

# KURA SUSHI ASIA CO., LTD

Prepared by	Management Department	Procedures for Acquisition and Disposal of Assets	No.	FI-B-017
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## 1. Basis

To protect the interests of the Company and all shareholders and to implement the disclosure of information, the Company has established this procedure in accordance with the relevant laws and regulations.

## 2. Asset Scope

- 2.1 Securities: Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- 2.2 Real property (including land, houses and buildings, investment property) and equipment.
- 2.3 Memberships.
- 2.4 Intangible Assets: Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- 2.5 Right-of-use assets.
- 2.6 Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- 2.7 Derivatives.
- 2.8 Assets acquired or disposed of by legal merger, division, acquisition or transfer of shares.
- 2.9 Other important assets.

## 3. Terminology

- 3.1 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- 3.2 Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter "transfer of shares") under Article 156-3 of the Company Act.
- 3.3 Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- 3.4 Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.

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- 3.5 Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- 3.6 Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- 3.7 "Within the preceding year" refers to the year preceding the date of occurrence of the current transaction.
- 3.8 "Latest financial report" refers to the financial reports certified or reviewed by certified public accountants and published before the acquisition or disposal of the assets.
- 3.9 For the calculation of 10% of total assets, the total assets stated in the Company's most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used. If the Company has issued shares without face value or at face values other than NT\$10 per share, the restriction on transaction amount reaching 20% of the paid-in capital, shall be calculated at 10% of the equity attributable to shareholders of the parent company.
4. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide public companies with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:
- 4.1 May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since the completion of service of the sentence, since the expiration of the period of a suspended sentence, or since a pardon was received.
- 4.2 Not a related party or de facto related party of the transaction counterpart.
- 4.3 If the Company is required to obtain appraisal reports from two or more professional appraisers, the professional appraisers or appraisers may not be related parties or de facto related parties of each other.
- 4.4 When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the self-regulatory rules of the industry associations to which they belong and with the following provisions:
- 4.4.1 Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- 4.4.2 When conducting a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case

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working papers.

- 4.4.3 They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
  - 4.4.4 They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is appropriate and reasonable, and that they have complied with applicable laws and regulations.
- 5 Procedures for the acquisition or disposal of properties, equipment, other assets or right-to-use assets.
- 5.1 The Company acquires or disposes of properties, equipment, other assets or their right-to-use assets in accordance with the Company's internal control system properties, plants and equipment cycle procedures.
  - 5.2 Procedures for determining the terms of the transaction and the authorization amount
    - 5.2.1 Acquisition or disposal of real estate or right-to-use assets such as land, buildings, etc.: For the acquisition or disposal of real estate or right-to-use assets, an analysis report shall be prepared with reference to the announced present value, assessed value, actual transaction price of nearby real estate, etc., and resolution of the transaction conditions and transaction price, and the amount of which is less than NT\$150 million shall be submitted to the chairman of the board of directors for approval and shall be reported at the latest board of directors' meeting afterwards. If the amount exceeds NT\$150 million, it must be approved or acknowledged by the board of directors.
    - 5.2.2 Acquisition or disposal of other fixed assets, such as machinery and equipment, transportation equipment, production equipment and miscellaneous equipment, or their right-to-use assets shall be handled in accordance with the Company's "Property Management Regulations". If the transaction amount is less than NT\$150 million, the entity in charge of the transaction shall submit it to the chairman for approval; if the transaction amount reaches NT\$150 million or more, it shall be submitted to the board of directors for approval or recognition.
    - 5.2.3 If the acquisition or disposal of assets shall be approved or recognized by the Board of Directors in accordance with these Procedures or other laws, the acquisition or disposal shall be approved by the Audit Committee and then submitted to the Board of Directors for discussion, subject to the provisions of Articles 16.2 to 16.4.
  - 5.3 Execution Unit:

When the Company acquires or disposes of assets, the Company shall submit the approval in accordance with the aforementioned approval authority, and then the user and the management unit shall be responsible for the execution.
  - 5.4 In acquiring or disposing of real estate or other equipment or right-of-use assets thereof where the transaction amount reaches 20% of the Company's paid-in-capital or exceeds NT\$300 million, the Company, unless transacting with a government agency, engaging others to build on the Company's own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, shall obtain an appraisal report from professional appraisers prior to the date of event and shall

