accounts payable-trade, accounts payable-other, and short-term loans payable are omitted from the table since they can be settled within a short period and so their fair values approximate their book values.

(Unit: thousand yen)

Account	Ending balance	Fair value	Difference
(1) Long-term accounts receivable-other (※1)	109,856	109,856	—
(2) Long-term borrowings (※2)	544,920	540,049	△4,870
(3) Convertible bonds	500,000	591,538	91,538

※1 Net of allowance for doubtful accounts.

※2 Long-term borrowings due within 1 year are included.

(Note 1). Items related to calculation methodologies of financial instruments and securities or derivative transactions

Assets

(1) Long-term accounts receivable-other

Since the estimated uncollectible amounts are calculated based on the expected collectible amounts, etc., the fair values of them are approximate with the amount disclosed on the Balance Sheet less the latest estimated bad debt as of fiscal year end. Hence, the Company regards the amount as the fair value of this account.

(2) Long-term borrowings, (3) Convertible bonds

The fair value of the Long-term borrowings is calculated under the method that the sum of principals and interests payable is discounted by the interest rates assumed to be applicable provided the Company newly entered into the same loan agreements.

(Note 2). The Balance Sheet amounts of financial instruments, the fair values of which are estimates only. Note the table below excludes a financial instrument, the fair value of which is deemed impossible to determine since there is no market to trade it.

(Unit: thousand yen)

Account	Ending balance
Investments	53,020
Shares of subsidiaries and affiliates	563,351

(Note regarding the asset retirement obligations)

1. The details of the asset retirement obligations

The restoration costs over headquarter office and ReRaKu College.

2. The methodology to calculate the asset retirement obligations

The restoration costs of headquarter office, Re.Ra.Ku College are recognized based on the estimated removal costs provided by the construction contractor.

3. The increase or decrease of the total asset retirement obligations in this fiscal year is as follows:

Beginning balance:	JPY39,236 thousand
Adjustments due to passing of time:	JPY94 thousand
Ending balance:	JPY39,330 thousand

(Note regarding deferred tax accounting)

Schedule of deferred tax assets by primary cause:

Allowance for doubtful accounts	JPY48,089 thousand
Facilities attached to buildings	JPY6,373 thousand
Shares of subsidiaries and affiliates	JPY14,741 thousand
Accrued business tax	JPY7,621 thousand
Other	JPY37,049 thousand
Loss carried forward	<u>JPY592,706 thousand</u>
Sub-total Deferred tax assets	<u>JPY706,580 thousand</u>
Valuation allowances	<u>JPY 706,580 thousand</u>
Total Deferred tax assets	JPY — thousand

(Note regarding transactions with related parties)

1. With subsidiaries and affiliates:

(Unit : thousand yen)

Entity type	Entity name	Ownership	Transaction(s)	Transaction amount	Account	Ending balance
Subsidiary	Medirom Human Resources Inc.	Direct 100%	Guarantee of liabilities	736	-	-
			Outsourcing of salon operation support and back-office services	45,102	Accounts receivable-trade	96,877
			Lending of loans	761,500	Short-term loans receivable	1,585,175
			Receipt of loan repayments	17,000		
			Receipt of interest income	17,808		
			Payment of secondment contribution	32,325		
					Accounts receivable-other Advances receivable	39,959 9,873
Subsidiary	Wing Inc.	Direct 100%	Guarantee of liabilities	510,012	-	-
			Debt guarantees	233,480	-	-
			Outsourcing of salon operation support and back-office services	867,231		
			Payment of secondment contribution	3,996	-	-
			Salon operation expenses	2,540	Accounts receivable-other	349,006
Subsidiary	JOYHANDS WELLNESS Inc.	Direct 100%	Outsourcing of salon operation support and back-office services	34,961	Accounts payable-other	321,188
Subsidiary	SAWAN Co. Ltd.	Direct 100%	Guarantee of liabilities	40,987	-	-
			Outsourcing of salon operation support and back-office services	11,239	Accounts receivable-trade Accounts receivable-other	11,521 13,451
			Lending of loans	65,050	Advances receivable Short-term loans receivable	1,368 49,928
			Receipt of loan repayments	61,300		
			Receipt of interest income	909		
Subsidiary	ZACC Kabushiki Kaisha	Direct 100%	Outsourcing of salon operation support and back-office services	5,714	Accounts receivable-trade	2,989
			Borrowing of loans	50,000		
			Repayments of loans	20,000		
			Payment of interest expenses	2,705	Short-term borrowings	130,000
Subsidiary	Bell & Joy Power Partners Inc.	Direct 100%	Outsourcing of salon operation support and back-office services	23,613	Accounts receivable-trade Accounts receivable-other Advances receivable	26,854 25 214,633
			Receipt of loan repayments	4,477		
			Receipt of interest income	80		

(Note1). The obligations borne by Medirom Human Resources and guaranteed by the Company are for the advanced payroll payment service on behalf of MHR. The guarantees by the Company to Wing Inc. and SAWAN Co. Ltd. were for the lease payments for the salons.

(Note2). The loan amount of JPY233,480 thousand borne by the Company is guaranteed by Wing Inc. without any guarantee fees.

(Note3). The inter-company loans were lent at the interest rates reasonably decided by referencing the market rates.

