Stock Code: 2754

Kura Sushi Asia Co., Ltd.

Parent Company Only Financial Statements and Independent Auditors' Report

For the Years of 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kura Sushi Asia Co., Ltd.

Opinion

We have audited the accompanying financial statements of Kura Sushi Asia Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the audit of the Company's financial statements as of and for ther year ended December 31, 2021 are as follows:

Accuracy of Revenue Recognition

The Company is engaged in the restaurant business. Its revenue, which is generated by individual consumers at each restaurant, is comprised of a large number of transactions, each of which with a small amount. The POS system collects and summarizes daily operating income information. The Company operates 42 restaurants at the end of 2021, 21 of which issue the invoice directly to individual consumers. On a daily basis, the accounting department verifies the cash receipt and credit card data for each restaurant summarized by the POS system and recognizes revenue. Net operating revenue from the restaurants of the abovementioned type for the year ended December 31, 2021 was NT$ 1,296,745 thousand. Since there are many restaurants of the abovementioned type and its revenue recognition relies on manual controls to verify vouchers and relevant statements, we identified the accuracy of revenue recognition related to restaurants of the abovementioned type as a key audit matter.

The accounting policies with respect to revenue recognition are discussed in Note 4 (12) to the financial statements.

The main audit procedures that we performed for the above key audit matter included the following:

1. Obtain an understanding of the controls related to the general IT environment surrounding the ERP system and test the operating effectiveness of the controls.

2. Perform internal control effectiveness testing by selecting samples from the restaurant operating income report generated from the headquarter POS system. For each sample, verify that the accounting department obtained external statements and performed reconciliation procedures. Also examine and ensure that the reconciliation records are summarized in the daily business report and whether the reconciliation discrepancies were investigated in accordance with the established threshold.

3. Perform detail testing of the transactions by verifying whether the amount per the daily business report matches the amount per the manual journal entry to recognize revenue recorded by the accounting department.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Na, Chang and Yi-Lung Chou.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

<u>*Notice to Readers*</u>

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Kura Sushi Asia Co., Ltd.

Parent Company Only Balance Sheets

December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	$ 412,215	11	$ 634,210	20
1170	Accounts receivable from unrelated parties (Notes 4 and 7)	100,972	3	81,887	3
1200	Other receivables (Notes 4 and 26)	17,550	-	2,036	-
130X	Inventories (Notes 4 and 8)	16,082	1	17,557	1
1410	Prepayments (Note 26)	26,397	1	18,140	1
1470	Other current assets (Notes 13 and 27)	5,923	-	5,642	-
11XX	Total current assets	579,139	15	759,472	25
	Non-current assets				
1600	Property, plant, and equipment (Notes 4, 10, 24, and 27)	1,276,462	32	954,840	31
1755	Right-of-use asset (Notes 4, 5, and 11)	1,961,806	49	1,300,276	42
1780	Intangible assets (Notes 4 and 12)	2,839	-	3,250	-
1840	Deferred tax assets (Notes 4 and 20)	6,686	-	5,504	-
1915	Prepayments for construction and equipment (Note 24)	127,745	3	40,137	1
1920	Refundable deposits	45,509	1	36,368	1
1985	Prepayments for leases	8,705	-	-	-
15XX	Total non-current assets	3,429,752	85	2,340,375	75
1XXX	Total assets	$ 4,008,891	100	$ 3,099,847	100
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 4, 14, and 24)	$ 200,000	5	$ -	-
2170	Accounts payable	117,099	3	113,393	4
2219	Other receivables (Notes 4, 15, 24, and 27)	239,388	6	232,815	7
2230	Current tax liabilities (Notes 4 and 20)	8	-	9,363	-
2280	Lease liabilities - current (Notes 4, 11, and 24)	212,694	5	158,678	5
2300	Other current liabilities (Note 15)	2,868	-	2,404	-
21XX	Total current liabilities	772,057	19	516,653	16
	Non-current liabilities				
2550	Provisions - non-current (Notes 4 and 16)	74,818	2	54,149	2
2570	Deferred income tax liabilities (Notes 4 and 20)	2,837	-	646	-
2580	Lease liabilities - current (Notes 4, 11, and 24)	1,759,053	44	1,134,879	37
2640	Net defined benefit liabilities - non-current (Notes 4 and 17)	1,628	-	1,902	-
2650	Credit balance of investments accounted for using the equity method (Notes 4 and 9)	95	-	76	-
2610	Other payables - non-current (Notes 10, 15, and 24)	125,889	3	129,830	4
2670	Other non-current liabilities	37	-	-	-
25XX	Total non-current liabilities	1,964,357	49	1,321,482	43
2XXX	Total liabilities	2,736,414	68	1,838,135	59
	Equity (Note 18)				
	Share capital				
3110	Common stock	458,560	11	449,800	14
3140	Capital received in advance	957	-	1,870	-
3100	Total share capital	459,517	11	451,670	14
3200	Capital surplus	582,074	15	579,387	19
	Retained earnings				
3310	Legal reserve	25,012	1	21,815	1
3320	Special reserve	4	-	-	-
3350	Unappropriated earnings	205,873	5	208,844	7
3300	Total retained earnings	230,889	6	230,659	8
3400	Other equity	(3)	-	(4)	-
3XXX	Total equity	1,272,477	32	1,261,712	41
	Total liabilities and equity	$ 4,008,891	100	$ 3,099,847	100

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Kentaro Nishikawa CEO: Kentaro Nishikawa Accounting Officer: Lin-Shang Chih

Kura Sushi Asia Co., Ltd.

Parent Company Only Statements of Comprehensive Income

January 1 to December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2021		2020	
Code		Amount	%	Amount	%
4000	Operating revenue (Note 4)	$ 2,527,098	100	$ 2,414,639	100
5000	Operating costs (Notes 4, 8, and 27)	1,535,008	61	1,457,497	60
5900	Gross profit	992,090	39	957,142	40
	Operating expenses (Notes 19 and 27)				
6100	Selling expenses	792,931	31	733,587	30
6200	General and administrative expenses	165,924	7	172,110	7
6300	Research and development expenses	532	-	669	-
6450	Expected gain on reversal of credit losses	-	-	(13)	-
6000	Total operating expenses	959,387	38	906,353	37
6900	Net operating income	32,703	1	50,789	3
	Non-operating income and expenses (Note 19)				
7100	Interest income	518	-	435	-
7010	Other income	3,357	-	1,628	-
7020	Other gains and losses	14,938	1	1,508	-
7050	Finance costs	(28,268)	(1)	(14,818)	(1)
7070	Share of loss of subsidiaries, associates, and joint ventures accounted for using equity method (Note 9)	(20)	-	(72)	-
7000	Total non-operating income and expenses	(9,475)	-	(11,319)	(1)
7900	Net income before tax	23,228	1	39,470	2
7950	Tax expenses (Notes 4 and 20)	879	-	7,900	1
8200	Net income for the year	22,349	1	31,570	1

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Code		2021 Amount	2021 %	2020 Amount	2020 %
	Other comprehensive income				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	$ 967	-	$ 503	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	(193)	-	(101)	-
8310		774	-	402	-
8360	Items that will be reclassified to profit or loss				
8361	Financial statements translation differences of foreign operations	1	-	(4)	-
8300	Other comprehensive income for the year (net income after tax)	775	-	398	-
8500	Total comprehensive income for the year	$ 23,124	1	$ 31,968	1
	Net income attributable to:				
8610	Owners of the Company	$ 22,349	1	$ 31,570	1
	Comprehensive income attributable to:				
8710	Owners of the Company	$ 23,124	1	$ 31,968	1
	Earnings per share (Note 21)				
9750	Basic	$ 0.49		$ 0.79	
9850	Diluted	$ 0.48		$ 0.76	

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Kentaro Nishikawa CEO: Kentaro Nishikawa Accounting Officer: Lin-Shang Chih

Kura Sushi Asia Co., Ltd.

Parent Company Only Statements of Changes in Equity

January 1 to December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

		Share capital				Retained earnings				Other equity	
Code		Number of Shares (in Thousands)	Common stock	Capital received in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total retained earnings	Financial statements translation differences of foreign operations	Total equity
A1	Balance at January 1, 2020	37,873	$ 378,730	$ -	$ 139,650	$ 12,943	$ -	$ 204,681	$ 217,624	$ -	$ 736,004
	Appropriation and distribution of earnings for 2019:										
B1	Legal reserve appropriated	-	-	-	-	8,872	-	(8,872)	-	-	-
B5	Cash dividends	-	-	-	-	-	-	(18,937)	(18,937)	-	(18,937)
N1	Issuance of employees stock option	-	-	-	6,021	-	-	-	-	-	6,021
N1	Issuance of common stock under employee stock options	-	-	1,870	-	-	-	-	-	-	1,870
D1	Net income in 2020	-	-	-	-	-	-	31,570	31,570	-	31,570
D3	Other comprehensive income after tax in 2020	-	-	-	-	-	-	402	402	(4)	398
D5	Total comprehensive income in 2020	-	-	-	-	-	-	31,972	31,972	(4)	31,968
E1	Cash capital increase	7,107	71,070	-	433,716	-	-	-	-	-	504,786
Z1	Balance at December 31, 2020	44,980	449,800	1,870	579,387	21,815	-	208,844	230,659	(4)	1,261,712
	Appropriation and distribution of earnings for 2018:										
B1	Legal reserve appropriated	-	-	-	-	3,197	-	(3,197)	-	-	-
B3	Special reserve appropriated	-	-	-	-	-	4	(4)	-	-	-
B5	Cash dividends	-	-	-	-	-	-	(22,893)	(22,893)	-	(22,893)
N1	Issuance of employees stock option	-	-	-	1,811	-	-	-	-	-	1,811
N1	Issuance of common stock under employee stock options	876	8,760	(913)	876	-	-	-	-	-	8,723
D1	Net income in 2021	-	-	-	-	-	-	22,349	22,349	-	22,349
D3	Other comprehensive income after tax in 2021	-	-	-	-	-	-	774	774	1	775
D5	Total comprehensive income in 2021	-	-	-	-	-	-	23,123	23,123	1	23,124
Z1	Balance at December 31, 2021	$ 45,856	$ 458,560	$ 957	$ 582,074	$ 25,012	$ 4	$ 205,873	$ 230,889	($ 3)	$ 1,272,477

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Kentaro Nishikawa CEO: Kentaro Nishikawa Accounting Officer: Lin-Shang Chih

Kura Sushi Asia Co., Ltd.

