



Stock Code: 2754

KURA SUSHI ASIA CO., LTD.
(Original name: KURA SUSHI TAIWAN CO.,
LTD.)

2020 Annual Report

Website for perusing this annual report: https://mops.twse.com.tw/mops/web/t57sb01_q5

The Company's website: <https://investor.kurasushi.tw/shareholders-meeting/>

Published on Apr. 30, 2021

I. Contact Information of Spokesperson and Deputy Spokesperson of the Company

Spokesperson: Kazuya Tamura	Deputy Spokesperson: Lin Shang-Zhi
Title: Chief Financial Officer	Title: Accounting Officer
Tel. No.: (02)8978-8558	Tel. No.: (02)8978-8558
Email: ir@kurasushi.tw	Email: ir@kurasushi.tw

II. Contact Information of Headquarters, Branches, and Plants

(I) Headquarters

Name: KURA SUSHI ASIA CO., LTD.

Address: 6F and 6F-1, No. 32, Sec. 3, Zhongshan N. Rd., Zhongshan Dist., Taipei City

Tel. No.: (02)8978-8558

(II) Branch

Name: N/A

Address: N/A

Tel.: N/A

(III) Plant

Name: N/A

Address: N/A

Tel.: N/A

III. Contact Information of Stock Transfer Agency

Name: Corporate Trust Operation and Service Department, CTBC Bank Co., Ltd.

Address: 5F, No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City

Website: <http://www.ctbcbank.com>

Tel: (02)6636-5566

IV. Contact Information of the CPAs for the Latest Financial Statements

Accounting Firm: Deloitte & Touche

Name of CPAs: Chang Jui-Na, CPA; Chou I-Lun, CPA

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City

Website: <https://www.deloitte.com/tw>

Tel: (02)2725-9988

V. Contact Information of Exchange Where Oversea Negotiable Securities Are Listed and Method of Inquiry: None

VI. Company Website: <https://investor.kurasushi.tw/>

Table of Contents

Chapter 1. Letter to Shareholders	1
Chapter 2. Company Profile.....	3
Chapter 3. Corporate Governance Report	5
Chapter 4. Capital Overview.....	42
Chapter 5. Operational Highlights	49
Chapter 6. Financial Information	68
Chapter 7. Review and Analysis on Financial Status and Operating Results and Risk Matters	79
Chapter 8. Special Disclosure	87
Chapter 9. Any events in the most recent fiscal year and up to the date of publication of the annual report that had significant impacts on shareholders' rights or security prices as stated in Article 36, Paragraph 3, Subparagraph 2 of this law.....	88
 Attachment (I): Consolidated Financial Statement of the Company for the Most Recent Fiscal Year, Certified by CPAs	89
Attachment (II): Parent Company Only Financial Statement of the Company for the Most Recent Fiscal Year, Certified by CPAs.....	136

Chapter 1. Letter to Shareholders

Dear Shareholders,

In 2020, the COVID-19 pandemic raged and severely damaged Taiwan's overall social economy. The catering industry faced a sluggish economy, and the Company's operating performance in the first and second quarters of 2020 was also deeply affected by the COVID-19 pandemic. Under such a severe business environment, the Company adheres to its business philosophy, insisting on providing consumers with delicious, safe, and secure products and pleasant dining experience, continues to improve customer satisfaction, strives to stabilize store operations, implements store program pragmatically and steadily, and expands its business territory.

Although the business environment has become increasingly difficult due to the impact of the COVID-19 pandemic, the Company still actively opens new stores, with 11 new stores opened in 2020, which is the year with the largest number of new stores opening over the years. As of the end of 2020, the total number of stores has grown from 22 to 33, and the scale of the business has expanded significantly. The results of store development in 2020 are shown in the table below.

Results of Store Development in 2020

Store No.	Store name	Open date
Store 23	Sanchong Jieyun Road Store	Feb. 2020
Store 24	Kaohsiung Caoya Avenue Store	Feb. 2020
Store 25	Zhubei Wenxing Store	Jun. 2020
Store 26	Yilan Lunaplaza Store	Jul. 2020
Store 27	Xinzhuang Honghui Store	Jul. 2020
Store 28	Xinyi ATT Store	Aug. 2020
Store 29	Tainan FOCUS Store	Aug. 2020
Store 30	Dazhi ATT Store	Oct. 2020
Store 31	Taoyuan Cingpu Store	Nov. 2020
Store 32	Fengyuan Pacific Store	Nov. 2020
Store 33	Zhongshan Nanxi Store	Dec. 2020
A total of 11 stores		

With the increase in the total number of stores, the Company's consolidated operating revenue for the year 2020 was NT\$2,414,639 thousand, an increase of 25% over the previous year. However, affected by factors such as the spread of the COVID-19 pandemic that reduced consumers' willingness to eat out, resulting in a decrease in the number of visitors, fierce competition in the same industry, the increase in the number of stores, and the reduction of profit margins (6 stores in 2019 and 11 stores in 2020) and other factors, the consolidated operating profit was NT\$50,738 thousand, a decrease of 56% from the previous year, and the consolidated net profit after tax was NT\$31,570 thousand, a decrease of 64% from the previous year, both showing a sharp downward trend. From the perspective of the operating performance of each quarter, affected by the spread of the COVID-19 pandemic, the operating results of the first and second quarters fell sharply.

However, benefited from the appropriate control of the COVID-19 pandemic in Taiwan in the second half of the second quarter, consumer confidence was boosted, and visitors' number gradually rebounded. The overall operating conditions in the second half of the year showed a recovery trend.

[Consolidated Statements of Comprehensive Income]

Unit: NTD `000

Item	2019	%	2020	%	Increase/Decrease for the Previous Year (%)
Sales Revenue	1,926,252	100	2,414,639	100	25
Operating costs	1,122,910	58	1,457,497	60	30
Gross Profit	803,342	42	957,142	40	19
Operating Expenses	686,860	36	906,404	38	32
Operating Profit	116,482	6	50,738	2	(56)
Profit before income tax	110,984	6	39,470	2	(64)
Net Profit	88,716	5	31,570	1	(64)

[2020 Quarterly Consolidated Statements of Comprehensive Income]

Unit: NTD `000

Item	Q1	Q2	Q3	Q4
Sales Revenue	511,771	498,668	689,243	714,957
Operating costs	316,923	309,319	408,470	422,785
Gross Profit	194,848	189,349	280,773	292,172
Operating Expenses	200,713	198,143	247,818	259,730
Operating Profit	(5,865)	(8,794)	32,955	32,442
Profit before income tax	(9,573)	(9,489)	29,347	29,185
Net Profit	(8,925)	(6,325)	23,477	23,343

KURA SUSHI ASIA CO., LTD.

Chairman and CEO: Kentaro Nishikawa

Chapter 2. Company Profile

I. Date of Incorporation

Date of Incorporation: Jan. 21, 2014

II. Company History

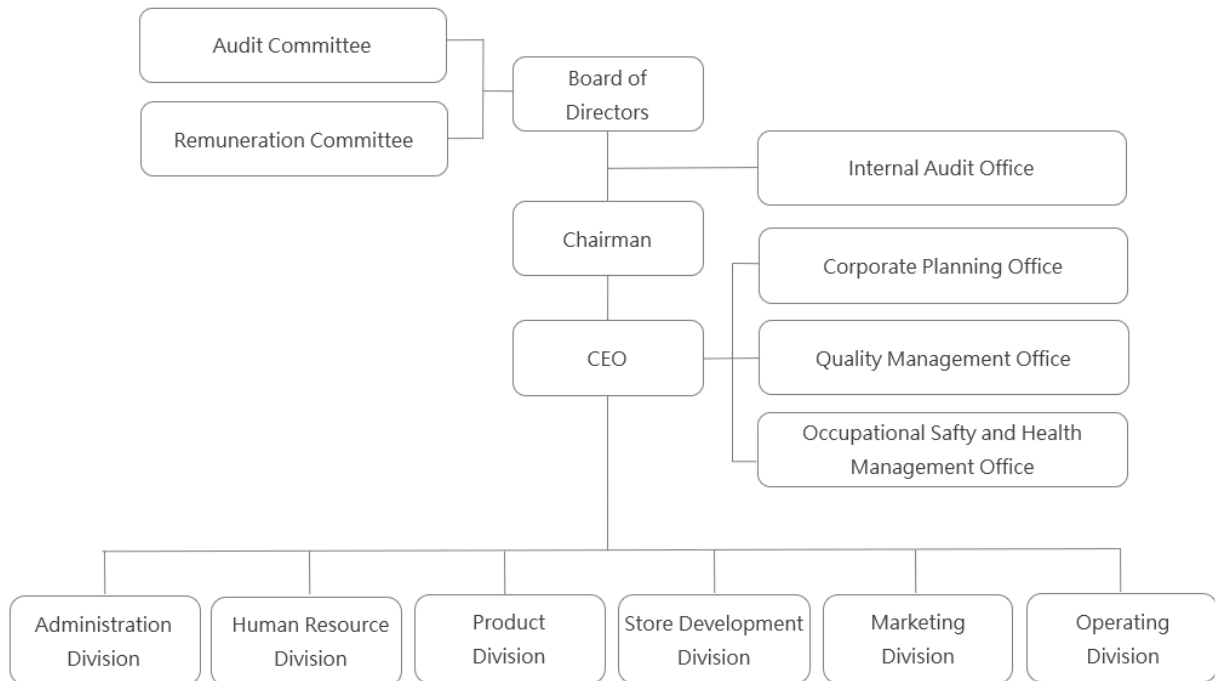
Jan. 2014	Finish establishment registration, with the paid-in capital of NT\$ 80 million. The Company was named KURA SUSHI TAIWAN CO., LTD.
Dec. 2014	The first store, “Songjiang Nanjing Store” officially opened.
Aug. 2015	The Company expanded business to Central Taiwan – The first store in Taichung, “Taichung Kuang San SOGO Store” officially opened.
Jan. 2016	Total paid-in capital amounted to NT\$ 315 million after an increase in cash capital of NT\$ 235 million. The first store in Taoyuan region, “Zhongli Station Store” officially opened.
Apr. 2016	The first store in cooperation with Mitsui Outlet Park, “Linkou Mitsui Outlet Store” officially opened.
Sep. 2016	The Company expanded businesses to Southern Taiwan – The first store in Kaohsiung, “Kaohsiung Hanshin Arena Shopping Plaza Store” officially opened. The Company achieved having stores in Northern, Central, and Southern Taiwan.
Oct. 2016	The Company signed a letter of interest (LOI) with Ministry of Economic Affairs, committing that it would expand investment in Taiwan and create employment opportunities.
Jan. 2017	Introducing Japanese Dozou (traditional Japanese warehouse) style architecture, the Company leased a piece of land and built a Dozou style store, the “Taichung Fuke Rd. Store” officially opened, the first in Taiwan.
May. 2017	Soon, the Company launched the second Dozou(traditional Japanese warehouse) style store in Taichung area, “Taichung Zhongqing Rd. Store”.
Jun. 2017	The global flagship store with the most seats, “Taipei Guanqian Store” officially opened.
Aug. 2017	“Taoyuan Chunri Rd. Store” officially opened.
Nov. 2017	After the “Zhongli Metro Walk Shopping Center Store” opened, the Company has a total of ten stores in Taiwan.
Dec. 2017	The annual revenue exceeded NT\$ 800 million.
Feb. 2018	The first store in Hsinchu region, “Hsinchu Jingguo Rd. Store” officially opened.
Apr. 2018	The first Dozou (traditional Japanese warehouse) style store in Northern Taiwan, “Sanchong Jixian Rd. Store” officially opened.
Apr. 2018	Food Safety Laboratory was established.
Jun. 2018	“Hsinchu Big City Store” opened.
Jul. 2018	“Taichung Wenxin Showtime Store” opened.
Aug. 2018	In collaboration with director Mamoru Hosada's new film "Mirai", the Company launched, for the first time, five types of Taiwan limited edition capsule toys.
Nov. 2018	“Tamsui Station Store” opened.
Dec. 2018	The second store in cooperation with Mitsui Outlet Park, “Taichung Port Mitsui Outlet Store” officially opened.

Dec. 2018	2,400 employee stock options were issued.
Mar. 2019	Approved by TPEx to become a Public Company.
Apr. 2019	Total paid-in capital amounted to NT\$ 378.73 million after an increase in cash capital of NT\$ 63.73 million.
Apr. 2019	Taiwan's fourth and New Taipei City's second Dozou (traditional Japanese warehouse) style store, "Tucheng Jincheng Road Store" opened.
May. 2019	The second store in Kaohsiung region, "Kaohsiung Dream Mall Store" opened.
Jun. 2019	The interim shareholders meeting passed the resolution to change the Company's name to "KURA SUSHI ASIA CO., LTD.", which was approved by and registered in Taipei City Government.
Jul. 2019	"Yonghe Beyond Plaza" opened.
Sep. 2019	"Sanxia Xuecheng Store" opened.
Oct. 2019	"Kaohsiung Hanshin Museum Store" opened.
Nov. 2019	"Breeze SONG GAO Store" opened, which was the first affordable conveyor belt sushi brand in Xinyi district. Thus, the Company had a total of 22 stores in Taiwan.
Feb. 2020	Cooperated with Japanese top designer Kashiwa Sato to create the global unified brand identity and to strengthen the Group's brand image and position.
Feb. 2020	The fifth Dozou (traditional Japanese warehouse) style store in Taiwan, "Sanchong Jieyun Rd." opened. The third store in Kaohsiung region, "Kaohsiung Taroko Park Store" opened.
Mar. 2020	Approved by TPEx to become a Listed Company.
Jun. 2020	"Zhubei Wenxing Store" opened.
Jul. 2020	"Yilan Luna Plaza Store" and "Xinzhuang Honhui Plaza Store" opened.
Aug. 2020	"Xinyi ATT Store" and "Tainan FOCUS Store" opened.
Sep. 2020	Total paid-in capital amounted to NT\$ 449.8 million after an increase in cash capital of NT\$ 71.07 million. Officially listed for trading on the Mainboard on Sep. 17.
Oct. 2020	"Dazhi ATT Store" opened.
Nov. 2020	"Taoyuan Qingpu Store" and "Fengyuan Pacific Store" opened.
Dec. 2020	"Zhongshan Nanxi Store" opened. The Company has 33 stores in Taiwan.
Jan. 2021	"Banqiao Zhongshan Mega City Store" opened.
Apr. 2021	"Zhonghe Qiaohe Store" opened.

Chapter 3. Corporate Governance Report

I. Organizational System

(I) Organizational Structure



(II) Businesses of various main departments

Departments	Work responsibilities
Internal Audit Office	Review and assess the rationality and effectiveness of the Company's internal control system and various management systems and provide recommendations for improvement to promote business efficiency and effective implementation of internal controls.
CEO	<ul style="list-style-type: none"> ● Take charge of industry analysis, market investigation, and the Company's overall operation planning. ● Development and execution of mid-to-long term operational strategies in the Company. ● Supervise and manage the organizational operation and system of each department.
Administration Division	<ul style="list-style-type: none"> ● Take charge of the treatment of the Company's budget, finance, tax, accounting and financial analysis. ● Review contracts and provide legal consultation services.
Human Resource Division	<ul style="list-style-type: none"> ● Take charge of HR planning, talent recruitment, and formulate policies for salaries and rewards. ● Care for employees and cultivate the Company's future management. ● Manage the Company's administrative affairs and promote corporate culture.
Operation Division	<ul style="list-style-type: none"> ● Manage and operate stores. ● Offer work training to store employees. ● Respond to and manage customer complaints.
Marketing Division	<ul style="list-style-type: none"> ● Convey the Company's business concept. ● Implement the Company's marketing activities. ● Build and maintain the Company's brand image.
Product Division	<ul style="list-style-type: none"> ● Purchase and manage main ingredients for food and consumables. ● Develop and manage new suppliers. ● Develop new products and menu.
Store Development Division	<ul style="list-style-type: none"> ● Take charge of market business circle evaluation and store construction planning and project management. ● Maintain and repair store equipment regularly.
Occupational Safety and Health Management Office	Establish various occupational safety systems and labor safety and health management.
Corporate Planning Office	<ul style="list-style-type: none"> ● Plan the Company's business policy, and middle- and long-term operation strategies. ● Prepare Corporate Social Responsibility (CSR) Report. ● Build the Company's network architecture, formulate information security policy and maintain information equipment and management information system.
Quality Management Office	<ul style="list-style-type: none"> ● Establish and supervise food safety system. ● Establish food ingredients specifications confirmation, ingredients compliance check, and traceability system. ● Regularly update and implement food laws and regulations.

II. Information Regarding Directors, Supervisors, CEO, Deputy CEO, Senior Managers, and Heads of All Departments and Branches

(I) Directors:

1. Information Regarding Directors

Date: Apr. 30, 2021; Unit: shares; %

Position	Name	Gender	Nationality/Place of Registration	Date First Elected	Date elected	Term of office	Shares held when being elected		Current shares		Current shares of spouse and under-age children		Shares held in other's name		Main educational background (working experience)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)			Position	Name	Relationship	
Chairman	KURA SUSHI, INC.	-	Japan	2016.06.30	2019.06.03	3 years	31,500,000	83.17%	31,200,000	68.07%	-	-	-	-	School of Air Freight Trade, SUNDAI College of Business & Foreign Language Purchasing Department Manager of KURA SUSHI, INC.	CEO of KURA SUSHI ASIA CO., LTD. CEO of Kura Sushi Hong Kong Limited CEO of Kura Sushi Shanghai Co., Ltd.	-	-	-	In consideration of the operation needs, Chairman doubles as CEO, the number of independent directors has been increased to three, and more than half of the directors are not concurrently employees or managers.
	Representative: Kentaro Nishikawa	Male	Japan				-	-	245,000	0.53%	-	-	-	-						
Director	KURA SUSHI, INC.	-	Japan	2019.02.01	2019.06.03	3 years	31,500,000	83.17%	31,200,000	68.07%	-	-	-	-	Law Administration Specialty of Osaka College of Law Business Department Manager of KURA SUSHI, INC.	Deputy CEO of KURA SUSHI ASIA CO., LTD.	-	-	-	
	Representative: Kazuto Kondo	Male	Japan				-	-	198,000	0.43%	-	-	-	-						
Director	KURA SUSHI, INC.	-	Japan	2019.02.01	2019.06.03	3 years	31,500,000	83.17%	31,200,000	68.07%	-	-	-	-	School of Science and Technology, Keio University Senior Manager of Deloitte & Touche	CFO of KURA SUSHI ASIA CO., LTD.	-	-	-	
	Representative: Kazuya Tamura	Male	Japan				-	-	128,000	0.28%	-	-	-	-						
Director	Shinji Wanibe	Male	Japan	2019.06.03	2019.06.03	3 years	-	-	-	-	-	-	-	-	Chairman of Watami (China) Co., Ltd. Chairman of Watami International Co., Ltd.	Chairman of OASIS F&B CONSULTING COMPANY LIMITED	-	-	-	
Independent Director	Jason Liu	Male	R.O.C.	2019.06.03	2019.06.03	3 years	-	-	-	-	-	-	-	-	Department of Accounting, the private university	Partner accountant of MRI	-	-	-	

Position	Name	Gender	Nationality/Place of Registration	Date First Elected	Date elected	Term of office	Shares held when being elected		Current shares		Current shares of spouse and under-age children		Shares held in other's name		Main educational background (working experience)	Other Position Concurrently Held at the Company and Other Companies	Executives, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)			Position	Name	Relationship	
															Soochow University Partner accountant of KPMG Deputy Manager of Deloitte & Touche	Chairman of Changhong Investment Co., Ltd. Supervisor of Espoir Protechs Corporation Supervisor of Espoir Tech International Corporation Supervisor of Espoir investment Corporation Supervisor of Espoir MRT Corporation				
Independent Director	Jun Ishikawa	Male	Japan	2019.06.03	2019.06.03	3 years	-	-	-	-	-	-	-	-	Graduate School of Accounting Research, Waseda University Senior Manager of Crowe Horwath International	Senior Manager of Crowe Horwath International Representative Director of the joint-stock company Crowe ProC.A Chairman of Yisiman Co., Ltd. Director of the joint-stock company Kawasaki Mokkaou	-	-	-	
Independent Director	Claire Lin	Female	R.O.C.	2019.06.03	2019.06.03	3 years	-	-	-	-	-	-	-	-	Institute of Applied Biochemistry, Tokyo University of Agriculture Manager of GN Resound Japan K.K.(Yokohama) Group	Senior researcher of Industrial Technology Research Institute Deputy Secretary General of Taiwan Plant Factory and Smart Agriculture Development Association	-	-	-	

2. Major Shareholders that are Corporate Shareholders

Oct. 31, 2020

Name of Corporate shareholders	Major Shareholders that are Corporate Shareholders	Shareholding ratio
KURA SUSHI, INC. (Note)	WALNUT CORPORATION	34.24%
	Tanaka Makoto	10.11%
	The Master Trust Bank of Japan, Ltd. (trust bank account)	5.81%
	Custody Bank of Japan, Ltd. (trust bank account)	2.18%
	Kura Sushi Employee Shareholding Association	1.99%
	Tanaka Kunihiro	1.62%
	GOVERNMENT OF NORWAY	1.55%
	Custody Bank of Japan, Ltd. (trust bank account 5)	1.22%
	Tanaka Setsuko	1.21%
	The Dai-ichi Life Insurance Company, Limited	1.08%

Note: Original name: KURA CORPORATION, name changed on May 1, 2019.

3. Corporate Shareholders as the Major Shareholders

Oct. 31, 2020

Name of Corporate Shareholders	Major Shareholders that are Corporate Shareholders	Shareholding ratio
WALNUT CORPORATION	Tanaka Makoto	100.00%

4. Professional Knowledge and Independence Status of Directors

Apr. 30, 2020

Qualifications	Meeting One of the Following Professional Qualification Requirements with More Than Five Years of Work Experience			Status of independence (Note)												Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Kentaro Nishikawa			✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kazuto Kondo			✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Kazuya Tamura			✓	-	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	0
Shinji Wanibe			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Jason Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Jun Ishikawa		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Claire Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Please check “✓” in the corresponding boxes if the directors and supervisors meet the following conditions during the two years prior to the nomination and during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliated companies. Not applicable in cases where the person is an independent director of the Company, its parent company, or subsidiary appointed according to the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children (under-age), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4) Not a spouse, nor relatives within second degree of kinship, nor direct blood relatives to the third degree of Managers listed in (1), or personnel listed in (2), (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total number of issued shares of the company or is ranked top 5 in holdings or is a legal person shareholder who is a director or supervisor of the company per Article 27, Paragraph 1 or 2 of the Company Act (this does not apply in cases where the person is an independent director of the company, its parent or subsidiary, or a subsidiary of the same parent company established in pursuant to this law or local laws).
- (6) Not a director, supervisor, or employee of other company who has a majority of the Company's director seats or voting shares, and those of any other company are controlled by the same person. However, the aforementioned does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) Not a director (council member), supervisor, or employee of other companies or institutions that are the same person or spouse as the chairman, CEO, or equivalent positions of the Company. (However, this does not apply where the independent directors are appointed in accordance with this Act or the laws and regulations of the local country to serve concurrently the company and its parent company, subsidiary, or subsidiary of the same parent company.)
- (8) Not a director (council member), supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (However, this does not apply to the specified company or institution holding 20 percent or more and no more than 50 percent of the total number of issued shares of the Company and the independent directors appointed in accordance with the Act or the laws and regulations of the local country to serve concurrently the company and its parent company, subsidiary, or subsidiary of the same parent company.)
- (9) Does not provide the Company or affiliated companies with auditing or obtained compensation not exceeding NT\$500,000 in business, legal, financial, accounting services, over the past 2 years, by professional individual, sole proprietorship, partnership, company's or institution's owner, partner, director (council member), supervisor, manager, and spouse. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative within the second degree of kinship of any other directors.
- (11) Not under any of the categories stated in Article 30 of the Company Act.
- (12) Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.

(II) Information regarding CEO, Deputy CEO, Senior Manager, and Heads of All Departments and Branches:

Date: Apr. 30, 2021; Unit: shares; %

Position	Name	Gender	Nationality	Date taking office	Shares held		Shares held by spouse and under-age children		Shares held in other's name		Main educational background (working experience)	Other Position Concurrently Held at Other Companies	Managers who are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)			Position	Name	Relationship	
CEO	Kentaro Nishikawa	Male	Japan	2014.01.07	245,000	0.53%	-	-	-	-	School of Air Freight Trade, SUNDAI College of Business & Foreign Language Purchasing Department Manager of KURA SUSHI, INC.	CEO of Kura Sushi Hong Kong Limited CEO of Kura Sushi Shanghai Co., Ltd.	-	-	-	In consideration of the operation needs, Chairman doubles as CEO, the number of independent directors has been increased to three, and more than half of the directors are not concurrently employees or managers.
Deputy CEO	Kazuto Kondo	Male	Japan	2014.02.16	198,000	0.43%	-	-	-	-	Law Administration Specialty of Osaka College of Law Business Department Manager of KURA SUSHI, INC.	None	-	-	-	
Chief Finance Officer	Kazuya Tamura	Male	Japan	2018.10.01	128,000	0.28%	-	-	-	-	School of Science and Technology, Keio University Senior Manager of Deloitte & Touche	None	-	-	-	
Senior Manager	Shingo Iwai	Male	Japan	2019.03.01	3,000	0.01%	-	-	-	-	School of Commerce and Economics, Nippon Bunri University Recruiting Department Manager of KURA SUSHI, INC.	None	-	-	-	

III. Remuneration Paid During the Most Recent Fiscal Year (2020) to Directors, Supervisors, CEO, and Deputy CEO

1. Remuneration of Directors and Independent Directors

Dec. 31, 2020; Unit: NT\$ thousand; %

Position	Name	Remuneration Paid to Directors								Total amount of A, B, C, and D to after-tax net income ratio (%)		Relevant Remuneration Received by Directors who Are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from Shift in Investment in Companies Other than Subsidiaries or the Parent Company or Not
		Base Compensation (A)		Severance Pay and Pension (B)		Directors (C)		Business Execution Expenses (D)				Salary, Bonus, and Allowance (E)		Severance Pay and Pension (F)		Employee Compensation (G)						
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
																Cash	Stock	Cash	Stock			
Chairman	KURA SUSHI, INC. Representative: Kentaro Nishikawa	600	600	-	-	500	500	-	-	-	-	17,628	17,628	-	-	-	-	-	-	59.32	59.32	-
Director	KURA SUSHI, INC. Representative: Kazuto Kondo																					
Director	KURA SUSHI, INC. Representative: Kazuya Tamura																					
Director	Shinji Wanibe																					
Independent Director	Jason Liu	1,800	1,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.70	5.70	-	
Independent Director	Jun Ishikawa																					
Independent Director	Claire Lin																					
1. Please state the policy, system, standards and structure of independent directors' remuneration payment, and describe the relevance between the amount of remuneration and the factors including responsibilities, risks, the time spent by the individual, etc.: Besides the remuneration payment principle stipulated in the articles of association, Remuneration Committee shall review and evaluate the aforesaid personnel's participation in and contributions to the Company's operation regularly, and by referring to the pay levels in the industry, submit the evaluation suggestions to the Board of Directors for resolution.																						
2. Other than disclosures in the above table, remuneration paid to directors for providing services (e.g., providing consulting services as a non-employee) for all companies in consolidated financial statements in the most recent fiscal year: None.																						

Range of Remuneration

Range of Remuneration Paid to Directors	Name of Director			
	Total Amount of Remuneration (A+B+C+D)		Total Amount of Remuneration (A+B+C+D+E+F+G)	
	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements
Less than NT\$1,000,000	Kentaro Nishikawa, Kazuto Kondo, Kazuya Tamura, Shinji Wanibe, Jason Liu, Jun Ishikawa, and Claire Lin	Kentaro Nishikawa, Kazuto Kondo, Kazuya Tamura, Shinji Wanibe, Jason Liu, Jun Ishikawa, and Claire Lin	Shinji Wanibe, Jason Liu, Jun Ishikawa, and Claire Lin	Shinji Wanibe, Jason Liu, Jun Ishikawa, and Claire Lin
NT\$ 1 million (inclusive)~ NT\$ 2 million (exclusive)	-	-	-	-
NT\$ 2 million (inclusive)~ NT\$ 3.5 million (exclusive)	-	-		
NT\$ 3.5 million (inclusive)~ NT\$ 5 million (exclusive)	-	-	Kazuya Tamura	Kazuya Tamura
NT\$ 5 million (inclusive)~ NT\$ 10 million (exclusive)	-	-	Kentaro Nishikawa and Kazuto Kondo	Kentaro Nishikawa and Kazuto Kondo
NT\$ 10 million (inclusive)~ NT\$15 million (exclusive)	-	-	-	-
NT\$15 million (inclusive)~ NT\$30 million (exclusive)	-	-	-	-
NT\$30 million (inclusive)~ NT\$50 million (exclusive)	-	-	-	-
NT\$50 million (inclusive)~ NT\$100 million (exclusive)	-	-	-	-
Over NT\$100 million	-	-	-	-
Total	7 persons	7 persons	7 persons	7 persons

2. Remuneration to Supervisors: None

3. Remuneration to CEO and Deputy CEO

Dec. 31, 2020; Unit: NT\$ thousand

Position	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)		Employee Compensation (D)				Total amount of A, B, C, and D to after-tax net income ratio (%)		Remuneration from Shift in Investment in Companies Other than Subsidiaries or the Parent Company or Not
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Stock			
CEO	Kentaro Nishikawa	9,793	9,793	-	-	3,286	3,286	-	-	-	-	35.68	35.68	-
Deputy CEO	Kazuto Kondo													

Range of Remuneration

Range of Remuneration Paid to CEO and Deputy CEO	Name of CEO and Deputy CEO	
	The Company	All companies in the financial statements E
Less than NT\$1,000,000	-	-
NT\$ 1 million (inclusive)~NT\$ 2 million (exclusive)	-	-
NT\$ 2 million (inclusive)~NT\$ 3.5 million (exclusive)	-	-
NT\$ 3.5 million (inclusive)~NT\$ 5 million (exclusive)	-	-
NT\$ 5 million (inclusive)~NT\$ 10 million (exclusive)	Kentaro Nishikawa and Kazuto Kondo	Kentaro Nishikawa and Kazuto Kondo
NT\$ 10 million (inclusive)~NT\$15 million (exclusive)	-	-
NT\$15 million (inclusive)~NT\$30 million (exclusive)	-	-
NT\$30 million (inclusive)~NT\$50 million (exclusive)	-	-
NT\$50 million (inclusive)~NT\$100 million (exclusive)	-	-
Over NT\$100 million	-	-
Total	2 Supervisors	2 Supervisors

4. Name of Managers for Employee Remuneration for 2020 and the Distribution Status

Unit: NT\$ thousand

	Position	Name	Stock	Cash	Total	Ratio of total amount to after-tax net income (%)
Manager	CEO	Kentaro Nishikawa	-	-	-	-
	Deputy CEO	Kazuto Kondo				
	Chief Finance Officer	Kazuya Tamura				
	Senior Manager	Shingo Iwai				

5. Separate comparisons and descriptions of total remuneration, as a percentage of net income stated in the Parent Company-only Financial Reports or Individual Financial Reports, as paid by the Company and all other companies included in the Consolidated Financial Statements during the past two years to Directors, Supervisors, CEO, and Deputy CEO, with analysis and description of Remuneration Policies, Standards and Packages, Procedure for Determining Remuneration, and linkage thereof to operating performance and future risk exposure:

- (1) Analysis of total remuneration, as a percentage of after-tax net income stated in the only or individual financial statement, paid to the directors, supervisors, CEO, and Deputy CEOs during the past two years

Unit: %

Position	2019 Proportion of total remuneration to after-tax net income (%)		2020 Proportion of total remuneration to after-tax net income (%)	
	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements
Director	18.87	18.87	65.02	65.02
Supervisor	0.17	0.17	-	-
CEO and Deputy CEO	13.56	13.56	35.68	35.68

- (2) Remuneration policies, standards and packages, procedure for determining remuneration, and linkage thereof to operating performance and future risk exposure:

A. Remuneration policies, standards and packages, and procedure for determining remuneration

(A) Directors and Supervisors: According to the Articles of Incorporation, remuneration paid to the Directors and Supervisors shall be determined by the Board of Directors based on the degree of their participation in and contributions to the business operations of the Company, as well as the pay levels in the industry.

(B) CEO and Deputy CEO: Remunerations paid to CEO and Deputy CEO include salary, bonuses, and employee dividends. The remunerations other than salary

will be properly adjusted and distributed according to the Company's business performance.

