



MEDIROM

HEALTHCARE TECHNOLOGIES INC.

Preventative Health **EMPOWERED**

Earnings Presentation

December 2022





Forward Looking Statements

Certain statements included in this presentation are not historical facts but are forward-looking statements for purposes of the safe harbor provisions under the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may include projections and estimates concerning our possible or assumed future results of operations, financial condition, business strategies and plans, market opportunity, competitive position, industry environment, and potential growth opportunities. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "design," "target," "aim," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "project," "potential," "goal" or other words that convey the uncertainty of future events or outcomes. You can also identify forward-looking statements by discussions of strategy, plans or intentions. These forward-looking statements include, but are not limited to, statements regarding future revenue, Adjusted EBITDA, Adjusted EBITDA Margin, debt, capital expenditure and cash flow estimates and forecasts of other financial and performance metrics (including key performance indicators), and projections of market size and opportunity. These statements are based on various assumptions and on the current expectations of the Company and its management and are not predictions of actual performance. While our management considers these assumptions and expectations to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, including continuing impact of the COVID-19 pandemic, and other risks detailed under the caption "Risk Factors" in the Company's Annual Report on Form 20-F as filed with the SEC for the year ended December 31, 2021 on November 14, 2022, as updated or revised for any material changes described in subsequently filed SEC filings, most of which are difficult to predict and many of which are beyond our control. If the risks materialize or our assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. There may be additional risks that the Company currently believes are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward looking statements reflect the Company's expectations, plans or forecasts of future events and views as of the date of this presentation. The Company anticipates that subsequent events and developments will cause these assessments to change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing the Company's assessments as of any date subsequent to the date of this presentation.

Non-GAAP Financial Measures

This presentation includes key performance indicators and non-GAAP financial metrics that we use to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions. Adjusted EBITDA and Adjusted EBITDA Margin are financial measures that are calculated and presented on the basis of methodologies other than in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Definitions for such non-GAAP measures are set forth in the footnote (2) on Page 5 of this presentation. Any non-GAAP financial measures used in this presentation are in addition to, and not meant to be considered superior to, or a substitute for, the Company's financial statements prepared in accordance with GAAP. For detailed reconciliations of each of these non-GAAP measures to their nearest GAAP measure, please refer to the Company's Form 20-F the which was filed on with the SEC on November 14, 2022.

The Company believes these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. The Company's management uses these non-GAAP measures to compare our performance to that of prior periods for trend analyses and for budgeting and planning purposes. These measures are used in monthly financial reports prepared for management and our board of directors. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends in and in comparing our financial measures with other similar companies, many of which present similar non-GAAP financial measures to investors. Management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgments by management about which expense and income are excluded or included in determining these non-GAAP financial measures. Undue reliance should not be placed on these measures as the Company's only measures of operating performance, nor should such measures be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Non-GAAP financial measures as used in respect of the Company may not be comparable to similarly titled amounts used by other companies.



Financial Highlights FY2021 vs. FY2020



Total Revenue

Increased by 61.9% to \$47.0 million

due to gradual recovery from the COVID-19 pandemic, sales of salons to investors, and acquisitions of SAWAN, ZACC, and franchised salons.

Cost of Revenues

01

Increased by 37.1%, due to the aforementioned acquisitions, the opening of new salons, and an increased number of therapists to meet increased demand. However, the **CoR ratio to Revenue was down from 87.2% to 73.8%**.

SG&A

02

Increased by 70.6%, primarily due to increased professional fees related to financial reporting, financing, and stock compensation expenses.

Impairment Loss

03

Decreased by 40.6% to \$0.5 million, \$0.3 million of which was for the rebranding of the “Bell Epic” brand.

Net Loss

04

\$8.6 million recorded **primarily due to valuation allowance** on deferred tax assets of \$6.8 million*.