Parent Company Only Statements of Cash Flows

January 1 to December 31, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Code		2021	2020
	Cash flows from operating activities		
A10000	Net income before tax for the year	$ 23,228	$ 39,470
A20010	Adjustments for:		
A20100	Depreciation expenses	381,981	345,890
A20200	Amortization expenses	1,524	1,071
A20300	Expected gain on reversal of credit losses	-	(13)
A21900	Compensation costs of employee stock options	1,811	6,021
A20900	Finance costs	28,268	14,818
A21200	Interest income	(518)	(435)
A23700	Write-downs of inventories	23	-
A23800	Gains on price recovery from write-downs of inventories	-	(74)
A22400	Share of loss of subsidiaries, associates, and joint ventures accounted for using equity method	20	72
A22500	Net losses (gains) on disposal of property, plant, and equipment	(6,632)	46
A24100	Net gains on foreign currency exchange	(24,691)	(2,735)
A29900	Recognition of pension costs	693	816
A29900	Losses on disposal of right-of-use assets	1,161	-
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	(19,085)	(35,083)
A31180	Other receivables	(432)	(496)
A31200	Inventories	1,452	(9,019)
A31230	Prepayments	(8,257)	(2,515)
A31240	Other current assets	(281)	(321)
A32150	Accounts payable	3,706	42,579
A32180	Other payables	20,474	40,799
A32230	Other current liabilities	464	491
A33000	Cash generated from operations	404,909	441,382
A33100	Interest received	674	291
A33300	Interest paid	(27,438)	(14,898)
A33500	Income tax paid	(9,418)	(12,887)
AAAA	Net cash flows from operating activities	368,727	413,888

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Code		2021	2020
	Cash flows from investing activities		
B02700	Acquisition of property, plant, and equipment	($ 584,284)	($ 396,648)
B02800	Proceeds from disposal of property, plant, and equipment	8,571	-
B03700	Increase in refundable deposits	(9,141)	(17,086)
B04500	Acquisition of intangible assets	(1,113)	(3,416)
B07300	Increase in prepayments for leases	(8,705)	-
BBBB	Cash used in investing activities, net	(594,672)	(417,150)
	Cash flows from financing activities		
C00100	Increase in short-term loans	200,000	-
C00200	Decrease in short-term loans	-	(10,541)
C04020	Repayments of lease liabilities	(181,917)	(137,162)
C03000	Guarantee deposits received	37	-
C04500	Cash dividends distributed	(22,893)	(18,937)
C04600	Proceeds from issuance of ordinary shares	8,723	506,656
CCCC	Net cash generated from financing activities	3,950	340,016
EEEE	Net (decrease) increase in cash and cash equivalents	(221,995)	336,754
E00100	Cash and cash equivalents at beginning of year	634,210	297,456
E00200	Cash and cash equivalents at end of year	$ 412,215	$ 634,210

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: Kentaro Nishikawa CEO: Kentaro Nishikawa Accounting Officer: Lin-Shang Chih

Kura Sushi Asia Co., Ltd.

Notes to Parent Company Only Financial Statements

January 1 to December 31, 2021 and 2020
(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

   Kura Sushi Asia Co., Ltd.（ hereinafter referred to as the “Company”） was incorporated on January 21, 2014, formerly known as Kura Sushi Taiwan Co., Ltd. The Company is primarily engaged in catering-related businesses.

   The Company’s shares started to be traded on the Taipei Exchange on September 2020.

   These parent company only financial statements are presented in the New Taiwan dollar, the Company's functional currency.

2. Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

   These parent company only financial statements have been approved by the Board of Directors on March 10, 2022.

3. Application of New and Amended Standards and Interpretations

   a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "FSC")

      With the exception of the following, the application of the latest IFRSs endorsed and issued into effect by the FSC should not result in major changes in the accounting policies of the Company.

      Amendments to IFRS 16 “Covid-19-Related Rent Concessions” and “Covid-19-Related Rent Concessions beyond June 30, 2021”

      The Company chooses to apply the revised practical expedients to deal with rent negotiations directly associated with COVID-19 pandemic between it and the lessor. For the relevant accounting policies, please refer to Note 4. Before applying these amendments, the Company shall determine whether the aforementioned rent negotiations shall apply to the provisions of the lease amendment.

The Company has applied these amendments since January 1, 2021. Since the aforementioned rent negotiations only affect the year of 2021, retrospective application of these amendments will not affect the retained earnings as of January 1, 2021.

b. FSC-endorsed IFRSs that are applicable from 2022 onward

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant, and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1. The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2. This amendment applies to the business combination that starts on the acquisition date after January 1, 2022 during the annual report period.

Note 3. The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4. This amendment applies to contracts under which all obligations have not been on January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company assessed that the amendments to other standards and interpretations will not have a material impact on the financial position and financial performance.

c. Standards issued by the IASB but not yet endorsed and issued into effect by the FSC

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”	To be determined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendments to IAS 1 "Classify Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1. Unless otherwise specified, the aforementioned new/amended/revised standards and interpretations shall be effective for the annual reporting period after the specified dates.

Note 2. This amendment prospectively applies to annual periods beginning after January 1, 2023.

Note 3. This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual periods beginning on January 1, 2023.

Note 4. The amendment applies to transactions occurring after January 1, 2022, except for the recognition of deferred taxes on temporary differences related to leases and decommissioning obligations as of January 1, 2022.

1) Amendments to IAS 1 "Classify Liabilities as Current or Non-current"

The amendment clarifies whether or not a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendment also clarifies that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendment stipulates that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

2) Amendments to IAS 1 "Disclosure of Accounting Policies"

This amendment prescribes that the Company shall apply the concept of materiality in making decisions about the disclosure of accounting policies. Accounting policy information is material if, when considered together with other information included in the Company's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed by the Company.
- The Company's accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial.
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

In addition, the amendment provides an example of how the information on accounting policies may be material if it relates to material transactions, other factors, or circumstances and under the following circumstances:

a) Has changed during the period by the Company, and this change results in a material change on information of the financial statements
b) Was chosen properly by the Company from alternatives permitted by IFRS
c) Was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of IFRS that specifically applies

d) Relates to an area for which the Company is required to make significant judgments and assumptions; or

e) Relates to complex accounting, and users of the Company's financial statements would otherwise not understand the relating transactions, other events or conditions

3) Amendments to IAS 8 "Definition of Accounting Estimates"

This amendment defines accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. The accounting policy may require items in financial statements to be measured at monetary amounts that cannot be observed directly and must instead be estimated. Therefore, an input or a measurement technique has to be used to develop an accounting estimate to achieve this goal. The effects of changes to measurement techniques or inputs on accounting estimates that are not considered changes to early errors are considered changes to accounting estimates.

Besides the effects mentioned above, as of the date these parent company only financial statements were authorized for issuance, the Company is continuously assessing the effects on its financial position and financial performance of amendments to the other standards and interpretations. Any relevant effect will be disclosed when the assessment is completed.

4. Summary of Significant Accounting Policies

a. Compliance declaration

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC.

b. Preparation basis

These parent company only financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less fair value of plan assets.

The fair value measurement is classified into three levels based on the observability and importance of related input:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. deduced from prices).
3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Standards for assets and liabilities classified as current and non-current

Current assets include:

1) Assets held primarily for trading purposes;
2) Assets expected to be realized within 12 months after the balance sheet date; and
3) Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1) Liabilities held primarily for trading purposes;
2) Liabilities with settlement within 12 months after the balance sheet date; and
3) Liabilities with a repayment schedule that cannot be unconditionally deferred till at least 12 months after the publication of the balance sheet.

All other assets or liabilities that are not specified above are classified as non-current.

d. Foreign currencies

In the preparation of financial statements, transactions denominated in a currency other than the Company's functional currency (i.e. foreign currency) are translated into the Company's functional currency by using the exchange rate at the date of the transaction.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising on the settlement or on translating of monetary items are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss, except for items whose changes in fair value are recognized in other comprehensive income, where the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

If the Company disposes of all the equity of the foreign operations, or disposes of part of the equity of the foreign operations' subsidiary but loses control, or disposes of the foreign operations' joint agreement or the retained equity after the affiliate is a financial asset and is treated in accordance with the accounting policy of the financial instrument, all accumulated exchange differences associated with the foreign operations will be reclassified to profit or loss.

e. Inventories

Inventory costs are calculated using the weighted average method. Inventories are measured at the lower of cost and net realizable value. The comparison between costs and net realizable values is based on individual items except for the same type of inventory. The net realizable value is the estimated selling price in the ordinary course of business less the cost necessary to make the sale. Cost of inventory is calculated using the weighted-average method.

f. Investments in subsidiaries

The Company handles investments in subsidiaries by using the equity method.

Subsidiaries are entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost. The carrying amount of investment is adjusted thereafter for the post-acquisition changes in the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiaries. In addition, changes in the Company’s share of subsidiaries’ other equity are recognized in proportion to its shareholding ratio.

When a change in the Company's ownership interests in a subsidiary does not cause it to lose control of the subsidiary, it shall be accounted for as an equity transaction. The difference between the carrying amount of the investments and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (including any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company shall continue to recognize losses based on the shareholding ratio.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets, and liabilities of subsidiaries recognized at the date of acquisition is recognized as goodwill, which is included in the carrying amount of the investment and may not be amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized as profit or loss in the current year.

When the Company assesses impairment, the test shall be performed on the basis of cash generating units within the financial statements. The recoverable amount and the carrying amount of cash generating units shall be compared. Subsequently, if the recoverable amount of an asset increases, the recovery of the impairment loss shall be recognized as an advantage, provided that the carrying amount of the asset recovered from the impairment loss shall not exceed the carrying amount of the asset to be amortized if the impairment loss is not recognized. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between the aggregate of the fair value of consideration received and the fair value of any retained investment at the date when control is lost. The Company accounted for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The unrealized profit or loss in downstream transactions between the Company and the subsidiaries shall be eliminated in the parent company only financial statements. When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company’s parent company only financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

g. Property, plant, and equipment

Property, plant, and equipment shall be recognized at cost and subsequently at cost less accumulated depreciation.

Property, plant, and equipment under construction are recognized at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant, and equipment when completed and ready for their intended use.

The depreciation of property, plant, and equipment in its useful life is made on a straight-line basis for each major part/component separately. Where the lease term is less than the useful life of an asset, the depreciation is recognized over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

When property, plant, and equipment is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in profit or loss.

h. Intangible Assets

1) Separate acquisition

Intangible assets with a limited useful life will be evaluated initially at cost and subsequently at cost less accumulated amortization. Intangible assets will be amortized using the straight-line method within the useful life. The Company will review the estimated useful life, residual value, and depreciation methods at the end of each year at least once a year to deduce the effect of the changes in accounting estimates.

