

Cash Flows

	Years Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	¥ 138,191 ¥	115,049 ¥	148,965
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	290,038	252,595	184,056
Gain from sales of directly-owned salons	-1,697,112	-1,244,240	-858,548
Change in provision for credit losses	49,780	1,958	-36,355
Foreign currency exchange gain	-8,969	-17,402	—
(Gains) losses on disposal of property and equipment, net, other intangible assets, net and goodwill	7,109	-2,648	12,908
Impairment loss on long-lived assets	22,872	—	—
Deferred income taxes, net	-188,706	-101,636	—
Other non-cash losses – net	53,146	45,718	—
Changes in operating assets and liabilities:			
Accounts receivable-trade, net	339,120	580,681	-222,384
Accounts receivable-other, net	-39,159	43,382	-210,476
Inventories	-10,612	-25,873	-95,406
Prepaid expenses and other current assets	-2,362	-530	-181,477
Lease and guarantee deposits	46,853	46,652	-27,185
Accounts payable	876,508	-69,884	-23,318
Accrued expenses	-1,048,548	97,045	517,714
Income tax payable	43,684	-45,006	19,173
Contract liability	-90,042	-64,999	-82,636
Advances received	-27,939	-104,663	-111,109
Other current liabilities	22,740	-77,447	254,742
Deposit received	-25,743	-42,656	-24,411
Other assets and other liabilities – net	-82,530	-17,833	50,050
Net cash used in operating activities	<u>-1,331,681</u>	<u>-631,737</u>	<u>-685,697</u>
Cash flows from investing activities:			
Purchases of time deposits	-5,656	—	—
Proceeds from maturities of time deposits	26,004	—	—
Acquisition of investments	—	-3,094	—
Proceeds from sale of investment securities	3,558	—	—
Acquisition of property and equipment	-71,408	-135,840	-120,740
Proceeds from sale of property and equipment	—	—	40,620
Acquisition of intangible assets	-493,405	-786,178	-45,761
Proceeds from sale of salons	908,419	584,768	851,719
Acquisition of businesses – net of cash acquired	-21,348	—	-148,000
Payment received on short-term loans receivable	—	113	—
Payment received on long-term accounts receivable-other, net	15,229	11,655	2,599
Net cash provided (used in) by investing activities	<u>¥ 361,393 ¥</u>	<u>-328,576 ¥</u>	<u>580,437</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock in initial public offering – net of underwriting discounts and commissions	¥ — ¥	— ¥	—
Proceeds from issuance of common stock	¥ — ¥	— ¥	—
Proceeds from issuance of common stock, net of issuance costs	¥ 608,101 ¥	— ¥	—
Proceeds from issuance of preferred stock	260,280	—	—
Proceeds from short-term borrowings	710,000	400,000	—
Repayment of short-term borrowings	-588,333	—	-162,252
Proceeds from long-term borrowings	300,000	—	547,619
Repayment of long-term borrowings	-96,708	-99,084	-45,270
Proceeds from sale of subsidiary stock	—	160,290	—
Net cash provided by financing activities	<u>1,193,340</u>	<u>461,206</u>	<u>340,097</u>
Effect of exchange rate changes on cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents	223,052	-499,107	234,837
Cash and cash equivalents at beginning of year	106,347	605,454	370,617
Cash and cash equivalents at end of year	<u>¥ 329,399 ¥</u>	<u>106,347 ¥</u>	<u>605,454</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ 47,558 ¥	34,575 ¥	7,535
Income taxes	12,777	52,105	30,809
Non-cash investing and financing activities:			
Right-of-use assets obtained in exchange for lease liabilities	¥ 901,202 ¥	931,521 ¥	673,468
Purchases of property and equipment included in accrued expenses	12,304	4,624	—
Purchases of intangible assets included in accrued expenses	93,000	9,480	—
Sales of salons included in accounts receivable	1,135,127	455,464	134,876
Deferred stock issuance costs included in accrued expenses	84,339	—	—
Reduction in common stock and additional paid-in capital	—	2,509,941	—