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further comply with the following provisions:

- 5.4.1 If the transaction price is determined by referring to an attributive price or a specific price for a good cause, the transaction should be presented to the board of directors for resolution. Any changes in trading conditions thereafter should be handled in the same manner.
- 5.4.2 Where the transaction price exceeds NT\$1 billion, appraisal reports from two or more professional appraisers shall be required.
- 5.4.3 Where any one of the following circumstances applies with respect to the professional appraiser's appraisal reports, unless all the appraisal reports for the assets to be acquired are higher than the transaction price, or all the appraisal reports for the assets to be disposed of are lower than the transaction price, a CPA shall render a specific opinion regarding the reason for the discrepancy and the fairness of the transaction price:
  - 5.4.3.1 The discrepancy between an appraisal report and the transaction price reaches 20% or more of the transaction price.
  - 5.4.3.2 The discrepancy between the appraisal reports of two or more professional appraisers reaches 10% or more of the transaction price.
- 5.4.4 No more than three months may elapse between the issuance date of the appraisal report by a professional appraiser and the contract execution date. However, if it is subject to the announced present value of the same period and that is not more than six months away, an opinion can be issued by the original appraiser.

## 6 Procedures for Acquisition and Disposal of Securities Investment

### 6.1 Procedure of Evaluation and Operation

The acquisition or disposal of the Company's securities shall be handled in accordance with the Company's internal control system investment cycle, the Investment Management Regulations, the Investment Management Regulations under the equity method and this Procedure.

### 6.2 Procedures for determining the terms of the transaction and the authorization amount

- 6.2.1 Trading of securities on the centralized trading market or at securities dealers' offices shall be determined by the responsible entity based on market conditions. For securities transactions that are not conducted in the centralized trading market or securities dealers' offices, the most recent audited or reviewed financial statements of the subject company shall be used as a reference for the transaction price, and an analysis report shall be prepared considering the net value per share, profitability, and future development potential of the subject company before the date of occurrence of the fact, in order to base on the decision.
- 6.2.2 For securities transactions that are acquired or disposed of by the Company, the most recent audited or reviewed financial statements of the subject company shall be used as a reference for the transaction price, and an analysis report shall be prepared considering the net value per share, profitability, and future development potential of the subject company before the date of occurrence of the fact.
- 6.2.3 For the acquisition or disposal of securities investment, except for the original stock investment (including the establishment of stock options and cash capital increase stock options), which should be submitted to the board of directors for approval or acknowledgement, the transaction amount should be approved by the supervisor of

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authority and responsibility as stipulated in the "Investment Management Regulations" before proceeding.

- 6.2.4 The acquisition or disposal of securities investment shall be approved or recognized by the Board of Directors in accordance with these Procedures or other laws, the acquisition or disposal shall be approved by the Audit Committee and then submitted to the Board of Directors for discussion, subject to the provisions of Articles 16.2 to 16.4.

### 6.3 Execution Unit:

When the Company acquires or disposes of marketable securities, the financial unit shall be responsible for the execution of such acquisition or disposal after submitting the approval in accordance with the preceding approval authority.

### 6.4 Gain Expert Opinion

When the Company's acquisition or disposal of securities thereof exceeds 20% of the Company's paid-in-capital or NT\$300 million, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the date of event. This requirement shall not apply to publicly quoted prices of an active market or is otherwise regulated by FSC.

## 7 Procedures for the acquisition or disposal of intangible assets or its right-to-use assets or memberships.

### 7.1 Procedure of Evaluation and Operation

The Company acquires intangible assets or its right-to-use assets or membership cards in accordance with these procedures.