- (C) The Company establishes a Remuneration Committee, which should formulate and regularly review the policy, system, standards, and structure for the performance assessment, salary, and remuneration of Directors and Managers, and shall evaluate the salary and remuneration of Directors and Manager and submit the Committee's recommendations to the Board meeting for discussion and decision reference.

B. Linkage thereof to operating performance and future risk exposure:

The remunerations to Directors, CEO, and Deputy CEO shall also be subjected to the factors such as the Company's business performance, fluctuation risk of future industry, as well as the operation risk, transaction risk, and financial risk that the Company may face in future business.

IV. Status of Corporate Governance

(I) Operation of Board of Directors

In the year 2020 and up to the date of publication of the annual report, the Board of Directors held eight meetings; the Directors' attendance is as follows:

Position	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Note
Chairman	KURA SUSHI, INC. (representative: Kentaro Nishikawa)	8	0	100	Expected Attendance Times: 8
Director	KURA SUSHI, INC. (representative: Kazuto Kondo)	8	0	100	Expected Attendance Times: 8
Director	KURA SUSHI, INC. (representative: Kazuya Tamura)	8	0	100	Expected Attendance Times: 8
Director	Shinji Wanibe	8	0	100	Expected Attendance Times: 8
Independent Director	Jason Liu	8	0	100	Expected Attendance Times: 8
Independent Director	Jun Ishikawa	8	0	100	Expected Attendance Times: 8
Independent Director	Claire Lin	8	0	100	Expected Attendance Times: 8

Other matters to be recorded:

I. With regard to the implementation of the Board of Directors, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all independent directors' opinions, and the Company's handling of such opinions shall be specified:

- (I) Items listed in Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee. Please see "Operation of Audit Committee" on the next page.
- (II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None

II. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for avoidance of conflict of interest, and results of the voting shall be specified:

Date	Name of Director	Contents of motions	Reasons for avoidance of conflict of interest	Participation in voting
2020.08.05	Kentaro Nishikawa, Kazuto Kondo and Kazuya Tamura	The proposal for the Company's managers' cash capital increase by employee stock subscription	Relevance with own interests	The directors recused themselves from voting in accordance with the law.
2020.12.12	Shinji Wanibe, Jason Liu, Jun Ishikawa, and Claire Lin	Remunerations to Directors for 2021	Relevance with own interests	The directors recused themselves from voting in accordance with the law.
2020.12.12	Kentaro Nishikawa, Kazuto Kondo and Kazuya Tamura	Remunerations to individual managers for 2021	Relevance with own interests	The directors recused themselves from voting in accordance with the law.
2021.03.24	Kentaro Nishikawa, Kazuto Kondo, Kazuya Tamura and Shinji Wanibe	Proposal for the compensation of individual Directors for 2020	Relevance with own interests	The directors recused themselves from voting in accordance with the law.

III. The TWSE/TPEX listed companies should disclose information such as the evaluation cycles, evaluation periods, scope and method of evaluation, and contents of evaluation for evaluating the performance of the board members (on themselves or peers):

Frequency	Period	Scope	Method	Content
Annually	2020.01.01-2020.12.31	Board of Directors	Self-evaluation of Board of Directors	Five major items, including participation in the operation of the Company, the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control are evaluated. The result of the evaluation is "excellent".
		Individual board members	Self-evaluation by the directors	Six major items, including alignment of the goals and missions of the Company, awareness of the duties of directors, participation in the operation of the Company, management of internal relationship and communication, professionalism and continuing education of the directors, and internal control are evaluated. The result of the evaluation is "excellent".
		Audit Committee	Self-evaluation by the directors	Five major items, including participation in the operation of the Company, awareness of the duties of the functional committee, the quality of decisions made by the functional committee, the makeup of the functional committee and election of its members, and internal control are evaluated. The result of the evaluation is "excellent".
		Remuneration Committee	Self-evaluation by the directors	Four major items, including participation in the operation of the Company, awareness of the duties of the functional committee, the quality of decisions made by the functional committee, and the makeup of the functional committee and election of its members are evaluated. The result of the evaluation is "excellent".

- IV. Measures undertaken during the current fiscal year and most recent fiscal year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:
- (I) To improve its supervision function and intensify management mechanism, the Company established the Audit Committee on Jun. 3, 2019.
- (II) To improve the system for the salaries and remunerations to the Company's Directors and Managers, the Company established the Remuneration Committee on Jun. 3, 2019.

(II) Operations of the Audit Committee or Participation of the Supervisors in Operations of the Board of Directors

1. Operations of the Audit Committee:

A total of 8 Audit Committee meetings were held in 2020. The attendance of the independent directors is as follows:

Position	Name	Times of Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Independent Director	Jason Liu	8	0	100	Expected Attendance Times: 8
Independent Director	Jun Ishikawa	8	0	100	Expected Attendance Times: 8
Independent Director	Claire Lin	8	0	100	Expected Attendance Times: 8

Other matters to be recorded:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act

Date of Audit Committee (Term)	Contents of motions	Audit Committee Resolution	The Company's Response
2020.03.03 (The 1st Meeting in 2020 of the 1st Term)	Proposal of 2019 "Statement of Internal Control System"	Approved	None
	Proposal of the Amendment to the "Procedures for Loaning of Funds to Others."	Approved	None
	Proposal of the Amendment to the "Procedures for Making of Endorsements/Guarantees."	Approved	None
2020.03.31 (The 2nd Meeting in 2020 of the 1st Term)	Proposal of the hiring and Remuneration for the Company's certified CPA	Approved	None
2020.07.20 (The 4th Meeting in 2020 of the 1st Term)	Proposal of Cash Capital Increase by Issuing New Shares	Approved	None
2020.08.05 (The 5th Meeting in 2020 of the 1st Term)	Proposal of the Amendments to the "Internal Control System (Including Implementation Rules of Internal Audit)" and "Accounting System":	Approved	None
2020.11.13 (The 6th Meeting in 2020 of the 1st Term)	Proposal of the Amendments to the "Internal Control System (Including Implementation Rules of Internal Audit)" and "Accounting System":	Approved	None
2021.03.24 (The 1st Meeting in 2021 of the 1st Term)	Proposal of 2021 Audit Plan	Approved	None
	Proposal of 2020 "Statement on Internal Control System"	Approved	None
	Proposal of the Amendment to the Amendment to the "Working Procedure for Preparation of Financial Statements"	Approved	None
	Proposal of the hiring and Remuneration for 2021 certified CPA	Approved	None

(II) Except for the aforementioned matters, other resolutions which were not being approved by the Audit Committee but resolved by more than two-thirds of all the Directors: None.

II. If there were independent directors who abstained from voting due to conflict of interest, the independent directors' names, contents of motions, and reasons for avoidance of conflict of interest should be specified: None

III. Communication of Independent Directors with Internal Audit Supervisor and CPA:

(I) The Company's Independent Directors can communicate with Internal Audit Supervisor and CPA directly about the Company's financial status and business.

(II) The Internal Audit Supervisor should deliver reports to Independent Directors in the following month upon the completion of the audit project, and attend board meeting as a non-voting delegate on a quarterly basis. The communication is excellent.

2. Participation of Supervisors in the operations of the Board of Directors: N/A

(I) Status of Corporate Governance, Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and Reasons for Deviations

Evaluation Item	Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the Company establish and disclose its corporate governance best-practice principles based on the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established the "Corporate Governance Best Practice Principles" and disclosed the principles on the Market Observation Post System (MOPS).	No material discrepancy.
II. Shareholding structure & shareholders' rights				
(I) Does the Company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations?	✓		(I) The Company has appointed designated personnel and set up an email address to address relevant affairs such as shareholders' suggestions or disputes.	No material discrepancy.
(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	✓		(II) The Company has established a service organization and stock transfer agency, which possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders at all times.	No material discrepancy.
(III) Does the Company establish and execute a risk management and firewall system within its affiliates?	✓		(III) Finance and accounting of the Company's affiliate enterprises were independently operated. The Company also formulated the "Management Rules for Transaction with Related Parties, Specific Companies and Groups", stipulating the relevant approval procedures for major transactions such as fund loan, endorsement guarantee, and assets transaction, so as to implement risk control and firewall system .	No material discrepancy.
(IV) Does the Company establish internal rules against the Company's insiders from using undisclosed information to trade in securities?	✓		(IV) The Company has formulated the "Management Rules against Insider Trading" and "Working Rules for Handling of Internal Material Information"	

Evaluation Item	Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
			and duly informed the Company's personnel to follow them strictly.	No material discrepancy.
III. Composition and responsibilities of the Board of Directors				
(I) Does the board develop and implement a diversity guideline for the composition of its members?	✓		(I) The Company's Board of Directors designates seven directors, who respectively possesses relevant background and professional knowledge about finance and business, so as to implement the diversification policy of Board Directors.	No material discrepancy.
(II) Does the Company voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee?	✓		(II) The Company selected and appointed independent directors on Jun. 3, 2019, and has established the Remuneration Committee and Audit Committee. Other functional committees will be established according to the Company's actual needs.	No material discrepancy.
(III) Does the Company establish standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	✓		(III) The Company has formulated the "Measures for Performance Evaluation of Board of Directors" and regularly tracks and records the directors' attendance rate, training hours per year, and avoidance of conflict of interest.	No material discrepancy.
(IV) Does the Company regularly evaluate the independence of the CPAs?	✓		(IV) The Company, prior to the 2021 CPA hiring, has finished the evaluation on CPA competency and independence, and made a report to the Board of Directors as per provisions.	No material discrepancy.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Description	
IV. Does the Company appoint adequate persons and a Corporate Governance Officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders meetings and keeping minutes at the Board meetings and shareholders meetings according to law)?	✓		The Company has designated the Administration Dep. to take charge of the matters in relation to corporate governance in a part-time manner, including providing information for Directors and Supervisors to perform their functions, handling matters related to Board meetings and shareholders meetings according to the law, handling company change registration and developing minutes of the Board meetings and shareholders meetings.	No material discrepancy.
V. Does the Company establish communication channels and a dedicated section on the company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		Stakeholders (e.g. customer, supplier, and general public) can contact the Company by any means (e.g. letter or phone) if having any opinion.	No material discrepancy.
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed the professional shareholder service agency “Corporate Trust Operation and Service Department, CTBC Bank Co., Ltd.” to deal with shareholder affairs.	No material discrepancy.
VII. Information disclosure				
(I) Does the Company have a website to disclose the financial operations and corporate governance status?	✓		(I) The Company has established an exclusive website to disclose information about finance, business, and corporate governance. Website: http://investor.kurasushi.tw/ .	No material discrepancy.
(II) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and	✓		(II) The Company has already appointed dedicated personnel to be in charge of collecting and disclosing Company information and has implemented a spokesperson in accordance with regulations.	No material discrepancy.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
disclosure, implement spokesman system, and making the process of Road Show available on the corporate website)? (III) Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarter financial reports and the operation of each month ahead of the required deadline?	✓		(III) The Company's annual financial statements have been announced on the designated website within three months after the close of the year in accordance with Article 36 of the Securities and Exchange Act; the first, second, and third quarter financial statements were announced on the designated website within 45 days after the close of each quarter. The Company has, prior to the 10th of each month, announced the monthly revenue information.	No material discrepancy.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights and interests, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchase of liability insurance for directors and supervisors)?	✓		(I) Employees' rights and employees' wellness: The Company formulates work rules, so as to maintain employees' rights and interests, and ensure unblocked communication channels between employees and directors. (II) Investor relations: The Company designates spokesperson and deputy spokesperson, and their contact information is open to investors for reflecting opinions at any time. (III) Supplier relationship and stakeholders' rights: The Company maintains equal and good relationship with its suppliers and stakeholders. (IV) The Company arranges Directors to take part in training courses to strengthen the corporate governance ideas. (V) Implementation of risk management policy and risk measurement standards: To control risks, the Company establishes various internal rules and regulations according to laws and complies with them. (VI) Implementation of customer policies: the Company attaches great	No material discrepancy.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			importance to customer's opinions and works hard on improving service quality. (VII) Purchase of liability insurance for Directors: The Company has purchased liability insurance for Directors.	
IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. (not applicable where a company is not included as be evaluated): N/A.				

Note 1: The "Description" column should be filled regardless of whether Status is checked "Yes" or "No".

(II) The Company should disclose the composition, duties, and operations of the Remuneration Committee, if any.

1. Information about the members of the Remuneration Committee

Title (Note 1)	Qualifications Name	Meeting One of the Following Professional Qualification Requirements with More Than Five Years of Work Experience			Status of independence is satisfied (Note 2)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Note
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who Has Passed a National Examination and Has Been Awarded a Certificate in a Profession Necessary for the Business	Having Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Jason Liu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Jun Ishikawa		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Claire Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: For the title, please fill in director, independent director, or others.

Note 2: Please check “✓” the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.

- (1) Not an employee of the Company or any of its related companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies. Not applicable in cases where the person is an independent director of the Company, its parent company, or subsidiary appointed according to the Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies or local laws and regulations.
- (3) Not a natural person shareholder who holds more than one percent (1%) of issued shares or is ranked top ten in terms of the total quantity of shares held, including the shares held in the name of the person, the person's spouse, under-age children, or in the name of others.
- (4) Not a spouse, nor relatives within second degree of kindship, nor direct blood relatives to the third degree of Managers listed in (1), or personnel listed in (2), (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings, appointed according to Article 27, Paragraph 1 or 2 of Company Act (Not applicable in cases where the person is an independent director of the company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary).

- (6) Not a director, supervisor, or employee of other company who has a majority of the Company's director seats or voting shares, and those of any other company are controlled by the same person. However, the aforementioned does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) Not a director (council member), supervisor, or employee of other companies or institutions that are the same person or spouse as the chairman, CEO, or equivalent positions of the Company. (However, this does not apply where the independent directors are appointed in accordance with this Act or the laws and regulations of the local country to serve concurrently the company and its parent company, subsidiary, or subsidiary of the same parent company.)
- (8) Not a director (council member), supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (However, this does not apply to the specified company or institution holding 20 percent or more and no more than 50 percent of the total number of issued shares of the Company and the independent directors appointed in accordance with the Act or the laws and regulations of the local country to serve concurrently the company and its parent company, subsidiary, or subsidiary of the same parent company.)
- (9) Does not provide the Company or affiliated companies with auditing or obtained compensation not exceeding NT\$500,000 in business, legal, financial, accounting services, over the past 2 years, by professional individual, sole proprietorship, partnership, company's or institution's owner, partner, director (council member), supervisor, manager, and spouse. However, this does not apply in cases where members of the Remuneration Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not under any of the categories stated in Article 30 of the Company Act.

2. Operational status of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Term of office of board members: From Jun. 3, 2019, to Jun. 2, 2022. A total of 4 (A) Remuneration Committee meetings were held this year. The attendance of the members was as follows:

Position	Name	Attendance Times in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) B/A	Note
Convener	Jason Liu	4	0	100.00	
Committee Member	Jun Ishikawa	4	0	100.00	
Committee Member	Claire Lin	4	0	100.00	
Other matters to be recorded:					
I. If the Board of Directors refuses to adopt or amend recommendations proposed by the Remuneration Committee, the date of the meeting, term of the meeting, contents of motions, resolution results, and the Company's response to the comments provided by the Remuneration Committee shall be described (e.g., if the remuneration passed by the Board of Directors exceeds the recommendation of the Remuneration Committee, the circumstances and cause for the difference shall be specified): None.					
II. If the resolutions to which the members of the Remuneration Committee have an objection or reservation are recorded or written, please state the date and session of the meeting of the Remuneration Committee, contents of motions, opinions of the members, and handling of the opinions: None.					

(III) Implementation Status of Corporate Social Responsibility and Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?		✓	The Company has passed the “Corporate Social Responsibility Best Practice Principles” upon the Board resolution on Mar. 3, 2020, for the revision of this provision, and will draft risk management policy in due time and make evaluation oriented to the topics of environment, society, and corporate governance.	No material discrepancy.
II. Does the Company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?		✓	Though the Company hasn’t established a dedicated (or part-time) unit to be in charge of CSR implementation, the Company will start from itself and spare no efforts in environmental protection and related social responsibility activities.	No material discrepancy.
III. Environmental issues				
(I) Does the Company establish an environmental management system proper to its industry’s characteristics?	✓		(I) The Company is in the catering industry, providing "food and beverage" and "services", not manufacturing factory. Cooking fumes treatment equipment is installed in the kitchen cooking area, and the waste generated during food preparation process is outsourced to qualified service provider or treated by the department store.	No material discrepancy.
(II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	✓		(II) To make the best use of all resources, the Company carries out the activities such as garbage classification, food waste recycling, waste reduction, etc. so as to improve utilization efficiency of various resources and reduce environmental impact.	No material discrepancy.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Has the Company evaluated the current and future potential risks and opportunities of climate change, and adopted countermeasures related to climate issues?	✓		(III) The Company takes corresponding actions in consideration of the climate change and influence on marine ecological balance. While designing menu, it takes the products combination and choice of side dishes into account, so as to reduce the independence of seafood ingredients; besides, adopts the self-cultivated food ingredients (e.g. salmon, shrimp, and black kingfish), so as to lower the price fluctuation impact due to supply and demand.	No material discrepancy.
(IV) Does the Company collect data for greenhouse gas emissions, water usage, and total waste quantity in the past two years, and formulate the policies on energy conservation, greenhouse gas emissions reduction, water usage reduction, and other waste management?	✓		(IV) The Company, before the temperature reaches a certain degree, reduces the use of air conditioning and develops the living habit of water-saving; meanwhile, advocates the idea of energy-saving and low carbon to all departments' personnel of the Company and promotes all energy-saving measures, so as to realize the purpose of energy-saving and greenhouse gas reduction, reduce the impact on the environment and perform the corporate environmental protection responsibility.	No material discrepancy.
IV. Social issues				
(I) Does the Company formulate relevant management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) The Company abides by related labor laws and regulations, formulates appointment and appraisal procedures, and establishes relevant management measures, so as to safeguard employees' legitimate rights and interests.	No material discrepancy.
(II) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, vacation and other benefits) and the business performance appropriately reflect employee remuneration?	✓		(II) (1) The Company has formulated the remuneration system superior to the starting salary of the industry, vacations and other benefits are subject to the provisions of the Labor Standards Act and specified in work rules.	No material discrepancy.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(III) Does the Company provide a healthy and safe work environment and offer health and safety education to its employees on a regular basis?	✓		<p>(2) The Company specifies in Article 27 of the Articles of Incorporation that “ The Company’s annual pre-tax benefits before deduction of employee compensation and directors’ compensation are profitable, no less than 1% shall be appropriated as employee remuneration...(omitted below), so as to share the business achievements together with employees.</p> <p>(III) The Company attaches great importance to workplace safety and health and established the “Occupational Safety and Health Management Office”, so as to provide a safe and favorable working environment for employees, and regularly cleans and disinfects workplace and conducts maintenance on all the equipment (e.g. fire protection, air conditioning, and drinking equipment). The Company also abides by relevant laws and regulations, sets up warning signs in the area where accident or occupational hazard occurs easily and arranges appropriate working route to reduce employees’ occupational hazard. In addition, the Company has established the health care system, arranges employee health examination every year and designates full-time personnel for health care management to provide relevant health counseling service and on-site employee health service, so as to protect employees’ health.</p>	No material discrepancy.
(IV) Does the Company establish effective career development and training plans for its employees?	✓		<p>(IV) The Company, to coordinate the work content of each department, provides employees with internal and external education and training, so as to enhance their career development capability.</p>	No material discrepancy.

Evaluation Item	Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?	✓		(V) The Company complies with related laws and regulations and international standards in terms of marketing and labeling of products and services.	No material discrepancy.
(VI) Does the Company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and the implementation status?	✓		(VI) The Company performs supplier appraisals before engaging in business with them.	No material discrepancy.
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports to prepare the reports such as CSR report to disclose its non-financial information? Are the aforementioned reports certified or assured by a third-party accreditation body?		✓	The Company was listed on the Mainboard on Sep. 17, 2020. The 2020 CSR Report will be prepared in accordance with regulations and issued upon the verification of a third party.	No material discrepancy.
VI. If the Company has established corporate social responsibility principles based on the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, describe the implementation and any deviations from the Principles: The Company has formulated the “Corporate Social Responsibility Best Practice Principles” and will implement the environmental protection, social service, human rights, safety and health, and other social responsibility activities. There is no discrepancy.				
VII. Other important information to facilitate a better understanding of corporate social responsibility practices: None				

Note 1: Reasons for checks of "Yes" or "No" of status should be specified in "Summary Description" column.

(IV) Implementation of ethical corporate management and deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and reasons thereof.

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(I) Does the Company establish the ethical corporate management policies approved by the Board of Directors and explicitly declare its ethical corporate management policies and procedures in its guidelines and external documents, and does the Board of Directors and management work proactively to implement their commitment to those management policies?	✓		(I) The Company formulated the “Ethical Corporate Management Best Practice Principles” and “Code of Moral Conduct” on Mar. 22, 2019, upon Board of Directors' resolution, and implements the formulated ethical corporate management best practice principles in internal management and business activity.	No material discrepancy.
(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in various provisions of Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		(II) The Company prohibits all staff from accepting any improper gifts, to avoid losing the Company's rights and interests due to individual interests. Besides, all staff are obligated to keep confidential the business secrets of the Company and those of others.	No material discrepancy.
(III) Does the Company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the preceding programs on a regular basis?	✓		(III) The Company has formulated the “Ethical Corporate Management Best Practice Principles” and "Code of Moral Conduct" to specify and implement relevant working procedures.	No material discrepancy.

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
II. Fulfillment of ethical corporate management				
(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		(I) The Company has established an appraisal mechanism for its important vendors. When entering into contract, the rights and obligations of both parties are detailed and kept confidential.	No material discrepancy.
(II) Does the Company establish an exclusively (or concurrently) dedicated unit under the Board, which reports to the Board the ethical corporate management policies and program against unethical conduct and supervises the implementation?	✓		(II) Administration Dep. is responsible for the relevant advocacy of ethical corporate management. All departments should try to perform CSR within the range of their duties.	No material discrepancy.
(III) Does the Company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		(III) For the conflict of interests in business performed, the Company would inform the manager and actively recuse, to avoid the conflict of interests. The Directors need to recuse themselves when there is a conflict of interests in any of the proposals of the Board.	No material discrepancy.
(IV) Does the Company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of the assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or engaging an accountant to carry out the audit?		✓	(IV) The Company has established the accounting systems and internal control systems in accordance with relevant laws and regulations. Internal auditor, upon the risk evaluation, will include them in the audit plan for following year and implement them.	No material discrepancy.
(V) Does the Company regularly hold internal and external training on ethical corporate management?	✓		(V) The Company advocates and explains the managers' meetings and department internal meetings regularly.	No material discrepancy.

Evaluation Item	Status (Note 1)			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
III. Operation of the whistle-blowing system				
(I) Does the Company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	✓		(I) In case of any violation of the ethical corporate management policies, the Company should impose punishment upon the signed report.	No material discrepancy.
(II) Has the Company established standard operating procedures for investigation of reported incidents having been accepted and the subsequent measures and relevant confidentiality mechanism after the investigation?	✓		(II) The Company's "Work Rules" has an appraisal and rewards and punishments system. And an employee contact mailbox is managed and controlled by a dedicated person, so any violations can be dealt with timely.	No material discrepancy.
(III) Does the Company provide protection for whistle-blowers against receiving improper treatment?	✓		(III) The Company keeps confidential the identity of whistleblowers and reported contents and formulates the measures protecting whistleblowers from receiving improper treatment due to their whistle-blowing.	No material discrepancy.
IV. Enhanced disclosure of ethical corporate management information				
(I) Does the Company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS?	✓		The Company has established a corporate website, to disclose relevant company information. In addition, relevant information is also announced on the MOPS.	No material discrepancy.
V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles: The Company has formulated "Code of Moral Conduct", "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", and there is no material discrepancy.				
VI. Other important information to facilitate better understanding of the Company's ethical corporate management: None.				

Note 1: The "Description" column should be filled regardless of whether Status is checked "Yes" or "No".

- (V) If having formulated the corporate governance best practice principles and relevant regulations, the Company shall disclose the inquiry method: Please see the MOPS for details, website: <http://mops.twse.com.tw>.
- (VI) Other information providing a better understanding of the company's corporate governance status: Please see the MOPS for details, website: <http://mops.twse.com.tw>.

(VII) Implementation of Internal Control System:

1. Statement on Internal Control:

KURA SUSHI ASIA CO., LTD.

Statement on Internal Control

Date: Mar. 24, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

- I. The Board of Directors and Managers are responsible for establishing, implementing, and maintaining an adequate internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. We have evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the aforesaid evaluation results, the Company is of the opinion that, as of Dec. 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement is an integral part of our annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on Mar. 24, 2021, and none of the seven Directors in attendance objected to it and all consented to the content expressed in this statement and made declaration with regards to this matter.

KURA SUSHI ASIA CO., LTD.

Chairman and CEO: Kentaro Nishikawa Signature

2. The accountant review report shall be disclosed if an account has been entrusted to implement project review of internal control system: N/A

(VIII) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: No penalties upon the Company and its employees in accordance with the law during the most recent fiscal year up to the date of publication of the Annual Report.

(IX) Major Resolutions of Board of Shareholders and Board of Directors During the Most Recent Fiscal Year Up to the Date of Publication of the Annual Report:

1. Major resolutions of Board of Shareholders during the most recent fiscal year up to the date of publication of the annual report:

Name of Meeting	Date	Major Resolutions
Annual Shareholders Meeting	2020.05.20	<ol style="list-style-type: none"> 1. Approval of 2020 Business Report and Financial Statements 2. Approval of Proposal of the Distribution of Earnings for 2020 3. Approval of the Amendment to the "Procedures for Loaning of Funds to Others." 4. Approval of the Amendment to the "Procedures for Making of Endorsements/Guarantees."

2. Major resolutions of Board of Directors during the most recent fiscal year up to the date of publication of the annual report:

Name of Meeting	Date	Major Resolutions
Board of Directors	2020.03.03	<ol style="list-style-type: none"> 1. Proposal of the Provision for Remunerations to Employees and Directors for 2019 2. Proposal of "2019 Statement of Internal Control System" 3. Proposal of Business Report and Individual and Consolidated Financial Statements for 2019 4. Proposal of the Distribution of Earnings for 2019 5. Proposal of the Amendment to the "Procedures for Loaning of Funds to Others" 6. Proposal of the Amendment to the "Procedures for Making of Endorsements/Guarantees" 7. Proposal of the Amendments to the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" 8. Proposal of the Amendments to the "Corporate Governance Best Practice Principles" and the "Corporate Social Responsibility Best Practice Principles" 9. Proposal of the Amendments to the "Audit Committee Charter," "Remuneration Committee Charter" and "Rules of Procedure of Board Meeting" 10. Proposal of the Formulation of "Applying for the Suspension and Recovery of Emerging Stock Over-The-Counter Working Procedure" and "Applying for the Suspension and Recovery of Transaction Working Procedure" 11. Proposal of the Amendment to the "Management Rules for Transaction with Related Parties, Specific Companies, and Groups" 12. Proposal of Convening Affairs of 2020 Annual Shareholders Meeting
Board of Directors	2020.03.31	Approval of the Verification and Remuneration of CPAs

Name of Meeting	Date	Major Resolutions
Board of Directors	2020.07.20	<ol style="list-style-type: none"> 1. Proposal of the Cash Capital Increase by Issuing New Shares 2. Proposal of the Amendment to the " Rules of Procedure of Board Meeting" and " Scope of Duties of Independent Directors " 3. Proposal of the Ex-dividend Base Date and Relevant Affairs of Cash Dividends for 2019
Board of Directors	2020.08.05	<ol style="list-style-type: none"> 1. The proposal for the Company's managers' cash capital increase by employee stock subscription 2. Proposal of the Amendments to the Company's "Internal Control System (Including Implementation Rules of Internal Audit" and "Accounting System"
Board of Directors	2020.11.13	Proposal of the Amendments to the Company's "Internal Control System (Including Implementation Rules of Internal Audit" and "Accounting System"
Board of Directors	2020.12.22	<ol style="list-style-type: none"> 1. Audit plan for 2021 of the Company 2. The Company revised the "Performance Evaluation Method of Board of Directors". 3. Directors' Remuneration for 2021 4. Managers' Remuneration for 2021 5. Business plan for 2021 of the Company
Board of Directors	2021.03.24	<ol style="list-style-type: none"> 1. Proposal on increasing the compensation of employees and directors for 2020 2. Compensation distribution of individual directors for 2020 3. "Internal Control System Declaration" for 2020 4. Business Report for 2020 & Consolidated Financial Statements 5. Earnings distribution for 2020 6. The Company revised "Election Method of Directors and Supervisors". 7. The Company revised "Rules of Procedures for Shareholders Meeting". 8. The Company revised "Code of Ethical Conduct". 9. The Company revised "Financial Statements Preparation Process". 10. Changes on accounting estimates after the start of the fiscal year 2021. 11. The Company passed the CPAs auditing and remuneration for 2021. 12. The Company resolved the benchmark date for issuance of the transfer of employee stock options for capital increases of common shares. 13. The Company passed assembly matters for Annual Shareholders Meeting for 2021.

(X) Any dissenting opinion expressed by a Director or Supervisor with respect to a major resolution passed by the Board of Directors during the most recent fiscal year and up to the date of publication of the Annual Report, where said dissenting opinion has been recorded or prepared as a written declaration. The main contents: None.

(XI) A summary of resignations and dismissals of the Company's Chairman, CEO, Accounting Manager, Finance Manager, Corporate Governance Officer, Chief Internal Auditor, Corporate Governance Officer, and R&D Manager during the most recent fiscal year and up to the date of publication of the Annual Report: None.

V. Information of CPA Professional Fees:

(I) Breakdown of CPA Professional Fee

Name of CPA Firm	Name of CPA	Audit Period	Note
Deloitte & Touche	Chang Jui-Na, Chou I-Lun	2020	-

Currency Unit: NT\$ Thousand

Range \ Category of Fees		Audit Fees	Non-audit Fees	Total
1	Under NT\$2,000,000	-	-	-
2	NT\$2,000,000 (inclusive) - NT\$4,000,000	V	-	V
3	NT\$4,000,000 (inclusive) - NT\$6,000,000	-	-	-
4	NT\$6,000,000 (inclusive) - NT\$8,000,000	-	-	-
5	NT\$8,000,000 (inclusive) - NT\$10,000,000	-	-	-
6	NT\$ 10,000,000 and above	-	-	-

(II) If the Company is in any of the following conditions, the following matters shall be disclosed

1. When non-audit fees paid to CPAs, to the accounting firm of CPAs, and/or to any affiliated enterprise of such accounting firm is one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees, as well as details of non-audit services shall be disclosed: None.
2. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amount, proportion, and cause of the audit fees before and after the change shall be disclosed: None.
3. Where the audit professional fees are reducing more than 15% than that of the previous year, its reduction amount, proportion, and cause shall be disclosed: None.

VI. Information of alternation of CPAs: None.

VII. The name, title, and position at the company's CPA accounting firm or at an affiliated enterprise of such accounting firm of the Company Chairperson, CEO, or Managers in charge of finance or accounting matters within the past 1 year holding a position at the company's CPA accounting firm or at an affiliated enterprise of such accounting firm shall be disclosed: None.

VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, supervisor, manager, or shareholder with a stake of more than 10 percent in the most recent fiscal year and up to the date of publication of the annual report. Where the counterparty in any such transfer or pledge of equity interests is a related party, the Company shall disclose the counterparty's name, its relationship between that party and the Company as well as the Company's Directors, Supervisors, CEO, and Shareholders who hold more than 10 percent of the shares, and the number of shares transferred or pledged.

(1) Status of change in shareholding of Directors, Supervisors, Managers, and Shareholders with more than a 10 percent share:

Position	Name	2020		As of April 30 of the Current Year	
		Shares Held Increase (Decrease)	Pledged Share Increase (Decrease)	Shares Held Increase (Decrease)	Pledged Share Increase (Decrease)
Chairman/CEO	Kentaro Nishikawa	-	-	245,000	-
Director/Deputy CEO	Kazuto Kondo	3,000	-	195,000	-
Director/Chief Finance Officer	Kazuya Tamura	3,000	-	125,000	-
Director	Shinji Wanibe	-	-	-	-
Independent Director	Jason Liu	-	-	-	-
Independent Director	Jun Ishikawa	-	-	-	-
Independent Director	Claire Lin	-	-	-	-
Senior Manager	Shingo Iwai	3,000	-	-	-
Shareholders with 10% or above	KURA SUSHI, INC.	(300,000)	-	-	-

(2) Information of stock transfers to related parties: None.

