

MEDIROM HEALTHCARE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
—CONTINUED FOR THE SIX MONTHS ENDED JUNE 30, 2021, 2020 AND 2019
(Yen in thousands)

	Six Months Ended June30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:			
Net (loss) income	(521,770)	(442,971)	54,045
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	39,631	33,105	22,793
Losses on sales of directly-operated salons to franchisees	49	65	8,721
Allowance for doubtful accounts	(4,860)	(5,295)	6,895
Stock-based compensation	148,940	—	—
Losses on disposal of long-lived assets, net	1,967	26,913	540
Impairment loss on long-lived assets	—	—	23,604
Gain from bargain purchases	(1,014)	(1,624)	(4,343)
Deferred income tax expense	42,280	11,046	6,318
Other non-cash expense (gains) – net	847	121	(156)
Changes in operating assets and liabilities:			
Accounts receivable-trade, net	72,839	192,093	108,749
Accounts receivable-other	108,981	89,518	108,501
Inventories	(50)	(369)	777
Prepaid expenses and other current assets	(35,395)	(37,422)	(1,570)
Lease and guarantee deposits	(16,902)	84,323	51,050
Accounts payable	(8,303)	(52,394)	42,184
Accrued expenses	106,131	(62,280)	(78,015)
Accrued income taxes	(30,267)	3,105	(8,523)
Contract liability	(115,531)	—	—
Advances received	(96,535)	(124,828)	(160,286)
Other current liabilities	597	(23,476)	2,790
Deposit received	(34,938)	(66,195)	2,323
Other assets and other liabilities – net	(4,963)	1,704	(4,836)
Net cash (used in) provided by operating activities	<u>(348,266)</u>	<u>(374,861)</u>	<u>181,561</u>
Cash flows from investing activities:			
Purchases of time deposits	(13,201)	(13,500)	(18,700)
Proceeds from maturities of time deposits	—	10,000	—
Proceeds from sale of affiliated company securities	—	50,000	—
Acquisition of investment securities	(52,520)	—	(8,544)
Acquisition of property and equipment	(41,370)	(70,803)	—
Proceeds from sale of property and equipment	—	3,227	—
Cost additions to internal use software	(7,631)	(9,492)	(6,473)
Acquisition of businesses – net of cash acquired	(300,843)	(42,393)	(3,201)
Proceeds from due from shareholder	—	7,966	1,793
Payment received on short-term loans receivable	225	225	225
Payment received on long-term accounts receivable-other, net	5,090	7,515	9,126
Net cash used in investing activities	<u>(410,250)</u>	<u>(57,255)</u>	<u>(25,774)</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock for exercise of over-allotment, net of issuance costs	87,642	—	—
Proceeds from long-term borrowings	—	330,000	—
Repayment of long-term borrowings	(155,502)	(114,657)	(121,260)
Payment of installment payables related to business acquisitions	(2,520)	(30,199)	(16,000)
Payment of deferred offering costs	(255,887)	(41,589)	—
Repayment of corporate bonds	—	—	(7,500)
Net cash provided by (used in) financing activities	<u>(326,267)</u>	<u>143,555</u>	<u>(144,760)</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,084,783)</u>	<u>(288,561)</u>	<u>11,027</u>
Cash and cash equivalents at beginning of period	1,439,733	513,621	211,688
Cash and cash equivalents at end of period	<u>354,950</u>	<u>225,060</u>	<u>222,715</u>
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	6,733	4,896	6,579
Income taxes	43,199	4,953	13,634
Non-cash investing and financing activities:			
Right-of-use assets obtained in exchange for lease liabilities	490,342	189,240	240,790
Purchases of property and equipment included in accrued expenses	2,670	9,548	—
Purchases of intangible assets included in accrued expenses	2,325	—	—
Payables related to acquisition of businesses included in accrued expenses	—	60,902	95,101
Deferred offering costs included in accrued expenses	—	26,476	15,184