2) Derecognition

When intangible assets are derecognized, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use assets, and intangible assets

On each balance sheet date, the Company reviews its property, plant, and equipment, right-of-use assets, and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If it is not possible to determine the recoverable amount for an individual asset, the Company shall estimate the recoverable amount of the asset's cash-generating unit.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount of the asset or the cash-generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or the cash-generating unit will be reduced to the extent of the recoverable amount prior to revision, provided the increased carrying amount does not exceed the carrying amount (minus amortization or depreciation) of the asset or the cash-generating unit not declared as impairment loss in the previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

j. Financial Instruments

Financial assets and financial liabilities shall be recognized in the parent company only balance sheets when the Company becomes a party of the financial instrument contract.

At initial recognition, if a financial asset or a financial liability was not measured at fair value through profit or loss, it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

a. Types of measurement

Financial assets held by the Company are financial assets at amortized cost.

<u>Financial assets at amortized cost</u>

When the Company's investments in financial assets match the following two conditions simultaneously, they are classified as financial assets at amortized cost:

i. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
ii. The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

Subsequent to initial recognition, such financial assets (including cash and cash equivalents, notes receivable, trade receivables and other receivables that are measured at amortized cost) are measured at the amortized cost equal to the gross carrying amount as determined using the effective interest method less any impairment loss; any foreign exchange gain or loss arising therefrom is recognized in profit or loss.

Except for the following two circumstances, interest income is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

i. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

ii. For financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortized cost balance of such financial assets.

Credit-impaired financial assets are those where the issuer or debtor has experienced major financial difficulties or defaults, the debtor is likely to claim bankruptcy or other financial restructuring, or disappearance of an active market for the financial asset due to financial difficulties.

Cash equivalents include time deposits within three months from the acquisition date and with high liquidity and relatively low price changes convertible to cash any time. They are used for meeting short-term cash commitments.

b. Impairment of financial assets

The impairment loss of financial assets (including trade receivables) at amortized cost is measured by the Company on the balance sheet date based on the expected credit losses.

Allowances shall be appropriated for trade receivables for expected credit losses for the duration of their existence. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses arising from the possible default of the financial instrument in the 12 months after the balance sheet date, and the expected credit losses during the lifetime represent the expected credit losses arising from all possible defaults of the financial instrument during the expected existence period.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Company:

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. Where the debt is overdue more than 365 days, unless there is reasonable and authenticated information showing that the delayed default basis is more appropriate.

Through the loss allowance account, the carrying amount of all financial assets is reduced for the impairment loss, except for the investment in debt instruments measured at FVTOCI for which the impairment loss is recognized in other comprehensive income and does not reduce the carrying amount.

c. Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights to the cash inflow from the asset expire or when the Company transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Financial liabilities are assessed at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

When financial liabilities are derecognized, the difference between their carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in profit or loss.

k. Provisions

Liability provision recognized (including the obliged amount of contract to be maintained or restored for return to the lessor, which is specifically indicated in the lease period), takes into account the risk and uncertainty of obligation, to become the optimal estimates for expenses required for repaying the obligation on the balance sheet date.

l. Revenue recognition

1) Sales of commodities

The Company provides catering sales and services. Sales revenue is the fair value of the consideration received or receivable for the sale of catering services to customers in normal business activities. Revenue arising from the catering services is recognized as sales revenue when meals are delivered to customers, major risks and rewards related to ownership have been transferred to customers, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity.

2) Interest income

Interest income from a financial asset is recognized when the economic benefits flow to the Company and the amount can be It is recognized as per the rate of interest applicable to similar duration loans for all principal in external circulation.

m. Leases

The Company assesses whether the contract is (or includes) a lease on the date of its establishment.

For contracts that include both lease and non-lease components, the Company apportions considerations in contracts based on relative stand-alone prices and processes them separately.

<u>If the Company is a lessee:</u>

Except that the leases of low value assets and short-term leases applicable to the exemption are recognized as expenses on a straight-line basis over the lease term, other leases are recognized as right-of-use assets and lease liabilities on the lease commencement date.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease commencement date minus the lease incentive received, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. A right-of-use asset is separately presented on the parent company only balance sheets.

The right-of-use assets shall be depreciated on a straight-line basis from lease commencement date to the end of the useful life or the end of the lease term.

Lease liabilities were originally measured by the present value of lease payments (including fixed payments and substantial fixed payments). If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used. Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. In the case that future lease payments change as a result of a change in the lease term, the

Company remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in profit or loss. Lease liabilities are expressed separately in the parent company only balance sheets.

The Company and the lessor conducted rent negotiations directly associated with the COVID-19 pandemic, and adjusted the rent due before June 30, 2022, resulting in a decrease in the rent. These negotiations have not significantly changed other lease terms. The Company chooses to adopt practical expedients to deal with all rental negotiations that meet the aforementioned conditions. The consolidated company does not assess whether these negotiations are lease modifications, but recognizes the reduction of lease payments in the profit or loss when the concession event or situation occurs (recognized as lease payment deduction for changes), and relatively reduces the lease liability.

The variable rent in the lease agreement that is not dependent on the index or rate is recognized as an expense in the period in which it occurs.

n. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government Grants

Government grants are recognized only when there is reasonable assurance that the Company will comply with the conditions attached to the government grant and that the grant will be received.

Government grants are recognized in profit or loss in the period in which they become receivable if they are intended to compensate for expenses or losses already incurred or to provide immediate financial support to the Company and have no future related costs.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The costs of defined benefits under the defined benefit pension plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method. The cost of services (including the cost of services of the current period) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses as they occur. The remeasurements (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets after interest deduction) are recognized as other comprehensive income and included as retained earnings at the time of occurrence, and are not reclassified to profit or loss in subsequent periods.

Net defined benefit liabilities (assets) are the deficit (balance) of the contribution made according to the defined benefit pension plan. A net defined benefit asset shall not exceed the present value of the contributions to be refunded from the plan, or the reductions in future contributions.

q. Share-based payments

<u>Employees stock option granted to employees</u>

Employee stock options are based on the fair value of equity instruments on grant day and the best estimate of the expected value. The expenses are recognized on a straight-line basis over the vested period, and the capital reserve-employee stock options are adjusted at the same time. If vested at grant date, the expense is recognized in full at the same date.

On each balance sheet date, the Company revises its estimate on the number of restricted shares expected to vest. If the original estimate is revised, the effect is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, and the capital reserve - employees stock option is adjusted accordingly.

r. Income tax

Income tax expenses are the sum of the tax in the current year and deferred income tax.

1) Current income tax

A tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the income tax of current period.

2) Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. The carrying amount of items that were not previously recognized as a deferred tax asset is also reviewed at each balance sheet date and is raised when it becomes probable that sufficient taxable profit will be available in the future to recover all or part of the asset.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred income taxes

Current income tax and deferred income tax are recognized in profit or loss, but the current and deferred income taxes associated with items recognized in other comprehensive profit or loss or directly included in equity are respectively recognized in other comprehensive profit or loss or directly included in equity.

5. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When the Company adopts accounting policies, the management must make judgments, estimates, and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from these estimates.

The Company has taken into consideration the recent development of the COVID-19 outbreak in Taiwan and its possible impact on the economic environment, and has taken into account the significant accounting estimates related to cash flow projections, growth rates, discount rates, profitability, etc. Management will continue to review the estimates and underlying assumptions. If an amendment of an estimate affects only the current period, it is recognized in the period in which it is amended. If an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

Material accounting judgments

Lease period

In determining the lease period, the Company considers all relevant facts and circumstances that give rise to an economic incentive to exercise (or not to exercise) the option, including all expected changes in facts and circumstances from the commencement date to the exercise date of the option. The factors to be considered include the contractual terms and conditions for the period covered by the option, significant improvements in lease equity made during the contract period, and the significance of the underlying assets to the lessee’s operations. The lease term will be reassessed if a significant change or a major change in circumstances occurs within the Company's control range.

Primary Sources of Uncertainties in Estimates, and Assumptions

The Useful Lives of Property, Plant, and Equipment

Regarding the actual use of assets and future economic benefits, the Company passed a resolution of the Board of Directors for changing the useful life of the main machinery and equipment (conveyor sushi conveyor) and leasehold improvements in property, plant, and equipment from 5 years to the lease contract period since January 1, 2021. If the lease contract period is longer than 10 years, it will be limited to 10 years. The useful life of the right-of-use asset is changed from 5 years to the lease contract period to reflect the actual useful life and reasonable cost allocation for providing reliable and more relevant information. This change in accounting estimate increases right-of-use assets and lease liabilities by NT$277,489 thousand as of January 1, 2021, and is expected to decrease depreciation expense by NT$67,819 thousand in 2021.

6. Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash on hand and working capital	$ 9,639	$ 6,787
Checks and demand deposits in banks	393,670	368,525
Cash equivalents (Time deposits with original maturities within three months)		
Time deposit	8,906	258,898
	$ 412,215	$ 634,210

The market rate interval of bank deposits and time deposits in banks on the balance sheet date is as follows:

	December 31, 2021	December 31, 2020
Demand deposits in banks	0.005%～0.05%	0.001%～0.05%
Time deposit	0.07%	0.11%～0.35%

7. Accounts receivable

	December 31, 2021	December 31, 2020
Accounts receivable from unrelated parties		
Measured at amortized cost		
Total carrying amount	$ 100,974	$ 81,889
Less: Loss allowance	(2)	(2)
	$ 100,972	$ 81,887

The Company usually adopts cash payment and credit card from customers. Except for that the credit period of the accounts receivable established in department stores for cooperation is negotiated by both parties, with a monthly balance between 15-30 days. The Company considers any changes to the credit quality of accounts receivable from the original credit date to the balance sheet date when determining the recoverability of accounts receivable. In order to reduce the credit risk, the Company reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the management concludes that the credit risk of the Company is significantly reduced.

The Company recognizes the allowance loss of accounts receivable based on the expected credit loss during the lifetime, and considers the customer's past default history, current financial status and industry, competitive advantage and outlook. Due to the historical experience of credit losses of the Company, there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of accounts receivable.

The Company measures the allowance losses of accounts receivable as follows:

December 31, 2021

	Not Past Due	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 365 days past due	Total
Expected credit loss rate	-	-	10%	20%	50%	
Total carrying amount	$ 100,483	$ 487	$ -	$ -	$ 4	$ 100,974
Allowance for loss (expected credit losses during the period)	-	-	-	-	(2)	(2)
Amortized cost	$ 100,483	$ 487	$ -	$ -	$ 2	$ 100,972

December 31, 2020

	Not Past Due	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 365 days past due	Total
Expected credit loss rate	-	-	10%	20%	50%	
Total carrying amount	$ 81,883	$ -	$ 2	$ -	$ 4	$ 81,889
Allowance for loss (expected credit losses during the period)	-	-	-	-	(2)	(2)
Amortized cost	$ 81,883	$ -	$ 2	$ -	$ 2	$ 81,887

Changes in loss allowances for trade receivables are as follows:

	2021	2020
Balance at beginning of the year	$ 2	$ 15
Less: Reversed impairment loss in the current year	-	(13)
Balance at end of the year	$ 2	$ 2

8. Inventories

The allowance for write-downs of inventories as of December 31, 2021 and 2020 were NT$ 162 thousand and NT$139 thousand respectively.