(3) Information of pledge of stock rights to related parties: None.

IX. Information of the Top Ten Shareholders who are Related Parties or have a Spousal or Familial Relationship within the Second Degree of Kinship:

April 30, 2021

Name	Current Shareholding		Shares held by spouse and under-age children (Note)		Shareholding by Nominee		Among ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Note
	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Name	Relationship	
KURA SUSHI, INC.	31,200,000	68.07%	-	-	-	-	-	-	-
Person in charge: Tanaka Kunihiko	-	-	-	-	-	-	-	-	-
Yuanta Commercial Bank entrusted with the custody of the investment account of FORTUNE SEA GROUP LTD	690,000	1.51%	-	-	-	-	Wu Zheng-Xue	Ultimate beneficiary of the investment account	-
Wu Zheng-Xue	688,000	1.50%	-	-	-	-	Yuanta Commercial Bank entrusted with the custody of the investment account of FORTUNE SEA GROUP LTD	Ultimate beneficiary of the investment account	-
Chen Xing Fu	249,000	0.54%	-	-	-	-	-	-	-
Kentaro Nishikawa	245,000	0.53%	-	-	-	-	-	-	-
Lu Shi Yun	201,000	0.44%	-	-	-	-	-	-	-
Kazuto Kondo	198,000	0.43%	-	-	-	-	-	-	-
CITIC Securities Co., Ltd.	150,000	0.33%	-	-	-	-	-	-	-
Charge in person: Xie Ming-Xin	-	-	-	-	-	-	-	-	-
Chase custody of JP Morgan Securities Co., Ltd. Investment Account	141,000	0.31%	-	-	-	-	-	-	-
Huang Rui He	130,000	0.28%	-	-	-	-	-	-	-

Note: Except for the Directors, Managers, and other personnel of the Company, the Company cannot acquire the shares held by their spouses and under-age children.

- X. Share held to the same reinvestment business by the Company and its Directors, Supervisors, Managers, as well as entities controlled directly and indirectly by the Company, and consolidated calculation of the comprehensive shareholding ratio:

December 31, 2020

Investee business	Ownership by the Company		Investment by Directors, Supervisors, Managers, and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio
Kura Sushi Hong Kong Limited	Note 1		-	-	Note 1	
Kura Sushi Shanghai Co., Ltd.	Note 2		-	-	Note 2	

Note 1: The Company completed the registration and obtained the registration certificate on November 4, 2019, with its estimated investment of no more than RMB 16 million. As of December 31, 2020, no related investment funds have been remitted.

Note 2: The Company completed the registration and obtained the business license on January 2, 2020, with its registered capital of RMB 30 million. As of the date of December 31, 2020, no related investment funds have been remitted.

Chapter 4. Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Historical Information of Capitalization

Unit: NT\$ thousand; Thousand shares

Month/Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Note		
		Number of Shares (Thousand shares)	Amount (NT\$ thousand)	Number of Shares (Thousand shares)	Amount (NT\$ thousand)	Source of Capital	Capital Increase by Assets Other than Cash	Others
2014.01	10,000	8	80,000	8	80,000	Business capital of NT\$ 80 million	None	Note 1
2016.01	10,000	31.5	315,000	31.5	315,000	Capital increase by cash NT\$ 235 million	None	Note 2
2018.07	10	31,500	315,000	31,500	315,000	Change the par value of each share to NT\$ 10	None	Note 3
2019.03	32	60,000	600,000	37,873	378,730	Capital increase by cash NT\$ 63.73 million	None	Note 4
2020.09	55	60,000	600,000	44,980	449,800	Capital increase by cash NT\$ 71.07 million	None	Note 5
2021.04	11	60,000	600,000	45,786	457,860	The execution of employee stock options is NT\$ 8.06 million	None	Note 6

Note 1: J.S.Z.Z. No. 10380546310 on January 21, 2014

Note 2: J.S.Z.Z. No. 10580127000 on January 6, 2016

Note 3: J.F.C.Y.S.Z. No. 10751243100 on July 10, 2018

Note 4: Z.G.X.Z. No. 1080001216 on March 20, 2019

Note 5: F.C.Y.S.Z. No. 10954494200 on September 25, 2020

Note 6: F.C.Y.S.Z. No. 11048036610 on April 12, 2021

2. Share type

April 30, 2021; Unit: shares

Share Type	Authorized Capital			Note
	Issued Shares	Unissued Shares	Total	
Common stock	45,836,000	14,164,000	60,000,000	Stocks of listed companies

3. Information for Declaration System: None.

(II) Shareholder structure

April 30, 2021; Unit: Person; share; %

Shareholder structure Item	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Foreigners	Total
Number of shareholders	-	-	19	4,178	23	4,220
Shares Held	-	-	338,010	12,772,990	32,725,000	45,836,000
Shareholding ratio	-	-	0.74%	27.87%	71.39%	100.00%

(III) Status of Share Ownership Dispersion

1. Common Shares

April 30, 2021; Unit: Person; share; %

Range of Shares	Number of Shareholders	Shares Held	Shareholding ratio
1~999	737	71,831	0.16%
1,000~5,000	3,068	5,188,617	11.32%
5,001~10,000	224	1,746,334	3.81%
10,001~15,000	62	805,700	1.76%
15,001~20,000	35	653,000	1.42%
20,001~30,000	38	952,518	2.08%
30,001~50,000	30	1,206,000	2.63%
50,001~100,000	11	753,000	1.64%
100,001~200,000	9	1,186,000	2.59%
200,001~400,000	3	695,000	1.52%
400,001~600,000	0	0	0.00%
600,001~800,000	2	1,378,000	3.01%
800,001~1,000,000	0	0	0.00%
1,000,001 shares and above	1	31,200,000	68.06%
Total	4,220	45,836,000	100.00%

2. Preferred Stock: The Company has not issued preferred stock.

(IV) Name List of Major Shareholders

April 30, 2021; Unit: Person; share; %

Name of Major Shareholders	Shareholding	Shares Held	Shareholding ratio
KURA SUSHI, INC.		31,200,000	68.07%
Yuanta Commercial Bank in custody of the investment account of FORTUNE SEA GROUP LTD		690,000	1.51%
Wu Zheng-Xue		688,000	1.50%
Chen Xing Fu		249,000	0.54%
Kentaro Nishikawa		245,000	0.53%
Lu Shi Yun		201,000	0.44%
Kazuto Kondo		198,000	0.43%
CITIC Securities Co., Ltd.		150,000	0.33%
Chase custody of JP Morgan Securities Co., Ltd. Investment Account		141,000	0.31%
Huang Rui He		130,000	0.28%

(V) Relevant Information of Market Price, Net Value, Earnings, and Dividend per Share in the Past 2 Years

Unit: NT\$; Thousand shares

Item		Year	2019	2020
Share price (Note 1)	Highest		Unlisted stocks	120.50
	Lowest		Unlisted stocks	73.00
	Average		Unlisted stocks	86.79
Net Worth per Share	Before distribution		19.43	27.94
	After distribution		18.93	(Note 2)
Earnings per Share	Weighted Average Shares		35,987	39,971
	Earnings per Share	Before Retroactive Adjustment	2.47	0.79
		After Retroactive Adjustment	2.47	0.79
Dividends Per Share	Cash dividends		0.5	0.5 (Note 2)
	Stock dividends	Stock dividends appropriated from earnings	-	-
		Stock dividends appropriated from capital surplus	-	-
	Accumulated unpaid dividends		-	-
Return on Investment	Price/Earnings Ratio		Unlisted stocks	109.86
	Price/Dividend Ratio		Unlisted stocks	173.58
	Cash Dividends Yield		Unlisted stocks	0.58%

Note 1: List the highest market value and the lowest market value of the common stock in various years, and calculate the average market price for each year based on the trading value and turnover for each year.

Note 2: According to the Company's Board resolution made on March 24, 2021, every share would be distributed with NT\$ 0.5 in cash dividend. The above would be submitted to the shareholders meeting on June 28, 2021, for approval.

(VI) Dividend Policy and Implementation of the Company

1. Dividend policy in the Articles of Incorporation of the Company

When the Company made profit in a fiscal year, the Company shall extract 10% of the profit after paying taxes and compensating loss as per laws as legal reserves. If, however, the legal reserves have reached the Company's paid-in capital, the Company does not need to extract the reserves but accrue or transfer the special earning reserves as per laws or the request of responsible authority. For the remaining earnings, together with undistributed profits in the same period, the Board of Directors shall draft a dividend distribution proposal and submit it to the shareholders meeting for resolution of distribution as shareholders' dividends.

The Company is in the stage of expansion. Based on the capital expenditure, business expansion needs, and improvement of financial plan and for the purpose of sustainable development, the Company prepared the dividend policy considering factors including the current and future development plans, investment environment, and capital demands. No less than 10% of the annual net income shall be appropriated to shareholders every year, and the distribution of dividends shall be in cash or stocks. In particular, the cash dividends shall be no less than 10% of the total dividends of that year.

2. The distribution of dividends is going to be discussed in the shareholders meeting

With respect to the earnings distribution for 2020 of the Company, the Board of Directors made the resolution that every share was distributed with NT\$ 0.5 in cash dividend on March 24, 2021, with its total of NT\$ 22,893,000. It will be submitted to the shareholders meeting on June 28, 2021, for approval.

(VII) The impact of stock dividend issuance on the business performance of the Company and the earnings per share are going to be discussed in the shareholder's meeting

With respect to the resolution of the Board of Directors on the earnings distribution for 2020, it did not distribute shares and dividends on March 24, 2021. Therefore, it had no impact on the business performance and earnings per share.

(VIII) Employee bonus and remuneration of directors and supervisors

1. The percentages or ranges with respect to the remuneration of the employee, director, and supervisor, as set forth in the Company's Articles of Incorporation:

If the Company's annual pre-tax benefits before deduction of employee compensation and directors' compensation are profitable, no less than 1% shall be appropriated as employee remuneration, which shall be distributed in stock or cash upon resolution of the Board of Directors. Employee compensation may be issued to employees in affiliate companies that meet certain criteria. The Company may appropriate no more than 3% of the above profit as directors' compensation upon resolution of the Board of

Directors. The distribution plan of the employee compensation and directors' compensation shall be reported at the shareholders meeting. However, when the Company still has accumulated losses, it shall reserve the amount of compensation in advance, and then allocate employee compensation and directors' compensation in proportion to the preceding paragraph.

2. The calculation basis for the estimated amount of employees' dividends, directors' and supervisors' remuneration in the current period, the calculation basis of the number of shares of distribution of dividends and accounting treatments when differences occur between the estimated and the actual distributed amount:

The recognized employees and directors compensation amount of the Company is the pre-tax net income before deducting the employees and directors remunerations. In accordance with the Company's Articles of Incorporation, it was appropriated as a calculated estimation and recognized as compensation expenses. Any discrepancy between the estimated and the actual distribution amount will be treated as an adjustment in accounting estimations and recognized as current profits and losses.

3. Employee Compensation Distribution Proposals adopted in Board of Directors Meeting:

- (1) Amount of remuneration for employees, directors, and supervisors distributed in cash or stocks. If there is any discrepancy between the recognized amount and the estimated figure for the fiscal year, the discrepancy, its cause, and the status of treatment shall be disclosed:

According to the resolution on employees and directors compensation distribution for 2020 approved by the Company's Board of Directors on March 24, 2021, the employees and directors compensations are NT\$ 3 million and NT\$ 500 thousand respectively, which would be distributed in cash in its totality. And no recognized expense discrepancy occurred.

- (2) The proportion of employee remuneration amount distributed by stocks to the after-tax net income and to the total number of employee remuneration: None.

4. The actual distribution of employees, directors, and supervisors compensation for the previous fiscal year (including the number, amount, and price of distributed shares), and, if there is any discrepancy between the actual distribution and the recognized employees', directors', or supervisors' compensation, the discrepancy, cause, and how it is treated shall be disclosed:

The employees and directors compensations for 2019 of the Company was reported to the Board of Directors on May 20, 2020, and no discrepancy was found between the actual distributed amount and the recognized employees' and directors' compensations in the financial report.

(IX) Buyback of Shares of the Company Itself: None.

II. Status of Corporate Bonds: None.

III. Status of Preferred Shares: None.

IV. Status of Global Depository Receipts (GDRs): None.

V. Transaction Status of Employee Stock Options

(I) Unexpired employee stock options shall disclose the processing situation up to the publication date of the annual report and the impact on shareholders' rights and interests:

April 30, 2021

Types of Employee Stock Options	Employee Stock Options for 2018 (Note1)
Effective Date of Declaration	March 20, 2019
Date of Issuance	December 31, 2018
Duration period	Ten years
Number of Issuance Unit	2,400 units (1,000 share/unit)
The ratio of issued stock options to the total number of issued stocks	5.24%
Subscription Period	From December 31, 2020, to December 30, 2028
Method of Performance	Issuance of new shares of common share
Restricted stock option and ratio (%)	Two years before expiration 50%, three years before expiration 100%
Exercised number of stocks	856,000 shares
Exercised amount	NT\$ 9,416,000
Unexercised number of stock option	1,544 units (Note2)
Adjusted exercise price for those who have yet to exercise their rights	NT\$ 11
The ratio of the number of unexercised stock option to the sum of issued stock (%)	3.37%
Impact on shareholder's equity	The stock options are provided by the Company to attract and retain required talents and increase employees' cohesion. Therefore, it shall have a positive influence on the shareholders' equity.

Note1: When the Company issued the employee stock option, it was still a private company. According to Article 167-2 of the Company Act, it shall be issued after the resolution of the Board of Directors.

Note2: Unexercised number includes resignation and invalid units.

(II) Names, acquirement, and conditions of managers and top ten employees who have received a substantial amount of employee share options as of the date of publication of this Prospectus:

April 30, 2021; Unit: Thousand shares; NT\$; %

	Position	Name	Number of acquired stock	The ratio of the number of acquired stock to the sum of issued stock	Performed				Not performed			
					Number of Stock Option	Price for Stock Option	Amount of Stock Option	The ratio of the number of stock option to the sum of issued stock	Number of Stock Option	Price for Stock Option	Amount of Stock Option	The ratio of the number of stock option to the sum of issued stock
Manager	CEO	Kentaro Nishikawa	1,345	2.94%	565	11	6,215	1.23%	780	11	8,580	1.70%
	Deputy CEO	Kazuto Kondo										
	Chief Finance Officer	Kazuya Tamura										
	Senior Manager (Note 1)	Shingo Iwai										
	Manager (Note 2)	Yang Guo-Sheng										
Employee	Manager	Lai Guo-Xuan	313	0.68%	93	11	1,023	0.20%	220	11	2,420	0.48%
	Regional Manager	Zhang Wen-Li										
	Deputy Manager	Li Rui-Zhe										
	Regional Store Manager	Sun Ji-Wei										
	Regional Store Manager	You Jun-Yi										
	Regional Store Manager (Note 3)	Huang Yi-Xin										
	Supervisor (Note 2)	Zhang En-Fan										
	Chief	Tomoe Nimura										
	Employee of Controlling Company	Saito Nobuyuki										
	Employee of Controlling Company	Miyakawa Shinji										

Note 1: The employee (manager) was the former employee of controlling company before becoming the manager of this Company on March 1, 2019.

Note 2: The manager and employee have resigned.

Note 3: The employee resigned on November 30, 2019, and returned on May 18, 2020.

VI. Transaction status of Employee Restricted Stock: None.

VII. Status of merger or acquisition of new shares of other companies: None.

VIII. Capital operation plan and implementation status: As of the quarter preceding the date of publication of the Annual Report, the Company has not issued uncompleted placements or placements that were completed within the most recent 3 years but have not yet fully yielded the planned benefits.

Chapter 5. Operational Highlights

I. Business activities

1. Businesses scope

(1) Primary business

The Company is a chain revolving sushi company operating under the brand of "くら寿司", providing customers with affordable and high-quality sushi, and a comfortable and fun dining environment.

A. Possess unique products and shops

With the ambition of "Food Revolution", the Company expands its business and clearly shows its uniqueness to the society.

B. Create existence value

Whether in the Food and Beverage industry or the conveyor belt sushi industry, the Company continues to pursue the development of uniqueness and existence value. The conveyor belt sushi industry introduces advanced and unique systems in related fields such as products, shops, and operations, and often creates new values based on basic management principles, shows clear existence value, and pursue high-quality services to customers.

(2) Business proportion of major products

Unit: NT\$ thousand

Year Product item	2019		2020	
	Sales revenue	Proportion (%)	Sales revenue	Proportion (%)
Revolving sushi	1,926,252	100.00	2,414,639	100.00

(3) Current products and services:

The Company is mainly engaged in Japanese-style conveyor belt sushi chain Food and Beverage brand, providing Japanese sushi, noodles, desserts, and beverages to consumers. At present, the main products sold by the Company are as follows:

Type of product	Summary
Revolving sushi	All kinds of fresh sushi and tempura, edamame, chawanmushi, salad, miso soup, ramen noodles, udon noodles, ice cream, cake, donut, juice, beer and other side dishes.

The parent company of the Company has more than 400 shops in Japan. It has become a representative conveyor belt sushi restaurant in Japan. The Company also adheres to the following basic principles, providing customers with high-quality sushi and a comfortable and pleasant dining environment at a low price.

A. Commitment to "Delicious Food"

Since the initial stage of its business, the Company has adhered to the principle of providing consumers with safe, healthy, and light food enjoyment. It provides "original food" without "the use of synthetic ingredients" and follows the principle of "one price per plate".

B. Commitment to "Safety"

The exclusive patent fresh-keeping cover "Sendo-kun"(original sushi capsule), which was developed by the parent company with years of effort, can effectively eliminate the droplets in the air, and the freshness of each dish of sushi can be accurately collected through IC chip control. The system will give an automatic notification when it exceeds the time period, thus ensuring that consumers can safely enjoy their food .

C. Adherence to the "comfortable and fun dining environment"

Over the years, the Company has always stood on the consumer's position, inherited many patents developed by the parent company, and introduced various new services ahead of the industry one after another, such as "BIKKURA-PON! "game (toys acquiring game) and plate counter water collection system, which not only keeps a comfortable dining environment at any time, saves time for manpower calculation, but also brings consumers a revolutionary new dining experience through games with one game opportunity every five plates and exclusive capsule toys.

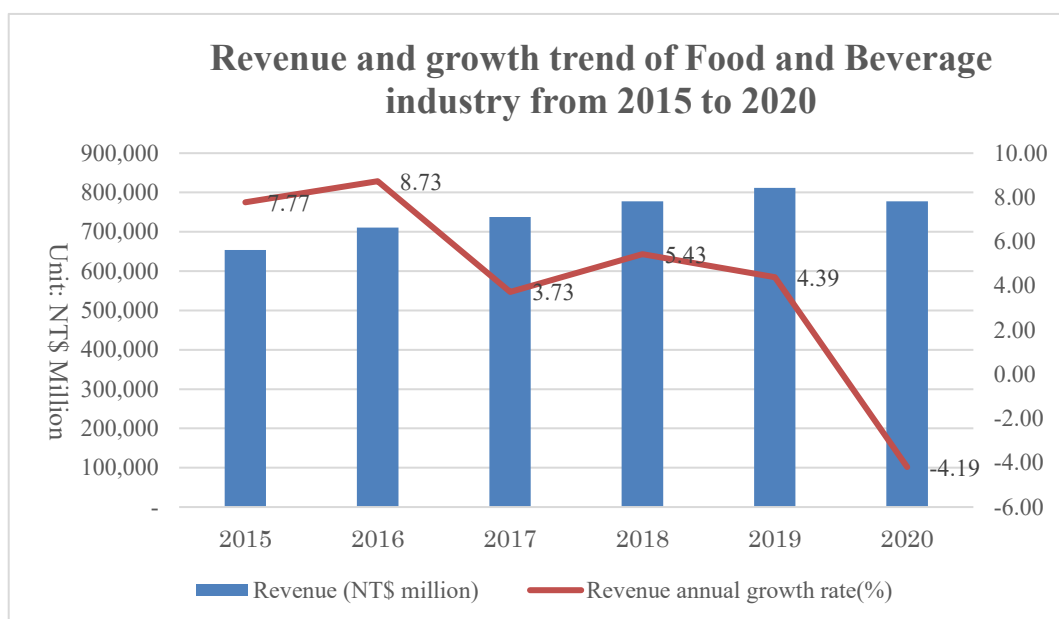
(4) New goods (services) planned to be developed

At present, the Company is still actively developing sushi and side dishes, such as ramen noodles, udon noodles, desserts, and so on. In terms of the dining environment, the Company introduces various safe, comfortable, and entertaining services and systems that can improve the operation level, such as Sendo-kun (original sushi capsule that automatically open and close), BIKKURA-PON! game, conveyor belt (providing food on high-speed conveyor belt), touch-screen ordering system, time management system, shop operation management system, etc.

2. Current industry situation

(1) Industry status and development

According to the statistical investigation data of the Food and Beverage industry in Taiwan (as shown in the following figure), the revenue of the Food and Beverage industry in Taiwan from 2015 to 2020 was NT\$ 653.8 billion, NT\$ 710.9 billion, NT\$ 737.4 billion, NT\$ 777.5 billion, NT\$ 811.6 billion and NT\$ 777.6 billion respectively, with annual growth rates of 7.77%, 8.73%, 3.73%, 5.43%, 4.39%, and -4.19%, respectively.



Source: Accounting and Statistics (DGBAS), Executive Yuan

During the period from January to April 2020, affected by the global outbreak of Covid-19, the overall economy contracted, and the people's willingness to travel and gather for meals declined, which caused the Food and Beverage industry to decline collectively. Later, with the entry restrictions of foreign tourists and the effective implementation of pandemic prevention measures in Taiwan, the people regained confidence and resumed their going-out activities. In addition, the government also launched plans to revitalize the domestic economy in the second half of the year, such as the "Triple Stimulus Vouchers" and the "Safe Domestic Travel Subsidy Scheme". The Food and Beverage industry also took advantage of the opportunity to launch relevant promotional activities to attract customers, which contributed to the recovery of the Food and Beverage industry significantly in the second half of the year. However, the rebound still could not make up for the decline in the first half of the year, which caused the overall revenue of the Food and Beverage industry to decrease by 4.19%.

According to the 2019 household income and expenditure survey released by the Chief Accounting Office of the Executive Yuan, the national average household consumption expenditure is NT\$ 829,000, 2.20% higher than in 2018. Due to the increasingly affluent life of modern people and the increasingly popular culture of eating out and travel, the proportion of "restaurant and hotel" expenditure in household consumption expenditure has increased year by year, reaching 12.79% in 2019, a new record high. On average, each family spends more than NT\$ 106,000 per year on "food and travel expenditure", and the proportion of household "restaurant and hotel expenditure" shows an upward trend, indicating that the people's dining and entertainment consumption habits continue to take shape. In addition, regional shopping malls are opening in new towns or redevelopment areas one after another, attracting various Food and Beverage brands to set up shops. In addition, the increasing mid-priced restaurant brands and other factors drive people's willingness to

eat out, so the revenue of the overall Food and Beverage industry shows a steady growth trend.

However, affected by the global Covid-19 pandemic in 2020, the people changed their daily habits, reduced group gatherings, chose take-outs, or bought fresh and frozen food to cook by themselves instead of eating out. In addition, the government restricted the entry conditions of foreign tourists, which shrunk the revenue of restaurant operators in the first half of the year. At this time, in order to break through the predicament, some restaurant operators turned to launch take-out lunch boxes, cooperated with delivery operators, or launched ready-to-eat meals together with retail channel operators to expand revenue sources. In the second half of the year, the pandemic situation in the country had slowed, and the government successively launched revitalization vouchers and various tourism subsidy schemes, which increased the people's willingness to go out to spend on shopping and travel. The domestic tourism sprang up like mushrooms. With the better control of the pandemic, some chain Food and Beverage operators were also optimistic about the future economic growth, and resumed the previous expansion pace one after another. They actively developed the take-out market and launched related promotional activities with the membership-based APP, not only developing new customers base, but also actively cultivating consumer loyalty, in an attempt to continuously expand their brand influence in the Food and Beverage industry.

Statistics of revenue of the Food and Beverage industry in Taiwan

Unit: NT\$ Million; %

Year \ Item	Restaurants		Event catering and other food service industry		Beverage Stores		Food and beverage
	Revenue	%	Revenue	%	Revenue	%	Revenue
2014	497,987	82.09%	34,402	5.67%	74,253	12.24%	606,642
2015	534,738	81.79%	37,762	5.78%	81,308	12.43%	653,808
2016	579,696	81.54%	41,513	5.84%	89,692	12.62%	710,901
2017	602,016	81.64%	41,525	5.63%	93,878	12.73%	737,419
2018	638,985	82.19%	42,281	5.44%	96,201	12.37%	777,467
2019	669,513	82.50%	42,646	5.25%	99,417	12.25%	811,576
2020	649,822	83.57%	29,907	3.85%	97,833	12.58%	777,563

Source: Department of Statistics, MOEA

(2) Relationship among upstream, midstream, and downstream of the industry

The upstream of the Food and Beverage industry chain is mainly the food suppliers who produce or provide food ingredients. The midstream is the Food and Beverage service providers who provide meal cooking services, and the downstream is the end consumers. The Company takes qualified and certified ingredient suppliers as the preferential procurement target, and sets the selection standards for each ingredient, strictly controls the supply quality, and then makes food for consumers to enjoy

through the set standard processing flow of ingredients. Correlation among upstream, midstream, and downstream of the industry engaged by the Company is as shown below:

Upstream	Midstream	Downstream
Supplier (All kinds of seafood, meat, fruits and vegetables, miscellaneous grains, tableware, and related consumables, etc.)	Food, Beverage, and Service Industry (chain Food and Beverage industry, theme restaurants, fast food industry, eateries, etc.)	End consumers

(3) Product development trends and competitive landscape

A. Development trends of products

(A) Providing excellent dining environment and high value-for-money goods

Since the Company operated its shop in Taiwan in 2014, it has adhered to its business philosophy and mission to meet customers' needs, provide uniform price, safe, and excellent sushi and side dishes products, as well as an entertaining and pleasant dining environment. At present, the Company has 35 stores in Taiwan and continues to expand the territory of the business.

(B) Expanding territory, improving quality, and using local ingredients flexibly

The Company will continue to expand its business in Taiwan in the future, and will also provide more customers with high-quality services in the Greater China and Southeast Asia markets in the future. In addition, it also efficiently seeks safe imported ingredients and actively seeks to use local ingredients. To ensure the operation of the conveyor belt sushi restaurant, while concentrating resources, the Company also conducts appropriate market analysis, efficiently and continuously invests in business expansion, and actively and down-to-earthly complete the growth strategy. The Company pays attention to maintaining the competitiveness from the original high-quality service, devotes itself to maintaining and enhancing the brand value, and implements the type of regular chain store and operational management, so as to obtain stable growth in accordance with its business policy.

B. Products competition

The products and services of the Food and Beverage industry are highly imitative and is an industry with low entry threshold. As a Food and Beverage service industry that operates conveyor belt sushi under the brand of "くら寿司", the Company provides conveyor belt sushi including sushi, Gunkan Sushi and sushi rolls, as well as tempura, edamame, chawanmushi, salad, miso soup, ramen noodles, udon noodles, ice cream, cake, donut, juice, beer, and other side dishes. By actively developing meals that meet consumers' tastes, the diversity of meals

has increased. In addition, the Company's original Plate Counter Water Collection System provides a comfortable and relaxed dining environment, combined with the childlike BIKKURA-PON! game , where consumers are given 1 opportunity to win limited edition capsule toys with every 5 plates, which increases the incentives for customers' dining consumption, reduces competition with products in the same industry, and formulates appropriate strategies in response to different competitive environments to ensure the competitiveness of the Company.

3. Overview on technology, research, and development

(1) Technical level of business:

The Company draws on the Japanese parent company's years of store operation experience and the effective and efficient operating know-how gained through continuous improvement effort, and uses store development experience accumulated through practices, and introduces the know-how of talent education and survival to start its business in Taiwan.

When the Company introduced the Japanese parent company's touch screen ordering system, conveyor belt, Sendo-kun (original sushi capsule), BIKKURA-PON! game, and plate counter water collection system, the Company also introduced its original technology to make its operation more efficient in accordance with local conditions.

(2) Research and development

The Company receives the resource injection from the parent company. In addition to successfully introducing the original technologies and systems mentioned above, in terms of product research and development, professional developers from the Japanese parent company also assist in developing and designing new products. The Company further discusses follow-up improvements with Japanese developers through local trial production and feedback after food sampling in Taiwan. In addition, personnel in the Product Dep. also searches for food development trials by themselves. After collecting the opinions of the food tasters, the Company confirms whether the new products meet the Group's standards, continues to actively carry out product development, and timely adjusts strategic products and menu items with reference to seasonal changes and sales situations.

(3) R&D personnel and their academic experiences

		Unit: person			
Year		2018	2019	2020	End of April 2020
Academic distribution ratio	PhD	-	-	-	-
	Master's	-	-	-	-
	University/College	1	1	2	3
	High School and below	1	1	1	1

- (4) Expenses for research and development in the last five years and successfully developed technologies or products

Subject to the restriction of preservation, transportation, or import of ingredients, the Company's new product development in the last five years was based on the purpose of making delicious and healthy Japanese sushi food, so the Product Dep. of the Company uses some local ingredients to make improvements and adjustments that inherit the flavor, safety, and healthiness of the delicious sushi of the Japanese parent company. In addition, to enhance the uniqueness and competitiveness of the Company's operations, personnel in the Product Dep. of the Company also matched and developed Japanese-flavor products unique to the Company with Japanese product developers aiming at the unique ingredients in Taiwan Province. Details of developed products are shown in the following table.

