

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended March 31, 2017 and 2018

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|----------|--|
| | 2017 | 2018 | 2018 |
| Cash flows from operating activities: | | | |
| Income before income taxes | ¥ 39,712 | ¥ 43,941 | \$ 413,558 |
| Depreciation and amortization | 46,937 | 45,347 | 426,796 |
| Loss on impairment of fixed assets | 5,380 | 930 | 8,750 |
| Amortization of goodwill | 185 | 228 | 2,141 |
| Increase (decrease) in provision for bonuses | (106) | 289 | 2,723 |
| Increase (decrease) in net defined benefit liabilities | 574 | (35) | (326) |
| Increase (decrease) in allowance for doubtful accounts | 219 | (253) | (2,384) |
| Increase (decrease) in allowance for unredeemed gift certificates and others | 65 | 65 | 616 |
| Interest and dividends income | (1,563) | (1,705) | (16,049) |
| Interest expenses | 7,016 | 6,446 | 60,667 |
| Equity in losses (earnings) of affiliates | (1,224) | (1,297) | (12,202) |
| Special retirement expenses | — | 2,944 | 27,709 |
| Construction costs allotted to and received from others | (1,340) | (18,309) | (172,317) |
| Loss (gain) on sales of stocks of subsidiaries and affiliates | 89 | 856 | 8,059 |
| Loss (gain) on sale of property and equipment, net | (104) | (1,742) | (16,394) |
| Loss on deduction of property and equipment | 1,219 | 17,579 | 165,447 |
| Loss on disposal of property and equipment | 1,713 | 1,890 | 17,792 |
| Loss (gain) on valuation of investment securities | 98 | 217 | 2,046 |
| Loss on valuation of inventories | 60 | 51 | 482 |
| Decrease (increase) in trade receivables | 841 | (900) | (8,467) |
| Decrease (increase) in inventories | 74 | 3,329 | 31,327 |
| Increase (decrease) in accounts payables | (434) | 1,601 | 15,065 |
| Other | (1,792) | 70 | 654 |
| Subtotal | 97,619 | 101,542 | 955,693 |
| Interest and dividends received | 1,759 | 1,909 | 17,969 |
| Interest paid | (7,141) | (6,442) | (60,631) |
| Income taxes paid | (12,742) | (11,615) | (109,321) |
| Net cash provided by (used in) operating activities | 79,495 | 85,394 | 803,710 |
| Cash flows from investing activities: | | | |
| Purchase of investment securities | (2,337) | (1,123) | (10,567) |
| Proceeds from sales of investment securities | 568 | 33 | 313 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | (1,030) | (9,694) |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | — | 279 | 2,625 |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | (63) | — | — |
| Acquisition of property and equipment | (74,731) | (64,989) | (611,657) |
| Proceeds from sales of property and equipment | 293 | 3,454 | 32,507 |
| Decrease (increase) in short-term loans receivable | (8) | 1,940 | 18,258 |
| Payments of long-term loans receivable | (65) | (279) | (2,624) |
| Collection of long-term loans receivable | 22 | 34 | 320 |
| Proceeds from advances received for contract consignment | 5,512 | 6,099 | 57,401 |
| Proceeds from long-term advances received | 3,403 | 3,300 | 31,054 |
| Other | 353 | (400) | (3,762) |
| Net cash provided by (used in) investing activities | (67,053) | (52,682) | (495,826) |
| Cash flows from financing activities: | | | |
| Net increase (decrease) in short-term loans | 5,210 | — | — |
| Proceeds from long-term loans | 39,397 | 13,500 | 127,059 |
| Repayments of long-term loans | (27,905) | (18,797) | (176,911) |
| Proceeds from issuance of bonds | 30,000 | 50,000 | 470,588 |
| Redemption of bonds | (50,000) | (35,000) | (329,412) |
| Redemption of accounts payable to Japan Railway Construction, Transport and Technology Agency | (10,000) | (10,158) | (95,607) |
| Cash dividends paid | (6,505) | (7,220) | (67,954) |
| Acquisition of treasury stock | (52) | (25) | (240) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (200) | (1) | (8) |
| Other | (419) | (398) | (3,744) |
| Net cash provided by (used in) financing activities | (20,474) | (8,099) | (76,229) |
| Effect of exchange rate changes on cash and cash equivalents | 0 | 0 | 0 |
| Net increase (decrease) in cash and cash equivalents | (8,032) | 24,613 | 231,655 |
| Cash and cash equivalents at beginning of the year | 27,326 | 19,294 | 181,590 |
| Cash and cash equivalents at end of the year Note 9 | ¥ 19,294 | ¥ 43,907 | \$ 413,245 |

See accompanying Notes to Consolidated Financial Statements.