03 →

*Proceeds from sales of salons to investors, which became one of our key strategic initiatives beginning in Q4, 2021, was classified as Cash Flow from Investing Activities since the original source of the cash outflow was investments on fixed assets. However, the Company recognizes revenue from the sales based on ASC606 - revenue from contracts with customers. The Company believes the nature of the sales activity is operating activity, because it is one of our primary businesses, regardless of accounting classification.



Financial Highlights

Financial Year 2021



04 →

Cash Flow from Operating Activities

01

Negative \$4.9 million, mainly due to the decrease in net income and changes in operating assets and liabilities*.

Cash Flow from Financing Activities

02

Negative \$3.7 million, primarily due to payment of deferred offering costs and repayment of long-term loans, partially offset by proceeds from stock issuance for green-shoe options.

Cash Flow from Investing Activities

03

Negative \$0.7 million, primarily due to the acquisitions of businesses, properties and equipment, and investment securities, partially offset by sales of salons*.

Adjusted EBITDA

04

Negative \$0.7 million, improved from negative \$4.7 million with Adjusted EBITDA margin of negative 1.4% compared with negative 16.3% in 2020.

*Proceeds from sales of salons to investors, which became one of our key strategic initiatives beginning in Q4, 2021, was classified as Cash Flow from Investing Activities since the original source of the cash outflow was investments on fixed assets. However, the Company recognizes revenue from the sales based on ASC606 - revenue from contracts with customers. The Company believes the nature of the sales activity is operating activity because it is one of our primary businesses, regardless of accounting classification.

Consolidated Income Statement



(in Thousands)

Year End December 31, 2021	2021(USD)	2021(JPY)	2020(JPY)	2019(JPY)	Change from 2020 to 2021
Revenues:					
Relaxation Salon	\$45,121	¥5,196,540	¥3,315,947	¥3,864,656	56.7%
Luxury Beauty	\$1,470	¥169,320	—	—	100%
Digital Preventative Healthcare	\$382	¥43,965	¥25,670	¥43,608	71.3%
Total Revenue	\$46,973	¥5,409,825	¥3,341,617	¥3,908,264	61.9%
Cost of Revenues & Operating Expenses:					
Cost Of Revenues	\$34,683	¥3,994,414	¥2,912,667	¥2,957,506	37.1%
Selling, General And Administrative Expenses	\$15,827	¥1,822,787	¥1,068,537	¥871,862	70.6%
Impairment Loss On Long-lived Assets	\$549	¥63,211	¥106,501	¥44,546	(40.6%)
Total Cost of Revenues & Operating Expenses	\$51,059	¥5,880,412	¥4,087,705	¥3,873,914	43.9%
Operating Loss	(\$4,086)	(¥470,587)	(¥746,088)	¥34,350	(36.9%)
Net Loss	(\$8,602)	(¥990,731)	(¥539,170)	¥17,335	83.8%
Adjusted EBITDA(2)	(\$677)	(¥77,974)	(¥543,456)	¥139,301	(88.9%)
Adjusted EBITDA Margin(3)	(1.4%)	(1.4%)	(16.3%)	3.6%	15.1%