(Note4). The terms and conditions over the outsourcing of salon operation support and back-office services were decided considering market fee prices, etc.

(Note5). The Company recognizes the allowance for doubtful accounts of JPY26,479 thousand to subsidiaries and affiliates in total.

2. With Directors and primary individual shareholders:

(Unit: thousand yen)

Type	Name	Voting rights	Relationship	Transaction	Amount	Accounts	Ending balance
Director	Kouji Eguchi	Direct 38.61%	Representative director	Payment guarantees for the Company's debt and lease obligations	221,416	-	-

(Note) Guarantees were provided by Mr. Eguchi for the Company's bank loans and rent expenses of our salons. No guarantee fees are paid.

(Per-share information)

1. Net assets per common share 9.49 yen
2. Net loss per common share 17.11 yen

(Material subsequent events)

No applicable items.

3 . Schedule of selling, general, and administrative expenses:

(Unit: thousand yen)

Account	Amount	Note
Remuneration for directors	60,963	
Salaries	236,141	
Legal welfare expenses	39,872	
Rent expenses	72,796	
Advertising expenses	32,593	
Travel and transportation expenses	28,657	
Commission expenses	81,906	
Secondment contribution	36,321	
Research and development expenses	26,180	
Fee expenses	344,486	
Taxes and dues	21,488	
Depreciation	26,857	
Reversal of allowance for doubtful accounts	△87,114	
Bad debts expenses	861	
Other	77,330	
Total	999,337	

Audit Report

MEDIROM Healthcare Technologies Inc.

Attn: Board of Directors

The Board of Corporate Auditors has prepared this audit report as a result of deliberations on the execution of duties by the Directors for the 23rd fiscal year from January 1, 2022 to December 31, 2022 based on the reports prepared by each Corporate Auditor. We hereby report as follows:

1. Auditing Methods of Corporate Auditors and the Board of Corporate Auditors and Their Contents

(1) The Board of Corporate Auditors established audit policies and division of duties and received reports on the status and results of audits from each corporate auditor, received reports on the status of execution of duties from each director, and requested explanations as necessary.

(2) In accordance with the audit standards established by the Board of Corporate Auditors, each corporate auditor worked to collect information in accordance with the audit policy and the division of duties, communicated with directors, internal audit departments, and other employees, and worked to collect information and improve the auditing environment. In addition, audits were conducted in the following manner.

- ① We attended meetings of the Board of Directors and other important meetings, received reports from directors and employees on the status of the execution of their duties, requested explanations, when necessary, inspected various important documents, and inspected the status of business operations and assets at the head office and major business sites. In addition, we exchanged information with directors and corporate auditors of subsidiaries and received business reports as necessary.
- ② The Board of Directors regularly received reports from directors and employees on the contents of resolutions adopted at meetings of the Board of Directors concerning the development of the system stipulated in Paragraph 1 and Paragraph 3 of Article 100 of the Ordinance for Enforcement of the Companies Act and the status of the system (internal control system) developed based on the said resolutions as necessary to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and other matters necessary to ensure the appropriateness of the operations of the corporate group consisting of the Stock Company and its Subsidiaries. The Board of Directors requested explanations and expressed opinions as necessary.
- ③ The basic policies and measures for the control of the Company described in the business report were reviewed based on the status of deliberations at the Board of Directors and other meetings.

- ④ We monitored and verified whether the accounting auditor maintained an independent position and conducted appropriate audits, and received reports on the status of execution of duties from the accounting auditor, and requested explanations as necessary. In addition, we received notice from the accounting auditor that the "System to Ensure Proper Execution of Duties" (matters listed in each item of Article 131 of the Corporate Accounting Rules) has been developed in accordance with the "Quality Control Standards for Audits" (October 28, 2005, Business Accounting Council), etc., and requested explanations where necessary.

Based on the above method, we examined the business report and the supplementary schedules thereof, as well as the financial statements (balance sheet, profit and loss statement, statement of changes in shareholders' equity, and non-consolidated explanatory notes) and the supplementary schedules thereof for the relevant business year.

2. Audit Results

(1) Audit results concerning business reports

- ① We acknowledge that the business report and supplementary schedules accurately indicate the status of the Company in accordance with laws and regulations and the Articles of Incorporation.
- ② We acknowledge that there are no improper acts or material facts in violation of laws and regulations or the Articles of Incorporation with regard to the execution of duties by Directors.
- ③ The contents of resolutions of the Board of Directors on the internal control system and the status of their operation are considered appropriate. In addition, it is recognized that continuous improvement has been made with regard to the status of the development and operation of the relevant internal control system.
- ④ There are no issues that need to be pointed out in the basic policy regarding the manner of persons who control decisions on financial and business policies contained in the business report. In addition, we acknowledge that such efforts are in line with the said basic policy, do not impair the common interest of our shareholders, and do not intend to maintain the position of our corporate officers.

(2) Audit results concerning non-consolidated financial statements and supplementary schedules

The auditing method and results of the independent auditor's order are considered appropriate.

March 15, 2023

MEDIROM Healthcare Technologies Inc.
Board of Corporate Auditors
2-3-1 Daiba, Minato-ku, Tokyo

Full-time Corporate Auditor: Toshiaki Komatsu

Outside Auditor: O s a m u S a t o

Outside Auditor: Tsukasa Karyu