### 7.2 Procedures for determining the terms of the transaction and the authorization amount

- 7.2.1 To acquire or dispose of a membership card, an analysis report shall be prepared and submitted to the president with reference to the fair market price, the transaction conditions and the transaction price, and the amount of which is less than one percent of the paid-in capital or NT\$30 million shall be submitted to the chairman for approval; if the amount exceeds NT\$30 million, it shall be submitted to the board of directors for approval.
- 7.2.2 When acquiring or disposing of an intangible asset or its right-to-use asset, an analysis report shall be prepared and submitted to the chairman of the board of directors with reference to expert appraisal reports or fair market value, and a decision on the transaction terms and price of the transaction shall be made, and if the amount is less than 10% of the paid-in capital or NT\$100 million, the approval of the chairman of the board of directors shall be sought and submitted to the board of directors at the most recent board of directors' meeting afterwards.
- 7.2.3 The acquisition or disposal of memberships, intangible asset or its right-to-use assets shall be approved or recognized by the Board of Directors in accordance with these Procedures or other laws, the acquisition or disposal shall be approved by the Audit Committee and then submitted to the Board of Directors for discussion, subject to the provisions of Articles 16.2 to 16.4.

### 7.3 Execution Unit:

When the Company acquires or disposes of memberships, or intangible assets, or its right-of-use assets, the Company shall submit the approval in accordance with the aforementioned approval authority, and then the department of use and the management, shall be responsible for the execution.

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- 7.4 Professional opinion report on memberships or intangible asset or its right-to-use asset
- 7.4.1 The Company shall obtain an appraisal report from an expert if the transaction amount of the memberships acquired or disposed of reaches one percent of the paid-in capital or NT\$30 million or more.
- 7.4.2 The Company shall obtain an appraisal report from an expert if the transaction amount of the intangible assets or its right-of-use assets acquired or disposed of reaches ten percent of the paid-in capital or NT\$100 million or more.
- 7.4.3 When the Company's acquisition or disposal of memberships or intangible assets thereof, or membership exceeds 20% of the Company's paid-in-capital or NT\$300 million, unless the transaction is conducted with domestic government bodies, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price prior to the date of event.
- 8 Procedures for Acquisition or Disposal of Debts of Financial Institutions
- In principle, the Company does not engage in transactions to acquire or dispose of the debentures of financial institutions. In the future, if the Company wishes to engage in transactions to acquire or dispose of the debentures of financial institutions, the Company will submit them to the board of directors for approval and then establish the evaluation and operating procedures.
- 9 Procedures for Acquisition and Disposal of Derivatives
- In accordance with the Company's "Regulations Governing the Engagement in Derivative Commodity Transactions".
- 10 Procedure of Merger, demerger, acquisition, or transfer of shares.
- 10.1 Procedure of Evaluation and Operation
- 10.1.1 In the event of a merger, demerger, acquisition, or transfer of shares, the Company is encouraged to engage an attorney, accountant, and underwriter to discuss the estimated timetable for the statutory procedures and to organize an ad hoc group to carry out the procedures in accordance with the statutory procedures. The Company shall engage certified public accountants, lawyers or securities underwriters to express their opinions at board meetings regarding the reasonableness of the share exchange ratio, the acquisition price, or the amount of cash or property distributed to shareholders before the proposal is discussed and approved by the Board of Directors. However, the requirement of obtaining the aforementioned opinion on reasonableness issued by an expert may be exempted in the case of a merger between a public company and its subsidiary in which the public company holds directly or indirectly 100% of the subsidiaries' issued shares or capital, or between the subsidiaries of a public company in which public company holds directly or indirectly 100% of the subsidiaries' issued shares or capital.
- 10.1.2 The Company participating in a merger, demerger, acquisition, or transfer of shares shall prepare a public report to shareholders detailing important contractual contents and matters relevant to the merger, demerger, or acquisition prior to the shareholders' meeting and include it along with the expert opinion referred to in Paragraph 1 when sending shareholders' meeting notification to the shareholders

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for reference in deciding whether to approve the merger, demerger, or acquisition. However, this restriction shall not apply in the event that a public company is exempt from convening a shareholders' meeting to approve the merger, demerger, or acquisition under the provision of other laws or regulations. In addition, if any participants of the merger, demerger, or acquisition are unable to convene a shareholder meeting, produce a resolution, or if the motion is voted down by shareholders due to insufficient attendants, minimum votes, or other legal restrictions, the participants of the merger, demerger, or acquisition shall immediately announce to the public the causes, the subsequent actions, and the proposed date of the next shareholders' meeting.