Date	Type of product	Item
2016	Sushi	Cured Salmon with Pomelo Peel Nigiri, Black Pepper Seared Tuna Nigiri, Cured Tuna with Pomelo Peel Nigiri, Shrimp with Ishizawa Dressing Nigiri, Cured Shrimp with Pomelo Peel Nigiri, Squid with Ishizawa Dressing Nigiri, Sliced Pork with Salt Scallions Nigiri, Salmon Skin Roll, Spicy Tuna, Hokkaido Seared Saury Nigiri, Raw Squid Arms Nigiri, Shrimp Tempura Hand Roll
	Side dishes	Chocolate Volcano Mousse Cake, Italian Tiramisu, New York Cheesecake, Nanban Pickled Fish Bone-side Meat (cold), Kamatamare Sanuki Udon Noodles, Rich Taste Miso Ramen
2017	Sushi	Pork with Garlic Soy Sauce Nigiri, Salted Tuna Nigiri, Seasoned Capelin Roll, Seared Fatty Mackerel, Pork with Teriyaki Sauce Nigiri, Shellfish with Wasabi, Crab Stick Tempura Nigiri, Salty Raw Salmon with Scallion (1 Pcs) Nigiri, Shichimi Cured Flounder Fin Nigiri, Salted Tuna Yukhoe, Seared Fatty Mackerel Nigiri, Spicy Crab Stick Tempura Nigiri, Shichimi Cured Raw Shrimp Nigiri, Tamagoyaki Tempura Nigiri, Cured Tuna with Yuzukosho Nigiri, Japanese Geoduck Nigiri, Tuna Belly Steak(1 Pcs) Nigiri
	Side dishes	Sweet Potato Tempura Soft-Serve, Chicken Tempura, Dandan Noodles with Sesame, Maitake Tempura, Yuzukosho Harihari Udon, Matsutake Chawanmushi, Matcha Milk Soft-Serve
2018	Sushi	Albacore Nigiri, Cured Albacore with Yuzukosho Nigiri, Cured Raw Shrimp with Yuzukosho Nigiri, Special Albacore Nigiri, Tuna Belly with Trout Roes Nigiri, Trout Roes, Tuna with Scallion, Seafood Sea Urchin, Crab Leg Salad, Salted Tuna Yukhoe, Salmon with Cream Cheese Nigiri, Broiled Salmon(1 Pcs) Nigiri, Avocado Albacore Nigiri, Shrimp with Cream Cheese Nigiri, Spear Squid Nigiri, Sakhalin Surf Clam Nigiri, Aomori Boiled Scallop Nigiri, Inari with Yuzu, Shrimp Salad, Grilled Skipjack Tuna Nigiri, Grilled Garlic Shrimp Nigiri, Tofu Pouches Tempura Nigiri, Cured Albacore Nigiri, Seared Albacore Teriyaki Nigiri, Char-Grilled Mackerel Nigiri, Special

Date	Type of product	Item
		Squid (1 Pcs) Nigiri, Shichimi Cured Tuna Nigiri, Squid with Shiso Leaf Nigiri, Pressed Mackerel Sushi, Seared Albacore with Cheese Nigiri, Pressed Grilled Mackerel Sushi, Tofu Pouches Tempura, Black Pepper Cured Albacore Nigiri, Aged Flounder Fin Nigiri, Shrimp Tempura Inari (1 Pcs), Roasted Sesame Boiled Scallop Nigiri, Aomori Boiled Scallop
	Side dishes	Shrimp Tempura Udon (cold), French Toast with Choco Syrup, French Toast with Caramel, Sweet Walnuts Caramel Sundae, Broccoli Salad, Fried Chicken, Taiyaki Soft-Serve, Sweet and Sour Fried Mackerel, Golden Toast with Choco Syrup (Valentine's Day), French Toast with Caramel (Children's Day)
2019	Sushi	Boiled Octopus Nigiri, Hokkaido Octopus Nigiri, Flying Fish Roe, Shrimp Salad, Onion Shrimp with Garlic Chips Nigiri, Pork with Sesame Sauce Nigiri, Shrimp with Sesame Sauce Nigiri, Pork with Shichimi Sauce Nigiri, Roasted Sesame Inari, Shrimp with Avocado Tempura Nigiri, Fresh Giant Shrimp (1 Pcs) Nigiri, Seared Salmon with Miso Mayo Nigiri, Albacore with Shichimi Sauce Nigiri, Ark Shell Nigiri, Corn Salad Inari, Isobe Fried Crab Stick Nigiri, Seared Shrimp with Spicy Miso Nigiri, Seared Pork with Miso Sauce Nigiri, Cured Salmon With Calamansi (1 Pcs) Nigiri, Snow Crab, Large Salmon Roes, Saury Tempura, Bluefin Tuna Chutoro (1 Pcs) Nigiri, Seared Bluefin Tuna Chutoro (1 Pcs) Nigiri, Bluefin Tuna Chutoro, Shrimp Tempura with Yukishio (1 Pcs), Deluxe Sushi (Scallop, Salmon, Raw Shrimp) Nigiri, Seared Big Shrimp with Lemon Nigiri, Bluefin Tuna Otoro (1 Pcs) Nigiri, Seared Bluefin Tuna Otoro (1 Pcs) Nigiri, Bluefin Tuna Otoro, Grilled Conger Eel (1 Pcs) Nigiri, Seared Salmon with Lemon (1 Pcs) Nigiri, Grilled Salmon Back (1 Pcs) Nigiri, Fresh Sweet Shrimp, Grateful Deluxe Nigiri, Grand Snow Crab Nigiri, Ikejime Big Shrimp (1 Pcs) Nigiri, Hokkaido Sweet Shrimp (1 Pcs) Nigiri
	Side dishes	Pork and Shrimp Tempura Udon, Crunch Chocolate Cookie Sundae, French Fries, Spicy Sesame Udon with Pork, Creamy Chocolate Pudding, Chocolate Nuts Semifreddo, Aomori Scallop Tempura, Miso Butter Corn Ramen, Valentine's Day Sundae (Valentine's Day), Japanese Warabi Mochi Sundae with Brown Sugar (Children's Day), Chocolate Pudding Sundae (Qixi Festival), Berry Shortcake (Christmas), Chocolate Gâteau (Christmas)
2020	Sushi	Onion Beef with Scallion Nigiri, Beef Ribs Nigiri, Shrimp Bites Tempura Nigiri, Cured Scallop With Yuzu, Teriyaki Meatball Gunkan, Sea Eel Nigiri, Crab Stick Shrimp Hand Roll, Cream Cheese Crab Stick Nigiri, Squid with Shiso Leaf Nigiri, Salmon with Crispy Shallots Nigiri, Special Cured Jinhua Mackerel (1 Pcs) Nigiri, Japanese Red Snapper Nigiri, Seaweed Roll with Raw Shrimp, Shrimp with Crispy Shallots Nigiri, Raw Shrimp with Calamansi Nigiri, Special Cured Tuna Nigiri, Cured Big Shrimp (1 Pcs) Nigiri, Seared Cheese Scallop Nigiri, Seared Crab Stick with Cheese Nigiri, Seared Rose Salt Big Shrimp (1

Date	Type of product	Item
		Pcs) Nigiri, Chicken Tempura Nigiri, Fried Chicken Nigiri, Abalone (1 Pcs), Salted Shrimp Yukhoe, Pork With Garlic Nigiri, Overflow Big Salmon Roe (1 Pcs), Seared Kinki (1 Pcs) Nigiri, Cured Bluefin Tuna Nigiri, Thick Cut Tuna Deluxe Sushi Nigiri, Seared Rosy Seabass (1 Pcs) Nigiri, Extra Large Salmon Roe Yukhoe, Big Shrimp with Yuzu and Trout Roes (1 Pcs), Oyako Salmon Nigiri, Seared Rose Salt Seabass (1 Pcs) Nigiri, Snow Crab Trout Roes Hand Roll, Snow Crab Trio, Grand Snow Crab Nigiri, Golden Eye Snapper Trio Nigiri, Pork Nigiri, Salted Beef Ribs Nigiri, Hokkaido Large Scallop with Salmon Roes Nigiri, Hokkaido Large Cured Scallop Seaweed Roll, Overflow Scallop Nigiri, Deluxe Salmon Roe Abalone 3 Pcs Set.
	Side dishes	Beef Udon, Shrimp & Scallop Tempura Udon (cold & warm), Japanese Fried Chicken, Strawberry Shortcake, Rich Chocolate Parfait, Hokkaido Milk Pudding Tart, Japanese Cheesecake, Chocolate Fresh Cream Layer Cake, Hokkaido Cheesecake, Caramel and Choco Sauce Sundae, Warabi Mochi Sundae with Brown Sugar, Eel Chawanmushi, Scallop and Shrimp Chawanmushi, Crab Claw Chawanmushi

4. Long and short-term business development plans

(1) Short-term business development plans

A. Deeply cultivating the Taiwan market and expanding brand awareness

At present, the Company has 35 stores in northern, central, and southern Taiwan, and it is expecting to continue to invest in business expansion, expand its business scale and improve its brand awareness in Taiwan in the future.

B. Improving quality and making good use of network marketing

The Company continues to improve product quality and service standards, ensuring the stable development of existing stores, and making full use of online social media functions (such as Facebook) to expand target groups and increase market share.

C. Attracting and cultivating outstanding talents

The Company regularly carries out recruitment activities, holds corporate seminars in colleges and universities, and cooperates with government agencies to hold joint recruitment sessions to recruit outstanding talents through different platforms. The Company establishes long-term cooperative relations with colleges and universities, provides internship opportunities for students in related departments, and expands talent recruitment channels. Through the basic training of each position, the employees are expected to be the strength of the Company in the future. In addition to providing training for various positions, regular training sessions are also held for employees to enhance their professional abilities. In addition to participating in

regular training, personnel also participate in study activities such as reading clubs and training camp from time to time, so as to strengthen the target management system and the talent education system.

D. Strengthening the internal management system

The Company continuously implements and strengthens the internal control and internal audit management systems to achieve good corporate governance and maximize its value.

(2) Long-term business development plan

A. Layout of Greater China and Southeast Asia markets

The Company plans to enter the Greater China and Southeast Asia markets, and establishes business development and system. In the future, hundreds of stores are expected to be opened in Greater China and Southeast Asia, aiming at establishing a multi-regional operating system.

B. Cultivating talents in various regions

The Company cultivates and promotes outstanding talents who can be responsible for high-level business in various regions and functions.

C. Familiar with the characteristics of each region, effective development and management

According to the characteristics of each region, the Company effectively opens stores, trains and uses appropriate talents, and accumulates store operation experience in each region.

D. New services and undertakings

The Company develops new types of services and businesses, management methods, improves the operational efficiency of stores, and increases the goodwill of consumers, so as to maintain the competitiveness of the company.

II. Overview of market, production, and marketing

1. Market analysis

(1) Sales (supply) areas of major products (services)

Unit: NT\$ thousand; %

Sales territory \ Year	2019		2020	
	Amount	Ratio(%)	Amount	Ratio(%)
Domestic sales	1,926,252	100.00%	2,414,639	100.00%
Foreign sales	-	-	-	-
Total	1,926,252	100.00%	2,414,639	100.00%

(2) Market Share

Unit: NT\$ thousand; %

Item \ Year	2018		2019		2020	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
Sales revenue (A)	1,435,914	70.12%	1,926,252	34.15%	2,414,639	25.35%
Revenue of restaurant industry in Taiwan (B)	638,985,267	6.14%	669,513,218	4.78%	649,822,357	-2.94%
Market share (A/B)	0.22%		0.29%		0.37%	

Source: Statistics Department of the Ministry of Economic Affairs, the consolidated financial reports of each period of the Company audited and certified by accountants. No consolidated financial report was prepared in 2018. It was disclosed by the comparative figures attached to the consolidated financial report of 2019.

The Company was established in January 2014. With the continuous and active business expansion plan, the number of stores increased year by year, and the revenue also showed a trend of increasing year by year. The operating revenue from 2018 to 2020 were NT\$ 1,435,914 thousand, NT\$ 1,926,252 thousand, and NT\$ 2,414,639 thousand, respectively, and the growth rate of operating revenue in 2019 and 2020 were 34.15% and 25.35%, respectively; and the revenue of Food and Beverage industry in Taiwan from 2018 to 2020 were NT\$ 638,985,267 thousand, NT\$ 669,513,218 thousand, and NT\$ 649,822,357 thousand, respectively, and the growth rate of revenue for 2019 and 2020 were 6.14%, 4.78%, and -2.94%, respectively. Based on the operating revenue of the Company, its market share from 2018 to 2019 were estimated to be 0.22%, 0.29%, and 0.37%, respectively, showing a year-on-year growth trend. The Company's market share from 2018 to 2019 was low, mainly due to relatively slow expansion in those year. But the Company continued for 2 years, opened 10 shops every year from 2019 to 2020. In 2020, it also made steady progress despite the difficulties of the pandemic. The Company was impacted by the Covid-19 pandemic in 2020, with reduced growth and revenue growth rate decreased to 25.35%. However, its revenue was still significantly better than the -2.94% of the restaurant industry in Taiwan in the same period. In the future, the Company will continue to carry out the business expansion plan, broaden its revenue scale, and continuously increase its market share.

(3) Supply and demand in the market and possible future growth

Unit: one; NT\$; %

Year	Number of Food and Beverage companies	Annual growth rate	Average disposable income per household	Annual growth rate	Average spending per household	Annual growth rate	Ratio of restaurant and hotel expenditure to household spending
2015	124,124	5.81%	964,895	0.84%	759,647	5.93%	11.27%
2016	130,651	5.26%	993,115	2.92%	776,811	2.26%	11.83%
2017	136,906	4.76%	1,018,941	2.60%	811,670	4.49%	12.00%
2018	141,823	3.59%	1,036,304	1.70%	811,359	(0.04%)	12.32%
2019	153,689	8.36%	1,059,731	2.26%	829,199	2.20%	12.79%

Source: Statistical Information Network of the Republic of China.

According to the statistical data of the Republic of China, the number of Food and Beverage operators in Taiwan increased year by year from 2015 to 2019, and reached 153,689 in 2019, showing booming supply side of Taiwan's Food and Beverage industry. In terms of demand, the household disposable income and consumption expenditure in Taiwan showed a generally growing trend from 2015 to 2019, and the ratio of household consumption expenditure to restaurants and hotels increased. The increase of national income accompanied with busy business activities and increase in career women, office workers working in other places, or young people leaving home for studies, the frequency of cooking at home continued to decline, and the proportion of eating out and traveling increased. In recent years, the revenue of the Food and Beverage industry also increased year by year, highlighting the development of business opportunities in the take-out market.

(4) Competitive Niches

A. The operation technology and know-how of excellent conveyor belt sushi chain stores

The conveyor belt sushi business operated by the Company is special and is a chain store type. The related store operation technology is based on the long-term store operation experience of the Japanese parent company and has been refined through continuous effort. The successful introduction of this operation technology and highly efficient store management know-how, which is difficult for others to match, effectively reduces the cost of initial trial and error, and stably replicates the experience, accelerates the pace business expansion, and improves the store management effectiveness. It is a key to the Company's competitiveness. Based on this, the Company can provide consumers with safe, and diversified sushi and side dishes at affordable prices, and at the same time steadily expand its business scale. The Company business expansion has a huge initial investment and a high entry

threshold. In addition, the complicated store planning and design and the high-tech threshold required for importing special equipment have become competitive advantages that other businesses in the same industry cannot imitate.

- B. Deepening the differences with businesses in the same industry through unique and entertaining services such as BIKKURA-PON! game , and plate counter water collection system

Based on the special services developed with many years' efforts, such as using Sendo-kun (original sushi capsule) to control the freshness of the food, the plate counter water collection system combined with BIKKURA-PON! game to improve the operational efficiency, and the touch screen ordering system combined with conveyor belt to quickly meet the customer's needs and other original services, the Company not only combines entertainment and functionality to create unique added value, but also deepens the difference with other businesses in the same industry.

(5) Advantages and disadvantages for developmental and action plans

A. Favorable factors

(A) Promotion of food safety awareness and health aspirations

In Taiwan and Asian countries, consumers' demands for food safety and healthy diets are getting higher and higher, and their love for sushi and Japanese cuisine is also growing. Under this environment, as one of the famous conveyor belt sushi chain brands in Japan, the Company attaches great importance to the quality and safety of products, and is highly recognized by consumers for its strict requirements on safety, hygiene, and high-quality service. With the rising awareness of food safety and the emerging of healthy eating, the Company's business philosophy and product characteristics have become favorable factors for its business development.

(B) Entertainment of food (from consumption of goods to consumption of services)

In Taiwan and other Asian regions, the proportion of people dining with family and friends is extremely high, and the people also spend a long time in restaurants. Regarding dining consideration, it has gradually changed from simply satisfying the appetite to considering additional values, such as dining space has become a consideration for selecting a dining place. Consumers have changed their focus from product consumption to service consumption. That is, the phenomenon of "Eatertainment" is widely popular nowadays. In such an environment, the Company's unique and entertaining services not only meet the needs of consumers, but also get high support from consumers. The Company has advantages in the comprehensive business field and business strategy of "Sushi × Entertainment", which is very beneficial to its long-term development in the future.

B. Unfavorable factors and response measures

(A) The high mobility of talents and the difficulty of cultivating talents

The turnover rate of talents in the Food and Beverage industry in Taiwan has always been on the high side, and the retention of talents is a difficult operational problem that many in the Food and Beverage industry must face. In the face of declining birth rate and aging population, human resource management is bound to be more severely tested. Therefore, the retention of talents will be a very important issue for the Company's future business expansion and store addition planning.

Compared with the general dining-out industry, the business scale and management scope of the Company's stores are relatively larger, so it takes a long time to train talents, which is a relatively disadvantageous factor under the influence of the above-mentioned social changes. In view of this situation, the Company has established a regular recruitment interview system, and actively held joint seminars, intern recruitment, and corporate seminars in colleges and universities to ensure excellent talents. In addition, to stabilize the retention of talents, the Company continues to explore ways to establish the working environment expected by the employees, implements effective education and training, and practices the policy of arranging talents according to their needs through salary adjustment, complete promotion system, competitive salary, various employee activities, and ethics and law-related studies.

(B) Concentration of purchases on specific suppliers

The Company's brand was introduced by the Japanese parent company Kura sushi, Inc. In order to maintain the uniqueness of the Group's brand and the consistency of taste and quality, the Company attaches great importance to the quality of ingredients. The ingredients that cannot be obtained locally in Taiwan must be imported through foreign channels. However, due to numerous items and complicated processes, in order to simplify the procurement process and improve administrative efficiency, the Company seeks professional wholesale traders of ingredients in Taiwan as the main contacts of foreign ingredients, resulting in the situation that the purchase is concentrated on specific suppliers.

The imported ingredients of the Company are not exclusively from specific suppliers, but may also be imported from other wholesale ingredients traders. Therefore, regardless of the concentration of purchase, there will be no shortage of goods due to the inability of specific suppliers to supply. The Company has long-term contacts with specific suppliers, establishing good cooperative relationships. There has been no ingredient shortages or interruption. Moreover, the competition in the food industry is fierce, and there

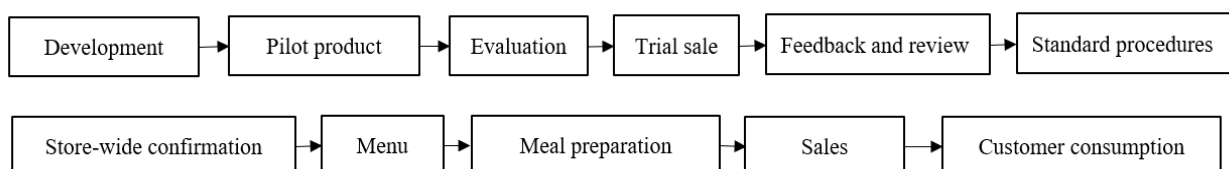
are other wholesale traders in the market for the Company to choose from. Therefore, the concentration of purchase of goods has not caused monopoly or difficulty in obtaining ingredients. Key functions and manufacturing process of core products

2. Key functions and manufacturing process of core products

(1) Key usages of the primary products

The Company is a Japanese-style revolving sushi Food and Beverage company, providing comfortable and interesting dining environment and high-quality service to all customers. The ingredients are directly distributed to all stores by manufacturers, so that consumers can enjoy safe, fresh, and delicious products in each store.

(2) Manufacturing process



3. Supply of key ingredients

The Company's main ingredients include seafood, rice, flour, fruits and vegetables, and beverages. The Company has maintained long-term cooperative relations with major ingredients suppliers and has been in contact for many years with a good cooperative relationship and stable supply. Ingredients shortage or interruption situation has never occurred.

4. Names of customers accounting for more than 10% of the total purchase (sales) in any of the last two years, and the amount and proportion of their purchase (sales) goods, and reasons for the increase or decrease:

(1) Names of manufacturers accounting for more than 10% of the total purchase in any of the last two years, and the amount and proportion of their purchase, and reasons for the increase or decrease:

Unit: NT\$ thousand; %

Item	2019				2020			
	Name	Amount	Proportion in net purchase in the whole year (%)	Relationship with the issuer	Name	Amount	Proportion in net purchase in the whole year (%)	Relationship with the issuer
1	A	560,090	75.04	None	A	719,451	73.79	None
2	B	74,458	9.98	None	B	112,504	11.54	None
3				-				-
	Others	111,841	14.98	-	Others	143,035	14.67	-
	Net purchase	746,389	100.00	-	Net purchase	974,990	100.00	-

Reasons for the change: there is no significant change in the major suppliers of the Company in the last two years.

- (2) Names of customers accounting for more than 10% of the total sales in any of the last two years, and the amount and proportion of their sales goods, and reasons for the increase or decrease:

The ultimate sales target of the Company is general consumers. There are no customers who account for more than 10% of the total sales in the last two years, so it is not applicable.

5. Table of production for the two most recent years

Unit: thousand shares; NT\$ thousand

Year Type of Product	2019		2020	
	Volume	Value	Volume	Value
Revolving sushi	46,452	1,122,910	58,366	1,457,497

6. Table of sales for the two most recent fiscal years:

Unit: thousand shares; NT\$ thousand

Year Type of Product	2019		2020	
	Volume	Value	Volume	Value
Revolving sushi	46,452	1,926,252	58,366	2,414,639

Analysis and explanation of changes in production and sales value:

In the last two years, the total sales volume and total sales value have both increased, mainly because of the Company's increase in the number of stores and customers.

- III. Number of employees for the most recent two fiscal years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and education levels

Unit: NT\$ thousand; years; %

Year		End of 2019	End of 2020	End of April 2020
Number of employees	Employees in the Headquarters	80	89	93
	Restaurant full-time employees	350	384	413
	Temporary employees	1,277	1,611	1,803
	Total	1,707	2,084	2,309
Average age		23.15	24.13	24.41
Average length of service (years)		0.67	1.03	0.98
Educational background distribution ratio (%)	PhD	-	-	-
	Master's	0.6	0.7	0.6
	Bachelor's degree	50.3	54.8	54.8
	High School and below	49.1	44.5	44.6

IV. Environmental protection expenditure information

1. Where a company is required by statutory regulations to apply for a permit for installing anti-pollution facilities, a permit of pollution discharge, or a payment of anti-pollution fees, or to establish an exclusively dedicated organization or personnel for environmental protection, details of said applications, payments, or establishment shall be provided:

The Company is in the Food and Beverage industry, mainly providing "food and beverage" and "service". It is not a factory type of manufacturing industry. In the process of cooking in the kitchen, oil fume treatment equipment is set up, and the waste and kitchen waste generated are treated by qualified outsourcing manufacturers, so there is no serious pollution to the environment.

2. Investment in main equipment for preventing and controlling environmental pollution, its use and possible benefits: not applicable.
3. The total amount of losses (including compensation) and disposal due to environmental pollution in the most recent year and up to the publication date of the annual report, and the future response measures (including improvement measures) and possible expenses (including the estimated amount of losses, disposal, and compensation that may occur if no response measures are taken; if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated): None.

V. Employment relations management

1. List various employee welfare measures, advanced studies, training, retirement systems, and their implementation status, as well as the agreements between labor and management and various employee rights protection measures

(1) Employee welfare measures and implementation

- I. Insurance: besides labor insurance and national health insurance stipulated by laws and regulations, the Company also provides group insurance for employees and their families.
- II. Health and safety: the Company attaches great importance to workplace safety and hygiene, and establishes an "Occupational Safety and Health Management Office" to provide employees with a safe and good workplace environment. Workplaces are cleaned and disinfected regularly, and various equipment (such as fire fighting, air conditioning, and drinking water equipment) are regularly overhauled. The Company also abides by relevant laws and regulations, and measures such as setting warning signs in areas prone to accidents or workplace disasters, and arranging appropriate work lines are taken to reduce employees' occupational disasters. In addition, the Company has also established a health care system. It arranges staff to go for health examinations every year and has full-time health care management staff to provide relevant health consultation services and perform on site staff health services to protect the health of employees.
- III. Various subsidies: holiday bonus and employee meal discount.
- IV. Other benefits: as the stores are located all over Taiwan, the necessary expense subsidies for job transfer of employees are provided.

(2) Further education and training

The Company arranges education and training for new employees, helps new employees understand the work content and working environment, and gives relevant guidance to employees when they work, so as to cultivate their professional knowledge and skills, enable them to perform their functions and increase work efficiency, and provide employees with a good working environment for learning and growth.

(3) Retirement system and implementation

According to the new system of labor retirement regulations, the Company allocates 6% of the total salary of employees every month and deposits it in the special account of individual pension of the Labor Insurance Bureau; in addition, for employees of foreign nationalities applicable to the old pension system, a retirement reserve at 2% of the total salary of employees is allocated every month to the special account of labor retirement reserve of Bank of Taiwan.

(4) Labor-management agreement

All regulations of the Company regarding employee salary, and welfare are based on the Labor Standards Law. The Company attaches great importance to employees' opinions and communicates with employees in a two-way and open manner. Employees can express their ideas through the opinion mailbox, so that the Company can understand the employees' situation at the first moment and provide appropriate assistance and arrangements. The Company also holds regular labor-management meetings to fully communicate with employees, with a view to maintain a good and harmonious interactive relationship between employers and employees.

(5) Maintenance measures for employees' rights and interests

The Company has various management measures, such as working rules, salary, and welfare, which specify the rights, obligations, and welfare items of employees, and regularly review the salary and welfare content to safeguard the rights and interests of employees.

2. The losses suffered due to labor disputes in the most recent year and up to the publication date of the annual report, and the estimated amount and corresponding measures that may occur at present and in the future shall be disclosed. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained

In the most recent year and up to the publication date of the prospectus, the labor disputes occurring in the Company have been withdrawn or settled, and the settlement amount paid has not yet had a significant impact on the operation of the Company. The Company regards employees as its biggest asset, upholds humanized management, and will continue to strive to maintain a good interactive relationship between employers and employees.

VI. Major contracts

Type of Contract	Party	Contract duration	Contract content	Restrictions
License agreement	KURA SUSHI, INC.	2020/1/1 ~ 2029/12/31	Trademark licensing	Area restriction
Loan agreement	Sumitomo Mitsui Banking Corporation	2020/5/1~ 2021/4/30	Operating turnover	None

Chapter 6. Financial Information

I. Condensed balance sheet and consolidated income statement for the last five years

(I) Condensed balance sheet and consolidated income statement

1. Condensed balance sheet - IFRSs

(1) Condensed balance sheet - consolidated

Unit: NT\$ thousand

Item	Year	Financial summary for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		143,822	153,158	188,859	375,053	759,407
Property, plant, and equipment		149,018	343,114	508,894	646,500	954,840
Right-of-use assets		-	-	-	681,725	1,300,276
Intangible assets		363	503	857	905	3,250
Other assets		78,943	38,188	46,474	71,443	82,009
Total assets		372,146	534,963	745,084	1,775,626	3,099,782
Current liabilities	Before distribution	56,204	141,751	210,830	354,722	516,664
	After distribution	56,204	141,751	221,548	373,659	539,557
Non-current liabilities		37,095	55,961	89,827	684,900	1,321,406
Total liabilities	Before distribution	93,299	197,712	300,657	1,039,622	1,838,070
	After distribution	93,299	197,712	311,375	1,058,559	1,860,963
Equity attributable to owners of parent		-	-	-	-	-
Share capital		315,000	315,000	315,000	378,730	451,670
Capital surplus		-	-	-	139,650	579,387
Retained earnings	Before distribution	(36,153)	22,251	129,427	217,624	230,659
	After distribution	(36,153)	22,251	118,709	198,687	207,766
Other equity interest		-	-	-	-	(4)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	278,847	337,251	444,427	736,004	1,261,712
	After distribution	278,847	337,251	433,709	717,067	1,238,819

Note 1: The financial information of the above-mentioned years has been audited and certified by accountants. From 2016 to 2018, there were no investment business. No consolidated financial report was prepared, and related information was disclosed by individual financial reports.

Note 2: The Company has adopted the IFRS for the first time since 2017, with the comparative figures as of December 31, 2016 attached.

(2) Condensed comprehensive income statement-consolidated

Unit: NT\$ thousand

Item	Year	Financial summary for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Sales revenue		393,348	844,053	1,435,914	1,926,252	2,414,639
Gross profit		150,113	366,292	627,563	803,342	957,142
Operating income		(8,611)	67,991	138,501	116,482	50,738
Non-operating income and expenses		1,383	2,376	(3,739)	(5,498)	(11,268)
Profit before income tax		(7,228)	70,367	134,762	110,984	39,470
Current net profit of continuing business units		(5,940)	58,404	107,176	88,716	31,570
Loss from discontinued operations		-	-	-	-	-
Profit for the year		(5,940)	58,404	107,176	88,716	31,570
Other comprehensive income (loss), after-tax		-	-	-	(519)	398
Total comprehensive income for the year		(5,940)	58,404	107,176	88,197	31,968
Net Income Attributable to Owners of the Parent		(5,940)	58,404	107,176	88,716	31,570
Net Income Attributable to Non-controlling Interests		-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent		(5,940)	58,404	107,176	88,197	31,968
Comprehensive Income Attributable to Non-controlling Interests		-	-	-	-	-
Earnings Per Share (NT\$) (Note 4)		(188.57)	1,854.10	3.40	2.47	0.79

Note 1: The financial information of the above-mentioned years has been audited and certified by accountants. From 2016 to 2018, there were no reinvestment business. No consolidated financial report was prepared, and related information was disclosed by individual financial reports.

Note 2: Before 2016, the Company adopted a non-calendar year system. In 2017, it was changed to a calendar year system, which was audited and certified by certified public accountants and provided with the proposed comprehensive profit and loss figures from January 1, 2016 to December 31, 2016.

Note 3: The Company has adopted the IFRS for the first time since 2017, with the comparative figures for 2016 attached.

Note 4: The par value per share of the Company in 2016 and 2017 was NT\$ 10,000, and it was NT\$ 10 from 2018 to 2020.

(3) Condensed Balance Sheet - Parent Only/Individual

Unit: NT\$ thousand

Item	Year	Financial summary for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		143,822	153,158	188,859	375,053	759,472
Property, plant, and equipment		149,018	343,114	508,894	646,500	954,840
Right-of-use assets		-	-	-	681,725	1,300,276
Intangible assets		363	503	857	905	3,250
Other assets		78,943	38,188	46,474	71,443	82,009
Total assets		372,146	534,963	745,084	1,775,626	3,099,847
Current liabilities	Before distribution	56,204	141,751	210,830	354,713	516,653
	After distribution	56,204	141,751	221,548	373,650	539,546
Non-current liabilities		37,095	55,961	89,827	684,909	1,321,482
Total liabilities	Before distribution	93,299	197,712	300,657	1,039,622	1,838,135
	After distribution	93,299	197,712	311,375	1,058,559	1,861,028
Equity attributable to owners of parent		-	-	-	-	-
Share capital		315,000	315,000	315,000	378,730	451,670
Capital surplus		-	-	-	139,650	579,387
Retained earnings	Before distribution	(36,153)	22,251	129,427	217,624	230,659
	After distribution	(36,153)	22,251	118,709	198,687	207,766
Other equity interest		-	-	-	-	(4)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	278,847	337,251	444,427	736,004	1,261,712
	After distribution	278,847	337,251	433,709	717,067	1,238,819

Note 1: The above annual financial information has been audited by the CPAs.

Note 2: The Company has adopted the IFRS for the first time since 2017, with the comparative figures as of December 31, 2016 attached.

(4) Condensed Statement of Comprehensive Income - Parent Only/Individual

Unit: NT\$ thousand

Item	Year	Financial summary for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Sales revenue		393,348	844,053	1,435,914	1,926,252	2,414,639
Gross profit		150,113	366,292	627,563	803,342	957,142
Operating income		(8,611)	67,991	138,501	116,482	50,789
Non-operating income and expenses		1,383	2,376	(3,739)	(5,498)	(11,319)
Profit before income tax		(7,228)	70,367	134,762	110,984	39,470
Current net profit of continuing business units		(5,940)	58,404	107,176	88,716	31,570
Loss from discontinued operations		-	-	-	-	-
Profit for the year		(5,940)	58,404	107,176	88,716	31,570
Other comprehensive income (loss), after-tax		-	-	-	(519)	398
Total comprehensive income for the year		(5,940)	58,404	107,176	88,197	31,968
Net Income Attributable to Owners of the Parent		(5,940)	58,404	107,176	88,716	31,570
Net Income Attributable to Non-controlling Interests		-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent		(5,940)	58,404	107,176	88,197	31,968
Comprehensive Income Attributable to Non-controlling Interests		-	-	-	-	-
Earnings Per Share (NT\$) (Note 4)		(188.57)	1,854.10	3.40	2.47	0.79

Note 1: The above annual financial information has been audited by the CPAs.

Note 2: Before 2016, the Company adopted a non-calendar year system. In 2017, it was changed to a calendar year system, which was audited and certified by certified public accountants and provided with the proposed comprehensive profit and loss figures from January 1, 2016 to December 31, 2016.

Note 3: The Company has adopted the IFRS for the first time since 2017, with the comparative figures for 2016 attached.

Note 4: The par value per share of the Company in 2016 and 2017 was NT\$ 10,000, and it was NT\$ 10 from 2018 to 2020.

(II) Names and auditing opinions of CPA in recent five years

1. Name of CPAs and Audit Opinions for the Last Five Years

Year	Accounting Firm	Name of CPA	Opinion
2016	Deloitte & Touche	Chang Jui-Na	Unmodified opinion
2017	Deloitte & Touche	Chang Jui-Na, Chou I-Lung	Unmodified opinion
2018	Deloitte & Touche	Chang Jui-Na, Chou I-Lung	Unmodified opinion
2019	Deloitte & Touche	Chang Jui-Na, Chou I-Lung	Unmodified opinion
2020	Deloitte & Touche	Chang Jui-Na, Chou I-Lung	Unmodified opinion

2. Reasons for replacement of former and later CPAs in the last five years:

In 2017, due to the application for public offering of shares, the Company appointed two accountants to carry out the audit and certification of financial reports.