The cost of goods sold associated with inventories in 2021 and 2020 was NT$1,535,008 thousand and NT$1,457,497 thousand respectively. The cost of goods sold included loss of write-downs of inventories of NT$23 thousand and reversal of write-downs of inventories of NT$74 thousand respectively.

9. Subsidiary

	December 31, 2021	December 31, 2020
Investments in subsidiaries	($ 95)	($ 76)

Name of Subsidiary	Percentage of Ownership December 31, 2021	Percentage of Ownership December 31, 2020
Kura Sushi Hong Kong Limited	100%	100%
Kura Sushi Shanghai Co., Ltd.	100%	100%

The Company passed a resolution of the Board of Directors to establish Kura Sushi Hong Kong Limited and Kura Sushi Shanghai Co., Ltd. on August 6, 2019, and completed their registration of establishment on November 4, 2019 and January 2, 2020 respectively. As of December 31, 2021, the Company has not remitted investment funds.

10. Property, plant, and equipment

	Buildings	Profit-generating instruments	Machinery	Leasehold improvements	Total
Cost					
Balance at January 1, 2021	$ 299,405	$ 58,125	$ 559,420	$ 594,461	$ 1,511,411
Addition	122,350	17,738	157,431	225,908	523,427
Disposal	-	(3,087)	(2,403)	(20,309)	(25,799)
Balance at December 31, 2021	$ 421,755	$ 72,776	$ 714,448	$ 800,060	$ 2,009,039
Accumulated depreciation					
Balance at January 1, 2021	$ 50,417	$ 25,659	$ 232,255	$ 248,240	$ 556,571
Depreciation expenses	27,147	11,569	75,848	70,063	184,627
Disposal	-	(2,736)	(939)	(4,946)	(8,621)
Balance at December 31, 2021	$ 77,564	$ 34,492	$ 307,164	$ 313,357	$ 732,577
Net amount at December 31, 2021	$ 344,191	$ 38,284	$ 407,284	$ 486,703	$ 1,276,462
Cost					
Balance at January 1, 2020	$ 185,453	$ 40,900	$ 370,417	$ 403,369	$ 1,000,139
Addition	113,952	18,772	189,424	191,092	513,240
Disposal	-	(1,547)	(421)	-	(1,968)
Balance at December 31, 2020	$ 299,405	$ 58,125	$ 559,420	$ 594,461	$ 1,511,411
Accumulated depreciation					
Balance at January 1, 2020	$ 29,817	$ 18,276	$ 146,164	$ 159,382	$ 353,639
Depreciation expenses	20,600	8,927	86,469	88,858	204,854
Disposal	-	(1,544)	(378)	-	(1,922)
Balance at December 31, 2020	$ 50,417	$ 25,659	$ 232,255	$ 248,240	$ 556,571
Net amount at December 31, 2020	$ 248,988	$ 32,466	$ 327,165	$ 346,221	$ 954,840

Since COVID-19 pandemic has a significant impact on the consumer behavior of the general public in 2021 and 2020, the Company shall not recognize any impairment loss after its assessment in accordance with the asset impairment policy.

Depreciation expenses are calculated on a straight-line basis according to the following durable years:

Buildings	10-16 years
Profit-generating instruments	3-5 years
Machinery	5-10 years
Leasehold improvements	4-10 years

The Company signed a contract for the purchase of sushi turntables in installments. The total contract prices signed in 2021 and 2020 were JPY1,422,337,000 and JPY1,121,757,000 respectively. The equipment shall be recognized under the item of "property, plant, and equipment-machinery and equipment". The summary of the installment payments are as follows:

a. The Company shall make payments every six months after the delivery of the equipment.
b. The payables in installments as agreed in the contract are separately accounted for in "Other payables" and "Other payables-non-current". The discount rate used in evaluating the trade payables over one year is 1.14%. The future trade payables are detailed as follows:

	December 31, 2021	December 31, 2020
Equipment payable	$ 187,001	$ 187,687
Less: Equipment payable due within one year	(61,112)	(57,857)
	$ 125,889	$ 129,830

11. Lease Agreements

a. Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amount of right-of-use assets		
Land	$ 880,486	$ 649,731
Buildings	1,081,200	650,281
Transportation equipment	120	264
	$ 1,961,806	$ 1,300,276

	2021	2020
Addition of right-of-use assets	$ 907,765	$ 768,282
Depreciation expenses on right-of-use assets		
Land	$ 38,394	$ 30,637
Buildings	158,816	110,064
Transportation equipment	144	335
	$ 197,354	$ 141,036

Other than the above increase in right-of-use assets and recognition of depreciation expenses, the Company's right-of-use assets did not undergo significant sublease or impairment for the years ended 2021 and 2020.

Since COVID-19 pandemic has a significant impact on the consumer behavior of the general public in 2021 and 2020, the Company shall not recognize any impairment loss after its assessment in accordance with the asset impairment policy.

b. Lease liabilities

	December 31, 2021	December 31, 2020
Carrying amount of lease liabilities		
Current	$ 212,694	$ 158,678
Non-current	$ 1,759,053	$ 1,134,879

The discount rate ranges for lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Land	1.69%	1.69%
Buildings	1.69%	1.69%
Transportation equipment	1.69%	1.69%

c. Major lease activities and terms

The Company leases certain land and buildings as sales shops, and the lease period is 5-16 years. Upon the termination of the lease term, the Company does not have preferential rights to acquire the land and buildings leased, and it is agreed that the Company shall not sublease or transfer all or part of the underlying assets leased without the consent of the lessor.

The lease conditions of the land and buildings leased by the Company are agreed between the Company and the lessor. Due to the different types of leases of the lessor, the payment terms of the lease payments agreed between the Company and the lessor are as follows:

1) Payments for land lease, general buildings and some department stores are made at the agreed fixed rent.
2) Payments for most department stores are made based on a specific percentage of store turnover.
3) Payments for the rent agreed with the minimum guarantee are required for some department stores.

The variable payment terms will enable the rent to account for the percentage of turnover to be reasonably expected and calculated, and will help the Company’s profit management.

The Company expects that the proportion of variable rental expenses to store sales in the future will be comparable to that of the current year.

The Company has been severely affected by the COVID-19 pandemic in 2021 and 2020. The Company negotiated the lease of the building with the lessor and obtained some lessors' agreement to unconditionally reduce the rental amount from January 1 to September 30, 2021 and January 1 to December 31, 2020.

d. Other lease information

	2021	2020
Short-term lease expenses	$ 4,683	$ 3,620
Lease expenses of low-value assets	$ -	$ -
Variable lease payments not included in lease liability measurement	$ 15,789	$ 27,382
Total cash inflows (outflows) on lease	($ 227,580)	($ 181,279)

The Company selects to apply the recognition exemptions to leases of parking spaces that qualify as short-term leases. Consequently, the Company does not recognize any right-of-use assets or lease liabilities for the said leases.

All lease commitments during the lease terms beginning after the balance sheet date are as follows:

	December 31, 2021	December 31, 2020
Lease commitments	$ 411,708	$ 271,250

12. Intangible Assets

	Computer software
Cost	
Balance at January 1, 2021	$ 5,817
Separate acquisition	1,113
Balance at December 31, 2021	$ 6,930
Accumulated amortization	
Balance at January 1, 2021	$ 2,567
Amortization expenses	1,524
Balance at December 31, 2021	$ 4,091
Net amount at December 31, 2021	$ 2,839
Cost	
Balance at January 1, 2020	$ 2,401
Separate acquisition	3,416
Balance at December 31, 2020	$ 5,817

	Computer software
Accumulated amortization	
Balance at January 1, 2020	$ 1,496
Amortization expenses	1,071
Balance at December 31, 2020	$ 2,567
Net amount at December 31, 2020	$ 3,250

The provision for amortization expenses of the computer software is made by using straight-line method for 3 years.

Since COVID-19 pandemic has a significant impact on the consumer behavior of the general public in 2021 and 2020, the Company shall not recognize any impairment loss after its assessment in accordance with the asset impairment policy.

13. Other Assets

	December 31, 2021	December 31, 2020
Current		
Temporary payments	$ 2,385	$ 3,210
Inventory of supplies	3,538	2,432
	$ 5,923	$ 5,642

14. Short-term loans

	December 31, 2021	December 31, 2020
Unsecured loans		
Credit loans	$ 200,000	$ -

As of December 31, 2021, the interest rate of bank revolving loans was 1.05%.

15. Other Liabilities

	December 31, 2021	December 31, 2020
Current		
Other payables		
Equipment payable	$ 82,237	$ 98,450
Salaries and bonuses payable	62,372	53,584
Labor & health insurance payable	15,101	13,199
Pension payable	8,171	8,245
Holiday benefits payable	6,556	6,335
Others	64,951	53,002
	$ 239,388	$ 232,815
Other Liabilities		
Receipts under custody	$ 2,793	$ 2,356
Others	75	48
	$ 2,868	$ 2,404
Non-current		
Other payables		
Equipment payable	$ 125,889	$ 129,830

16. Provisions for liabilities - non-current

	Decommissioning liabilities
Balance at January 1, 2021	$ 54,149
Addition	22,538
Disposal	(1,869)
Balance at December 31, 2021	$ 74,818
Balance at January 1, 2020	$ 31,876
Addition	22,273
Balance at December 31, 2020	$ 54,149

Decommissioning provisions means the relevant costs estimated for recovering the leased assets to their original states when the lessee returns the leased assets to the lessor, and the relevant costs are agreed by the Company when it leases a store from the owner.

17. Post-retirement Benefit Plan

a. Defined contribution plans

The pension system applicable to the Company under the "Labor Pension Act" is a defined contribution plan under government administration, to which the Company contributes 6% of employees' monthly salary and wages to their personal accounts at the Bureau of Labor Insurance.

b. Defined benefit plans

The Company's pension system under the "Labor Standards Act" is a defined benefit pension plan managed by the government. The payment of the employee's pension is based on the period of service and the average salary of 6 months before the approved retirement date.

18. Equity

a. Share capital

Common stock

	December 31, 2021	December 31, 2020
Number of shares authorized (in thousands)	60,000	60,000
Share capital authorized	$ 600,000	$ 600,000
Number of shares issued and fully paid (in thousands)	45,856	44,980
Share capital issued (Face value of NT$10 per share)	$ 458,560	$ 449,800
Capital received in advance	$ 957	$ 1,870

The authorized capital included 4,500 thousand shares allocated for the exercise of employee stock warrants.