- 10.1.3 The Company shall, within two days of the Board of Directors' resolution to approve a merger, demerger, acquisition or transfer of shares, report the same to the Internet Information System in the prescribed form.

### 10.2 Other Notes

- 10.2.1 **Date of Board Meeting:** A company participating in a merger, demerger, or acquisition shall convene a board meeting and shareholders' meeting on the same day of the transaction to resolve matters relevant to the merger, demerger, or acquisition, unless another act provides otherwise or competent authorities is notified in advance of extraordinary circumstances and grants consent. A company participating in a transfer of shares shall call a board meeting on the same day of the transaction, unless another act provides otherwise or the FSC is notified in advance of extraordinary circumstances and grants consent.
- 10.2.2 **Prior Confidentiality Undertaking:** Every person participating in or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written agreement of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity-based securities of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
- 10.2.3 **Principles for determining and changing the share exchange ratio or acquisition price:** A company participating in a merger, demerger, acquisition, or transfer of shares may not arbitrarily alter the share exchange ratio or acquisition price unless under the following circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
  - 10.2.3.1 Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
  - 10.2.3.2 The action of disposal of major assets that affects a company's financial operations.
  - 10.2.3.3 The occurrence of major disasters and changes in technology that affects a company's shareholders' equity or securities price.
  - 10.2.3.4 The adjustment of treasury stock repurchased lawfully by any company participating in the merger, demerger, acquisition, or transfer of shares.
  - 10.2.3.5 Changes in the number of entities or companies participating in the merger, demerger, acquisition, or transfer of shares.

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- 10.2.3.6 Other terms or conditions that the contract stipulates may be altered and that have been publicly disclosed.
  - 10.2.4 Contents of the contract: In addition to the provisions of Article 317-1 of the Company Act and Article 22 of the Business Mergers and Acquisitions Act, the contract for the merger, demerger, acquisition or transfer of shares of the Company shall set forth the following matters.
    - 10.2.4.1 The handling of a breach of contract
    - 10.2.4.2 The principles for the handling of equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
    - 10.2.4.3 The principles for the handling of the amount treasury stock that the participating is permitted to buy back lawfully after the base date for the calculation of stock swap.
    - 10.2.4.4 The handling of the occurrence of changes in the number of participating entities or companies.
    - 10.2.4.5 Preliminary progress schedule for plan execution, and anticipated completion date.
    - 10.2.4.6 The handling of matters regarding the scheduled date for convening the legally mandated shareholders' meeting if the plan exceeds the deadline without completion.
  - 10.2.5 In the event of a change in the number of companies involved in a merger, demerger, acquisition or transfer of shares: After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's shareholders' meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another shareholders meeting to resolve on the matter anew.
  - 10.2.6 In the event where a company participating in the merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the company and shall comply with the provisions of 10.2.1 Date of Board Meeting, 10.2.2 Prior Confidentiality Undertaking, and 10.2.5 Changes in the Number of Companies Participating in Merger, Demerger, Acquisition or Share Transfer.
- 11 Procedures for related party transactions
- 11.1 In addition to the acquisition or disposal of assets by the Company and its related parties in accordance with Articles 5 to 7 and the procedures set forth in this Article, the Company shall follow the resolution procedures and evaluate the reasonableness of the transaction terms in accordance with the following provisions In addition, when determining whether the counterparty is a related party, we should consider the substance of the relationship in addition to the legal form of the transaction. If the transaction amount of the Company's acquisition or disposal of assets from or to a



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related party exceeds 10% of this Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or an opinion by the CPA in accordance with Article 6.

## 11.2 Procedure of Evaluation and Operation

Except for the trading of domestic government bonds or RP/RS bonds, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, in acquiring or disposing the real estate or other right-of-use assets thereof from or to a related party, or acquiring or disposing the assets other than real estate or the right-of-use assets thereof from or to a related party, and the transaction amount exceeds 20% of the Company's paid-in-capital, 10% of the Company's total assets, or NT\$300 million, the Company may not proceed with the execution of a transaction contract or making any payment before the following information has been submitted for the approval of Board of Directors.