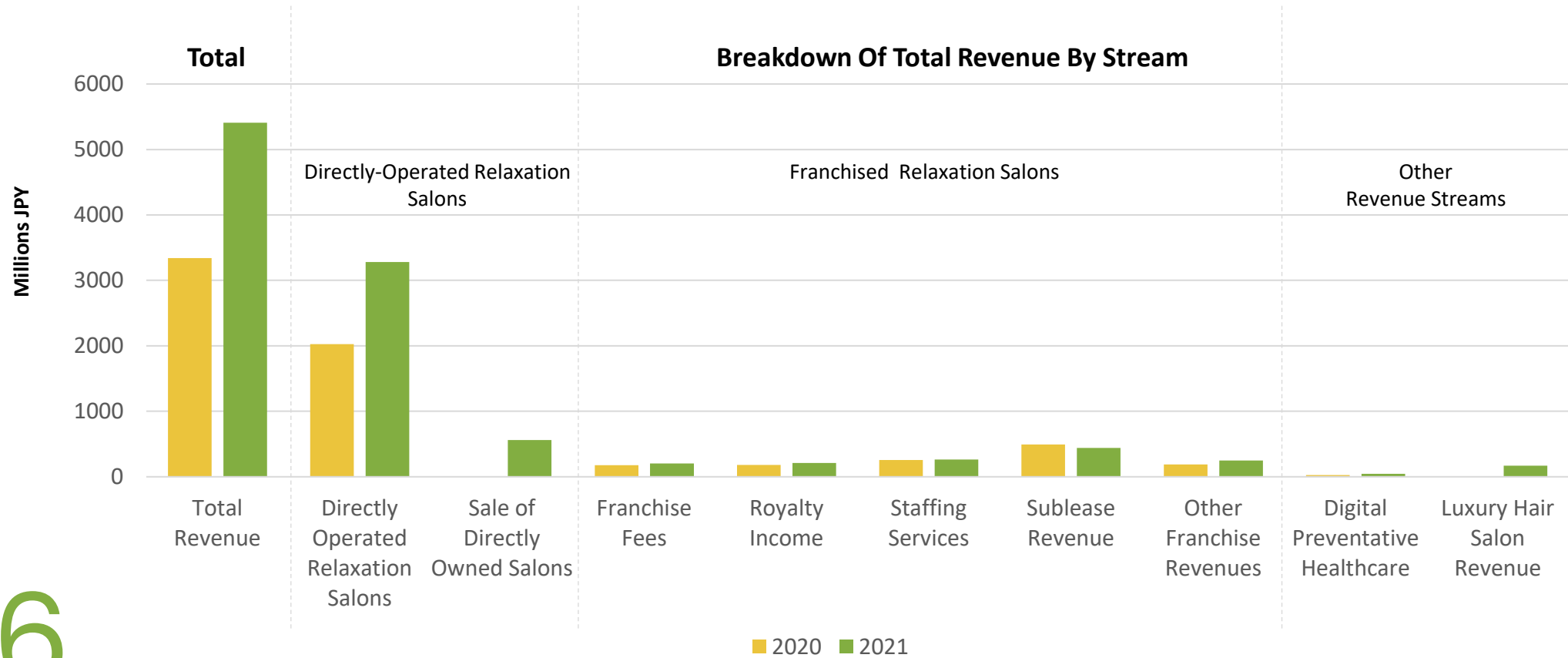
(1) Convenience translations of Japanese yen into U.S. dollars have been made at the exchange rate of ¥115.17 = US\$1.00, which was the foreign exchange rate on December 30, 2021 as reported by the Board of Governors of the Federal Reserve System. (www.federalreserve.gov/releases/h10/)

(2) We define Adjusted EBITDA as net income (loss), adjusted to exclude: (i) dividend and interest income, (ii) interest expense, (iii) gain from bargain purchases, (iv) other, net, (v) income tax expense, (vi) depreciation and amortization, (vii) losses on sales of directly-owned salons to franchisees, (viii) gains (losses) on disposal of property and equipment, and other intangible assets, (ix) impairment loss on long-lived assets and (x) stock-based compensation expense.

(3) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA for a period by total revenue for the same period.



Revenue Comparison by Revenue Stream

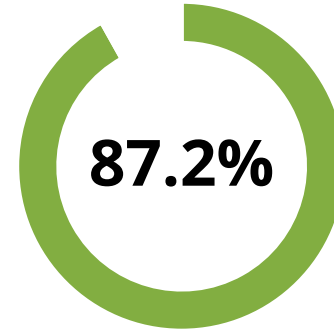


06





Cost of Revenue Comparison



2020 (JPY,Millions)

2021 (JPY,Millions)

Directly-Operated Salon COR	2,150	3,282
Franchised Salon COR	745	691
Other COR	18	21
Total COR	¥2,913	¥3,994





SG&A Comparison by Use of Expenses



08

01

Professional Fees

Additional professional fees paid for legal, audit, financial reporting services, and expenses in connection with the exercise of green shoe options issued at IPO and other financing efforts.