The Board of Directors passed a resolution on July 20, 2020 to issue 7,107 thousand shares at par value of NT$10 per share through issuance of ordinary shares for cash and issued at a premium of NT$55. Actual share capital is NT$71,070 thousand after capital increase. The aforementioned issuance of ordinary shares for cash was approved and declared effective by the Taipei Exchange on August 3, 2020, and resolved by the Board of Directors. The Company has completed the relevant procedure with September 15, 2020 as the base day for capital increase.

The aforementioned issuance of ordinary shares for cash for the year of 2020 included public subscription of 1,279 thousand shares, employee subscription of 711 thousand shares and auction shares of 5,117 thousand shares. Wherein, both public subscription and employee subscription were issued at a premium of NT$55 per share, and auction shares were issued at a premium of NT$77.85 per share at the weighted average price of the winning bid, with a total of NT$504,786 thousand after the full payment was collected on September 15, 2020 and the relevant underwriting fees were deducted.

From December 31, 2020 to October 31, 2021, the Company's employees have exercised their stock options for a total of 876 units, each unit subscribing for 1,000 common shares, for a total of 876,000 shares at a subscription price of $11 per share, and the Company has received full payment of $9,636 thousand for the shares and completed the registration of changes on April 12, 2021, May 27, 2021, September 1, 2021 and November 29, 2021, respectively. From November 1 to December 31, 2021, the employees of the Company have exercised 87 units of stock options. The Company has received full stock payments and recognized the advance receipts for capital stock at NT$957 thousand. According to the law, the registration of changes will be processed after the issuance of new shares on the set capital increase base date.

b. Capital surplus

	December 31, 2021	December 31, 2020
May be used to offset deficits, appropriated as cash dividends or transferred to capital (1)		
Share premiums	$ 570,518	$ 569,642
May only be used to offset deficits (2)		
Share premiums	5,654	1,344
May not be used for any purpose (3)		
Employees stock option	5,902	8,401
	$ 582,074	$ 579,387

1) This type of additional paid-in capital may be used to offset deficits, if any, or to distribute cash dividends or to transfer to capital, but the transfer is up to a certain ratio of paid-in capital every year.
2) The capital reserve generated by the retained options from the employee's implementation of the issuance of ordinary shares for cash can be used to make up for losses.
3) Capital surplus arising from employee stock options may not be used for any purpose.

c. Retained earnings and dividend policy

According to the surplus distribution policy in the Company's Articles of Association, if the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends in accordance with a proposal for appropriation of earnings as approved by the Board of Directors and submit it to the shareholders' meeting for distribution of shareholder dividends. Please refer to Note 19 (g) - "Remuneration for Employees, Directors and Supervisors" for the policy of employee, director and supervisor bonus distribution.

The Company's dividend policy shall be in line with its current and future development plan, taking into consideration the investment environment, capital requirements. At least 10% of the net profit for the current year shall be allocated to shareholders every year. Distribution of dividends and bonuses to shareholders may be in the form of cash or shares, and the cash dividend shall not be less than 10% of the total dividend.

The Company shall set aside a legal reserve until it equals the Company's paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve exceeding 25% of the total paid-in capital may be appropriated in the form of cash, in addition to being transferred to share capital.

The shareholders' meetings approved the distribution of earnings for years of 2020 and 2019 on July 27, 2021 and May 10, 2020:

	2020	2019
Legal reserve	$ 3,197	$ 8,872
Special reserve	$ 4	$ -
Cash dividends	$ 22,893	$ 18,937
Dividends Per Share (NT$)	$ 0.50	$ 0.50

As of March 311, 2022, the Board of Directors has not yet approved the distribution of earnings for 2021.

The distribution of earnings for 2021 is subject to the resolution of the Shareholders' meeting to be held on June 27, 2022.

19. Net Income from continuing operations

Components of net income from continuing operations are as follows:

a. Interest income

	2021	2020
Bank deposits	$ 329	$ 167
Imputed interest on deposits	189	268
	$ 518	$ 435

b. Other income

	2021	2020
Others	$ 3,357	$ 1,628

c. Other gains and losses

	2021	2020
Net foreign exchange gains	$ 11,087	$ 1,584
Net gains (losses) on disposal of property, plant, and equipment	6,632	(46)
Losses on disposal of right-of-use assets	(1,161)	-
Others	(1,620)	(30)
	$ 14,938	$ 1,508

d. Finance costs

	2021	2020
Interest on bank loans	$ 830	$ 140
Interest on lease liabilities	25,191	13,115
Other interest expense	2,247	1,563
	$ 28,268	$ 14,818

Information related to interest capitalization is as follows:

	2021	2020
Amount of interest capitalization	$ 4,789	$ 2,097
Rate of interest capitalization	1.69%	1.69%

e. Depreciation and amortization

	2021	2020
Depreciation expenses by function		
Operating costs	$ 128,028	$ 99,195
Operating expenses	253,953	246,695
	$ 381,981	$ 345,890
Amortization expenses by function		
Operating expenses	$ 1,524	$ 1,071

f. Employee benefits

	2021	2020
Short-term employee benefits		
Salary expenses	$ 626,284	$ 580,786
Insurance premium	82,470	66,868
	708,754	647,654
Retirement benefits		
Defined contribution plans	34,378	30,502
Defined benefit plans	770	925
	35,148	31,427
Share-based payments		
Equity delivery	1,811	6,021
Other employee benefits		
Total employee benefit expenses	11,708	11,796
	$ 757,421	$ 696,898
By function		
Operating costs	$ 395,609	$ 360,250
Operating expenses	361,812	336,648
	$ 757,421	$ 696,898

g. Employee compensation and remuneration for directors and supervisors

In accordance with the provisions of the Articles of Association the Company sets aside employee compensation and remuneration for directors and supervisors at a rate of not less than 1% and not more than 3% on the pre-tax benefits before deduction of the distribution of employee compensation and compensation to directors and supervisors for the current year. The employee compensation and remuneration for directors and supervisors estimated for the years of 2021 and 2020 were resolved by the Board of Directors on March 10, 2022 and March 24, 2021 respectively as follows:

Estimated percentage

	2021	2020
Employee compensation	11.44%	6.98%
Remunerations for directors and supervisors	-%	1.16%

Amount

	2021	2020
Employee compensation	$ 3,000	$ 3,000
Remunerations for directors and supervisors	-	500

The amounts of employee compensation and remuneration for directors and supervisors actually distributed for the years of 2021 and 2020 and the amounts recognized in the financial reports for the years of 2020 and 2019 are consistent.

For information on the Company's employee compensation and remuneration for directors and supervisors as resolved by the Board of Directors in 2020 and 2019, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	2021	2020
Total gains on foreign currency exchange	$ 24,056	$ 2,073
Total gains (losses) on foreign currency exchange	(12,969)	(489)
Net gains on foreign currency exchange	$ 11,087	$ 1,584

20. Income tax from continuing operations

a. The main components of income tax expense recognized in profit or loss

	2021	2020
Current income tax		
Accrued this period	$ 54	$ 9,366
Adjustments from previous years	9	-
	63	9,366
Deferred income tax		
Accrued this period	816	(1,466)
	816	(1,466)
Income tax expense recognized in profit or loss	$ 879	$ 7,900

The adjustment of accounting income and income tax expenses is as follows:

	2021	2020
Net income before tax	$ 23,228	$ 39,470
Income tax expense of net profit before tax calculated at statutory tax rate (20%)	$ 4,646	$ 7,894
Tax exemption	(3,800)	-
Fees that cannot be deducted from taxes	24	6
Adjustments of current income tax expenses in previous years	9	-
Income tax expense recognized in profit or loss	$ 879	$ 7,900

b. Current income tax assets and liabilities

	December 31, 2021	December 31, 2020
Current income tax liabilities		
Income tax payable	$ 8	$ 9,363

c. Deferred tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2021

Deferred income tax assets	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Temporary differences				
Holiday benefits payable	$ 1,267	$ 44	$ -	$ 1,311
Provisions	3,718	1,053	-	4,771
Unrealized write-downs of inventories	28	4	-	32
Appropriation of employee welfare capital	$ 96	($ 32)	$ -	$ 64
Defined benefit pension plan	380	139	(29)	490
Share of profit or loss accounted for using the equity method	15	3	-	18
	$ 5,504	$ 1,211	($ 29)	$ 6,686

Deferred income tax liabilities	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Temporary differences				
Unrealized exchange gains	$ 646	$ 2,027	$ -	$ 2,673
Defined benefit pension plan	-	-	164	164
	$ 646	$ 2,027	$ 164	$ 2,837

2020

Deferred income tax assets	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Temporary differences				
Holiday benefits payable	$ 1,076	$ 191	$ -	$ 1,267
Provisions	2,438	1,280	-	3,718
Unrealized write-downs of inventories	43	(15)	-	28
Appropriation of employee welfare capital	128	(32)	-	96
Defined benefit pension plan	318	163	(101)	380
Share of profit or loss accounted for using the equity method	-	15	-	15
	$ 4,003	$ 1,602	($ 101)	$ 5,504

Deferred income tax liabilities	Balance at beginning of the year	Recognized in profit or loss	Balance at end of the year
Temporary differences			
Unrealized exchange gains	$ 510	$ 136	$ 646

d. Income tax assessment

The annual income tax returns of a profit-seeking enterprise through 2019 have been assessed by the tax authorities.

21. Earnings per Share

Unit: In Shares or NT$

	2021	2020
Basic earnings per share	$ 0.49	$ 0.79
Diluted earnings per share	$ 0.48	$ 0.76

Net income and weighted average number of common shares used for calculation of earnings per share are as follows:

Net income for the year

	2021	2020
Net profit used to calculate basic and diluted earnings per share	$ 22,349	$ 31,570

Number of Shares

Unit: Thousand shares

	2021	2020
Weighted average number of common shares used for calculation of basic earnings per share	45,772	39,971
Effect of potentially dilutive common shares:		
Employees stock option	936	1,672
Employee compensation	49	46
Weighted average number of common shares used for calculation of diluted earnings per share	46,757	41,689

If the Company chooses to offer employee compensation or share profits in the form of cash or stock, while calculating diluted earnings per share, and assuming that the compensation is paid in the form of stock, the dilutive potential common shares will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

22. Share-based Payment Agreement

a. Employee stock option plans

The Company granted 2,400 units of stock options to employees on December 31, 2018, and each unit can subscribe for 1 thousand ordinary shares. The recipients of the grant include employees of the Company, the Company's controlling companies, and subsidiaries who meet specific conditions. The duration of the stock option is 10 years. The holder of the certificate can exercise the right to subscribe for less than 50% of the quantity of the certificate issued after the expiry of the certificate for 2 years; the certificate holder may be granted 100% or less of the quantity of warrants to exercise the right to subscribe after the expiry of 3 years. The original exercise price of the options is NT$11 per share. After the issuance of the options, if there is a change in the Company's original shares, the exercise price of the options will be adjusted in accordance with the prescribed formula.