II. Financial Analysis

1. Financial Analysis-Consolidated (IFRS)

Item		Year	Financial summary for the last five years (Note 1)				
			2016	2017	2018	2019	2020
Financial structure	Ratio of liabilities to assets (%)		25.07	36.96	40.35	58.55	59.30
	Ratio of long-term capital to property, plant, and equipment		212.02	114.60	104.98	219.78	270.53
Debt service ability	Liquidity ratio (%)		255.89	108.05	89.58	105.73	146.98
	Quick ratio (%)		248.21	101.13	82.60	98.88	140.05
	Interest coverage ratio		(656.09)	143.16	146.53	12.96	3.66
Operating Ability	Accounts receivable turnover rate (times)		27.97	33.62	34.08	39.24	37.52
	Average collection days		13.05	10.86	10.71	9.30	9.73
	Inventory turnover rate (times)		132.20	118.49	118.63	134.53	110.53
	Accounts payable turnover rate (times)		14.59	17.73	17.94	17.95	15.82
	Average inventory turnover days		4.13	4.53	4.56	2.71	3.30
	Property, plant, and equipment turnover rate (times)		2.97	3.43	3.37	3.33	3.02
	Fixed asset turnover ratio (times)		1.09	1.86	2.24	1.53	0.99
Profitability	Return on Assets (ROA) (%)		(1.64)	12.97	16.86	7.63	1.78
	Equity return ratio (%)		(2.12)	18.96	27.42	15.03	3.16
	Ratio of income before tax to paid-in capital (%)		(2.29)	22.34	42.78	29.30	8.74
	Net Profit Margin (%)		(1.51)	6.92	7.46	4.61	1.31
	Earnings per Share (NT\$) (Note 3)		(0.19)	1.85	3.40	2.47	0.79
Cash Flows	Cash Flow Ratio (%)		8.32	106.14	117.42	102.95	80.18
	Cash Flow Adequacy Ratio (%)		20.47	49.70	71.19	93.79	100.01
	Cash Reinvestment Ratio (%)		1.32	30.82	32.47	20.04	12.43
Leverage	Operating leverage		(0.35)	1.83	1.77	3.16	7.84
	Financial leverage		1.00	1.01	1.01	1.09	1.41

Reasons for any changes in financial ratios up to 20% in the past two years:

(1) Financial structure

The increase in the ratio of long-term funds to property, plant, and equipment: mainly due to the increase in net shareholders' equity and long-term liabilities in 2020.

(2) Solvency

A. Increase in current ratio: mainly due to the increase in current assets in 2020.

B. Increase in quick ratio: mainly due to the increase in current assets in 2020.

C. Decrease in interest guarantee multiple: mainly due to decrease of pre-tax benefits in 2020.

(3) Operating ability

A. Increase in average inventory turnover days: mainly due to increase in average inventory in 2020.

B. Decrease in turnover rate of total assets: mainly due to the increase in average total assets in 2020.

(4) Profitability

A. Decrease in return on assets: mainly due to decrease in net profit and increase in average total assets in 2020.

B. Decrease in return on equity: mainly due to decrease in net profit and increase in average net shareholders' equity in 2020.

C. Decrease in the ratio of net profit before tax to paid-in capital: mainly due to the decrease of pre-tax profit and the increase of paid-in capital in 2020.

D. Decrease in net rate of return: mainly due to decrease in net profit and increase in net sales in 2020.

E. Decrease in earnings per share: mainly due to decrease in net profit in 2020.

(5) Cash flows

A. Decrease in cash flow ratio: mainly due to the increase in current liabilities in 2020.

B. Decrease in cash reinvestment ratio: mainly due to increase in working capital and other assets in 2020.

(6) Leverage

A. Increase in operating leverage: mainly due to the decrease of operating profit in 2020.

B. Increase in financial leverage: mainly due to the decrease of operating profit in 2020.

Note 1: For the financial reports audited and certified by accountants, there was no reinvestment business from 2016 to 2018. No consolidated financial report was prepared, and the relevant information was calculated based on individual financial reports.

Note 2: The Company adopted a retrospective par value NT\$ 10 per share in 2016 and 2017; it was NT\$ 10 from 2018 to 2020.

Note 3: The formula for calculating the above financial ratio is as follows:

1. Financial structure

(1) Debt ratio = Total liabilities/Total assets.

(2) The ratio of long-term capital to property, plant, and equipment = (net shareholders' equity+long-term liabilities)/net property, plant, and equipment.

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.

(3) Interest coverage ratio = net profit before income tax and interest expense/current interest expense.

3. Operating ability

(1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average collection days = 365/Accounts receivable turnover rate.

(3) Inventory turnover rate = Cost of goods sold/Average inventories.

(4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.

(5) Average inventory turnover days = 365/Inventory turnover rate.

(6) Property, plant, and equipment turnover rate = Net sales/net property, plant, and equipment.

(7) Total assets turnover rate = Net sales/total assets.

4. Profitability

(1) Return on assets = [Income after-tax + Interest expenses x (1 - tax rate)]/Average total assets.

(2) Return on Equity (ROE) = Profit and Loss after-tax / Average Net Shareholders' Equity

(3) Net profit margin = Income after-tax/Net sales.

(4) Earnings per Share = (Net Income - Dividend to Preferred Stock) / Weighted Average of Shares Issued.

5. Cash flows

(1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.

(2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions, and cash dividends).

(3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other assets + Working capital).

6. Leverage

(1) Operating leverage = (Net Sales-Variable Cost and expense) /Operating income

(2) Financial leverage = Operating income/(Operating income - Interest expenses).

2. Financial Analysis - Parent Only (IFRS)

Item	Year	Financial summary for the last five years (Note 1)				
		2016	2017	2018	2019	2020
Financial structure	Ratio of liabilities to assets (%)	25.07	36.96	40.35	58.55	59.30
	Ratio of long-term capital to property, plant, and equipment	212.02	114.60	104.98	219.79	270.54
Debt service ability	Liquidity ratio (%)	255.89	108.05	89.58	105.73	147.00
	Quick ratio (%)	248.21	101.13	82.60	98.88	140.06
	Interest coverage ratio	(656.09)	143.16	146.53	12.96	3.66
Operating Ability	Accounts receivable turnover rate (times)	27.97	33.62	34.08	39.24	37.52
	Average collection days	13.05	10.86	10.71	9.30	9.73
	Inventory turnover rate (times)	132.20	118.49	118.63	134.53	110.53
	Accounts payable turnover rate (times)	14.59	17.73	17.94	17.95	15.82
	Average inventory turnover days	4.13	4.53	4.56	2.71	3.30
	Property, plant, and equipment turnover rate (times)	2.97	3.43	3.37	3.33	3.02
	Fixed asset turnover ratio (times)	1.09	1.86	2.24	1.53	0.99
Profitability	Return on Assets (ROA) (%)	(1.64)	12.97	16.86	7.63	1.78
	Equity return ratio (%)	(2.12)	18.96	27.42	15.03	3.16
	Ratio of income before tax to paid-in capital (%)	(2.29)	22.34	42.78	29.30	8.74
	Net Profit Margin (%)	(1.51)	6.92	7.46	4.61	1.31
	Earnings per Share (NT\$) (Note 3)	(0.19)	1.85	3.40	2.47	0.79
Cash Flows	Cash Flow Ratio (%)	8.32	106.14	117.42	102.95	80.11
	Cash Flow Adequacy Ratio (%)	20.47	49.70	71.19	93.79	99.98
	Cash Reinvestment Ratio (%)	1.32	30.82	32.47	20.04	12.42
Leverage	Operating leverage	(0.35)	1.83	1.77	3.16	7.84
	Financial leverage	1.00	1.01	1.01	1.09	1.41

Reasons for any changes in financial ratios up to 20% in the past two years:

(1) Financial structure

The increase in the ratio of long-term funds to property, plant, and equipment: mainly due to the increase in net shareholders' equity and long-term liabilities in 2020.

(2) Solvency

A. Increase in current ratio: mainly due to the increase in current assets in 2020.

B. Increase in quick ratio: mainly due to the increase in current assets in 2020.

C. Decrease in interest guarantee multiple: mainly due to decrease of pre-tax benefits in 2020.

(3) Operating ability

A. Increase in average inventory turnover days: mainly due to increase in average inventory in 2020.

B. Decrease in turnover rate of total assets: mainly due to the increase in average total assets in 2020.

(4) Profitability

A. Decrease in return on assets: mainly due to decrease in net profit and increase in average total assets in 2020.

B. Decrease in return on equity: mainly due to decrease in net profit and increase in average net shareholders' equity in 2020.

C. Decrease in the ratio of net profit before tax to paid-in capital: mainly due to the decrease of pre-tax profit and the increase of paid-in capital in 2020.

D. Decrease in net rate of return: mainly due to decrease in net profit and increase in net sales in 2020.

E. Decrease in earnings per share: mainly due to decrease in net profit in 2020.

(5) Cash flows

A. Decrease in cash flow ratio: mainly due to the increase in current liabilities in 2020.

B. Decrease in cash reinvestment ratio: mainly due to increase in working capital and other assets in 2020.

(6) Leverage

A. Increase in operating leverage: mainly due to the decrease of operating profit in 2020.

B. Increase in financial leverage: mainly due to the decrease of operating profit in 2020.

Note 1: Financial report audited and certified by the CPAs.

Note 2: The Company adopted a retrospective par value NT\$ 10 per share in 2016 and 2017; it was NT\$ 10 from 2018 to 2020.

Note 3: The formula for calculating the above financial ratio is as follows:

1. Financial structure

(1) Debt ratio = Total liabilities/Total assets.

(2) Ratio of long-term funds to Property, Plant, and Equipment = (Stockholders' equity + Noncurrent Liabilities) / Net Property, Plant, and Equipment

2. Solvency

(1) Current ratio = Current assets/Current liabilities.

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.

(3) Interest coverage ratio = net profit before income tax and interest expense/current interest expense.

3. Operating ability

(1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.

(2) Average collection days = 365/Accounts receivable turnover rate.

(3) Inventory turnover rate = Cost of goods sold/Average inventories.

(4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.

(5) Average inventory turnover days = 365/Inventory turnover rate.

(6) Property, plant, and equipment turnover rate = Net sales/net property, plant, and equipment.

(7) Total assets turnover rate = Net sales/total assets.

4. Profitability

(1) Return on assets = [Income after-tax + Interest expenses x (1 - tax rate)]/Average total assets.

(2) Return on Equity (ROE) = Profit and Loss after-tax / Average Net Shareholders' Equity

(3) Net profit margin = Income after-tax/Net sales.

(4) Earnings per Share = (Net Income - Dividend to Preferred Stock) / Weighted Average of Shares Issued.

5. Cash flows

(1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.

(2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions, and cash dividends).

(3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other assets + Working capital).

6. Leverage

(1) Operating leverage = (Net Sales-Variable Cost and expense) /Operating income

(2) Financial leverage = Operating income/(Operating income - Interest expenses).

III. Audit Committee's Report on Financial Statements for the Most Recent Fiscal Year:

KURA SUSHI ASIA CO., LTD.

Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2020 final accounts including the business report, parent company individual and consolidated financial statements, and the profit distribution proposal. The parent company individual and consolidated financial statements have been audited by certified public accountants Jui-No Chang and I-Lung Chou from Deloitte Touche Tohmatsu Limited with an audit report. The Business Report, Financial Statements, and the proposed profit distribution have been reviewed by us, the Audit Committee of the Company. We have not found any inconsistencies with applicable laws in our review of the aforementioned documents. Therefore, we, the Audit Committee, hereby issue this report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely, Annual Shareholders Meeting

KURA SUSHI ASIA CO., LTD.

Convenor of the Audit Committee: Jason Liu

March 29, 2021

IV. Financial Statements for the Most Recent Fiscal Year

Please refer to Attachment (I)

V. Parent Company Only Financial Statements for the Most Recent Fiscal Year, Certified by CPAs

Please refer to Attachment (II)

VI. In the most recent year and up to the publication date of the annual report, if the Company and its affiliated enterprises have financial turnover difficulties, the impact on the financial position of the company shall be listed: there is no such situation.

Chapter 7. Review and Analysis on Financial Status and Operating Results and Risk Matters

I. Financial Status

Major reasons for changes in assets, liabilities, and shareholders' equity, as well as related effects in the most recent two fiscal years. If such effects are significant, response measures shall be elaborated:

Unit: NT\$ thousand

Item \ Year	2020	2019	Difference	
			Amount	%
Current assets	759,407	375,053	384,354	102.48
Property, plant, and equipment	954,840	646,500	308,340	47.69
Right-of-use assets	1,300,276	681,725	618,551	90.73
Intangible assets	3,250	905	2,345	259.12
Other assets	82,009	71,443	10,566	14.79
Total assets	3,099,782	1,775,626	1,324,156	74.57
Current liabilities	516,664	356,311	161,942	45.65
Non-current liabilities	1,321,406	683,311	636,506	92.93
Total liabilities	1,838,070	1,039,622	798,448	76.80
Share capital	451,670	378,730	72,940	19.26
Capital surplus	579,387	139,650	439,737	314.89
Retained earnings	230,659	217,624	13,035	5.99
Other equity interest	(4)	-	(4)	-
Total shareholder equity	1,261,712	736,004	525,708	71.43
<p>1. Description of major change items (the change in the previous and later period is more than 20%, and the absolute change amount is NT\$ 10 million or above):</p> <p>(1) Increase in current assets: mainly due to the increase in cash, equivalent cash and accounts receivable due to revenue growth and cash capital increase in 2020.</p> <p>(2) Increase in property, plant, and equipment: mainly due to new stores in 2020.</p> <p>(3) Right-of-use assets: mainly due to the increase of new stores in 2020.</p> <p>(4) Increase in total assets: mainly due to the increase in intangible assets, current assets, right-of-use assets, and property, plant, and equipment in 2020.</p> <p>(5) Increase in current liabilities: mainly due to new stores and right-of-use assets in 2020.</p> <p>(6) Increase in non-current liabilities: mainly due to new stores and right-of-use assets in 2020.</p> <p>(7) Increase in total liabilities: mainly due to new stores and right-of-use assets in 2020.</p> <p>(8) Capital reserve: mainly due to cash capital increase in 2020.</p> <p>(9) Increase in total shareholders' equity: mainly due to cash capital increase and increase in retained earnings in 2020.</p> <p>2. Future response plans for those with significant impact:</p> <p>The above changes have no significant adverse impact on the Company, and there is no significant abnormality in the overall performance of the Company, so there is no need to draw up a response plan.</p>				

II. Financial Performance - Adoption of IFRS

The main reasons for the significant changes in operating income, operating net profit and pre-tax net profit in the last two years, the expected sales volume and its basis, the possible impact on the Company's future financial business, and the response plan:

(I) Analysis of operating results for the last two years

Unit: NT\$ thousand

Item \ Year	2020	2019	Change, by Amount	Operating costs%
Sales revenue	2,414,639	1,926,252	488,387	25.35
Operating costs	1,457,497	1,122,910	334,587	29.80
Gross profit	957,142	803,342	153,800	19.15
Operating expenses	906,404	686,860	219,544	31.96
Net operating income	50,738	116,482	(65,744)	(56.44)
Non-operating income and expenses	(11,268)	(5,498)	(5,770)	104.95
Profit before income tax	39,470	110,984	(71,514)	(64.44)
Profit for the year	31,570	88,716	(57,146)	(64.41)
Description of major changes (the changes in the previous and later periods are more than 20%, and the absolute changes amount reach NT\$ 10 million and above):				
1. Increase in operating income, operating cost, operating gross profit, and operating expenses: mainly due to the new stores in 2020.				
2. Decrease in operating net profit: Mainly affected by Covid-19 in the first half of the year and continued expansion of business this year. The cost of opening stores increased, resulting in the decrease in operating net profit.				
3. Decrease in net profit before tax and current period: mainly due to decrease in net profit of stores in 2020.				

(II) The expected sales volume and its basis, the possible impact on the Company's future financial business, and the response plan

1. Expected sales volume and its basis: the Company sets the annual target based on the estimated demand of customers, taking into account the overall market environment, the future development direction of the Company and the past operating results, and expects the future performance to grow steadily.
2. Possible impact on the Company's future financial business and its response plan: the Company will strive to meet customers' needs and use financial funds effectively to meet the needs of business growth.

III. Cash Flows

(I) Analysis of cash flow changes in recent years

Unit: NT\$ thousand

Item \ Year	2020	2019	Change, by Amount	Change ratio (%)
Cash inflow (outflow) from business activities	414,255	365,185	49,070	13.44
Cash inflow (outflow) from investment activities	(417,150)	(286,026)	131,124	45.84
Cash inflow (outflow) from fund-raising activities	340,016	96,792	243,224	251.29
Analysis of cash flow changes;				
1. Increase in cash inflow from operating activities: mainly due to the increase in cash generated from operations in 2020.				
2. Increase in cash outflow from investment activities: mainly due to new stores in 2020.				
3. Increase in cash inflow from fund-raising activities: mainly due to cash capital increase in 2020.				

(II) Improvement plan for insufficient liquidity: the Company has no shortage of cash and no risk of insufficient liquidity.

(III) Analysis of cash liquidity in the coming year (2021)

Unit: NT\$
thousand

Cash at Beginning of Year	Estimated annual net cash flow from operating activities	Estimated annual net cash flow from investment activities	Estimated annual net cash flow from financing activities	Estimated cash surplus (shortage)	Remedial measures for estimated capital shortage	
					Investment project	Financing plan
634,210	316,856	(506,981)	(13,037)	431,048	-	-
Explanation/analysis:						
(I) Analysis of variance in cash flows for the future year:						
Business activities: in 2021, due to the proper control of the pandemic in Taiwan, it is estimated that the overall situation of the pandemic will continue to slow down, and the Company's revenue is expected to resume the same as before the pandemic. So, cash inflow will be generated from business activities.						
Investment activities: the Company plans to continue to expand the number of stores, so it needs to increase the capital expenditure of property, plant, and equipment.						
Financing activities: the Company plans to issue cash dividends of NT\$ 22,893 thousand in 2021. After deducting employee stock options exercised successively, it is estimated that the financing activities will generate net cash outflow.						
(II) Remedial measures and liquidity analysis of estimated cash shortage: there is no estimated cash shortage, so it is not applicable.						

- IV. Impact of major capital expenditure on financial business in recent years: the capital expenditure of the Company in recent years is an expansion of stores, and there is no major capital expenditure.
- V. Investment policy in the most recent year, main reasons for its profit or loss, improvement plan, and investment plan for the coming year:

1. Investment policy of the Company:

The Company's reinvestment policy takes into account the strategy of sustainable operation and operational growth, and the Company has formulated relevant specifications such as "Investment Cycle", "Procedures for Acquiring or Disposing of Assets" and "Supervision and Management of Subsidiaries", which serve as the basis for the Company to conduct and manage reinvestment.

2. Main reasons for profit or loss of reinvestment in recent years and improvement plan:

Re-investment business	Main business items	Investment gains and losses recognized in 2020	Main reasons for profit or loss	Improvement plan
Kura Sushi Hong Kong Limited	Investment business	(76)	Affected by the pandemic, not yet in operation.	Improvement will be made after operation

Note: The Company completed the registration and obtained the registration certificate on November 4, 2019, with its estimated investment of no more than RMB 16,000 thousand. As of December 31, 2020, no related investment funds have been remitted.

3. Investment plan for the coming year:

To expand overseas markets, the Company has established Kura Sushi Hong Kong Limited (hereinafter referred to as KURA(HK)), a Hong Kong subsidiary, and invested in the establishment of Kura Sushi Shanghai Co., Ltd. in China through KURA(HK) Investment Holding Company. However, due to the impact of the global pandemic, the capital injection has not been completed as of the publication date of the prospectus. After the global pandemic is in stable condition, the appropriate time will be assessed for capital injection.

- VI. Risk matters shall be analyzed and evaluated in the most recent year and the following matters as of the publication date of the annual report:

(I) Impact of the interest rate, exchange rate change and inflation on company profits and losses and future response measures;

1. Impact of interest rate changes on corporate profits and losses and future response measures

The operation of the Company is mainly based on its own funds. As of the end of 2020, the loan amount with financial institutions was NT\$ 0. The interest expenses for 2018 and 2019 were NT\$ 9,276 thousand and NT\$ 14,818 thousand, respectively

accounting for 8.36% and 37.54% of the net profit before tax. Except for the high expenses caused by the interest expenses, NT\$ 8,108 thousand and NT\$ 13,115 thousand, respectively arising from the lease liabilities according to the effective interest method after the application of IFRS16 "Lease", the interest generated from borrowing from financial institutions as a whole has little impact on profit. Moreover, the Company is financially stable. Its working capital is mainly supported by its own funds. It maintains a good relationship with its correspondent banks. Even if there is short-term capital demand in the future, it can obtain a better interest rate level through negotiation with banks. It is expected that future interest rate changes will not have a significant impact on the overall operation of the Company.

2. Impact of exchange rate change on the Company's profit and loss and future response measures

The Company is engaged in Food and Beverage services, with its operating location in Taiwan. Its functional currency is New Taiwan Dollar. The costs and expenses related to sales and payment are mostly settled in NT\$. Imported machinery and equipment are priced in Japanese Yen. The net exchange benefits in 2019 and 2020 were NT\$ 2,418 thousand and NT\$ 1,563 thousand, respectively accounting for 2.18% and 3.96% of the net profit before tax of the Company, which are extremely small ratios. So, the exchange rate changes have no significant impact on the company. In addition, the accounting unit of the Company usually actively collects exchange rate change information and keeps in touch with major correspondent banks to keep abreast of exchange rate change trends.

3. Impact of inflation on corporate profits and losses and future response measures

In recent years, affected by the rising global resources and materials, the overall economic environment showed a slight inflation trend, but the Company has not been seriously affected due to inflation up to now. However, in the event of inflation in the future, consumers are expected to be more careful and pursue good quality and low prices. The Company has always adhered to the business philosophy of providing "fair value", "delicious food", "safe" and "comfortable and fun dining environment". Thus, it can become the first choice for consumers in the period of inflationary environment; in addition, in the procurement of ingredients and materials, the Company will pay attention to the fluctuation of market prices of ingredients and materials at any time, and maintain a good interactive relationship with suppliers. And the Company can reduce the impact of rising prices on the Company by continuously expanding business to bring into full play the economic benefits of a large number of purchases, obtaining favorable purchase prices, and continuously reducing the scrap rate.

- (II) Policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements/guarantees, and derivatives transactions, main reasons for the profit (loss) generated thereby, and response measures to be taken in the future

The Company focuses on its own business, and its financial policy is based on the principle of stability and conservatism. In the recent year and up to the publication date of the prospectus, it has not engaged in high-risk or highly leveraged investment. In addition, the Company has established "Operating Procedures for Funds Lending", "Operating Procedures for Endorsement and Guarantee" and "Processing Procedures for Obtaining or Disposing of Assets", which have been approved by the shareholders' meeting and are the basis for the Company to execute relevant transactions. In the recent year and up to the publication date of the prospectus, there has been no case of funds lending, endorsing and guaranteeing, or engaging in derivative product transactions.

- (III) Future R&D plans and expected R&D expenditure:

It is the Company's consistent policy to provide consumers with diversified and satisfying commodities and insist on R&D and innovation. Product development is the responsibility of the Product Dep. The R&D expenses of the Company in 2019 and 2020 were NT\$ 901 thousand and NT\$ 669 thousand, respectively, accounting for 0.05% and 0.03% of the net sales revenue. In the future, the Company will continue to invest in R&D and develop new products, and provide consumers with more choices to meet customers' demand and attract them to consume.

- (IV) Impact on the Company's financial operations and contingency action regarding recent changes in domestic and international policies and regulations:

The Company operates in accordance with relevant laws and regulations at home and abroad, attaches attention to the development trend of domestic and foreign policies and changes of laws and regulations at any time, consult relevant professionals, collect relevant information and provide reference for the management to make decisions, so as to fully grasp and respond to changes in the market environment, and adjust relevant operating strategies in a timely manner. In the most recent year and up to the publication date of the prospectus, there have been no significant changes in domestic and foreign policies and laws that have a significant impact on the financial business of the Company.

- (V) Impact of technological change and industrial change on the financial business of the company and response measures:

The Company is mainly engaged in the domestic Food and Beverage market. Since its establishment, it has kept an eye on industry trends and industry market information, closely observed consumer behavior, provided appropriate products and services, and improved consumer satisfaction to meet market demand and maintain competitive advantage. In recent years and up to the publication date of the public offering of the prospectus, there has been no significant technological change or industrial change that would have a significant impact on the Company's financial business.

(VI) Impact of corporate image change on corporate crisis management and response measures;

Since its establishment, the Company has been operating according to the law. It provides a safe and caring working environment for the disadvantaged and disabled, and has a good corporate image. In the most recent year and up to the publication date of this annual report, there is no adverse impact on corporate crisis management due to the change of corporate image.

(VII) Expected benefits, possible risk of mergers and acquisitions, and response measures:

In the most recent year and up to the publication date of this annual report, the Company has not conducted mergers and acquisitions.

(VIII) Expected benefits, possible risks of plant expansion, and response measures:

The business expansion of the Company is planned according to market demand, internal manpower assessment and financial situation. The relevant business expansion assessment is handled according to the internal control system and relevant management measures of the Company. The store opening costs are all within the set targets, which is positively beneficial to the financial business of the Company and has no adverse impact.

(IX) Risks faced by centralized purchase or sales and response measures:

1. Risks faced by centralized purchase and response measures

The Company is an operator of chain restaurants. Due to the consideration of the consistency in taste and quality of food and beverage, bulk ingredients are purchased centrally. However, this is an industry characteristic, and the Company has long-term contacts and maintains good relationships with bulk ingredient purchaser, so there should be no risk that may be caused by centralized purchase.

2. Risks faced by centralized sales and countermeasures

The target customers of the Company are the general consumers, and the single target customer does not account for more than 10% of the net sales in the recent year, so there is no risk of concentrated sales.

(X) The impact, risks, and countermeasures of directors, supervisors, or major shareholders holding more than 10% of shares on the Company due to large-scale transfer or replacement of shares: None.

(XI) The impact, risks, and response measures of the change of management right on the Company:

There has been no change in the management right of the Company in the most recent year and up to the publication date of this annual report.

(XII) Litigation and non-litigation matters:

1. If the litigation, non-litigation, or administrative disputes have been decided or are still in progress in the most recent year and up to the publication date of the annual report, and the results may have a significant impact on shareholders' equity or securities prices, the disputed facts, the target amount, the date of commencement of the litigation, the main parties involved in the litigation and the current handling situation shall be disclosed: None.
2. Major litigious, non-litigious or administrative disputes that involve the Company's any director, any supervisor, president, any person with actual responsibility, any major shareholder holding a stake of greater than 10%, and any companies controlled by the Company and have been concluded by means of a final and unappealable judgment, or are still under litigation in the last two years up to the date of publication of the annual report: None.
3. Involvement of the Company's Director, Supervisor, Managers, or major shareholders holding more than 10% of the Company's shares in affairs specified in Article 157 of the Securities Exchange Act and the Company's current handling status in the last two years up to the publication date of the Annual Report:

In the last two years and up to the publication date of the prospectus, the Company has had any events as stipulated in Article 157 of the Securities and Exchange Law.

In July 2019, the Company's personnel acquired 1,000 shares of the Company in the emerging stock market and sold their shares in the same month to make a profit. The Company announced a change of personnel's share in July 2019 in the declaration form in the public information observatory. On August 6, 2019, the Board of Directors strengthened the promotion of personnel's matters needing attention, and printed a handbook for directors and supervisors to promote the regulations and gave it to personnel for signature. After that, on November 8, 2019, the Company conducted training for directors on personnel's matters needing attention. On June 19, 2020, the SFIPC sent a letter requesting the Company to execute the right of return. The Company immediately notified and accepted the amount on June 22, 2020, and then sent a related document to the SFIPC.

Except for this incident, as of the publication date of the prospectus, the Company has not had any related incidents as stipulated in Article 157 of the Securities and Exchange Law.

(XIII) Other important risks and response measures: None.

VII. Other important matters: None.

Chapter 8. Special Disclosure

- I. Information on affiliates:
 - (I) Business report: not applicable
 - (II) Consolidated financial statement of affiliates: not applicable
 - (III) Affiliates reports: not applicable
- II. Handling of private placement of securities in the most recent year and up to the publication date of the annual report: None.
- III. In the most recent year and up to the publication date of the annual report, holding or disposal of the Company's shares by its subsidiaries: None.
- IV. Other supplementary information: None.

Chapter 9. Any events in the most recent fiscal year and up to the date of publication of the annual report that had significant impacts on shareholders' rights or security prices as stated in Article 36, Paragraph 3, Subparagraph 2 of this law.

Kura Sushi Asia Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report For the Years of 2020 and 2019

Address: 6F.&6F-1, No. 32, Sec. 3, Zhongshan N. Rd., Taipei City
Tel. No.: 02-8978-8558

Declaration of Consolidation of Financial Statements of Affiliates

For the year of 2020 (from January 1 to December 31, 2020), the Company's entities that are required to be included in the consolidated financial statements of affiliated enterprises under the "Criteria Governing Preparation of Consolidated Business Report of Affiliated Enterprises, Consolidated Financial Statements of Affiliated Enterprises, and Affiliation Reports" are the same as those required to be included in the parent-subsidary consolidated financial statements under the International Financial Reporting Standards 10. Moreover, the related information required to be disclosed for the consolidated financial statements of affiliated enterprises has been fully disclosed in the aforementioned parent-subsidary consolidated financial statements. Consequently, a separate set of consolidated financial statements of affiliated enterprises is not prepared.

Sincerely,

Company Name: Kura Sushi Asia Co., Ltd.

Person in Charge: Kentaro Nishikawa

March 29, 2021

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Kura Sushi Asia Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated 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 Group's consolidated financial statements as of and for the year ended December 31, 2020 are as follows:

Completeness and 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 33 restaurants at the end of 2020, 16 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 was NT\$ 1,268,940 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 completeness and 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 consolidated financial statements.

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

1. Obtain an understanding of the controls and its effectiveness related to the general IT environment surrounding the POS system and the ERP system.
2. Perform detail testing of the transactions by selecting samples from the restaurant operating income report generated from the headquarter POS system. For each sample, we verified the accounting department obtained external statements and performed reconciliation procedures. Also examine and ensure that the reconciliation records and summarized in the daily business report and whether the reconciliation discrepancies were investigated in accordance with the established threshold.
3. Perform sample test 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.