Payments to other professionals, such as financial advisory fees for acquisitions (including potential acquisitions), IT consultants, and internal control consultants.

02

Stock Compensation Expense

The Company recognized stock compensation expense for the stock options issued in October 2020. The stock option plans were fully expensed until 2021, and unless we newly issue such stock option plans, no future stock compensation expense will be recognized.

03

Other SG&A

Other SG&A mainly consists payroll, directors' compensation and other HR expenses, advertising expenses, commission fees, rent expenses, and other miscellaneous expenses. Although there was an increase in Other SG&A, its ratio to total revenue dropped from 29.2% in 2020 to 22.3% in 2021.



(in Thousands)

Year End December 31, 2021	2021(USD)	2021(JPY)	2020(JPY)
Assets			
Current Assets	\$12,002	¥1,382,302	¥2,087,224
Non-Current Assets	\$37,950	¥4,370,759	¥3,626,242
Total Assets	\$49,952	¥5,753,061	¥5,713,466
Liabilities:			
Current Liabilities	\$27,754	¥3,196,473	¥2,652,588
Non-Current Liabilities	\$24,007	¥2,764,931	¥2,569,621
Total Liabilities	\$51,761	¥5,961,404	¥5,222,209
Shareholders' Equity:			
Common Stock, No Par Value	\$10,620	¥1,223,134	¥1,179,313
Class A Common Stock, No Par Value	\$0	¥100	¥100
Treasury Stock	(\$20)	(¥3,000)	(¥3,000)
Additional Paid-In Capital	\$10,987	¥1,265,456	¥1,018,146
Accumulated Deficit	(\$23,390)	(¥2,694,033)	(¥1,703,302)
Total Shareholders' Equity	(\$1,809)	(¥208,343)	¥491,257
Total Liabilities and Shareholders' Equity	\$49,952	¥5,753,061	¥5,713,466

(1) Convenience translations of Japanese yen into U.S. dollars have been made at the exchange rate of ¥115.17 = US\$1.00, which was the foreign exchange rate on December 30, 2021 as reported by the Board of Governors of the Federal Reserve System. (www.federalreserve.gov/releases/h10/)



Consolidated Cashflow Statement



(in Thousands)



<i>Year End December 31, 2021</i>	2021(USD)	2021(JPY)	2020(JPY)
Net (Loss) Income	(\$8,602)	(¥990,731)	(¥539,170)
Net Cash (Used In) Provided By Operating Activities	(\$4,838)	(¥557,231)	(¥366,420)
Net Cash Used In Investing Activities	(\$729)	(¥83,936)	(¥139,599)
Net Cash (Used In) Provided By Financing Activities	(\$3,716)	(¥427,949)	¥1,432,131
Net (Decrease) Increase Of Cash And Cash Equivalents During The Period	(\$9,283)	(¥1,069,116)	¥926,112
Cash And Cash Equivalents At Beginning Of Period	\$12,501	¥1,439,733	¥513,621
Cash And Cash Equivalents At End Of Period	\$ 3,218	¥370,617	¥1,439,733

(1) Convenience translations of Japanese yen into U.S. dollars have been made at the exchange rate of ¥115.17 = US\$1.00, which was the foreign exchange rate on December 30, 2021 as reported by the Board of Governors of the Federal Reserve System. (www.federalreserve.gov/releases/h10/)



2021 Business Successes

Achievements in 2021

→ 11



Relaxation Salon

- The Company introduced a new business model to sell salons to investors and continue operations as the outsourcer. We sold 12 salons at JPY559M in Q4 2021.
- MEDIROM operated or franchised 312 bodywork salons at the end of 2021, which increased by 22 salons from December 2020.
- We acquired SAWAN, which operates 13 “Ruam Ruam” branded salons, in May 2021.