Employees stock option	2021 Unit in Thousands	2021 Weighted-average execution price (NT$)	2020 Unit in Thousands	2020 Weighted-average execution price (NT$)
Stock warrants outstanding at the beginning of the period	1,895	$ -	2,168	$ -
Waived for the current period	(5)	-	(103)	-
Implemented for the current period	(793)	11	(170)	11
Stock warrants outstanding at the end of the period	1,097		1,895	
Exercisable at the end of the period	1,097	11	920	11
Weighted-average fair value of the stock options granted in the current period (NT$)	$ 4.96		$ 4.96	

As of the balance sheet date, the relevant information on the outstanding employee stock options is as follows:

Employees stock option	2021	2020
Range of exercise price (NT$)	$ 11	$ 11
Weighted-average remaining duration (year)	7 years	8 years

The Company used Black-Scholes evaluation model for stock options to its employees on December 31, 2018. The input values used in the evaluation model are as follows:

	Vested employee stock options after two years	Vested employee stock options after three years
Market price of the stock on the grant date	NT$14.67	NT$14.67
Exercise price	NT$11	NT$11
Expected volatility	26.61%	26.62%
Expected duration	6 years	6.5 years
Expected dividends yield	1.16%	1.16%
Risk-free rate	0.78%	0.79%

The compensation costs recognized by the Company for the years of 2021 and 2020 were NT$1,811 thousand and NT$4,677 thousand, respectively.

b. Retain employee stock subscription through issuance of ordinary shares for cash

On July 20, 2020, the Company's Board of Directors passed the resolution on issuance of new shares through the issuance of ordinary shares for cash for the year of 2020, and retained 711 thousand shares as employee subscriptions in accordance with the Company Law. The Chairman is authorized to consult specific persons for subscription in the event of any shortfall in the subscription.

The Company used the Black-Scholes option evaluation model for the retained employee subscriptions through issuance of ordinary shares for cash on the grant date of September 3, 2020. The input values used in the evaluation model are as follows:

	September 3, 2020
Market value on the day of grant (NT$/share)	NT$56.1
Exercise price (NT$/share)	NT$55
Expected volatility	41.19%
Duration	0.01 years
Risk-free rate	0.25%

The remuneration costs recognized by the Company due to the retained employee subscriptions through issuance of ordinary shares for cash for the year of 2020 were NT$1,344 thousand.

23. Government Grants

In 2021, the Company received a government salary subsidy of $19,000 thousand from the Ministry of Economic Affairs in accordance with the "Regulations of the Ministry of Economic Affairs for the Relief and Revitalization of Industries Affected by the COVID-19", which was recorded as a reduction of salary expense under operating costs and operating expenses.

24. Cash Flows

a. Non-cash Transactions

Except as disclosed in other notes, for the Years of 2021 and 2020, the Company conducted the following investments and financing activities in non-cash transactions:

	2021	2020
Increase in property, plant, and equipment	($ 523,427)	($ 513,240)
Decrease (increase) in prepayments for equipment	(65,007)	17,551
Decrease in equipment payable	4,150	99,041
Cash used in the acquisition of property, plant, and equipment	($ 584,284)	($ 396,648)

	2021	2020
Proceeds from disposal of property, plant, and equipment	$ 23,809	$ -
Increase in other receivables	(15,238)	-
Cash received from disposal of property, plant, and equipment	$ 8,571	$ -

b. Changes in liabilities from financing activities

2021

	January 1, 2021	Cash Flows	Non-cash changes: New lease	Non-cash changes: Disposal lease	Non-cash changes: Interest capitalization	December 31, 2021
Short-term loans	$ -	$ 200,000	$ -	$ -	$ -	$ 200,000
Lease liabilities	1,293,557	(181,917)	885,227	(28,225)	3,105	1,971,747
	$ 1,293,557	$ 18,083	$ 885,227	($ 28,225)	$ 3,105	$ 2,171,747

2020

	January 1, 2020	Cash Flows	Non-cash changes: New lease	Non-cash changes: Interest capitalization	December 31, 2020
Short-term loans	$ 10,541	($ 10,541)	$ -	$ -	$ -
Lease liabilities	683,875	(137,162)	746,009	835	1,293,557
	$ 694,416	($ 147,703)	$ 746,009	$ 835	$ 1,293,557

25. Capital Risk Management

The Company manages capital management under the precondition for sustainable development of each company in the Group to ensure that it is able to maximize the benefit for its shareholders by optimizing debt and equity.

The capital structure of the Company consists of the equity (i.e. capital stock, capital surplus, retained earnings and other equity items) attributable to the proprietor of the Company.

The Company is not subject to any other external capital requirements.

26. Financial Instruments

a. Information on fair value - financial instruments not measured at fair value

The management of the Company considers that the carrying amounts of financial assets and financial liabilities not measured at fair value are close to their fair value.

b. Information on fair value - financial instruments measured by the Company at fair value on a recurring basis

c. Category of financial instruments

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at amortized cost (Note 1)	$ 530,737	$ 718,133
Financial liabilities		
Measured at amortized cost (Note 2)	$ 682,376	$ 476,038

Note 1. The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, trade receivables from unrelated parties, and other receivables.

Note 2. The balance includes financial liabilities measured at amortized cost, such as short-term borrowings, trade payables, other payables and other payables - non-current.

d. Financial risk management objectives and policies

The main financial instruments of the Company include trade receivables from unrelated parties, trade payables, short-term borrowings and lease liability. The financial management department of the Company provides services for the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the Company by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risks include market risk (foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

1) Market risk

The main financial risks that the Company's operating activities make the Company bear are the risk of changes in foreign currency exchange rates (see a) below) and the risk of changes in interest rates (see b) below).

a) Foreign exchange risk

The Company's sales and purchase transactions are denominated in foreign currency; as a consequence, the Company is exposed to the risk of fluctuation in the exchange rate.

The carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies of the Company at the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the financial statements) and the carrying amount of derivatives with exchange rate risk exposure For the amount, please refer to Note 31.

Sensitivity analysis

The Company is mainly affected by the exchange rate fluctuations in JPY.

The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and is used to adjust the translation at the end of the period to a 1% change in the exchange rate. When the New Taiwan Dollar changes 1% relative to the relevant foreign currencies, it will decrease the Company's pre-tax net profits in 2021 and 2020 by NT$1,109 thousand and NT$735 thousand.

b) Interest rate risk

The Company has been exposed to interest rate risk through its fixed and floating-rate borrowings.

The carrying amounts of financial assets and financial liabilities of the Company exposed to interest rate risk on the balance sheet date are as follows:

	December 31, 2021	December 31, 2020
Cash flow interest rate risk		
－Financial assets	$ 402,576	$ 627,423
－Financial liabilities	200,000	-

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments to the interest rates at balance sheet date. For liabilities at floating interest rates, the analysis assumes they are outstanding throughout the reporting period if they are outstanding at the balance sheet date. The rate of change used when reporting interest rates within the Company to the main management is an increase or decrease of 1% in interest rates, which also represents the management's assessment of the reasonably possible range of changes in interest rates.

If interest rates increase/decrease by 1%, and all other variables remain unchanged, the Company's net profit before tax will increase/decrease by NT$2,026 thousand and NT$6,274 thousand for 2021 and 2020, respectively.

2) Credit risk

Credit risk refers to risk that causes the financial loss of the Company due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the Company's largest credit risk exposure from a counterparty's failure to fulfill obligations came from the carrying amount of financial assets recognized in the balance sheets.

As the group of clients of the Company is vast and they are unrelated, the concentration of credit risk is low.

3) Liquidity risk

The Company manages and maintains sufficient cash to support the Group's operations and reduce the impact of cash flow fluctuations. The management of the Company supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

Bank borrowing is an important source of liquidity for the Company. As of December 31, 2021 and 2020, for the unutilized financing amount of the Company, please refer to the following item b).

a) Table of liquidity of non-derivative financial liabilities and interest risk

The remaining contractual maturity analysis of non-derivative financial liabilities is based on the earliest possible repayment date of the Company and is compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Specifically, the Company's bank borrowings with repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights immediately. The analysis of maturity dates for other non-derivative financial liabilities is based on the agreed repayment dates.

December 31, 2021

	Within 3 months	3 months～1 year	1～3 year(s)	Over 3 years
Non-derivative financial liabilities				
Zero-interest-bearing liabilities	$ 308,296	$ 48,191	$ 95,576	$ 30,313
Lease liabilities	51,564	161,130	632,381	1,126,672
Fixed-rate instruments	-	200,000	-	-
	$ 359,860	$ 409,321	$ 727,957	$1,156,985

Further information on the maturity analysis of lease liabilities is listed as follows:

	Within 1 year	1～5 year(s)	5～10 year(s)	Over 10 years
Lease liabilities	$ 242,475	$ 908,052	$ 707,310	$ 296,156

December 31, 2020

	Within 3 months	3 months～1 year	1～3 year(s)	Over 3 years
Non-derivative financial liabilities				
Zero-interest-bearing liabilities	$ 301,024	$ 45,184	$ 90,434	$ 39,396
Lease liabilities	41,479	117,199	416,479	718,400
	$ 342,503	$ 162,383	$ 506,913	$ 757,796

Further information on the maturity analysis of lease liabilities is listed as follows:

	Within 1 year	1～5 year(s)	5～10 year(s)	Over 10 years
Lease liabilities	$ 179,137	$ 570,421	$ 457,448	$ 208,243

b) Line of credit

	December 31, 2021	December 31, 2020
Unsecured bank loans		
— Amount utilized	$ 200,000	$ -
— Amount not utilized	40,000	240,000
	$ 240,000	$ 240,000

27. Related Party Transactions

The transactions between the Company and other related parties are as follows.

a. Names and relations of related parties

Related Party	Relationship with the Company
Kura Sushi, Inc.	Investor of significant influence
Kura Sushi Hong Kong Limited	Subsidiary

b. Purchase of goods

	2021	2020
Investor of significant influence	$ 10,142	$ 7,850

There is no other similar type of transaction for the purchase of the aforementioned related parties to compare. The purchase price is negotiated by both parties, and the payment term is 30 days per month.

c. Receivables from related parties

Accounting subject	Type of stakeholders	December 31, 2021	December 31, 2020
Other receivables	Investor of significant influence	$ 2,051	$ 1,687

The outstanding amount of receivables from related parties is not collateralized and no loss allowances are made.

d. Receivables from related parties

Accounting subject	Type of stakeholders	December 31, 2021	December 31, 2020
Other payables	Investor of significant influence	$ 5,238	$ 4,505

The outstanding balance of receivables from related parties is not collateralized.

e. Prepayments

	December 31, 2021	December 31, 2020
Investor of significant influence	$ 49	$ 18

f. Acquisition of property, plant, and equipment

	Price	
	2021	2020
Investor of significant influence	$ 1,612	$ 3,032

The property, plant, and equipment purchased by the Company in 2021 and 2020, respectively, amounted to NT$1,612 thousand and NT$3,032 thousand, which were advanced by Kura Sushi, Inc. and then paid by the Company, as a collection and payment transaction. Kura Sushi, Inc. did not receive profit in this transaction.

g. Other Related Party Transactions

Accounting subject	Type of stakeholders	2021	2020
Temporary payments	Subsidiary	$ 439	$ 428
Operating expenses	Investor of significant influence	$ 23,755	$ 23,734
Manufacturing overheads	Investor of significant influence	$ 1,145	$ 1,025

1) The Company signed a trademark and patent license agreement with Kura Sushi, Inc., and paid a certain percentage of the total sales in accordance with the agreement (recognized as operating expenses). The cooperation period is 10 years from January 1, 2019. One month before the expiry of the period, a new contract can be concluded after mutual agreement. The contract was re-signed on January 1, 2020 due to the change in the company names of both parties. The contract period is ten years from January 1, 2020. If both parties fail to terminate the contract through negotiations, the contract will be automatically renewed.