- 11.2.1 The purpose, necessity, and expected benefits of the acquisition or disposal of assets.
- 11.2.2 The reasons for selecting the related party as the trading counterpart.
- 11.2.3 The appraisal of reasonableness of the preliminary transaction terms and conditions regarding the acquiring of the real estate or the right-of-use assets thereof from a related party in accordance with Paragraphs 4 of this Article.
- 11.2.4 The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.
- 11.2.5 The monthly cash income and expense forecast within the year from the month of the contract signed; also, the assessment of the necessity of the trade and the reasonableness of the use of funds.
- 11.2.6 Appraisal reports from the professional appraisers or opinions of the CPAs acquired in accordance with 11.1.
- 11.2.7 The restrictions and other important stipulations of the transaction.

11.3 When conducting the following transactions between the Company, its subsidiaries, or its subsidiaries in which it holds directly 100% of the issued shares or total capital, the Board of Directors may authorize the Chairman to decide such matters and subsequently report to the most recent Board of Directors for ratification if the transaction is within a certain amount:

- 11.3.1 Acquisition or disposal of equipment for business use or right-of-use assets thereto.
- 11.3.2 Acquisition or disposal of right-of-use real estate for business use.

## 11.4 Evaluation of the reasonableness of transaction costs

11.4.1 When the Company acquires real estate or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

11.4.1.1 Based upon the related party's transaction price plus necessary interest on funding and buyer's cost by law. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.

11.4.1.2 Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as

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security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have exceeded 70% of the financial institution's appraised total value of the property and the period of the loan shall have exceeded 1 year. However, it is not applicable if the financial institution and the counterparty are related to one another.

- 11.4.2 Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.
- 11.4.3 When the Company acquires real estate or its right-to-use assets from related parties, the cost of the real estate or its right-to-use assets shall be evaluated in accordance with 11.4.1 and 11.4.2, and an accountant shall be consulted to review and express specific opinions.
- 11.4.4 If the Company acquires real estate or its right-to-use assets from a related party in accordance with 11.4.1 and 11.4.2 and the appraisal results are lower than the transaction price, the Company shall comply with 11.4.5. However, as a result of the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real estate appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:
  - 11.4.4.1 Related party that has obtained prime land or rental land for construction may submit the proof of compliance with any one of the following conditions:
    - 11.4.4.1.1 The prime land is assessed in accordance with the methods referred to in preceding article. The house's sum of the construction costs and a reasonable construction profit exceeds the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
    - 11.4.4.1.2 Completed transactions by unrelated parties within a year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar to the reasonable price discrepancies in floor area or land prices in accordance with standard property market sale or leasing practices.
  - 11.4.4.2 The Company provides proof that the terms of the acquisition of real estate or leasing the right-of-use assets from the related party are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of similar size by unrelated parties within a year. The aforesaid "Completed transactions involving neighboring or closely valued parcels of land" refers to parcels on the same or an adjacent block and within a radius of no more than 500 meters or parcels similar in publicly announced current value. "Land of a similar size" refers to completed transactions of unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. "Within a year" refers to a period of one year calculated retroactively from the date of event of the acquisition of real estate or the

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right-of-use assets thereto.