Other Matter

We have also audited the parent company only financial statements of Kura Sushi Asia Co., Ltd. as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group 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 consolidated financial statements for the year ended December 31, 2020, 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 29, 2021

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

Kura Sushi Asia Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 634,573	20	\$ 297,456	17
1170	Accounts receivable from unrelated parties (Notes 4 and 7)	81,887	3	46,791	3
1200	Other receivables (Notes 4 and 26)	2,036	-	1,396	-
130X	Inventories (Notes 4 and 8)	17,557	1	8,464	-
1410	Prepayments (Note 26)	18,140	1	15,625	1
1470	Other current assets (Note 13)	5,214	-	5,321	-
11XX	Total current assets	<u>759,407</u>	<u>25</u>	<u>375,053</u>	<u>21</u>
	Non-current assets				
1600	Property, plant, and equipment (Notes 4, 10, 23, and 26)	954,840	31	646,500	37
1755	Right-of-use asset (Notes 4, 5, and 11)	1,300,276	42	681,725	38
1780	Intangible assets (Notes 4, 12, and 23)	3,250	-	905	-
1840	Deferred tax assets (Notes 4 and 20)	5,504	-	4,003	-
1915	Prepayments for construction and equipment (Notes 23 and 27)	40,137	1	48,158	3
1920	Refundable deposits	36,368	1	19,282	1
15XX	Total non-current assets	<u>2,340,375</u>	<u>75</u>	<u>1,400,573</u>	<u>79</u>
1XXX	Total assets	<u>\$ 3,099,782</u>	<u>100</u>	<u>\$ 1,775,626</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 4, 14, and 23)	\$ -	-	\$ 10,541	1
2170	Accounts payable	113,393	4	70,814	4
2280	Lease liabilities - current (Notes 4, 11, and 23)	158,678	5	115,578	6
2219	Other payables (Notes 10, 15, 23, and 26)	232,815	7	142,992	8
2230	Current tax liabilities (Notes 4 and 20)	9,363	-	12,884	1
2300	Other current liabilities (Note 15)	2,415	-	1,913	-
21XX	Total current liabilities	<u>516,664</u>	<u>16</u>	<u>354,722</u>	<u>20</u>
	Non-current liabilities				
2580	Lease liabilities - non-current (Notes 4, 11, and 23)	1,134,879	37	568,297	32
2550	Provisions - non-current (Notes 4 and 16)	54,149	2	31,876	2
2570	Deferred income tax liabilities (Notes 4 and 20)	646	-	510	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 17)	1,902	-	1,589	-
2670	Other payables - non-current (Notes 10, 15, and 23)	129,830	4	82,628	5
25XX	Total non-current liabilities	<u>1,321,406</u>	<u>43</u>	<u>684,900</u>	<u>39</u>
2XXX	Total liabilities	<u>1,838,070</u>	<u>59</u>	<u>1,039,622</u>	<u>59</u>
	Equity (Note 18)				
	Share capital				
3110	Common stock	449,800	14	378,730	21
3140	Capital received in advance	1,870	-	-	-
3100	Total share capital	<u>451,670</u>	<u>14</u>	<u>378,730</u>	<u>21</u>
3200	Capital surplus	<u>579,387</u>	<u>19</u>	<u>139,650</u>	<u>8</u>
	Retained earnings				
3310	Legal reserve	21,815	1	12,943	1
3350	Unappropriated earnings	208,844	7	204,681	11
3300	Total retained earnings	<u>230,659</u>	<u>8</u>	<u>217,624</u>	<u>12</u>
3400	Other equity	(4)	-	-	-
3XXX	Total equity	<u>1,261,712</u>	<u>41</u>	<u>736,004</u>	<u>41</u>
	Total liabilities and equity	<u>\$ 3,099,782</u>	<u>100</u>	<u>\$ 1,775,626</u>	<u>100</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Kentaro Nishikawa

CEO: Kentaro Nishikawa

Accounting Officer: Lin-Shang Chih

Kura Sushi Asia Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 4)	\$ 2,414,639	100	\$ 1,926,252	100
5000	Operating costs (Notes 4, 8, and 26)	<u>1,457,497</u>	<u>60</u>	<u>1,122,910</u>	<u>58</u>
5900	Gross profit	<u>957,142</u>	<u>40</u>	<u>803,342</u>	<u>42</u>
	Operating expenses (Notes 19 and 26)				
6100	Selling expenses	733,587	30	547,952	29
6200	General and administrative expenses	172,161	7	138,024	7
6300	Research and development expenses	669	-	901	-
6450	Expected gain on reversal of credit losses	(<u>13</u>)	<u>-</u>	(<u>17</u>)	<u>-</u>
6000	Total operating expenses	<u>906,404</u>	<u>37</u>	<u>686,860</u>	<u>36</u>
6900	Net operating income	<u>50,738</u>	<u>3</u>	<u>116,482</u>	<u>6</u>
	Non-operating income and expenses (Note 19)				
7100	Interest income	435	-	354	-
7010	Other income (Note 26)	1,628	-	1,046	-
7020	Other gains and losses	1,487	-	2,378	-
7050	Finance costs	(<u>14,818</u>)	(<u>1</u>)	(<u>9,276</u>)	<u>-</u>
7000	Total non-operating income and expenses	(<u>11,268</u>)	(<u>1</u>)	(<u>5,498</u>)	<u>-</u>
7900	Net income before tax	39,470	2	110,984	6
7950	Tax expenses (Notes 4 and 20)	<u>7,900</u>	<u>1</u>	<u>22,268</u>	<u>1</u>
8200	Net income for the year	<u>31,570</u>	<u>1</u>	<u>88,716</u>	<u>5</u>

(Continued on the next page)

(Continued from the previous page)

Code		2020		2019	
		Amount	%	Amount	%
	Other comprehensive income				
	Items that will not be reclassified				
	subsequently to profit or loss:				
8311	Remeasurement of				
	defined benefit plans	\$503	-	(\$ 649)	-
8349	Income tax relating to				
	items that will not be				
	reclassified				
	subsequently to profit				
	or loss (Note 20)	(<u>101</u>)	-	<u>130</u>	-
8310		<u>402</u>	-	(<u>519</u>)	-
8360	Items that will be reclassified to				
	profit or loss				
8361	Financial statements				
	translation differences				
	of foreign operations	(<u>4</u>)	-	-	-
8300	Other comprehensive				
	income for the year				
	(net income after tax)	<u>398</u>	-	(<u>519</u>)	-
8500	Total comprehensive income for the				
	year	<u>\$ 31,968</u>	<u>1</u>	<u>\$ 88,197</u>	<u>5</u>
	Net income attributable to:				
8610	Owners of the Company	<u>\$ 31,570</u>	<u>1</u>	<u>\$ 88,716</u>	<u>5</u>
	Comprehensive income attributable				
	to:				
8710	Owners of the Company	<u>\$ 31,968</u>	<u>1</u>	<u>\$ 88,197</u>	<u>5</u>
	Earnings per share (Note 21)				
9750	Basic	<u>\$ 0.79</u>		<u>\$ 2.47</u>	
9850	Diluted	<u>\$ 0.76</u>		<u>\$ 2.33</u>	

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Kentaro Nishikawa

CEO: Kentaro Nishikawa

Accounting Officer: Lin-Shang Chih

Kura Sushi Asia Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Code		Number of Shares (in Thousands)	Share capital		Capital surplus	Legal reserve	Retained earnings		Other equity Financial statements translation differences of foreign operations	Total equity
			Common stock	Capital received in advance			Unappropriated earnings	Total		
A1	Balance at January 1, 2019	31,500	\$ 315,000	\$ -	\$ -	\$ 2,225	\$ 127,202	\$ 129,427	\$ -	\$ 444,427
	Appropriation and distribution of earnings for 2018:									
B1	Legal reserve appropriated	-	-	-	-	10,718	(10,718)	-	-	-
N1	Issuance of employees stock option	-	-	-	3,724	-	-	-	-	3,724
D1	Net income in 2019	-	-	-	-	-	88,716	88,716	-	88,716
D3	Other comprehensive income after tax in 2019	-	-	-	-	-	(519)	(519)	-	(519)
D5	Total comprehensive income in 2019	-	-	-	-	-	88,197	88,197	-	88,197
E1	Cash capital increase	6,373	63,730	-	135,926	-	-	-	-	199,656
Z1	Balance at December 31, 2019	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 distributed to the Company's shareholders	-	-	-	-	-	(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

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Kentaro Nishikawa

CEO: Kentaro Nishikawa

Accounting Officer: Lin-Shang Chih

Kura Sushi Asia Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Code		2020	2019
	Cash flows from operating activities		
A10000	Net income before tax for the year	\$ 39,470	\$ 110,984
A20010	Adjustments for:		
A20100	Depreciation expenses	345,890	250,649
A20200	Amortization expenses	1,071	522
A20300	Expected gain on reversal of credit losses	(13)	(17)
A21900	Compensation costs of employee stock options	6,021	3,724
A20900	Finance costs	14,818	9,276
A21200	Interest income	(435)	(354)
A23700	Write-downs of inventories (gains on price recovery)	(74)	129
A22500	Net losses on disposal of property, plant, and equipment	46	-
A24100	Net gains on foreign currency exchange	(2,735)	(2,544)
A29900	Recognition of pension costs	816	60
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	(35,083)	4,573
A31180	Other receivables	(496)	(1,261)
A31200	Inventories	(9,019)	(660)
A31230	Prepayments	(2,515)	(8,922)
A31240	Other current assets	107	(4,075)
A32150	Accounts payable	42,579	16,498
A32180	Other payables	40,799	21,179
A32230	Other current liabilities	<u>502</u>	<u>729</u>
A33000	Cash generated from operations	441,749	400,490
A33100	Interest received	291	344
A33300	Interest paid	(14,898)	(9,355)
A33500	Income tax paid	(<u>12,887</u>)	(<u>26,294</u>)
AAAA	Net cash flows from operating activities	<u>414,255</u>	<u>365,185</u>

(Continued on the next page)

(Continued from the previous page)

Code		2020	2019
	Cash flows from investing activities		
B02700	Acquisition of property, plant, and equipment	(\$ 396,648)	(\$ 282,730)
B04500	Acquisition of intangible assets	(3,416)	(333)
B03700	Increase in refundable deposits	(<u>17,086</u>)	(<u>2,963</u>)
BBBB	Cash used in investing activities	(<u>417,150</u>)	(<u>286,026</u>)
	Cash flows from financing activities		
C00100	Decrease in short-term loans	(10,541)	(10,541)
C04020	Repayments of lease liabilities	(137,162)	(92,323)
C04500	Cash dividends distributed	(18,937)	-
C04600	Proceeds from issuance of ordinary shares	<u>506,656</u>	<u>199,656</u>
CCCC	Net cash generated from financing activities	<u>340,016</u>	<u>96,792</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	(<u>4</u>)	<u>-</u>
EEEE	Net increase in cash and cash equivalents	337,117	175,951
E00100	Cash and cash equivalents at beginning of year	<u>297,456</u>	<u>121,505</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 634,573</u>	<u>\$ 297,456</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Kentaro Nishikawa

CEO: Kentaro Nishikawa

Accounting Officer: Lin-Shang Chih

Kura Sushi Asia Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

January 1 to December 31, 2020 and 2019

(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., and was renamed Kura Sushi Asia Co., Ltd. in June 2019. 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 consolidated financial statements are presented in the New Taiwan dollar, the Company's functional currency.

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

The Consolidated Financial Statements have been approved by the Board of Directors on March 24, 2021.

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 Group:

- 1) Amendments to IAS 1 and IAS 8 "Definition of Material"

On January 1, 2020, the Group applied the amendment as the threshold for materiality has been changed to "could reasonably be expected to influence". It also adjusted disclosures of the consolidated financial statements and deleted immaterial information which could obscure material information.

- 2) Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

The Group 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 IV. Before applying these amendments, the Group shall determine whether the aforementioned rent negotiations shall apply to the provisions of the lease amendment.

The Group has applied these amendments since January 1, 2020. Since the aforementioned rent negotiations only affect the year of 2020, retrospective application of these amendments will not affect the retained earnings as of January 1, 2020.

- b. FSC-endorsed IFRSs that are applicable from 2021 onward

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB
Amendment to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective on issuance
Amendments to "Interest Rate Benchmark Reform - Phase II" in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	These amendments apply to annual reporting periods beginning after January 1, 2021.

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)
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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 IAS 1 "Classify Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 Property, Plant, and Equipment - Proceeds before Intended Use	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 4: 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 5: This amendment applies to contracts under which all obligations have not been on January 1, 2022.

Note 6: This amendment prospectively applies to annual periods beginning after January 1, 2023.

Note 7: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual periods beginning on January 1, 2023.

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 Group 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 Group will exercise that right. The amendment also clarifies that, if the right to defer settlement is subject to compliance with specified conditions, the Group 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 Group'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 Group'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) Amendment to IAS 1, Disclosure of Accounting Policies

This amendment prescribes that the Group 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 Group.
- The Group'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 Group, and this change results in a material change on information of the financial statements;
- b) Was chosen properly by the Group 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 an IFRS Standard that specifically applies;
- d) Relates to an area for which the Group 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 applicable to the Group 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 the consolidated financial statements were authorized for issue, the Group 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.

d. Reclassification expression

The management of the Group believes that it is more appropriate to include net defined benefit liabilities-non-current in the line item of the balance sheet, so it changed the expression of the consolidated balance sheet in 2020. The comparative information was reclassified to make the expression consistent on December 31, 2019.

4. Summary of Significant Accounting Policies

a. Compliance declaration

The consolidated 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

The Consolidated 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. Basis of consolidation

The Consolidated Financial Statements include the financial statements of the Company and entities controlled by the Company (subsidiaries). The consolidated statements of comprehensive income include the operating income/loss of the acquired or disposed subsidiaries from the date of acquisition to the date of disposal in the current period. The financial statements of the subsidiaries have been adjusted to bring their accounting policies in line with those used by the Group. All intergroup transactions, balances, income and expenses are eliminated in full upon consolidation. A subsidiary's total comprehensive income is attributed to the owners of the Company and non-controlling interests, even if non-controlling interests become having deficit balances in the process.

When a change in the Group's ownership interests in a subsidiary does not cause a loss of control over the subsidiary, it shall be treated as an equity transaction. The carrying amounts of the Group and its non-controlling interests have been adjusted to reflect the relative changes in the interest in the subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity attributable to the owners of the Company.

Please refer to Note IX and Table 1 for details, shareholding ratio, and operations of subsidiaries.

e. Foreign currencies

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

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.

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries, affiliates, joint ventures, or branches that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the closing rate of exchange prevailing on the balance sheet date. Income and expenses are translated at the average rate of the year. The exchange differences arising are recognized in other comprehensive income.

If the Group 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.

f. 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.

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. Other 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 Group 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 Group 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 recoverable amount prior to revision, provided the increased carrying amount does not exceed the carrying amount (minus amortization or depreciation) of the asset or of 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 liabilities will be recognized in the consolidated balance sheets when the Group becomes a party to the contract of the financial instrument.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. 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 Group are financial assets at amortized cost.

Financial assets at amortized cost

When the Group's investments in financial assets satisfy 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 Group 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 the purpose of internal credit risk management, the Group judges the following circumstances a default on financial assets, without considering the collateral held:

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

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 Group 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 Group and the amount can be assessed reliably. It is recognized as per the rate of interest applicable to similar duration loans for all principal in external circulation.

m. Leases

The Group 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 Group apportions considerations in contracts based on relative stand-alone prices and processes them separately.

If the Group is a lessee:

Except that the lease payments of the low value subject-matter assets and short-term leases applicable to recognition exemption are recognized as expenses on a straight-line basis during the lease period, 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. The right-of-use assets are separately expressed in the consolidated 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 Group 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 presented separately in the consolidated balance sheets.

The Group and the lessor conducted rent negotiations directly associated with COVID-19 pandemic, adjusted the rent due before June 30, 2021, resulting in a decrease in the rent. These negotiations have not significantly changed other lease terms. The Group 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. 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.

p. Share-based payment

Employees stock option granted to employees

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 Group 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.

q. 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 income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized when there are likely taxable income for the deducting temporary differences.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group 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. For deductible temporary differences associated with such investments, when it is probable that sufficient taxable income will be available to realize such temporary differences, a deferred tax asset is recognized, but only to the extent of the amount that is expected to be reversed 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 Group expects, at the end of the reporting period, 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 Group 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 management shall continue to review the estimates and basic assumptions. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year. 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 Group 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 Group's control range.

6. Cash and Cash Equivalents

	Dec. 31, 2020	Dec. 31, 2019
Cash on hand and working capital	\$ 6,787	\$ 4,580
Checks and demand deposits in banks	368,888	183,993
Cash equivalents (Time deposits with original maturities within three months)		
Time deposit	258,898	108,883
	<u>\$ 634,573</u>	<u>\$ 297,456</u>

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

	Dec. 31, 2020	Dec. 31, 2019
Demand deposits in banks	0.001%~0.05%	0.01%~0.05%
Time deposit	0.11%~0.35%	0.21%~0.34%

7. Accounts receivable

	Dec. 31, 2020	Dec. 31, 2019
<u>Accounts receivable from unrelated parties</u>		
Measured at amortized cost		
Total carrying amount	\$ 81,889	\$ 46,806
Less: Loss allowance	(<u>2</u>)	(<u>15</u>)
	<u>\$ 81,887</u>	<u>\$ 46,791</u>

The Group usually adopts cash payment and credit card from customers. However, the credit for stores in malls and departmental stores, some credit are established based on the credit period negotiated between the two parties, and the credit period is mainly 15-30 days. When determining the collectability of accounts receivable, the Group takes any change of credit quality from the invoice date of account receivables to the balance sheet date into consideration. In order to reduce the credit risk, the Group 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 Group's management concludes that the credit risk has been significantly reduced.

The Group recognizes the allowance loss of trade receivables 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 Group, 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 trade receivables.

The Group measures the allowance losses of trade receivables as follows:

Dec. 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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>2</u>)	(<u>2</u>)
Amortized cost	<u>\$81,883</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$81,887</u>

Dec. 31, 2019

	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	\$46,771	\$ 3	\$ 1	\$ -	\$ 31	\$46,806
Allowance for loss (expected credit losses during the period)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>15</u>)	(<u>15</u>)
Amortized cost	<u>\$46,771</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$46,791</u>

Changes in loss allowances for trade receivables are as follows:

	2020	2019
Balance at beginning of the year	\$ 15	\$ 32
Less: Reversed impairment loss in the current year	(<u>13</u>)	(<u>17</u>)
Balance at end of the year	<u>\$ 2</u>	<u>\$ 15</u>

8. Inventories

The allowance for write-downs of inventories as of December 31, 2020 and 2019 were NT\$ 139 thousand and NT\$213 thousand respectively.

The cost of goods sold associated with inventories in 2020 and 2019 was NT\$1,457,497 thousand and NT\$1,122,910 thousand respectively. The cost of goods sold included reversal of write-downs of inventories of NT\$74 thousand and write-downs of inventories of NT\$129 thousand respectively.

9. Subsidiary

Subsidiaries included in the consolidated financial statements

The entities involved in the preparation of the Consolidated Financial Statements are listed as follows:

Name of Investor	Name of Subsidiary	Business Type	Shareholding Percentage	
			Dec. 31, 2020	Dec. 31, 2019
Kura Sushi Asia Co., Ltd.	Kura Sushi Hong Kong Limited	Investment	100%	100%
Kura Sushi Hong Kong Limited	Kura Sushi Shanghai Co., Ltd.	Catering services	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.

10. Property, Plant, and Equipment

	Buildings	Profit-generating instruments	Machinery	Leasehold improvements	Total
<u>Cost</u>					
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	<u>\$ 299,405</u>	<u>\$ 58,125</u>	<u>\$ 559,420</u>	<u>\$ 594,461</u>	<u>\$1,511,411</u>
<u>Accumulated depreciation</u>					
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	<u>\$ 50,417</u>	<u>\$ 25,659</u>	<u>\$ 232,255</u>	<u>\$ 248,240</u>	<u>\$ 556,571</u>
Net amount at December 31, 2020	<u>\$ 248,988</u>	<u>\$ 32,466</u>	<u>\$ 327,165</u>	<u>\$ 346,221</u>	<u>\$ 954,840</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 129,763	\$ 30,092	\$ 263,491	\$ 285,937	\$ 709,283
Addition	<u>55,690</u>	<u>10,808</u>	<u>106,926</u>	<u>117,432</u>	<u>290,856</u>
Balance at December 31, 2019	<u>\$ 185,453</u>	<u>\$ 40,900</u>	<u>\$ 370,417</u>	<u>\$ 403,369</u>	<u>\$1,000,139</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ 15,330	\$ 10,765	\$ 82,245	\$ 92,049	\$ 200,389

	Buildings	Profit- generating instruments	Machinery	Leasehold improvements	Total
Depreciation expenses	<u>14,487</u>	<u>7,511</u>	<u>63,919</u>	<u>67,333</u>	<u>153,250</u>
Balance at December 31, 2019	<u>\$ 29,817</u>	<u>\$ 18,276</u>	<u>\$ 146,164</u>	<u>\$ 159,382</u>	<u>\$ 353,639</u>
Net amount as of December 31, 2019	<u>\$ 155,636</u>	<u>\$ 22,624</u>	<u>\$ 224,253</u>	<u>\$ 243,987</u>	<u>\$ 646,500</u>

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

As there was no sign of impairment in 2019, no impairment assessment was performed.

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

Buildings	10-15 years
Profit-generating instruments	3-5 years
Machinery	5 years
Leasehold improvements	4-10 years

The Group signed a contract for the purchase of sushi turntables in installments. The total contract prices signed in 2020 and 2019 were JPY1,121,757,000 and JPY779,477,000 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:

- The Group shall make payments every 6 months after the delivery of the equipment.
- 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:

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Equipment payable	\$ 187,687	\$ 124,644
Less: Equipment payable due within one year	(<u>57,857</u>)	(<u>42,016</u>)
	<u>\$ 129,830</u>	<u>\$ 82,628</u>

11. Lease Agreements

- Right-of-use assets

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Carrying amount of right-of-use assets		
Land	\$ 649,731	\$ 400,008
Buildings	650,281	281,118
Transportation equipment	264	599
	<u>\$ 1,300,276</u>	<u>\$ 681,725</u>

	<u>2020</u>	<u>2019</u>
Addition of right-of-use assets	\$ 768,282	\$ 278,111
Depreciation expenses on right-of-use assets		
Land	\$ 30,637	\$ 21,825
Buildings	110,064	75,342
Transportation equipment	335	232
	<u>\$ 141,036</u>	<u>\$97,399</u>

Other than the above increase in right-of-use assets and recognition of depreciation expenses, the Group's right-of-use assets did not undergo significant sublease or impairment for the years ended 2020 and 2019.

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

As there was no sign of impairment in 2019, no impairment assessment was performed.

b. Lease liabilities

	Dec. 31, 2020	Dec. 31, 2019
Carrying amount of lease liabilities		
Current	\$ 158,678	\$ 115,578
Non-current	\$ 1,134,879	\$ 568,297

The discount rate ranges for lease liabilities are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Land	1.69%	1.69%
Buildings	1.69%	1.69%
Transportation Equipment	1.69%	1.69%

c. Major lease activities and terms

The Group leases certain land and buildings as sales shops, and the lease period is 5-16 years. At the end of the lease term, the Group has no bargain purchase option over the land and building leased, and the Group may not sublease or transfer all or part of the leased items without the lessor's consent.

The lease conditions of the land and buildings leased by the Group 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 Group's profit management.

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

- d. The Group has severely affected the market economy due to COVID-19 pandemic. The Group negotiated the lease of the building with the lessor, and obtained some lessors' agreement to unconditionally reduce the rental amount from January 1 to December 31, 2020.

e. Other lease information

	2020	2019
Short-term lease expenses	\$ 3,620	\$ 7,339
Lease expenses of low-value assets	\$ -	\$ -
Variable lease payments not included in lease liability measurement	\$ 27,382	\$ 27,313
Total cash inflows (outflows) on lease	(\$ 181,279)	(\$ 135,104)

The Group selects to apply the recognition exemptions to leases of parking spaces that qualify as short-term leases. Consequently, the Group 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:

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Lease commitments	<u>\$ 271,250</u>	<u>\$ 203,044</u>

12. Intangible Assets

	<u>Computer software</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 2,401
Separate acquisition	<u>3,416</u>
Balance at December 31, 2020	<u>\$ 5,817</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 1,496
Amortization expense	<u>1,071</u>
Balance at December 31, 2020	<u>\$ 2,567</u>
Net amount at December 31, 2020	<u>\$ 3,250</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 1,831
Separate acquisition	<u>570</u>
Balance at December 31, 2019	<u>\$ 2,401</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2019	\$ 974
Amortization expense	<u>522</u>
Balance at December 31, 2019	<u>\$ 1,496</u>
Net amount as of December 31, 2019	<u>\$ 905</u>

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

13. Other Assets

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Current</u>		
Temporary payments	\$ 2,782	\$ 2,390
Inventory of supplies	<u>2,432</u>	<u>2,931</u>
	<u>\$ 5,214</u>	<u>\$ 5,321</u>

14. Short-term borrowings

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Unsecured loans</u>		
Credit loans	<u>\$ -</u>	<u>\$ 10,541</u>

As of December 31, 2019, the interest rate of bank revolving loans was 1.14%.

15. Other Liabilities

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Current</u>		
Other payables		
Equipment payable	\$ 98,450	\$ 49,370
Salaries and bonuses payable	53,584	38,363
Labor & health insurance payable	13,199	10,944
Pension payable	8,245	6,821
Holiday benefits payable	6,335	5,380

	Dec. 31, 2020	Dec. 31, 2019
Other	<u>53,002</u>	<u>32,114</u>
	<u>\$ 232,815</u>	<u>\$ 142,992</u>
Other Liabilities		
Receipts under custody	\$ 2,356	\$ 1,904
Temporary credits	<u>59</u>	<u>9</u>
	<u>\$ 2,415</u>	<u>\$ 1,913</u>
<u>Non-current</u>		
Other payables		
Equipment payable	<u>\$ 129,830</u>	<u>\$ 82,628</u>

16. Provisions for liabilities - non-current

	Decommissioning liabilities
Balance at January 1, 2020	\$ 31,876
New	<u>22,273</u>
Balance at December 31, 2020	<u>\$ 54,149</u>
Balance at January 1, 2019	\$ 22,573
New	<u>9,303</u>
Balance at December 31, 2019	<u>\$ 31,876</u>

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

17. Post-retirement Benefit Plan

a. Defined contribution plans

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

b. Defined benefit plans

The Group'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

	Dec. 31, 2020	Dec. 31, 2019
Number of shares authorized (in thousands)	<u>60,000</u>	<u>60,000</u>
Share capital authorized	<u>\$ 600,000</u>	<u>\$ 600,000</u>
Number of shares issued and fully paid (in thousands)	<u>44,980</u>	<u>37,873</u>
Share capital issued (Face value of NT\$10 per share)	<u>\$ 449,800</u>	<u>\$ 378,730</u>
Advance receipts for capital stock	<u>\$ 1,870</u>	<u>\$ -</u>

The authorized capital included 4,500 thousand shares allocated for the exercise of employee stock warrants. The Board of Directors passed a resolution on February 19, 2019 to issue 6,373 thousand shares at NT\$10 per share at par value through issuance of ordinary shares for cash and issued at a premium of NT\$32. Actual share capital is NT\$378,730 thousand after capital increase. The aforementioned issuance of ordinary shares for cash was approved and declared effective by the Taipei

Exchange on March 20, 2019, and resolved by the Board of Directors. The Company has completed the relevant procedure with April 19, 2019 as the base day for capital increase.

The aforementioned issuance of ordinary shares for cash for the year of 2019 was NT\$199,656 thousand in total after the full payment was collected on April 18, 2019 and the relevant underwriting fees were deducted.

On July 20, 2020, the Board of Directors resolved the issuance of ordinary shares for cash to issue 7,107 thousand new shares.

Each share has a denomination of NT\$10 and is issued at a premium of NT\$55 per share. The paid-in share capital is NT\$449,800 thousand after the 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.

As of December 31, 2020, the employees of the Company have exercised 170,000 units of stock options. The Company has received full stock payments and recognized the advance receipts for capital stock at NT\$1,870 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

	Dec. 31, 2020	Dec. 31, 2019
<u>May be used to offset deficits, appropriated as cash dividends or transferred to capital (1)</u>		
Share premiums	\$ 569,642	\$ 135,926
<u>May only be used to offset deficits (2)</u>		
Share premiums	1,344	-
<u>May not be used for any purpose (3)</u>		
Employees stock option	8,401	3,724
	<u>\$ 579,387</u>	<u>\$ 139,650</u>

- 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 employees stock option 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 XIX (VII) - "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 2019 and 2018 on May 20, 2020 and March 22, 2019 as follows:

	2019	2018
Legal reserve	<u>\$ 8,872</u>	<u>\$ 10,718</u>
Cash dividends	<u>\$ 18,937</u>	<u>\$ 10,718</u>
Dividends Per Share (NT\$)	<u>\$ 0.50</u>	<u>\$ 0.34</u>

On March 25, 2019, the Group obtained a declaration of rights to abandon cash dividends of NT\$10,718 thousand issued by Kura Sushi, Inc., a corporation sole shareholder at that time.

On March 24, 2021, the Board of Directors approved the distribution of earnings for 2020 as follows:

	2020
Legal reserve	\$ 3,197
Special reserve	4
Cash dividends	22,893
Dividends Per Share (NT\$)	0.5

The distribution of earnings for 2020 is subject to the resolution of the Shareholders' meeting to be held on June 28, 2021.

19. Net Income from continuing operations

Components of net income from continuing operations are as follows:

a. Interest income

	2020	2019
Bank deposits	\$ 167	\$ 249
Imputed interest on deposits	<u>268</u>	<u>105</u>
	<u>\$ 435</u>	<u>\$ 354</u>

b. Other income

	2020	2019
Other	<u>\$ 1,628</u>	<u>\$ 1,046</u>

c. Other gains and losses

	2020	2019
Net foreign exchange gains	\$ 1,563	\$ 2,418
Net loss on disposal of property, plant, and equipment	(46)	-
Other	<u>(30)</u>	<u>(40)</u>
	<u>\$ 1,487</u>	<u>\$ 2,378</u>

d. Finance costs

	2020	2019
Interest on bank loans	\$ 140	\$ 161
Interest on lease liabilities	13,115	8,108
Other interest expense	<u>1,563</u>	<u>1,007</u>
	<u>\$ 14,818</u>	<u>\$ 9,276</u>

Information related to interest capitalization is as follows:

	2020	2019
Amount of interest capitalization	\$ 2,097	\$ 1,333
Rate of interest capitalization	1.69%	1.69%

e. Depreciation and amortization

	2020	2019
Depreciation expenses by function		
Operating costs	\$ 99,195	\$ 70,835
Operating expenses	246,695	179,814
	<u>\$ 345,890</u>	<u>\$ 250,649</u>
Amortization expenses by function		
Operating expenses	<u>\$ 1,071</u>	<u>\$ 522</u>

f. Employee benefits

	2020	2019
Short-term employee benefits		
Salary expenses	\$ 580,786	\$ 448,546
Insurance premium	66,868	53,049
	<u>647,654</u>	<u>501,595</u>

	2020	2019
Retirement benefits		
Defined contribution plans	\$ 30,502	\$ 24,273
Defined benefit plans	925	(7)
	<u>31,427</u>	<u>24,266</u>
Share-based payments		
Equity delivery	<u>6,021</u>	<u>3,724</u>
Other employee benefits	<u>11,796</u>	<u>11,010</u>
Total employee benefit expenses	<u>\$ 696,898</u>	<u>\$ 540,595</u>
By function		
Operating costs	\$ 360,250	\$ 280,399
Operating expenses	336,648	260,196
	<u>\$ 696,898</u>	<u>\$ 540,595</u>

g. Compensation for employees, directors and supervisors

In accordance with the provisions of the Articles of Association, the Company sets aside compensation for employees, 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 compensation for employee, directors and supervisors estimated for the years of 2020 and 2019 were resolved by the Board of Directors on March 24, 2021 and March 3, 2020 respectively as follows:

Estimated percentage

	2020	2019
Compensation for employees,	6.98%	2.63%
Compensation for directors and supervisors	1.16%	-

Amount

	2020	2019
Compensation for employees	\$ 3,000	\$ 3,000
Compensation for directors and supervisors	500	-

	2020	2019
supervisors		

The amounts of compensation for employees, directors and supervisors actually distributed for the years of 2019 and 2018 and the amounts recognized in the financial reports for the years of 2019 and 2018 are consistent.

For information on the Group's compensation for employees, 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

	2020	2019
Total gains on foreign currency exchange	\$ 2,052	\$ 3,165
Total gains (losses) on foreign currency exchange	(489)	(747)
Net gains on foreign currency exchange	<u>\$ 1,563</u>	<u>\$ 2,418</u>

20. Income tax from continuing operations

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

	2020	2019
Current income tax		
Accrued this period	\$ 9,366	\$ 23,058
Adjustments from previous years	<u>-</u>	<u>263</u>
	<u>9,366</u>	<u>23,321</u>
Deferred tax		
Accrued this period	(1,466)	(1,053)
	<u>(1,466)</u>	<u>(1,053)</u>
Income tax expense recognized in profit or loss	<u>\$ 7,900</u>	<u>\$ 22,268</u>

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

	2020	2019
Profit before income tax	<u>\$ 39,470</u>	<u>\$ 110,984</u>
Income tax expense of net profit before tax calculated at statutory tax rate (20%)	\$ 7,894	\$ 22,197
Fees that cannot be deducted from taxes	6	8
Unrecognized deductible temporary difference	-	(200)
Adjustments of current income tax expenses in previous years	<u>-</u>	<u>263</u>
Income tax expense recognized in profit or loss	<u>\$ 7,900</u>	<u>\$ 22,268</u>

In July 2019 the President put into effect the modified Statute for Industrial Innovation, stipulating that from 2018 onwards, any undistributed earnings, if taken for building or purchasing specific assets, can be listed as a deduction to the calculation of undistributed earnings (5%). The Group arrived at the surtax on unappropriated earnings simply by deducting the accrued capital expenditure.

b. Current income tax assets and liabilities

	Dec. 31, 2020	Dec. 31, 2019
Current income tax liabilities		
Income tax payable	<u>\$ 9,363</u>	<u>\$ 12,884</u>

c. Current income tax assets and liabilities

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

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
	<u>\$ 4,003</u>	<u>\$ 1,602</u>	<u>(\$ 101)</u>	<u>\$ 5,504</u>

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	<u>\$ 510</u>	<u>\$ 136</u>	<u>\$ 646</u>

2019

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	\$ 801	\$ 275	\$ -	\$ 1,076
Provisions	1,353	1,085	-	2,438
Unrealized write-downs of inventories	17	26	-	43
Appropriation of employee welfare capital	-	128	-	128
Defined benefit pension plan	-	188	130	318
Unrealized exchange losses	<u>139</u>	<u>(139)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,310</u>	<u>\$ 1,563</u>	<u>\$ 130</u>	<u>\$ 4,003</u>

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	<u>\$ -</u>	<u>\$ 510</u>	<u>\$ 510</u>

d. Income tax assessment

The annual income tax returns of a profit-seeking enterprise through 2018 have been assessed by the tax authorities.