2) The Company signed a procurement assistance contract (食材手配サポート) with Kura Sushi, Inc. For food ingredients that cannot be obtained locally in Taiwan, the

Company entrusts Kura Sushi, Inc. to assist in seeking qualified suppliers, arranging delivery and transportation methods and other matters. In order to ensure that the quality and delivery date meet the standards of the Company, Kura Sushi, Inc. will charge the Company assistance service fees (recognized as operating costs) in accordance with the agreed method in the contract.

3) Part of the operating expenses of the Company was advanced by Kura Sushi, Inc. and then paid by the Company to Kura Sushi, Inc., as a collection and payment transaction. Kura Sushi, Inc. did not collect profits in such transactions. The amount of fees collected and paid which were appropriated in 2021 and 2020 were NT$11,119 thousand and NT$11,661 thousand, respectively.

The aforementioned related party transactions are not comparable to other transactions of the same type.

h. Others

Part of the contracts for the purchase of sushi carousels by the Company in previous years was guaranteed by the influential investor Kura Sushi, Inc. as the joint guarantor. As of December 31, 2020, the guarantee balance was JPY13,373,000. (Please refer to Note 10)

i. Remunerations to Major Management

	2021	2020
Short-term employee benefits	$ 11,709	$ 15,600
Share-based payments	733	1,816
	$ 12,442	$ 17,416

The remunerations to Directors and major management are determined based on personal performances and market trends.

28. Significant Contingent Liabilities and Unrecognized Contract Commitments

Except for those disclosed in other notes, significant commitments and contingencies of the Company on the balance sheet date are as follows:

a. As of December 31, 2021 and 2020, the Company has signed land lease commissioning contracts of NT$184,370 thousand and NT$49,500 thousand, respectively, and the prices paid in accordance with the contracts were NT$93,263 thousand and NT$0 thousand (recognized under prepayments for construction and equipment).

b. As of December 31, 2021 and 2020, the Company provided security deposits for leased stores and issued notes with a value of NT$9,052 thousand and NT$11,670 thousand, respectively.

29. Significant Events after the Balance Sheet Date

On January 12, 2022, the Company obtained approval from the Investment Commission of the Ministry of Economic Affairs, and subsequently remitted RMB15,500 thousand to Kura Sushi Hong Kong Limited on February 21, 2022, and RMB15,000 thousand to Kura Sushi Shanghai Co., Ltd. through Kura Sushi Hong Kong Limited on March 3, 2022, for investment.

30. Other Matters

The Company was affected by the global pandemic of COVID-19 and the increased alert control level of community infection in Taiwan this year due to the pandemic, and some of our business units were closed for a short period of time, but resumed operations after the pandemic was stabilized and under control. However, during the pandemic alert period, the Taiwanese government required the catering industry not to provide dine in service and customers can only take-out their food from mid-May to early August. The impact of working from home and reducing eating in restaurants had caused a significant decrease in the Company's operating revenue from May to July 2021, which further affected the Company's profitability. Although each store has gradually resumed operation after August 2021 in accordance with local policies, the Company continues to take the following measures:

a. Adjusting Operating Strategies

Since its establishment, the Company has been providing products for consumers to eat in the store as its main business model. Owing to the pandemic, the Company has been launching "take-out" meal boxes. In addition, in the post-pandemic era, in order to make the consumers feel safe and confident for our service, the Company also plans to have "zero-contact" dining strategy, promoting such as cell phone self-ordering and self-service checkout after they finish their meals to ensure consumers' safety and health.

b. Financing Strategy

In order to maintain its working capital and capital expenditure requirements, the Company initiated financing activities in the third quarter in response to the impact of the pandemic on its profitability.

c. Government Relief Measures

The Company applied for salary subsidy under the government's relief policy because its operations were affected by the pandemic, and received a subsidy of $19,000 thousand as of December 31, 2021.

The Company has taken the economic impact of the outbreak into account in making significant accounting estimates based on information available at the balance sheet date.

31. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following information is aggregated by the foreign currencies other than the functional currency of the Company and the exchange rates between foreign currencies and the functional currency are disclosed. The foreign currency assets and liabilities with significant impact are as follows:

December 31, 2021

	Foreign currencies	Exchange rate	Carrying amount
Foreign currency assets			
Monetary items			
JPY	$ 346,152	0.2405 (JPY: NTD)	$ 83,249
Foreign currency liabilities			
Monetary items			
JPY	807,160	0.2405 (JPY: NTD)	$ 194,122

December 31, 2020

	Foreign currencies	Exchange rate	Carrying amount
Foreign currency assets			
Monetary items			
JPY	$ 436,429	0.2763 (JPY: NTD)	$ 120,585
Foreign currency liabilities			
Monetary items			
JPY	702,464	0.2763 (JPY: NTD)	$ 194,091

Significant foreign currency exchange gain or loss (including those realized and unrealized) is as follows:

	2021		2020	
Foreign currencies	Exchange rate	Net foreign exchange gains (losses)	Exchange rate	Net foreign exchange gains (losses)
JPY	0.2405 (JPY: NTD)	$ 11,087	0.2763 (JPY: NTD)	$ 1,584

32. Supplementary Disclosures

a. Information on Significant Transactions:

1) Loans provided for others: None.

2) Endorsements/guarantees provided for others: None.

3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures): None.
4) Marketable securities acquired and disposed of amounting to NT$300 million or 20% of the paid-in capital or more: None.
5) Acquisition of property amounting to NT$300 million or 20% of paid-in capital or more: Table 1.
6) Disposal of property amounting to NT$300 million or 20% of paid-in capital or more: None.
7) Purchases from or sales to related parties amounting to NT$100 million or 20% of the paid-in capital or more: None.
8) Receivables from related parties amounting to NT$100 million or 20% of paid-up capital or more: None.
9) Derivatives transactions: None.
10) Other: Intercompany relationships and significant intercompany transactions: None.

b. Information on Reinvestment Business. (Table 2)

c. Information on Investments in Mainland China

1) Information on invested companies in Mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss on investments, carrying amount of investment at the end of the period, gain or loss on repatriated investment and ceiling of investments in Mainland China: (Table 3)
2) Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information:
   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None
   c) The amount of property transactions and the amount of the resultant gains or losses: None
   d) Ending balances and purposes of endorsements/guarantees or collateral provided: None.
   e) The highest of the financing balance, ending balance, interest rate range and total amount of current interest: None

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services. (None)

d. Information of Major Shareholders (Table 4)

33. Segment Information

The information is provided to the main business decision-makers to allocate resources and to evaluate the performance of each department, focusing on the category of product or service delivered or provided. In accordance with IFRS 8 “Operating Segments”, the operating decision of the Company is based on the Group’s overall operating performance and economic resources as the main consideration, so it is a single operating segment.

The Company mainly operates in Taiwan, and there is no other revenue from a single customer that exceeds 10% of the Company’s total revenue.

Table 1

Kura Sushi Asia Co., Ltd.

Acquisition of real estate amounting to NT$300 million or 20% of the paid-in capital or more

January 1 to December 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Acquisition of property	Property name	Date of occurrence	Transaction amount	Payment status	Counterparty	Relationship	Information on prior transaction if the counterparty is a related party				Reference of pricing	Purpose of acquisition and usage status	Other agreed matters
							Owner	Relationship with the issuer	Transfer date	Amount			
Kura Sushi Asia Co., Ltd.	Buildings	October 1, 2020	$ 51,208	Pay according to order conditions	Green Field Construction Co., Ltd.	None	-	-	-	-	Price Comparison and Price Negotiation	For business	None
	Buildings	March 1, 2021	53,548	Pay according to order conditions	Green Field Construction Co., Ltd., Taiwan Semba Co., Ltd.	None	-	-	-	-	Price Comparison and Price Negotiation	For business	None

Table 2

Kura Sushi Asia Co., Ltd.

Information about the investee name, address, etc.

2021
(In Thousands of New Taiwan Dollars)

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment Profit (Loss) Recognized	Note
				Ending Balance for the Current Period	Ending Balance for the Previous Period	Number of Shares	Shareholding (%)	Carrying amount			
Kura Sushi Asia Co., Ltd.	Kura Sushi Hong Kong Limited	Hong Kong	Investment	$ -	$ -	-	100%	($ 95)	($ 20)	($ 20)	(Note 1 and Note 3)
Kura Sushi Hong Kong Limited	Kura Sushi Shanghai Co., Ltd.	Shanghai, China	Catering sales	-	-	-	100%	-	-	-	(Note 2 and Note 3)

Note 1. Kura Sushi Hong Kong Limited has completed the registration of establishment and obtained the certificate of incorporation on November 4, 2019, with a registered capital is RMB16,000 thousand. As of December 31, 2021, the Company has not remitted investment funds. However, on February 21, 2022 after the balance sheet date, the Company has remitted RMB15,500 thousand as investment.

Note 2. Kura Sushi Shanghai Co., Ltd. has completed the registration of establishment and obtained the business license on January 2, 2020, with a registered capital of RMB30,000 thousand. As of December 31, 2021, the Company has not remitted investment funds. However, on March 3, 2022 after the balance sheet date, Kura Sushi Hong Kong Limited has remitted RMB15,000 thousand as investment.

Note 3. It is the investment profit or loss recognized based on the financial statements of the investee audited by certified public accountants for the year of 2021.

Note 4. Please refer to Table 3 for information on investments in Mainland China.

Table 3

Kura Sushi Asia Co., Ltd.