食事を
写真で記録

Digital Preventative Healthcare

- We developed Mother Bracelet® and generated reservation sales of JPY56 million from 1,292 supporters from its crowdfunding campaign.
- Our LAVA® app for the Specific Health Guidance Program received subscription orders from 43 corporate insurance associations as of December 31, 2021.



Luxury Beauty

- We acquired 60% of ZACC, a high-end hair salon, in October 2021. We subsequently acquired the remaining 40% in January 2022.



2021 Business Successes

Key Performance Indicators (KPI)

→ 12

01 Increased Number of Salons

Number of Salons has increased due to the acquisition of SAWAN and the acquisitions of franchised salons.

02 Improved Sales Per Customer

Sales Per Customer have been constantly increasing due to our marketing campaigns and customer satisfaction.

03 Excellent Customer Repeat Ratios

Repeat Ratio is constantly around 82% while our Operation Ratio has recovered to over 50%.

04 Growing Total Customers Served

Total Customers Served exceeded that of the pre-COVID-19 pandemic level.

Damian Schultz

Year End December 31, 2021	2021	2020	2019
Number of Salons	312	290	283
Sales Per Customer	¥6,634	¥6,486	¥6,064
Repeat Ratio	81.7%	82.6%	81.7%
Operation Ratio	50.5%	48.2%	50.3%
Total Customers Served	71,173	64,649	69,704





2022 Business Updates

→ 13



Relaxation Salon

- The Company continues to sell salons to investors and to operate the sold salons for management fees, which contributed to an increase in revenue for the first half of 2022 as compared to the first half of 2021.
- The number of salons remains at 312 as of the end of September 2022, with some monthly fluctuation due to closure or new openings of salons.
- Although our salons experienced a recurrence of the COVID-19 pandemic by Omicron variance in Q1 2022, from Q2 onwards, we have achieved a company-record number of customer visits, with stable Sales Per Customer, Operation Ratio, and Repeat Ratio.
- The Company expects that hiring cost may increase as many businesses have started to hire part-time employees actively, which, as the Company believes, may lead to a shortage for therapists, and competition for workers is expected to increase.



Digital Preventative Healthcare

- Following years of enormous efforts to develop and prepare for manufacturing of our MOTHER Bracelet®, the Company expects to become ready for large-scale production of MOTHER Bracelet® in the near future. The Company received a purchase order of 10,000 units of MOTHER Bracelets® from a Japanese nursing service company, and expects that shipments will begin by December 31, 2022, subject to the manufacturing capacity of our subcontractor.



The World's First⁽¹⁾ Wearable Device Featuring Thermoelectric Generator No More Recharging

Two Competitive Advantages:

First in the world⁽¹⁾! No more charging hassle~

Installed with a hybrid solar and temperature difference battery system, it recharges simply by being worn. No need to take it off – uninterrupted 24/7 health data collection.

Software Development Kit solution (SDK) for the healthcare industry

The MOTHER-SDK makes it possible to transfer health metrics and data from the device directly to your company's own application and database.

(1) Based on certificate issued by ESP Research Institute.



→ 14

Features:

- Waterproof
- -10°C ~ +45°C
- Solar Panel
- Temperature Sensor
- Accelerometer
- Gyroscope
- PPG Sensor for Heart Rate



Telehealth System Targeting Residents in Condominiums - Quality Healthcare at Home