21. Earnings per Share

	Unit: In Shares or NT\$	
	2020	2019
Basic earnings per share	\$ 0.79	\$ 2.47
Diluted earnings per share	\$ 0.76	\$ 2.33

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

Net income

	2020	2019
Net profit used to calculate basic and diluted earnings per share	\$ 31,570	\$ 88,716

Unit: Thousand shares

	2020	2019
Weighted average number of common shares used for calculation of basic earnings per share	39,971	35,987
Effect of potentially dilutive common shares:		
Employees stock option	1,672	2,028
Employee compensation	46	55
Weighted average number of common shares used for calculation of diluted earnings per share	41,689	38,070

If the Group 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.

	2020		2019	
	Unit in Thousands	Weighted-average execution price (NT\$)	Unit in Thousands	Weighted-average execution price (NT\$)
Employees stock option				
Stock warrants outstanding at the beginning of the period	2,168	\$ -	2,400	\$ -
Waived for the current period	(103)	-	(232)	-
Implemented for the current period	(170)	11	-	-
Stock warrants outstanding at the end of the period	1,895		2,168	
Exercisable at the end of the	920	11	-	-

	2020		2019	
		Weighted-average execution price (NT\$)		Weighted-average execution price (NT\$)
Employees stock option period	Unit in Thousands		Unit in Thousands	
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	2020	2019
Range of exercise price (NT\$)	\$ 11	\$ 11
Weighted-average remaining duration (year)	8 years	9 years

The Group 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 2020 and 2019 were NT\$4,677 thousand and NT\$3,724 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:

	Sep. 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 year
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. Cash Flows

a. Non-cash Transactions

For the Years of 2020 and 2019, the Group conducted the following investments and financing activities in non-cash transactions.

	2020	2019
Increase in property, plant, and equipment	(\$ 513,240)	(\$ 290,856)
Decrease (increase) in prepayments for equipment	17,551	(14,173)
Decrease in equipment payable	<u>99,041</u>	<u>22,299</u>
Cash used in the acquisition of property, plant, and equipment	(\$ <u>396,648</u>)	(\$ <u>282,730</u>)
Increase in intangible assets	(\$ 3,416)	(\$ 570)
Decrease in prepayments for equipment	<u>-</u>	<u>237</u>
Cash paid for acquisition of intangible assets	(\$ <u>3,416</u>)	(\$ <u>333</u>)

b. Changes in liabilities from financing activities

2020

	Jan. 1, 2020	Cash Flows	Non-cash changes		Dec. 31, 2020
			New lease	Interest capitalization	
Short-term borrowings	\$ 10,541	(\$ 10,541)	\$ -	\$ -	\$ -
Lease liabilities	<u>683,875</u>	<u>(137,162)</u>	<u>746,009</u>	<u>835</u>	<u>1,293,557</u>
	<u>\$ 694,416</u>	<u>(\$ 147,703)</u>	<u>\$ 746,009</u>	<u>\$ 835</u>	<u>\$1,293,557</u>

2019

	January 1, 2019	Cash Flows	Non-cash changes		Dec. 31, 2019
			New lease	Interest capitalization	
Short-term borrowings	\$ 21,082	(\$ 10,541)	\$ -	\$ -	\$ 10,541
Lease liabilities	<u>506,057</u>	<u>(92,323)</u>	<u>268,808</u>	<u>1,333</u>	<u>683,875</u>
	<u>\$ 527,139</u>	<u>(\$ 102,864)</u>	<u>\$ 268,808</u>	<u>\$ 1,333</u>	<u>\$ 694,416</u>

24. Capital Risk Management

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

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

25. Financial Instruments

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

The management of the Group 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 Group at fair value on a recurring basis

c. Category of financial instruments

	Dec. 31, 2020	Dec. 31, 2019
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 718,496	\$ 345,643
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	\$ 476,038	\$ 308,564

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 Group include trade receivables from unrelated parties, trade payables, short-term borrowings and lease liability. The financial management department of the Group 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 Group's operating activities make the Group 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 Group's sales and purchase transactions are denominated in foreign currency; as a consequence, the Group 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 Group 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 Notes 30.

Sensitivity analysis

The Group 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 increase/decrease the Group's pre-tax net profits in 2020 and 2019 by NT\$735 thousand and NT\$1,299 thousand.

b) Interest rate risk

The Group 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 Group exposed to interest rate risk on the balance sheet date are as follows:

	Dec. 31, 2020	Dec. 31, 2019
Cash flow interest rate risk		
— Financial assets	\$ 627,786	\$ 292,876
— Financial liabilities	-	10,541

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 Group 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 Group's net profit before tax will increase/decrease by NT\$6,278 thousand and NT\$2,823 thousand for 2020 and 2019, respectively.

2) Credit risk

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

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

3) Liquidity risk

The Group manages and maintains sufficient cash to support the Group's operations and reduce the impact of cash flow fluctuations. The management of the Group 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 Group. As of December 31, 2020 and December 31, 2019, for the unutilized financing amount of the Group, 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 Group and is compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Specifically, the Group'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.

Dec. 31, 2020

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

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

	<u>Within 1 year</u>	<u>1-5 year(s)</u>	<u>5-10 years</u>	<u>Over 10 years</u>
Lease liabilities	<u>\$ 179,137</u>	<u>\$ 570,421</u>	<u>\$ 457,448</u>	<u>\$ 208,243</u>

Dec. 31, 2019

	Within 3 months	3 months-1 year	1-3 year(s)	Over 3 years
<u>Non-derivative financial liabilities</u>				
Zero-interest-bearing liabilities	\$ 184,744	\$ 30,651	\$ 57,296	\$ 25,332
Lease liabilities	29,431	86,147	251,635	316,662
Variable-rate instruments	-	10,541	-	-
	<u>\$214,175</u>	<u>\$127,339</u>	<u>\$308,931</u>	<u>\$341,994</u>

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

	Within 1 year	1-5 year(s)	5-10 years	Over 10 years
Lease liabilities	<u>\$126,233</u>	<u>\$326,024</u>	<u>\$174,984</u>	<u>\$114,140</u>

b) Line of credit

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Unsecured bank loans		
— Amount utilized	\$ -	\$ 10,541
— Amount not utilized	240,000	229,459
	<u>\$ 240,000</u>	<u>\$ 240,000</u>

26. Related Party Transactions

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

a. Names and relations of related parties

<u>Related Party</u>	<u>Relationship with the Group</u>
Kura Sushi, Inc. (Note 1)	Investor of significant influence (Note 2)

Note 1: The Company was formerly known as KURA CORPORATION, and was renamed Kura Sushi, Inc. in May 2019.

Note 2: The Company has become a significant investor due to a decline in its shareholding ratio since April 2019.

b. Purchase of goods

	<u>2020</u>	<u>2019</u>
Investor of significant influence	<u>\$ 7,850</u>	<u>\$ 8,918</u>

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

<u>Accounting subject</u>	<u>Type of stakeholders</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Other receivables	Investor of significant influence	<u>\$ 1,687</u>	<u>\$ 1,323</u>

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

d. Accounts payable - related party (excluding loans from related parties)

Accounting subject	Type of stakeholders	Dec. 31, 2020	Dec. 31, 2019
Equipment payable	Investor of significant influence	\$ -	\$ 1,394
Other payables	Investor of significant influence	4,505	3,066
		<u>\$ 4,505</u>	<u>\$ 4,460</u>

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

e. Prepayments

	Dec. 31, 2020	Dec. 31, 2019
Investor of significant influence	<u>\$ 18</u>	<u>\$ 39</u>

f. Acquisition of property, plant, and equipment

	Price	
	2020	2019
Investor of significant influence	<u>\$ 3,032</u>	<u>\$ 1,303</u>

The property, plant, and equipment purchased by the Group in 2020 and 2019, respectively, amounted to NT\$3,032 thousand and NT\$1,303 thousand, which were advanced by Kura Sushi, Inc. and then paid by the Group, as a collection and payment transaction. Nissho Kura Sushi, Inc. did not receive profit in this transaction.

g. Other Related Party Transactions

Accounting subject	Type of stakeholders	2020	2019
Other income	Investor of significant influence	\$ -	\$ 742
Operating expenses	Investor of significant influence	<u>\$ 23,734</u>	<u>\$ 24,395</u>
Manufacturing overheads	Investor of significant influence	<u>\$ 1,025</u>	<u>\$ 990</u>

- 1) The Group 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 Group 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 Group 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 Group, Kura Sushi, Inc. will charge the Group assistance service fees (recognized as operating costs) in accordance with the agreed method in the contract.
- 3) Part of the operating expenses of the Group was advanced by Kura Sushi, Inc. and then paid by the Group to Kura Sushi, Inc., as a collection and payment transaction. Kura Sushi, Inc. did not collect profits in such transactions. The pension funds appropriated in 2020 and 2019 were NT\$11,661 thousand and NT\$8,954 thousand, respectively.

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

h. Other

Part of the contracts for the purchase of sushi carousels by the Group in previous years was guaranteed by the influential investor Kura Sushi, Inc. as the joint guarantor. As of December 31, 2020 and 2019, the guarantee balances were JPY13,373,000 and JPY47,065,000, respectively. (please refer to Note 10).

i. Remunerations to Major Management

	2020	2019
Short-term employee benefits	\$ 15,600	\$ 8,612
Share-based payments	1,816	1,816
	<u>\$ 17,416</u>	<u>\$ 10,428</u>

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

27. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

- a. As of December 31, 2020 and 2019, the Group has signed land lease commissioning contracts of NT\$49,500 thousand and NT\$49,005 thousand, respectively, and the prices paid in accordance with the contracts were NT\$0 thousand and NT\$29,965 thousand (recognized under prepayments for construction and equipment).
- b. As of December 31, 2020 and 2019, the Group provided security deposits for leased stores and issued notes with a value of NT\$ 11,670 thousand and NT\$ 6,069 thousand, respectively.

28. Significant Events after the Balance Sheet Date

The Company passed a resolution of the Board of Directors on March 24, 2021, 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.

29. Other Matters

The Group was affected by the global COVID-19 pandemic, and the number of visitors to the Group decreased, resulting in a decrease in average single-store operating revenue in 2020. In order to cope with the impact of COVID-19 pandemic, the Group will control costs in accordance with operating conditions. With the pandemic being kept under control and the loosening of policies, the Group expects its business to gradually return to normal.

30. 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 Group 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:

Dec. 31, 2020

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

Dec. 31, 2019

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
JPY	\$ 541	0.2760 (JPY: NTD)	<u>\$ 149</u>
 <u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
JPY	470,822	0.2760 (JPY: NTD)	<u>\$ 129,947</u>

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

	2020		2019	
		Net foreign exchange gains (losses)		Net foreign exchange gains (losses)
<u>Foreign currency</u>	<u>Exchange rate</u>		<u>Exchange rate</u>	
JPY	0.2763 (JPY: NTD)	<u>\$ 1,584</u>	0.2760 (JPY: NTD)	<u>(\$ 2,418)</u>

31. 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) 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)

32. 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 Group is based on the Group’s overall operating performance and economic resources as the main consideration, so it is a single operating segment.

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

TABLE 1

Kura Sushi Asia Co., Ltd. and Subsidiaries

**Acquisition of real estate amounting to NT\$300 million or 20% of the paid-in capital or more
January 1 to December 31, 2020
(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	Jun. 17, 2019	\$ 48,939	Pay according to order conditions	Green Field Construction Co, Ltd.	None	-	-	-	-	Price Comparison and Price Negotiation	For business	None
	Buildings	Feb. 20, 2020	\$ 51,086	Pay according to order conditions	Green Field Construction Co, Ltd.	None	-	-	-	-	Price Comparison and Price Negotiation	For business	None

TABLE 2

Kura Sushi Asia Co., Ltd. and Subsidiaries

Information about the investee name, address, etc.

January 1 to December 31, 2020

Unit: NT\$ thousand

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	\$ -	\$ -	-	-	(\$ 76)	(\$ 76)	(\$ 76)	(Note 1 and Note 3)
Kura Sushi Hong Kong Limited	Kura Sushi Shanghai Co., Ltd.	Shanghai, China	Catering sales	-	-	-	-	-	-	-	(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 NT\$16,000 thousand. As of December 31, 2020, the Company has not remitted investment funds.

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 NT\$30,000 thousand. As of December 31, 2020, the Company has not remitted investment funds.

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 2020.

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

TABLE 3

Kura Sushi Asia Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
January 1 to December 31, 2020
(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)
\$ -	\$65,655 (RMB 15,000,000)	\$ 757,027

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 NT\$30,000 thousand. As of December 31, 2020, the Company has not remitted investment funds.

Note 3: The translation is based on the exchange rate at the end of the period: RMB\$:NT\$=1:4.377.

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, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholders	Shareholding	
	Shares	Shareholding Ratio
KURA SUSHI, INC.	31,200,000	69.36%

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 consolidated 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.

Kura Sushi Asia Co., Ltd.

Parent Company Only Financial Statements and
Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

Address: 6F.&6F-1, No. 32, Sec. 3, Zhongshan N. Rd., Taipei City
Tel. No.: 02-8978-8558

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020. 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 the year ended December 31, 2020 are as follows:

Completeness and 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 33 restaurants at the end of 2020, 16 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 was NT\$1,268,940 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 completeness and 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. Obtained an understanding of the controls and its effectiveness related to the general IT environment surround the POS system and the ERP system.
2. Perform detail testing of the transactions by selecting samples from the restaurant operating income report generated from the headquarter POS system. For each sample, we verified 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 sample test 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, 2020, 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 29, 2021

Notice to Readers

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, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 634,210	20	\$ 297,456	17
1170	Accounts receivable from unrelated parties (Notes 4 and 7)	81,887	3	46,791	3
1200	Other receivables (Notes 4 and 26)	2,036	-	1,396	-
130X	Inventories (Notes 4 and 8)	17,557	1	8,464	-
1410	Prepayments (Note 26)	18,140	1	15,625	1
1470	Other current assets (Note 13)	5,642	-	5,321	-
11XX	Total current assets	<u>759,472</u>	<u>25</u>	<u>375,053</u>	<u>21</u>
	Non-current assets				
1600	Property, plant, and equipment (Notes 4, 10, 23, and 26)	954,840	31	646,500	37
1755	Right-of-use assets (Notes 4, 5, and 11)	1,300,276	42	681,725	38
1780	Intangible assets (Notes 4, 12, and 23)	3,250	-	905	-
1840	Deferred tax assets (Notes 4 and 20)	5,504	-	4,003	-
1915	Prepayments for construction and equipment (Notes 23 and 27)	40,137	1	48,158	3
1920	Refundable deposits	36,368	1	19,282	1
15XX	Total non-current assets	<u>2,340,375</u>	<u>75</u>	<u>1,400,573</u>	<u>79</u>
1XXX	Total assets	<u>\$ 3,099,847</u>	<u>100</u>	<u>\$ 1,775,626</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 4, 14, and 23)	\$ -	-	\$ 10,541	1
2170	Accounts payable	113,393	4	70,814	4
2280	Lease liabilities - current (Notes 4, 11, and 23)	158,678	5	115,578	6
2219	Other payables (Notes 10, 15, 23, and 26)	232,815	7	142,992	8
2230	Current tax liabilities (Notes 4 and 20)	9,363	-	12,884	1
2300	Other current liabilities (Note 15)	2,404	-	1,913	-
21XX	Total current liabilities	<u>516,653</u>	<u>16</u>	<u>354,722</u>	<u>20</u>
	Non-current liabilities				
2580	Lease liabilities - non-current (Notes 4, 11, and 23)	1,134,879	37	568,297	32
2550	Provisions - non-current (Notes 4 and 16)	54,149	2	31,876	2
2570	Deferred income tax liabilities (Notes 4 and 20)	646	-	510	-
2640	Net defined benefit liabilities - non-current (Notes 4 and 17)	1,902	-	1,589	-
2650	Credit balance of investments accounted for using the equity method (Notes 4 and 9)	76	-	-	-
2670	Other payables - non-current (Notes 10, 15, and 23)	129,830	4	82,628	5
25XX	Total non-current liabilities	<u>1,321,482</u>	<u>43</u>	<u>684,900</u>	<u>39</u>
2XXX	Total liabilities	<u>1,838,135</u>	<u>59</u>	<u>1,039,622</u>	<u>59</u>
	Equity (Note 18)				
	Share capital				
3110	Common stock	449,800	14	378,730	21
3140	Capital received in advance	1,870	-	-	-
3100	Total share capital	<u>451,670</u>	<u>14</u>	<u>378,730</u>	<u>21</u>
3200	Capital surplus	<u>579,387</u>	<u>19</u>	<u>139,650</u>	<u>8</u>
	Retained earnings				
3310	Legal reserve	21,815	1	12,943	1
3350	Unappropriated earnings	208,844	7	204,681	11
3300	Total retained earnings	<u>230,659</u>	<u>8</u>	<u>217,624</u>	<u>12</u>
3400	Other equity	(4)	-	-	-
3XXX	Total equity	<u>1,261,712</u>	<u>41</u>	<u>736,004</u>	<u>41</u>
	Total liabilities and equity	<u>\$ 3,099,847</u>	<u>100</u>	<u>\$ 1,775,626</u>	<u>100</u>

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, 2020 and 2019****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 4)	\$ 2,414,639	100	\$ 1,926,252	100
5000	Operating costs (Notes 4, 8, and 26)	<u>1,457,497</u>	<u>60</u>	<u>1,122,910</u>	<u>58</u>
5900	Gross profit	<u>957,142</u>	<u>40</u>	<u>803,342</u>	<u>42</u>
	Operating expenses (Notes 19 and 26)				
6100	Selling expenses	733,587	30	547,952	29
6200	General and administrative expenses	172,110	7	138,024	7
6300	Research and development expenses	669	-	901	-
6450	Expected gain on reversal of credit losses	(<u>13</u>)	<u>-</u>	(<u>17</u>)	<u>-</u>
6000	Total operating expenses	<u>906,353</u>	<u>37</u>	<u>686,860</u>	<u>36</u>
6900	Net operating income	<u>50,789</u>	<u>3</u>	<u>116,482</u>	<u>6</u>
	Non-operating income and expenses (Note 19)				
7100	Interest income	435	-	354	-
7010	Other income (Note 26)	1,628	-	1,046	-
7020	Other gains and losses	1,508	-	2,378	-
7050	Finance costs	(14,818)	(1)	(9,276)	-
7070	Share of loss of subsidiaries, associates, and joint ventures accounted for using equity method (Note 9)	(<u>72</u>)	<u>-</u>	<u>-</u>	<u>-</u>
7000	Total non-operating income and expenses	(<u>11,319</u>)	(<u>1</u>)	(<u>5,498</u>)	<u>-</u>
7900	Net income before tax	39,470	2	110,984	6
7950	Tax expenses (Notes 4 and 20)	<u>7,900</u>	<u>1</u>	<u>22,268</u>	<u>1</u>
8200	Net income for the year	<u>31,570</u>	<u>1</u>	<u>88,716</u>	<u>5</u>

(Continued on the next page)

(Continued from the previous page)

Code		2020		2019	
		Amount	%	Amount	%
	Other comprehensive income				
	Items that will not be reclassified				
	subsequently to profit or loss:				
8311	Remeasurement of defined				
	benefit plans	\$503	-	(\$ 649)	-
8349	Income tax relating to				
	items that will not be				
	reclassified				
	subsequently to profit				
	or loss (Note 20)	(<u>101</u>)	<u>-</u>	<u>130</u>	<u>-</u>
8310		<u>402</u>	<u>-</u>	(<u>519</u>)	<u>-</u>
8360	Items that will be reclassified to				
	profit or loss	(<u>4</u>)	<u>-</u>	<u>-</u>	<u>-</u>
8361	Financial statements translation				
	differences of foreign operations	<u>398</u>	<u>-</u>	(<u>519</u>)	<u>-</u>
8500	Total comprehensive income for the				
	year	<u>\$ 31,968</u>	<u>1</u>	<u>\$ 88,197</u>	<u>5</u>
	Net income attributable to:				
8610	Owners of the Company	<u>\$ 31,570</u>	<u>1</u>	<u>\$ 88,716</u>	<u>5</u>
	Comprehensive income attributable				
	to:				
8710	Owners of the Company	<u>\$ 31,968</u>	<u>1</u>	<u>\$ 88,197</u>	<u>5</u>
	Earnings per share (Note 21)				
9750	Basic	<u>\$ 0.79</u>		<u>\$ 2.47</u>	
9850	Diluted	<u>\$ 0.76</u>		<u>\$ 2.33</u>	

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, 2020 and 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

		Share capital				Retained earnings		Other equity		
		Number of Shares (in Thousands)	Common stock	Capital received in advance	Capital surplus	Legal reserve	Unappropriated earnings	Total	Financial statements translation differences of foreign operations	Total equity
Code										
A1	Balance at January 1, 2019	31,500	\$ 315,000	\$ -	\$ -	\$ 2,225	\$ 127,202	\$ 129,427	\$ -	\$ 444,427
	Appropriation and distribution of earnings for 2018:									
B1	Legal reserve appropriated	-	-	-	-	10,718	(10,718)	-	-	-
N1	Issuance of employees stock option	-	-	-	3,724	-	-	-	-	3,724
D1	Net income in 2019	-	-	-	-	-	88,716	88,716	-	88,716
D3	Other comprehensive income after tax in 2019	-	-	-	-	-	(519)	(519)	-	(519)
D5	Total comprehensive income in 2019	-	-	-	-	-	88,197	88,197	-	88,197
E1	Cash capital increase	6,373	63,730	-	135,926	-	-	-	-	199,656
Z1	Balance at December 31, 2019	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 distributed to the Company's shareholders	-	-	-	-	-	(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

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, 2020 and 2019
(In Thousands of New Taiwan Dollars)

Code		2020	2019
	Cash flows from operating activities		
A10000	Net income before tax for the year	\$ 39,470	\$ 110,984
A20010	Adjustments for:		
A20100	Depreciation expenses	345,890	250,649
A20200	Amortization expenses	1,071	522
A20300	Expected gain on reversal of credit losses	(13)	(17)
A21900	Compensation costs of employee stock options	6,021	3,724
A20900	Finance costs	14,818	9,276
A21200	Interest income	(435)	(354)
A23700	Write-downs of inventories (gains from price recovery)	(74)	129
A22400	Share of loss of subsidiaries, associates, and joint ventures accounted for using equity method	72	-
A22500	Net losses on disposal of property, plant, and equipment	46	-
A24100	Net gains on foreign currency exchange	(2,735)	(2,544)
A29900	Recognition of pension costs	816	60
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	(35,083)	4,573
A31180	Other receivables	(496)	(1,261)
A31200	Inventories	(9,019)	(660)
A31230	Prepayments	(2,515)	(8,922)
A31240	Other current assets	(321)	(4,075)
A32150	Accounts payable	42,579	16,498
A32180	Other payables	40,799	21,179
A32230	Other current liabilities	491	729
A33000	Cash generated from operations	441,382	400,490
A33100	Interest received	291	344
A33300	Interest paid	(14,898)	(9,355)
A33500	Income tax paid	(12,887)	(26,294)
AAAA	Net cash flows from operating activities	413,888	365,185

(Continued on the next page)

(Continued from the previous page)

Code		2020	2019
	Cash flows from investing activities		
B02700	Acquisition of property, plant, and equipment	(\$ 396,648)	(\$ 282,730)
B04500	Acquisition of intangible assets	(3,416)	(333)
B03700	Increase in refundable deposits	(17,086)	(2,963)
BBBB	Cash used in investing activities	(417,150)	(286,026)
	Cash flows from financing activities		
C00100	Decrease in short-term loans	(10,541)	(10,541)
C04020	Repayments of lease liabilities	(137,162)	(92,323)
C04500	Cash dividends distributed	(18,937)	
C04600	Proceeds from issuance of ordinary shares	506,656	199,656
CCCC	Net cash generated from financing activities	340,016	96,792
EEEE	Net increase in cash and cash equivalents	336,754	175,951
E00100	Cash and cash equivalents at beginning of year	297,456	121,505
E00200	Cash and cash equivalents at end of year	\$ 634,210	\$ 297,456

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

Chairman: Kentaro Nishikawa

President: Kentaro Nishikawa

Accounting Manager: Lin-Shang Chih

Kura Sushi Asia Co., Ltd.

Notes to Parent Company Only Financial Statements

January 1 to December 31, 2020 and 2019

(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., and was renamed Kura Sushi Asia Co., Ltd. in June 2019. 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 Parent Company Only Financial Statements and Procedures for Authorization

These parent company only financial statements have been approved by the Board of Directors on March 24, 2021.

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:

- 1) Amendments to IAS 1 and IAS 8 "Definition of Material"

On January 1, 2020, the Company applied the amendment as the threshold for materiality has been changed to 'could reasonably be expected to influence users'. It also adjusted disclosures of the parent company only financial statements, and it deleted immaterial information which could obscure material information.

- 2) Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

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 IV. 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, 2020. Since the aforementioned rent negotiations only affect the year of 2020, retrospective application of these amendments will not affect the retained earnings as of January 1, 2020.

- b. FSC-endorsed IFRSs that are applicable from 2021 onward

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB
Amendment to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective on issuance
Amendments to "Interest Rate Benchmark Reform - Phase II" in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	These amendments apply to annual reporting periods beginning after January 1, 2021.

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)
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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 IAS 1 "Classify Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	Jan. 1, 2023 (Note 6)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 Property, Plant, and Equipment - Proceeds before Intended Use	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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: 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 3: This amendment applies to the business combination that starts on the acquisition date after January 1, 2022 during the annual reporting period.

Note 4: 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 5: This amendment applies to contracts under which all obligations have not been on January 1, 2022.

Note 6: This amendment prospectively applies to annual periods beginning after January 1, 2023.

Note 7: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual periods beginning on January 1, 2023.

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) Amendment 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.

d. Reclassification expression

The management of the Company believes that it is more appropriate to include net defined benefit liabilities-non-current in the line item of the balance sheet, so it changed the expression of the balance sheet in 2020. The comparative information was reclassified to make the expression consistent on December 31, 2019.

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, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. 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. The gains and losses arising from the countercurrent and side current transactions between the Company and its subsidiaries shall be recognized in the parent company only financial statements only to the extent not related to the Company's equity in the subsidiaries.

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. Other 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 recoverable amount prior to revision, provided the increased carrying amount does not exceed the carrying amount (minus amortization or depreciation) of the asset or of 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.

When showing the original financial assets and liabilities, if their fair value was not assessed based on profit or loss, it is the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. 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.

Financial assets at amortized cost

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 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.

If the Company is a lessee:

Except that the lease payments of the low value subject-matter assets and short-term leases applicable to recognition exemption are recognized as expenses on a straight-line basis during the lease period, 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 COVID-19 pandemic, adjusted the rent due before June 30, 2021, 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 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. 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.

p. Share-based payment

Employees stock option granted to employees

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.

q. Income tax

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

1) Current-period 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 income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized when there are likely taxable income for the deducting temporary differences.

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. For deductible temporary differences associated with such investments, when it is probable that sufficient taxable income will be available to realize such temporary differences, a deferred tax asset is recognized, but only to the extent of the amount that is expected to be reversed 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 management shall continue to review the estimates and basic assumptions. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year. 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.

6. Cash and Cash Equivalents

	Dec. 31, 2020	Dec. 31, 2019
Cash on hand and working capital	\$ 6,787	\$ 4,580
Checks and demand deposits in banks	368,525	183,993
Cash equivalents (Time deposits with original maturities within three months)		
Time deposits	258,898	108,883
	<u>\$ 634,210</u>	<u>\$ 297,456</u>

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

	Dec. 31, 2020	Dec. 31, 2019
Demand deposits in banks	0.001%~0.05%	0.01%~0.05%
Time deposits	0.11%~0.35%	0.21%~0.34%

7. Accounts receivable

	Dec. 31, 2020	Dec. 31, 2019
<u>Accounts receivable from unrelated parties</u>		
Measured at amortized cost		
Total carrying amount	\$ 81,889	\$ 46,806
Less: Loss allowance	(<u>2</u>)	(<u>15</u>)
	<u>\$ 81,887</u>	<u>\$ 46,791</u>

The Company usually adopts cash payment and credit card from customers. However, the credit for stores in malls and departmental stores, some credit are established based on the credit period negotiated between the two parties, and the credit period is mainly 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:

Dec. 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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>
Amortized cost	<u>\$81,883</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$81,887</u>

Dec. 31, 2019

	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	\$46,771	\$ 3	\$ 1	\$ -	\$ 31	\$46,806
Allowance for loss (expected credit losses during the period)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>(15)</u>
Amortized cost	<u>\$46,771</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$46,791</u>

Changes in loss allowances for trade receivables are as follows:

	2020	2019
Balance at beginning of the year	\$ 15	\$ 32
Add: Appropriated impairment loss in the current year		
Less: Reversed impairment loss in the current year	(13)	(17)
Balance at end of the year	<u>\$ 2</u>	<u>\$ 15</u>

8. Inventories

The allowance for write-downs of inventories as of December 31, 2020 and 2019 were NT\$ 139 thousand and NT\$213 thousand, respectively.

The cost of goods sold associated with inventories in 2020 and 2019 was NT\$1,457,497 thousand and NT\$1,122,910 thousand, respectively. The cost of goods sold included reversal of write-downs of inventories of NT\$74 thousand and write-downs of inventories of NT\$129 thousand respectively.

9. Subsidiary

	Dec. 31, 2020	Dec. 31, 2019
Investments in subsidiaries	(\$ 76)	\$ -

Name of Subsidiary	Percentage of Ownership	
	Dec. 31, 2020	Dec. 31, 2019
Kura Sushi Hong Kong Limited	100%	100%
Kura Sushi Shanghai Co., Ltd.	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, 2020, the Company has not remitted investment funds.

10. Property, Plant, and Equipment

	Buildings	Profit-generating instruments	Machinery	Leasehold improvements	Total
<u>Cost</u>					
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	<u>\$ 299,405</u>	<u>\$ 58,125</u>	<u>\$ 559,420</u>	<u>\$ 594,461</u>	<u>\$1,511,411</u>
<u>Accumulated depreciation</u>					
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	<u>\$ 50,417</u>	<u>\$ 25,659</u>	<u>\$ 232,255</u>	<u>\$ 248,240</u>	<u>\$ 556,571</u>
Net amount at December 31, 2020	<u>\$ 248,988</u>	<u>\$ 32,466</u>	<u>\$ 327,165</u>	<u>\$ 346,221</u>	<u>\$ 954,840</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 129,763	\$ 30,092	\$ 263,491	\$ 285,937	\$ 709,283
Addition	55,690	10,808	106,926	117,432	290,856
Balance at December 31, 2019	<u>\$ 185,453</u>	<u>\$ 40,900</u>	<u>\$ 370,417</u>	<u>\$ 403,369</u>	<u>\$1,000,139</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ 15,330	\$ 10,765	\$ 82,245	\$ 92,049	\$ 200,389
Depreciation expenses	14,487	7,511	63,919	67,333	153,250
Balance at December 31, 2019	<u>\$ 29,817</u>	<u>\$ 18,276</u>	<u>\$ 146,164</u>	<u>\$ 159,382</u>	<u>\$ 353,639</u>
Net amount as of December 31, 2019	<u>\$ 155,636</u>	<u>\$ 22,624</u>	<u>\$ 224,253</u>	<u>\$ 243,987</u>	<u>\$ 646,500</u>

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

As there was no sign of impairment in 2019, no impairment assessment was performed.