Information on Investments in Mainland China

January 1 to December 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit/Loss of Investee for the Period	The Company's Direct or Indirect Shareholding Ratio	Investment Profit (Loss) Recognized for the Period	Carrying Amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period	Note
					Remitted	Repatriated							
Kura Sushi Shanghai Co., Ltd.	Catering services	$ -	Note 1	$ -	$ -	$ -	$ -	$ -	100%	$ -	$ -	$ -	Note 2

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A. (Note 3)	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A. (Note 4)
$ -	$65,160 (RMB 15,000,000)	$ 763,486

Note 1. It is a mainland investment business indirectly held by the Company through its Hong Kong subsidiary Kura Sushi Hong Kong Limited.

Note 2. Kura Sushi Shanghai Co., Ltd. has completed the registration of establishment and obtained the business license on January 2, 2020, with a registered capital of RMB30,000 thousand. As of December 31, 2021, the Company has not remitted investment funds. However, on March 3, 2022 after the balance sheet date, the Company has remitted RMB15,000 thousand as investment.

Note 3. The translation is based on the exchange rate at the end of the period: NT$=1:4.344.

Note 4. The investment limit is 60% of net worth.

Table 4

Kura Sushi Asia Co., Ltd. and Subsidiaries

Information on Major Shareholders
December 31, 2021

Name of Major Shareholders	Shareholding	
	Shares	Shareholding Ratio
KURA SUSHI, INC.	31,200,000	67.99%

Note 1. The major shareholders in this table are shareholders holding 5% or greater of the ordinary and preference shares that have completed delivery without physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's parent company only financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

Note 2. If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. For information on shareholders, who declare to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings including their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property, please refer to MOPS.

Statements of Significant Accounting Subjects

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Statement of Employee Benefits and Depreciation and Amortization Expenses by Function	Statement 12

Statement 1

Kura Sushi Asia Co., Ltd.

Statement of Cash and Cash Equivalents

December 31, 2021
Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

Item	Summary	Amount
Cash on hand and working capital	Note 1	$ 9,639
Bank deposits		
NTD deposits		
Demand deposits		309,831
Check deposits		593
Foreign currency demand deposits	Note 2	83,246
Subtotal		393,670
Cash equivalents		
New Taiwan Dollars time deposit:		8,906
Total		$ 412,215

Note 1. Including HKD450, JPY15,656 and NT$ 590, which are translated at the exchange rate: HKD$1=$3.549, JPY$1=$0.2405 and NT$$1=$4.344 respectively.

Note 2. It is JPY346,136,069, which is converted at the exchange rate: JPY$1=$0.2405.

Statement 2

Kura Sushi Asia Co., Ltd.

Statement of Accounts Receivable

December 31, 2021
(In Thousands of New Taiwan Dollars)

Name	Summary	Amount
Non-related party		
Company A	Store and department store catering payments	$ 11,923
Company B	Store and department store catering payments	9,727
Company C	Store and department store catering payments	7,998
Company D	Store and department store catering payments	7,747
Company E	Store and department store catering payments	6,489
Company F	Store and department store catering payments	6,177
Company G	Store and department store catering payments	5,828
Company H	Store and department store catering payments	5,178
Others (Note)	Catering payments	39,907
Subtotal		100,974
Less: Bad debt allowance		(2)
Total		$ 100,972

Note: The balance of each item does not exceed 5% of the balance of this account.

Statement 3

Kura Sushi Asia Co., Ltd.

Statement of Inventories

December 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable value
Raw Material	$ 16,244	$ 16,475

Note: NT$162 thousand has been appropriated as the loss allowance for write-downs of inventories.

Kura Sushi Asia Co., Ltd.

Statement of Changes in Right-of-use Assets and Accumulated Depreciation

December 31, 2021
(In Thousands of New Taiwan Dollars)

Name	Beginning balance	Increase for the period (Note)	Decrease for the period	Ending balance
Right-of-use assets				
Land	$ 715,933	$ 288,644	$ -	$ 1,004,577
Buildings	835,062	619,121	(45,403)	1,408,780
Transportation equipment	432	-	-	432
Subtotal	$ 1,551,427	$ 907,765	($ 45,403)	$ 2,413,789
Accumulated depreciation				
Land	$ 66,202	$ 57,889	$ -	$ 124,091
Buildings	184,781	158,816	(16,017)	327,580
Transportation equipment	168	144	-	312
Subtotal	$ 251,151	$ 216,849	($ 16,017)	$ 451,983
Net amount	$ 1,300,276		$ 29,386	$ 1,961,806

Note: The new amount of accumulated depreciation for the current period includes the depreciation expenses recognized in the profit or loss of NT$197,354 thousand and the depreciation recognized as the prepayments for construction equipment acquisition cost of NT$19,495 thousand.

Statement 5

Kura Sushi Asia Co., Ltd.

Statement of Short-term Loans

December 31, 2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Period	Rate (%)	Balance	Pledge or Guarantee
Credit loans				
I Bank	2021.07.09~2022.07.08	1.05%	$ 50,000	None
I Bank	2021.08.10~2022.08.10	1.05%	100,000	None
I Bank	2021.09.10~2022.09.09	1.05%	50,000	None
Total			$ 200,000	

Statement 6

Kura Sushi Asia Co., Ltd.

Statement of Accounts Payable

December 31, 2021
(In Thousands of New Taiwan Dollars)

Customer name	Summary	Amount
Non-related party		
Supplier J	Payment for goods	$ 80,204
Supplier K	Payment for goods	10,242
Supplier L	Payment for goods	9,572
Supplier M	Payment for goods	8,937
Supplier N	Payment for goods	6,549
Others (Note)	Payment for goods	1,595
Total	Payment for goods	$ 117,099

Note: The balance of each item does not exceed 5% of the balance of this account.

Statement 7

Kura Sushi Asia Co., Ltd.

Statement of Lease Liabilities

December 31, 2021
(In Thousands of New Taiwan Dollars)

Item	Lease period	Discount rate	Balance
Land	2015.12~ 2037.8	1.69%	$ 926,287
Buildings	2015.9~ 2036.6	1.69%	1,045,338
Transportation equipment	2019.11~ 2022.10	1.69%	122
Subtotal			1,971,747
Less: Lease liabilities due within 12 months			(212,694)
			$ 1,759,053

Statement 8

Kura Sushi Asia Co., Ltd.

Statement of Operating Revenue

2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Sales Revenue	
Catering Revenue	$ 2,527,098

Statement 9

Kura Sushi Asia Co., Ltd.

Statement of Operating Costs

2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Direct raw materials	
Beginning inventory (Note)	$ 17,557
Purchase for the current period	977,707
Ending inventory (Note)	(16,082)
Direct raw materials consumed	979,182
Director labor	347,810
Manufacturing overheads	206,871
Other operating costs	1,145
Total operating costs	$ 1,535,008

Note: The beginning and ending inventories respectively include allowances for write-downs of inventories of NT$139 thousand and NT$162 thousand respectively, and the current loss on write-downs of inventories is NT$23 thousand.

Statement 10

Kura Sushi Asia Co., Ltd.

Statement of Manufacturing Expenses

2021
(In Thousands of New Taiwan Dollars)

Item	Amount
Depreciation	$ 128,028
Insurance expenses	42,922
Water, electricity, and gas fee	21,825
Others (Note)	14,096
	$ 206,871

Note: The balance of each item does not exceed 5% of the balance of this account.

Statement 11

Kura Sushi Asia Co., Ltd.

Statement of Operating Expenses

2021
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Selling expenses	General and administrative expenses	Research and development expenses	Total
Salary and wage expenses (including pensions)	$ 202,899	$ 112,534	$ -	$ 315,433
Depreciation	246,855	7,098	-	253,953
Consumables fees	69,181	67	-	69,248
Advertising fee	65,909	1,966	-	67,875
Water, electricity, and gas fee	50,989	290	-	51,279
Insurance expenses	29,632	9,916	-	39,548
Labor cost	12,333	9,686	-	22,019
Others (Note)	115,133	24,367	532	140,032
Total	$ 792,931	$ 165,924	$ 532	$ 959,387

Note: The balance of each item does not exceed 5% of the balance of this account.

Statement 12

Kura Sushi Asia Co., Ltd.

Statement of Employee Benefits and Depreciation and Amortization Expenses

For the Years of 2021 and 2020
(In Thousands of New Taiwan Dollars)

	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Salary expenses	$ 329,320	$ 294,564	$ 623,884	$ 303,902	$ 273,984	$ 577,886
Labor and health insurance	42,922	39,548	82,470	34,579	32,289	66,868
Pension	18,490	16,658	35,148	16,387	15,040	31,427
Remuneration Paid to Directors	-	2,400	2,400	-	2,900	2,900
Other employee benefits	4,878	8,641	13,519	5,382	12,435	17,817
Total employee benefit expenses	$ 395,610	$ 361,811	$ 757,421	$ 360,250	$ 336,648	$ 696,898
Depreciation expenses	$ 128,028	$ 253,953	$ 381,981	$ 99,195	$ 246,695	$ 345,890
Amortization expenses	$ -	$ 1,524	$ 1,524	$ -	$ 1,071	$ 1,071

Note:

(1) The average number of employees of the Company in 2021 and 2020 were 2,315 and 1,900 respectively, and there were 4 directors who do not serve as employees concurrently, respectively. They are subject to the same basis of calculation as employee benefit expenses.

(2) The average employee benefit expenses in 2021 and 2020 were NT$327 thousand and NT$366 thousand respectively.

(3) The average employee salary expenses in 2021 and 2020 were NT$270 thousand and NT$ 305 thousand respectively. In 2021, the average employee salary cost decreased by 11.48% compared with that in 2020.

(4) The number of employees at the end of 2021 and 2020 were 2,536 and 2,084 respectively. The ratio of the number of full-time and part-time employees was about 1:4. The part-time employees were clocked in according to the operating needs of each store according to the scheduling arrangement, and the salaries were calculated according to the number of working hours, so the total number of working hours per month and the salary was not fixed.

(5) The average number of full-time employees in 2021 and 2020 were approximately 441 and 452, respectively, and the average full-time employee salary costs were NT$603 thousand and NT$634 thousand, respectively. In 2021, the average salary of full-time employees decreased by 0.3% compared with that in 2020.

(6) The Company's salary and remuneration policy:

1. The Company's employee compensation includes the monthly salary and the Company's remunerations based on the annual profit amount and employee performance.
2. The Company's managers are given appropriate bonuses and remuneration distribution based on their annual profits and performances, which are reviewed by the Remuneration Committee and submitted to the

Board of Directors for resolution.

3. The remuneration for the Company’s directors is paid in accordance with the “Remuneration Measures for Directors and Functional Committees”, and the compensation to directors is based on work performance, responsibility and contribution, and shall not be higher than 3% of the Company’s annual profit in accordance with the Articles of Association. All compensation and remuneration shall be reviewed by the Remuneration Committee and then submitted to the Board of Directors for resolution.