→ 15

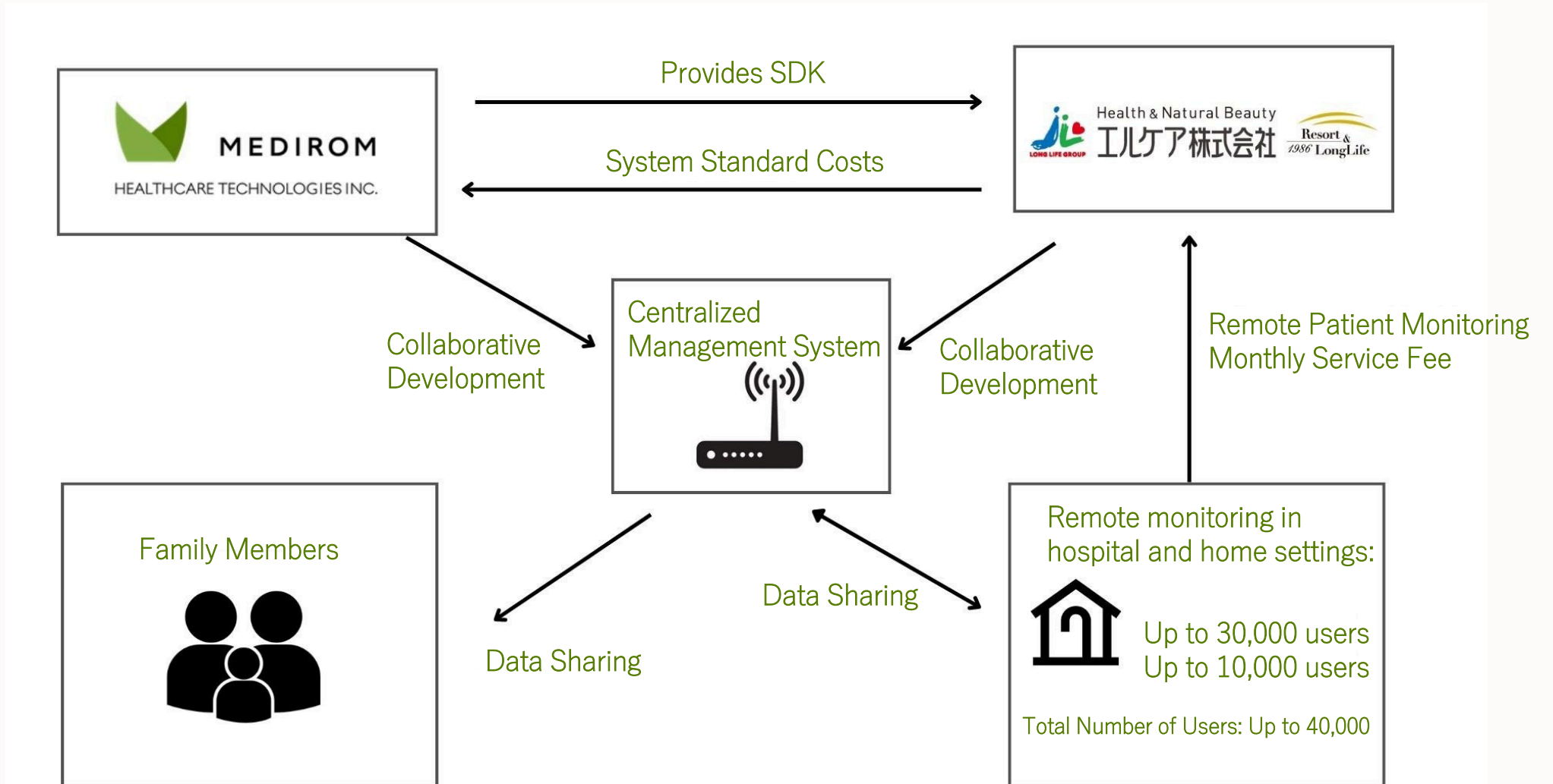
Example 1:
Focus on the B2B Market





Business Alliance with Long-Term Care Facilities: Remote Patient Monitoring System