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

Buildings	10-15 years
Profit-generating instruments	3-5 years
Machinery	5 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 2020 and 2019 were JPY1,121,757,000 and JPY779,477,000 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 trade 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

	Dec. 31, 2020	Dec. 31, 2019
Equipment payable	\$ 187,687	\$ 124,644
Less: Equipment payable due within one year	(57,857)	(42,016)
	<u>\$ 129,830</u>	<u>\$ 82,628</u>

11. Lease Agreements

- a. Right-of-use assets

	Dec. 31, 2020	Dec. 31, 2019
Carrying amount of right-of-use assets		
Land	\$ 649,731	\$ 400,008
Buildings	650,281	281,118
Transportation equipment	264	599
	<u>\$ 1,300,276</u>	<u>\$ 681,725</u>
	2020	2019
Addition of right-of-use assets	<u>\$ 768,282</u>	<u>\$ 278,111</u>
Depreciation expenses on right-of-use assets		
Land	\$ 30,637	\$ 21,825
Buildings	110,064	75,342
Transportation equipment	335	232
	<u>\$ 141,036</u>	<u>\$ 97,399</u>

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 2020 and 2019.

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

As there was no sign of impairment in 2019, no impairment assessment was performed.

- b. Lease liabilities

	Dec. 31, 2020	Dec. 31, 2019
Carrying amount of lease liabilities		
Current	\$ 158,678	\$ 115,578
Non-current	<u>\$ 1,134,879</u>	<u>\$ 568,297</u>

The discount rate ranges for lease liabilities are as follows:

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
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 severely affected the market economy due to COVID-19 pandemic. 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 December 31, 2020.

d. Other lease information

	<u>2020</u>	<u>2019</u>
Short-term lease expenses	<u>\$ 3,620</u>	<u>\$ 7,360</u>
Lease expenses of low-value assets	<u>\$ -</u>	<u>\$ -</u>
Variable lease payments not included in lease liability measurement	<u>\$ 27,382</u>	<u>\$ 27,313</u>
Total cash inflows (outflows) on lease	<u>(\$ 181,279)</u>	<u>(\$ 135,104)</u>

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:

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Lease commitments	<u>\$ 271,250</u>	<u>\$ 203,044</u>

12. Intangible Assets

	Computer Software
<u>Cost</u>	
Balance at January 1, 2020	\$ 2,401
Separate acquisition	<u>3,416</u>
Balance at December 31, 2020	<u>\$ 5,817</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 1,496
Amortization expense	<u>1,071</u>
Balance at December 31, 2020	<u>\$ 2,567</u>
Net amount at December 31, 2020	<u>\$ 3,250</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 1,831
Separate acquisition	<u>570</u>
Balance at December 31, 2019	<u>\$ 2,401</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2019	\$ 974
Amortization expense	<u>522</u>
Balance at December 31, 2019	<u>\$ 1,496</u>
Net amount as of December 31, 2019	<u>\$ 905</u>

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

13. Other Assets

	Dec. 31, 2020	Dec. 31, 2019
<u>Current</u>		
Temporary payments	\$ 3,210	\$ 2,390
Inventory of supplies	<u>2,432</u>	<u>2,931</u>
	<u>\$ 5,642</u>	<u>\$ 5,321</u>

14. Short-term borrowings

	Dec. 31, 2020	Dec. 31, 2019
<u>Unsecured loans</u>		
Credit loans	<u>\$ -</u>	<u>\$ 10,541</u>

As of December 31, 2019, the interest rate of bank revolving loans was 1.14%.

15. Other Liabilities

	Dec. 31, 2020	Dec. 31, 2019
<u>Current</u>		
Other payables		
Equipment payable	\$ 98,450	\$ 49,370
Salaries and bonuses payable	53,584	38,363
Labor & health insurance payable	13,199	10,944
Pension payable	8,245	6,821
Holiday benefits payable	6,335	5,380
Other	<u>53,002</u>	<u>32,114</u>
	<u>\$ 232,815</u>	<u>\$ 142,992</u>
<u>Other Liabilities</u>		
Receipts under custody	\$ 2,356	\$ 1,904
Temporary credits	<u>48</u>	<u>9</u>
	<u>\$ 2,404</u>	<u>\$ 1,913</u>

	Dec. 31, 2020	Dec. 31, 2019
<u>Non-current</u>		
Other payables		
Equipment payable	\$ 129,830	\$ 82,628

16. Provisions for liabilities - non-current

	Decommissioning liabilities
Balance at January 1, 2020	\$ 31,876
New	22,273
Balance at December 31, 2020	\$ 54,149
Balance at January 1, 2019	\$ 22,573
New	9,303
Balance at December 31, 2019	\$ 31,876

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 six months before the approved retirement date.

18. Equity

a. Share capital

Common stock

	Dec. 31, 2020	Dec. 31, 2019
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)	44,980	37,873
Share capital issued (Face value of NT\$10 per share)	\$ 449,800	\$ 378,730
Advance receipts for capital stock	\$ 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 February 19, 2019 to issue 6,373 thousand shares at NT\$10 per share at par value through issuance of ordinary shares for cash and issued at a premium of NT\$32. Actual share capital is NT\$378,730 thousand after capital increase. The aforementioned issuance of ordinary shares for cash was approved and declared effective by the Taipei Exchange on March 20, 2019, and resolved by the Board of Directors. The Company has completed the relevant procedure with April 19, 2019 as the base day for capital increase.

The aforementioned issuance of ordinary shares for cash for the year of 2019 was NT\$199,656 thousand in total after the full payment was collected on April 18, 2019 and the relevant underwriting fees were deducted.

On July 20, 2020, the Board of Directors resolved the issuance of ordinary shares for cash to issue 7,107 thousand new shares.

Each share has a denomination of NT\$10 and is issued at a premium of NT\$55 per share. The paid-in share capital is NT\$449,800 thousand after the 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.

As of December 31, 2020, the employees of the Company have exercised 170,000 units of stock options. The Company has received full stock payments and recognized the advance receipts for capital stock at NT\$1,870 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

	Dec. 31, 2020	Dec. 31, 2019
<u>May be used to offset deficits,</u>		
<u>appropriated as cash dividends or</u>		
<u>transferred to capital (1)</u>		
Share premiums	\$ 569,642	\$ 135,926
<u>May only be used to offset deficits (2)</u>		
Share premiums	1,344	-
<u>May not be used for any purpose (3)</u>		
Employees stock option	8,401	3,724
	<u>\$ 579,387</u>	<u>\$ 139,650</u>

- 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 surplus 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 employees stock option 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 XIX (VII) - "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 2019 and 2018 on May 20, 2020 and March 22, 2019 as follows:

	2019	2018
Legal reserve	<u>\$ 8,872</u>	<u>\$ 10,718</u>
Cash dividends	<u>\$ 18,937</u>	<u>\$ 10,718</u>
Dividends Per Share (NT\$)	<u>\$ 0.50</u>	<u>\$ 0.34</u>

On March 25, 2019, the Company obtained a declaration of rights to abandon cash dividends of NT\$10,718 thousand issued by Kura Sushi, Inc., a corporation sole shareholder at that time.

On March 24, 2020, the Board of Directors approved the distribution of earnings for 2020 as follows:

	2020
Legal reserve	\$ 3,197
Special reserve	\$ 4
Cash dividends	22,893
Dividends Per Share (NT\$)	0.5

The distribution of earnings for 2020 is subject to the resolution of the Shareholders' meeting to be held on June 28, 2021.

19. Net Income from continuing operations

Components of net income from continuing operations are as follows:

a. Interest income

	2020	2019
Bank deposits	\$ 167	\$ 249
Imputed interest on deposits	<u>268</u>	<u>105</u>
	<u>\$ 435</u>	<u>\$ 354</u>

b. Other income

	2020	2019
Other	<u>\$ 1,628</u>	<u>\$ 1,046</u>

c. Other gains and losses

	2020	2019
Net foreign exchange gains	\$ 1,584	\$ 2,418
Net loss on disposal of property, plant, and equipment	(46)	-
Other	<u>(30)</u>	<u>(40)</u>
	<u>\$ 1,508</u>	<u>\$ 2,378</u>

d. Finance costs

	2020	2019
Interest on bank loans	\$ 140	\$ 161
Interest on lease liabilities	13,115	8,108
Other interest expense	<u>1,563</u>	<u>1,007</u>
	<u>\$ 14,818</u>	<u>\$ 9,276</u>

Information related to interest capitalization is as follows:

	2020	2019
Amount of interest capitalization	\$ 2,097	\$ 1,333
Rate of interest capitalization	1.69%	1.69%

e. Depreciation and amortization

	2020	2019
Depreciation expenses by function		
Operating costs	\$ 99,195	\$ 70,835
Operating expenses	<u>246,695</u>	<u>179,814</u>
	<u>\$ 345,890</u>	<u>\$ 250,649</u>
Amortization expenses by function		
Operating expenses	<u>\$ 1,071</u>	<u>\$ 522</u>

f. Employee benefits

	2020	2019
Short-term employee benefits		
Salary expenses	\$ 580,786	\$ 448,546
Insurance premium	<u>66,868</u>	<u>53,049</u>
	<u>647,654</u>	<u>501,595</u>
Retirement benefits		
Defined contribution plans	30,502	24,273
Defined benefit plans	<u>925</u>	(<u>7</u>)
	<u>31,427</u>	<u>24,266</u>
Share-based payments		
Equity Delivery	<u>6,021</u>	<u>3,724</u>
Other employee benefits		
Total employee benefit expenses	<u>11,796</u>	<u>11,010</u>
	<u>\$ 696,898</u>	<u>\$ 540,595</u>
By function		
Operating costs	\$ 360,250	\$ 280,399
Operating expenses	<u>336,648</u>	<u>260,196</u>
	<u>\$ 696,898</u>	<u>\$ 540,595</u>

g. Compensation for employees, directors and supervisors

In accordance with the provisions of the Articles of Association, the Company sets aside compensation for employees, 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 compensation for employees, directors and supervisors for the current year. The compensation for employees, directors and supervisors estimated for the years of 2020 and 2019 were resolved by the Board of Directors on March 24, 2021 and March 3, 2020 respectively as follows:

Estimated percentage

	2020	2019
Employee compensation	6.98%	2.63%
Remunerations for directors and supervisors	1.16%	-

Amount

	2020	2019
Employee compensation	\$ 3,000	\$ 3,000
Remunerations for directors and supervisors	500	-

The amounts of compensation for employees, directors and supervisors actually distributed for the years of 2019 and 2018 and the amounts recognized in the financial reports for the years of 2019 and 2018 are consistent.

For information on the Company's compensation for employees, directors and supervisors as resolved by the Board of Directors in 2019 and 2018, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	2020	2019
Total gains on foreign currency exchange	\$ 2,073	\$3,165
Total gains (losses) on foreign currency exchange	(489)	(747)
Net gains on foreign currency exchange	<u>\$ 1,584</u>	<u>\$2,418</u>

20. Income tax from continuing operations

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

	2020	2019
Current income tax		
Accrued this period	\$ 9,366	\$ 23,058
Adjustments from previous years	<u>-</u>	<u>263</u>
	<u>9,366</u>	<u>23,321</u>
Deferred tax		
Accrued this period	(1,466)	(1,053)
	<u>(1,466)</u>	<u>(1,053)</u>
Income tax expense recognized in profit or loss	<u>\$ 7,900</u>	<u>\$ 22,268</u>

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

	2020	2019
Profit before income tax	<u>\$ 39,470</u>	<u>\$ 110,984</u>
Income tax expense of net profit before tax calculated at statutory tax rate (20%)	\$ 7,894	\$ 22,197
Fees that cannot be deducted from taxes	6	8
Unrecognized deductible temporary difference	-	(200)
Adjustments of current income tax expenses in previous years	<u>-</u>	<u>263</u>
Income tax expense recognized in profit or loss	<u>\$ 7,900</u>	<u>\$ 22,268</u>

In July 2019 the President put into effect the modified Statute for Industrial Innovation, stipulating that from 2018 onwards, any undistributed earnings, if taken for building or purchasing specific assets, can be listed as a deduction to the calculation of undistributed earnings (5%). The Company arrived at the surtax on unappropriated earnings simply by deducting the accrued capital expenditure.

c. Current income tax assets and liabilities

	Dec. 31, 2020	Dec. 31, 2019
Current income tax liabilities		
Income tax payable	<u>\$ 9,363</u>	<u>\$ 12,884</u>

d. Current income tax assets and liabilities

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

2020

	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

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

2019

	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Deferred income tax assets				
Temporary differences				
Holiday benefits payable	\$ 801	\$ 275	\$ -	\$ 1,076
Provisions	1,353	1,085	-	2,438
Unrealized write-downs of inventories	17	26	-	43
Appropriation of employee welfare capital	-	128	-	128
Defined benefit pension plan	-	188	130	318
Unrealized exchange losses	139	(139)	-	-
	\$ 2,310	\$ 1,563	\$ 130	\$ 4,003

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

e. Income tax assessment

The annual income tax returns of a profit-seeking enterprise through 2018 have been assessed by the tax authorities.

21. Earnings per Share

Unit: In Shares or NT\$

	2020	2019
Basic earnings per share	\$ 0.79	\$ 2.47
Diluted earnings per share	\$ 0.76	\$ 2.33

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

Net income

	2020	2019
Net profit used to calculate basic and diluted earnings per share	\$ 31,570	\$ 88,716

Unit: Thousand shares

	2020	2019
Weighted average number of common shares used for calculation of basic earnings per share	39,971	35,987
Effect of potentially dilutive common shares:		
Employees stock option	1,672	2,028
Employee compensation	46	55
Weighted average number of common shares used for calculation of diluted earnings per share	41,689	38,070

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 two 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 three 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.

	2020		2019	
	Unit in Thousands	Weighted-average execution price (NT\$)	Unit in Thousands	Weighted-average execution price (NT\$)
Employees stock option				
Stock warrants outstanding at the beginning of the period	2,168	\$ -	2,400	\$ -
Waived for the current period	(103)	-	(232)	
Implemented for the current period	(170)	11	-	
Stock warrants outstanding at the end of the period	1,895		2,168	
Exercisable at the end of the period	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	2020	2019
Range of exercise price (NT\$)	\$ 11	\$ 11
Weighted-average remaining duration (year)	8 years	9 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 2020 and 2019 were NT\$4,677 thousand and NT\$3,724 thousand.

- 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:

	Sep. 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 year
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. Cash Flows

- a. Non-cash Transactions

For the Years of 2020 and 2019, the Company conducted the following investments and financing activities in non-cash transactions.

	2020	2019
Increase in property, plant, and equipment	(\$ 513,240)	(\$ 290,856)
Decrease (increase) in prepayments for equipment	17,551	(14,173)
Decrease in equipment payable	<u>99,041</u>	<u>22,299</u>
Cash used in the acquisition of property, plant, and equipment	(\$ <u>396,648</u>)	(\$ <u>282,730</u>)
Increase in intangible assets	(\$ 3,416)	(\$ 570)
Decrease in prepayments for equipment	<u>-</u>	<u>237</u>
Cash paid for acquisition of intangible assets	(\$ <u>3,416</u>)	(\$ <u>333</u>)

b. Changes in liabilities from financing activities

2020

	Jan. 1, 2020	Cash Flows	Non-cash changes		Dec. 31, 2020
			New lease	Interest capitalization	
Short-term borrowings	\$ 10,541	(\$ 10,541)	\$ -	\$ -	\$ -
Lease liabilities	683,875	(137,162)	746,009	835	1,293,557
	<u>\$ 694,416</u>	<u>(\$ 147,703)</u>	<u>\$ 746,009</u>	<u>\$ 835</u>	<u>\$1,293,557</u>

2019

	Jan. 1, 2019	Cash Flows	Non-cash changes		Dec. 31, 2019
			New lease	Interest capitalization	
Short-term borrowings	\$ 21,082	(\$ 10,541)	\$ -	\$ -	\$ 10,541
Lease liabilities	506,057	(92,323)	268,808	1,333	683,875
	<u>\$ 527,139</u>	<u>(\$ 102,864)</u>	<u>\$ 268,808</u>	<u>\$ 1,333</u>	<u>\$ 694,416</u>

24. 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.

25. 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

	Dec. 31, 2020	Dec. 31, 2019
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	<u>\$ 718,133</u>	<u>\$ 345,643</u>
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	<u>\$ 476,038</u>	<u>\$ 308,564</u>

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 30.

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 increase/decrease the Company's pre-tax net profits in 2020 and 2019 by NT\$735 thousand and NT\$1,299 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:

	Dec. 31, 2020	Dec. 31, 2019
Cash flow interest rate risk		
— Financial assets	\$ 627,423	\$ 292,876
— Financial liabilities	-	10,541

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\$6,274 thousand and NT\$2,823 thousand for 2020 and 2019, 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, 2020 and December 31, 2019, for the unutilized financing amount of the Company, please refer to the following item (2).

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.

Dec. 31, 2020

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

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

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

Dec. 31, 2019

	Within 3 months	3 months ~ 1 year	1~3 year(s)	Over 3 years
<u>Non-derivative financial liabilities</u>				
Zero-interest-bearing liabilities	\$ 184,744	\$ 30,651	\$ 57,296	\$ 25,332
Lease liabilities	29,431	86,147	251,635	316,662
Variable-rate instruments	-	10,541	-	-
	<u>\$ 214,175</u>	<u>\$ 127,339</u>	<u>\$ 308,931</u>	<u>\$ 341,994</u>

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

	Within 1 year	1~5 year(s)	5~10 years	Over 10 years
Lease liabilities	<u>\$ 126,233</u>	<u>\$ 326,024</u>	<u>\$ 174,984</u>	<u>\$ 114,140</u>

b) Line of credit

	Dec. 31, 2020	Dec. 31, 2019
Unsecured bank loans		
— Amount utilized	\$ -	\$ 10,541
— Amount not utilized	240,000	229,459
	<u>\$ 240,000</u>	<u>\$ 240,000</u>

26. 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. (Note 1)	Investor of significant influence (Note 2)
Note 1: The Company was formerly known as KURA CORPORATION, and was renamed Kura Sushi, Inc. in May 2019.	
Note 2: The Company has become a significant investor due to a decline in its shareholding ratio since April 2019.	

b. Purchase of goods

	2020	2019
Investor of significant influence	<u>\$ 7,850</u>	<u>\$ 8,918</u>

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	Dec. 31, 2020	Dec. 31, 2019
Other receivables	Investor of significant influence	<u>\$ 1,687</u>	<u>\$ 1,323</u>

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

d. Accounts payable - related party (excluding loans from related parties)

Accounting Subject	Type of stakeholders	Dec. 31, 2020	Dec. 31, 2019
Equipment payable	Investor of significant influence	\$ -	\$ 1,394
Other payables	Investor of significant influence	<u>4,505</u>	<u>3,066</u>
		<u>\$ 4,505</u>	<u>\$ 4,460</u>

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

e. Prepayments

	Dec. 31, 2020	Dec. 31, 2019
Investor of significant influence	<u>\$ 18</u>	<u>\$ 39</u>

f. Acquisition of property, plant, and equipment

	Price	
	2020	2019
Investor of significant influence	<u>\$ 3,032</u>	<u>\$ 1,303</u>

The property, plant, and equipment purchased by the Company in 2020 and 2019, respectively, amounted to NT\$3,032 thousand and NT\$1,303 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	2020	2019
Other income	Investor of significant influence	\$ -	\$ 742
Operating expenses	Investor of significant influence	\$ 23,734	\$ 24,395
Manufacturing overheads	Investor of significant influence	\$ 1,025	\$ 990

- 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 ten years from January 1, 2019. One month before the expiry of the period, a new contract can be concluded with 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 the 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 pension funds appropriated in 2020 and 2019 were NT\$11,661 thousand and NT\$8,954 thousand, respectively.

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

h. Other

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 and 2019, the guarantee balances were JPY13,373,000 and JPY47,065,000, respectively. (Please refer to Note 10).

i. Remunerations to Major Management

	2020	2019
Short-term employee benefits	\$ 15,600	\$ 8,612
Share-based payments	1,816	1,816
	<u>\$ 17,416</u>	<u>\$ 10,428</u>

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

27. 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, 2020 and 2019, the Company has signed land lease commissioning contracts of NT\$49,500 thousand and NT\$49,005 thousand, respectively, and the prices paid in accordance with the contracts were NT\$0 thousand and NT\$29,965 thousand (recognized under prepayments for construction and equipment).
- b. As of December 31, 2020 and 2019, the Company provided security deposits for leased stores and issued notes with a value of NT\$11,670 thousand and NT\$6,069 thousand, respectively.

28. Significant Events after the Balance Sheet Date

The Company passed a resolution of the Board of Directors on March 24, 2021, 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 ten years, it will be limited to ten years. The useful life of the right-of-use asset is changed from 5 years to the lease contract period.

29. Other Matters

The Company was affected by the global COVID-19 pandemic, and the number of visitors to the Company decreased, resulting in a decrease in average single-store operating revenue in 2020. In order to cope with the impact of COVID-19 pandemic, the Company will control costs in accordance with operating conditions. With the pandemic being kept under control and the loosening of policies, the Group expects its business to gradually return to normal.

30. 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:

Dec. 31, 2020

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

Dec. 31, 2019

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency assets</u>			
<u>Monetary items</u>			
JPY	\$ 541	0.2760 (JPY: NTD)	<u>\$ 149</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
JPY	470,822	0.2760 (JPY: NTD)	<u>\$ 129,947</u>

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

<u>Foreign currency</u>	<u>2020</u>		<u>2019</u>	
	<u>Exchange rate</u>	<u>Net foreign exchange gains (losses)</u>	<u>Exchange rate</u>	<u>Net foreign exchange gains (losses)</u>
JPY	0.2763 (JPY: NTD)	<u>\$ 1,584</u>	0.2760 (JPY: NTD)	<u>\$ 2,418</u>

31. 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)

32. 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, 2020
(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	Jun. 17, 2019	\$ 48,939	Pay according to order conditions	Green Field Construction Co., Ltd.	None	-	-	-	-	Price Comparison and Price Negotiation	For business	None
	Buildings	Feb. 20, 2020	\$ 51,086	Pay according to order conditions	Green Field Construction Co., Ltd.	None	-	-	-	-	Price Comparison and Price Negotiation	For business	None

TABLE 2

Kura Sushi Asia Co., Ltd. and Subsidiaries
Information about the investee name, address, etc.
January 1 to December 31, 2020
Unit: NT\$ thousand

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	\$ -	\$ -	-	-	(\$ 76)	(\$ 76)	(\$ 76)	(Note 1 and Note 3)
Kura Sushi Hong Kong Limited	Kura Sushi Shanghai Co., Ltd.	Shanghai, China	Catering sales	-	-	-	-	-	-	-	(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 NT\$16,000 thousand. As of December 31, 2020, the Company has not remitted investment funds.

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 NT\$30,000 thousand. As of December 31, 2020, the Company has not remitted investment funds.

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 2020.

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

TABLE 3

Kura Sushi Asia Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
January 1 to December 31, 2020
(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)
\$ -	\$65,655 (RMB 15,000,000)	\$ 757,027

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 NT\$30,000 thousand. As of December 31, 2020, the Company has not remitted investment funds.

Note 3: The translation is based on the exchange rate at the end of the period: RMB\$:NT\$=1:4.377.

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, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholders	Shareholding	
	Shares	Shareholding Ratio
KURA SUSHI, INC.	31,200,000	69.36%

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 consolidated 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

ITEM	Number/Index
Statements of Assets, Liabilities, and Equity Items	
Statement of Cash and Cash Equivalents	Statement 1
Statement of Accounts Receivable	Statement 2
Statement of Inventories	Statement 3
Statement of Other Current Assets	Note XIII
Statement of Changes in Property, Plant, and Equipment	Note X
Statement of Changes in Accumulated Depreciation of Property, Plant, and Equipment	Note X
Statement of Changes in Right-of-use Assets	Statement 4
Statement of Changes in Accumulated Depreciation of Right-of-use Assets	Statement 4
Statement of Changes in Intangible Assets	Note XII
Statement of Deferred Income Tax Assets	Note XX
Statement of Accounts Payable	Statement 5
Statement of Other Payables	Note XV
Statement of Other Current Liabilities	Note XV
Statement of Lease Liabilities	Statement 6
Statement of Provisions for Liabilities - Non-current	Note XVI
Statement of Deferred Income Tax Liabilities	Note XX
Statement of Profit or Loss Items	
Statement of Operating Revenue	Statement 7
Statement of Operating Costs	Statement 8
Statement of Manufacturing Expenses	Statement 9
Statement of Operating Expenses	Statement 10
Statement of Other Operating Income and Expenses	Note XIX
Statement of Finance Costs	Note XIX
Statement of Employee Benefits and Depreciation and Amortization Expenses by Function	Statement 11

Kura Sushi Asia Co., Ltd.**Statement of Cash and Cash Equivalents****December 31, 2020****Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise**

Item	Summary	Amount
Cash on hand and working capital	Note 1	\$ 6,787
Bank deposits		
NTD deposits		
Demand deposits		247,795
Check deposits		647
Foreign currency demand deposits	Note 2	120,083
Subtotal		368,525
Cash equivalents		
New Taiwan Dollars time deposit:		258,898
Total		\$ 634,210

Note 1: Including HKD450, JPY15,656 and NT\$ 590, which are translated at the exchange rate: HKD\$1=\$3.673, JPY\$1=\$0.2763 and RMB\$1=\$4.377 respectively.

Note 2: It is JPY436,413,730, which is converted at the exchange rate: JPY\$1=\$0.2763.

Kura Sushi Asia Co., Ltd.**Statement of Accounts Receivable****December 31, 2020****In Thousands of New Taiwan Dollars, Unless Stated Otherwise**

Name	Summary	Amount
Non-related party		
Company A	Store and department store catering payments	\$ 8,470
Company B	Store and department store catering payments	8,335
Company C	Store and department store catering payments	7,652
Company D	Store and department store catering payments	7,639
Company E	Store and department store catering payments	6,014
Company F	Store and department store catering payments	5,010
Company G	Store and department store catering payments	4,506
Company H	Store and department store catering payments	4,485
Company I	Store and department store catering payments	4,481
Others (Note)	Catering payments	<u>25,297</u>
Subtotal		81,889
Less: Bad debt allowance		(<u>2</u>)
Total		<u>\$ 81,887</u>

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

Kura Sushi Asia Co., Ltd.**Statement of Inventories****December 31, 2020****In Thousands of New Taiwan Dollars**

Item	Amount	
	Cost	Net realizable value
Raw Material	<u>\$ 17,696</u>	<u>\$ 18,046</u>

Note: NT\$139 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, 2020

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	\$ 426,877	\$ 289,056	\$ -	\$ 715,933
Buildings	356,460	479,226	(624)	835,062
Transportation equipment	<u>831</u>	<u>-</u>	<u>(399)</u>	<u>432</u>
Subtotal	<u>\$ 784,168</u>	<u>\$ 768,282</u>	<u>(1,023)</u>	<u>\$ 1,551,427</u>
Accumulated depreciation				
Land	\$ 26,870	\$ 39,332	\$ -	\$ 66,202
Buildings	75,341	110,064	(624)	184,781
Transportation equipment	<u>232</u>	<u>335</u>	<u>(399)</u>	<u>168</u>
Subtotal	<u>\$ 102,443</u>	<u>\$ 149,731</u>	<u>(1,023)</u>	<u>\$ 251,151</u>
Net amount	<u>\$ 681,725</u>		<u>\$ -</u>	<u>\$ 1,300,276</u>

Note: The new amount of accumulated depreciation for the current period includes the depreciation expenses recognized in the profit or loss of NT\$141,036 thousand and the depreciation recognized as the prepayments for construction equipment acquisition cost of NT\$8,695 thousand.

Kura Sushi Asia Co., Ltd.**Statement of Accounts Payable****December 31, 2020****In Thousands of New Taiwan Dollars**

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>
Non-related party		
Supplier J	Payment for goods	\$ 86,844
Supplier K	Payment for goods	10,690
Supplier L	Payment for goods	5,839
Other		<u>10,020</u>
Total		<u>\$ 113,393</u>

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

Kura Sushi Asia Co., Ltd.

Statement of Lease Liabilities

December 31, 2020

In Thousands of New Taiwan Dollars

Item	Lease period	Discount rate	Balance
Land	2015.12~2036.11	1.69%	\$ 670,534
Buildings	2015.9~2030.12	1.69%	622,757
Transportation equipment	2019.11~2022.1	1.69%	<u>266</u>
Subtotal			1,293,557
Less: Lease liabilities due within 12 months			(<u>158,678</u>)
			<u>\$ 1,134,879</u>

Kura Sushi Asia Co., Ltd.

Statement of Operating Revenue

2020

In Thousands of New Taiwan Dollars

<u>Item</u>	<u>Amount</u>
Sales Revenue	
Catering Revenue	<u>\$ 2,414,639</u>

Kura Sushi Asia Co., Ltd.**Statement of Operating Costs****2020****In Thousands of New Taiwan Dollars**

Item	Amount
Direct raw materials	
Beginning inventory (Note)	\$ 8,464
Purchase for the current period	974,989
Ending inventory (Note)	(<u>17,557</u>)
Direct raw materials consumed	965,896
Director labor	320,289
Manufacturing overheads	170,287
Other operating costs	<u>1,025</u>
Total operating costs	<u>\$ 1,457,497</u>

Note: The beginning and ending inventories respectively include allowances for write-downs of inventories of NT\$213 thousand and NT\$139 thousand respectively, and the current reversal of write-downs of inventories is NT\$74 thousand.

Kura Sushi Asia Co., Ltd.**Statement of Manufacturing Expenses****2020****In Thousands of New Taiwan Dollars**

<u>Item</u>	<u>Amount</u>
Depreciation	\$ 99,195
Insurance expenses	34,579
Rental expenses	13,415
Water, electricity, and gas fee	17,716
Others (Note)	<u>5,382</u>
	<u>\$ 170,287</u>

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

Kura Sushi Asia Co., Ltd.

Statement of Operating Expenses

2020

(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)	\$ 181,968	\$ 115,977	\$ -	\$ 297,945
Depreciation	238,119	8,576	-	246,695
Consumables fees	65,679	116	-	65,795
Advertising fee	51,504	3,109	-	54,613
Water, electricity, and gas fee	40,851	358	-	41,209
Insurance expenses	23,615	8,673	-	32,288
Labor cost	12,490	10,714	-	23,204
Others (Note)	<u>119,361</u>	<u>24,587</u>	<u>669</u>	<u>144,617</u>
Total	<u>\$ 733,587</u>	<u>\$ 172,110</u>	<u>\$ 669</u>	<u>\$ 906,366</u>

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

Kura Sushi Asia Co., Ltd.

Statement of Employee Benefits and Depreciation and Amortization Expenses
For the Years of 2020 and 2019
(In Thousands of New Taiwan Dollars)

	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Salary Expenses	\$ 303,902	\$ 273,984	\$ 577,886	\$ 234,770	\$ 212,376	\$ 447,146
Labor and health insurance	34,579	32,289	66,868	27,685	25,364	53,049
Pension	16,387	15,040	31,427	13,050	11,216	24,266
Remuneration Paid to Directors	-	2,900	2,900	-	1,400	1,400
Other employee benefits	<u>5,382</u>	<u>12,435</u>	<u>17,817</u>	<u>4,894</u>	<u>9,840</u>	<u>14,734</u>
Total employee benefit expenses	<u>\$ 360,250</u>	<u>\$ 336,648</u>	<u>\$ 696,898</u>	<u>\$ 280,399</u>	<u>\$ 260,196</u>	<u>\$ 540,595</u>
Depreciation expenses	<u>\$ 99,195</u>	<u>\$ 246,695</u>	<u>\$ 345,890</u>	<u>\$ 70,835</u>	<u>\$ 179,814</u>	<u>\$ 250,649</u>
Amortization expense	<u>\$ -</u>	<u>\$ 1,071</u>	<u>\$ 1,071</u>	<u>\$ -</u>	<u>\$ 522</u>	<u>\$ 522</u>

Note:

- (1) The average number of employees of the Company in 2020 and 2019 were 1,900 and 1,520 respectively, and there were 4 and 2 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 2020 and 2019 were NT\$366 thousand and NT\$356 thousand respectively.
- (3) The average employee salary expenses in 2020 and 2019 were NT\$305 thousand and NT\$ 295 thousand respectively. In 2020, the average employee salary cost increased by 3.39% compared with that in 2019.
- (4) The number of employees at the end of 2020 and 2019 were 2,084 and 1,707 respectively. The ratio of the number of full-time and part-time employees was about 1:3. 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 2020 and 2019 were approximately 474 and 398, respectively, and the average full-time employee salary costs were NT\$605 thousand and NT\$619 thousand, respectively. In 2020, the average salary of full-time employees decreased by 2.26% compared with that in 2019.
- (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.

Kura Sushi Asia Co., Ltd.

Responsible person: Kentaro Nishikawa