

MEDIROM HEALTHCARE TECHNOLOGIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
—CONTINUED FOR THE SIX MONTHS ENDED JUNE 30, 2023, 2022, 2021 AND 2020
(Yen in thousands)

	Six Months Ended June30,			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:				
Net (loss) income	(355,066)	(181,541)	(521,770)	(442,971)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:				
Depreciation and amortization	100,849	90,418	39,631	33,105
Losses on sales of directly-operated salons to franchisees	—	—	49	65
Gain from sales of directly-owned salons	(350,813)	(360,521)	—	—
Allowance for doubtful accounts	6,735	4,998	(4,860)	(5,295)
Stock-based compensation	—	—	148,940	—
Losses on disposal of long-lived assets, net	2,175	9,020	1,967	26,913
Impairment loss on long-lived assets	—	1,173	—	—
Gain from bargain purchases	—	—	(1,014)	(1,624)
Deferred income tax expense	—	—	42,280	11,046
Other non-cash expense (gains) – net	47,909	8,374	847	121
Changes in operating assets and liabilities:				
Accounts receivable-trade, net	(87,134)	50,484	72,839	192,093
Accounts receivable-other	282,116	124,578	108,981	89,518
Inventories	(79,714)	(10,598)	(50)	(369)
Prepaid expenses and other current assets	26,360	(92,103)	(35,395)	(37,422)
Lease and guarantee deposits	42,211	3,927	(16,902)	84,323
Accounts payable	2,326	(581)	(8,303)	(52,394)
Accrued expenses	(382,096)	197,339	106,131	(62,280)
Accrued income taxes	(35,347)	5,591	(30,267)	3,105
Contract liability	(2,700)	(55,153)	(115,531)	—
Advances received	(148,792)	(172,313)	(96,535)	(124,828)
Other current liabilities	337,493	106,099	597	(23,476)
Deposit received	(16,073)	(10,308)	(34,938)	(66,195)
Other assets and other liabilities – net	(476)	(5,266)	(4,963)	1,704
Net cash (used in) provided by operating activities	<u>(610,037)</u>	<u>(286,383)</u>	<u>(348,266)</u>	<u>(374,861)</u>
Cash flows from investing activities:				
Purchases of time deposits	—	(13,201)	(13,201)	(13,500)
Proceeds from maturities of time deposits	—	—	—	10,000
Proceeds from sale of affiliated company securities	—	—	—	50,000
Acquisition of investment securities	—	—	(52,520)	—
Acquisition of property and equipment	(56,241)	(40,366)	(41,370)	(70,803)
Proceeds from sale of property and equipment	—	—	—	3,227
Cost additions to internal use software	(83,618)	(32,042)	(7,631)	(9,492)
Proceeds from sale of salons	315,400	309,941	—	—
Acquisition of businesses – net of cash acquired	—	—	(300,843)	(42,393)
Proceeds from due from shareholder	—	—	—	7,966
Payment received on short-term loans receivable	112	225	225	225
Payment received on long-term accounts receivable-other, net	—	720	5,090	7,515
Net cash used in investing activities	<u>175,653</u>	<u>225,277</u>	<u>(410,250)</u>	<u>(57,255)</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	—	50,000	—	330,000
Repayment of long-term borrowings	(53,342)	(110,793)	(155,502)	(114,657)
Payment of installment payables related to business acquisitions	—	—	(2,520)	(30,199)
Payment of deferred offering costs	—	—	(255,887)	(41,589)
Repayment of corporate bonds	—	(148,000)	—	—
Net cash provided by (used in) financing activities	<u>(53,342)</u>	<u>(208,793)</u>	<u>(326,267)</u>	<u>143,555</u>
Net (decrease) increase in cash and cash equivalents	<u>(487,726)</u>	<u>(269,899)</u>	<u>(1,084,783)</u>	<u>(288,561)</u>
Cash and cash equivalents at beginning of period	<u>605,454</u>	<u>370,617</u>	<u>1,439,733</u>	<u>513,621</u>
Cash and cash equivalents at end of period	<u>117,728</u>	<u>100,718</u>	<u>354,950</u>	<u>225,060</u>
Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Interest	13,986	3,995	6,733	4,896
Income taxes	36,419	17,096	43,199	4,953
Non-cash investing and financing activities:				
Right-of-use assets obtained in exchange for lease liabilities	459,137	468,473	490,342	189,240
Purchases of property and equipment included in accrued expenses	19,139	19,487	2,670	9,548
Purchases of intangible assets included in accrued expenses	13,077	4,650	2,325	—
Payables related to acquisition of businesses included in accrued expenses	—	—	—	60,902
Deferred offering costs included in accrued expenses	—	—	—	26,476
Sales of salons included in accounts receivable	102,000	241,259	—	—
Reduction in common stock and additional paid-in capital	2,230,505	—	—	—