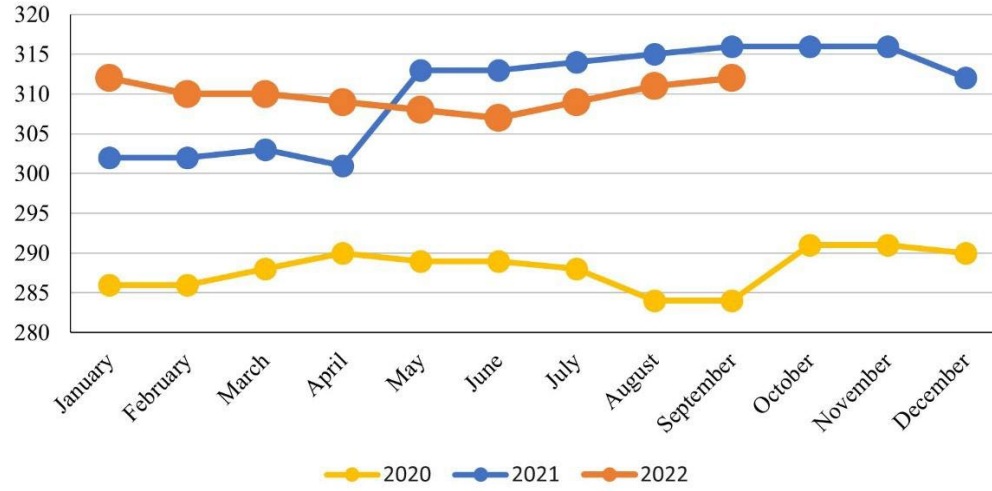
Example 2:
Focus on the B2B Market



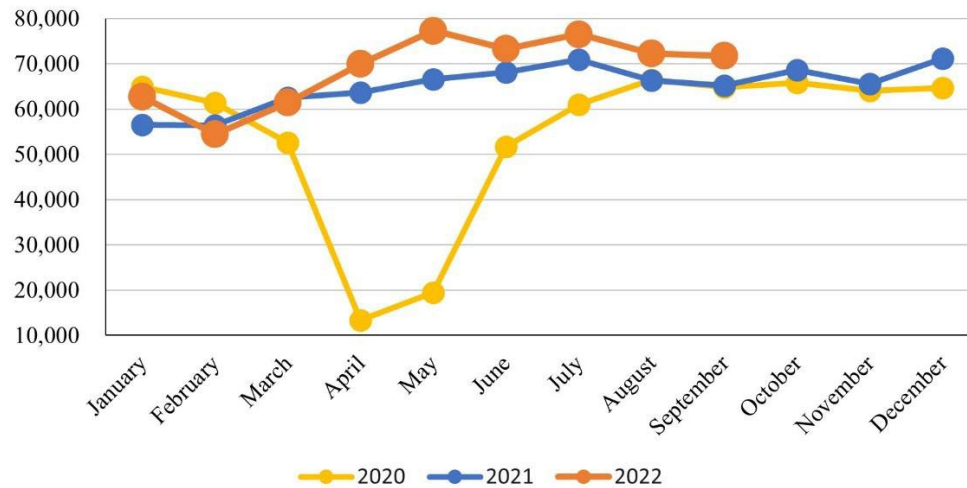
Recent KPI Progress



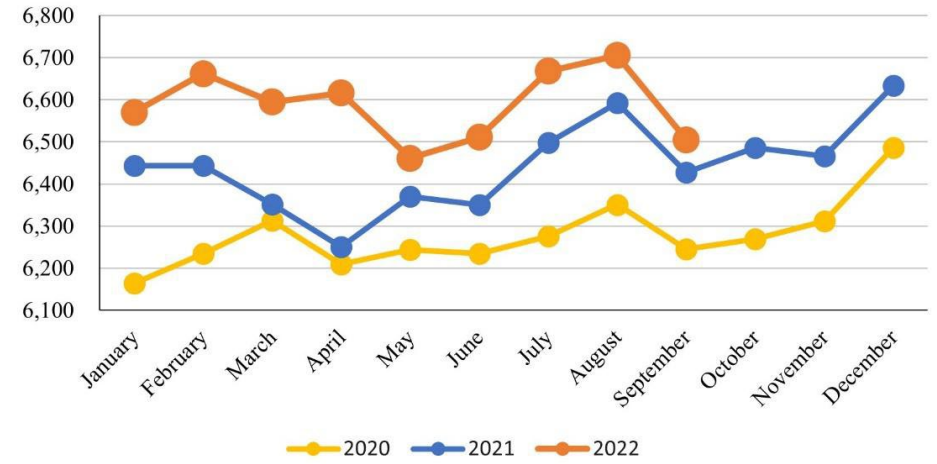
Number of Salons



Total Customers Served



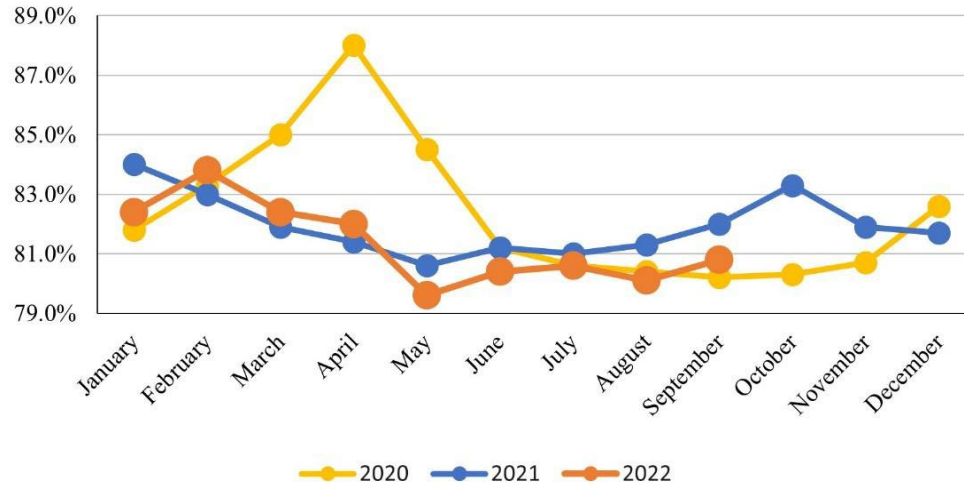
Sales per Customer



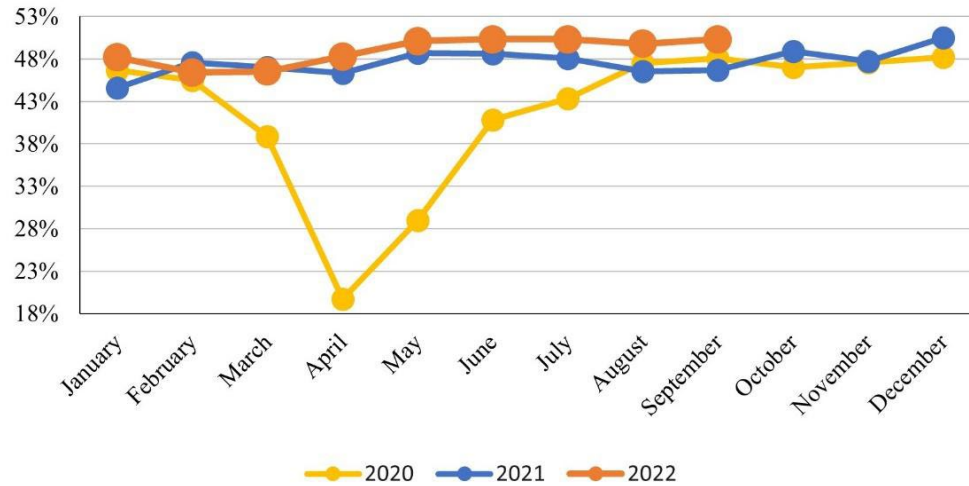
Recent KPI Progress



Repeat Ratio



Operation Ratio





MEDIROM

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Thank You!

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