- 11.4.5 The following shall be adopted in the event where the appraisal reports conducted in accordance with 11.4.1 and 11.4.2 is lower than the transaction price in acquisition of real estate or the right-of-use assets thereto from a related party by the Company:
- 11.4.5.1 A special reserve shall be set aside in accordance with Article 41, Paragraph the Securities and Exchange Act against the difference between the transaction price and appraised cost of the real estate or the right-of-use assets thereof and that amount may not be distributed or used for capital increase or issuance of bonus shares. Where the investment of the Company uses the equity method to account for its investment in another company, a special reserve shall be set aside pro rated in a proportion consistent with the share of Company's equity stake in the other company in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act.
- 11.4.5.2 Where an audit committee has been established in accordance with the provisions of the Act, the preceding part of this subparagraph shall apply mutatis mutandis to the independent director members of the audit committee.
- 11.4.5.3 Actions taken pursuant to 11.4.5.1 and 11.4.5.2 shall be reported to the shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
- 11.4.6 The Company and the public companies whose investments are accounted for by the equity method as described above (i.e., 11.4.5.1) shall not utilize the special reserve until the Company has recognized a decline in value or disposed of the assets acquired or leased at a higher price or terminated the lease or provided appropriate compensation or reinstatement, or when there is other evidence that the special reserve is not unreasonable, and the Securities and Futures Commission of the Ministry of Finance has approved the special reserve. The special reserve may be used only after the Securities and Futures Commission of the Ministry of Finance agrees.
- 11.4.7 In the event where there is evidence indicating that the acquisition of the real estate or other right-of-use assets thereof from a related party was not an arm's length transaction, relevant matters shall be handled in accordance with 11.4.5.
- 11.4.8 If the Company acquires real estate or right-to-use assets from a related party under any of the following circumstances, the Company shall comply with the provisions of 11.1 and 11.2 regarding evaluation and operating procedures, and the provisions of 11.4.1, 11.4.2 and 11.4.3 regarding the evaluation of the reasonableness of transaction costs shall not apply.
- 11.4.8.1 The related party acquired the real estate or the right-of-use thereof through inheritance or as a gift.
- 11.4.8.2 More than five years have elapsed from the time the related party signed the contract to obtain the real estate or the right-of-use assets thereto to the signing date of the transaction.
- 11.4.8.3 The real estate is acquired through signing a joint development contract with the related party, or through engaging a related party to build real

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estate, either on the Company's own land or on rented land.

11.4.8.4 The acquisition or disposal of the right-of-use assets of real estates between the Company and its parent or subsidiaries, or between its subsidiaries in which it holds directly 100% of the issued shares or capital.

11.5 Where an audit committee has been established in accordance with the provisions of the Act, the matters for which 11.2 requires recognition by the supervisors shall first be approved by one-half or more of all audit committee members and then submitted to the board of directors for a resolution, and shall be subject to mutatis mutandis application of 16.2 to 16.4.

11.6 If a public company or a subsidiary thereof that is not a domestic public company will have a transaction set out in 11.2 and the transaction amount will reach 10 percent or more of the public company's total assets, the public company shall submit the materials in all the subparagraphs of 11.2 to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.

12 The calculation of the transaction amounts referred to in Article 5 to 7 and 11 shall be made in accordance with Article 31, paragraph 2 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which a professional appraiser has issued the appraisal report or a certified public accountant has issued an opinion in accordance with the Procedures are exempted from inclusion in the calculation. The amount of the transaction has been submitted to the shareholders' meeting and the board of directors for approval in accordance with the provisions of Article 11 shall not be counted.

## 13 Public Disclosure Procedures

13.1 Announcement of disclosure item and announcement declaration standards

13.1.1 Acquisition or disposal of real estate or the right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real estate or the right-of-use assets thereof from or to a related party where the transaction amount reaches 20% or more of the Company's paid-in capital, 10% or more of the total assets, or NT\$300,000,000 or more, but not subject to the trading of domestic government bonds or RP/RS bonds, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

13.1.2 Merger, demerger, acquisition, or transfer of shares.

13.1.3 Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.

13.1.4 Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount meets any of the following criteria:

13.1.4.1 For a public company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.

13.1.4.2 For a public company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.

13.1.5 Acquisition or disposal by a public company in the construction business of real property or right-of-use assets thereof for construction use, and furthermore the

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transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million; among such cases, if the public company has paid-in capital of NT\$10 billion or more, and it is disposing of real property from a completed construction project that it constructed itself, and furthermore the transaction counterparty is not a related party, then the threshold shall be a transaction amount reaching NT\$1 billion or more.

- 13.1.6 Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million.
- 13.1.7 Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:
  - 13.1.7.1 Trading of domestic government bonds.
  - 13.1.7.2 Where done by professional investors—securities trading on foreign or domestic securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.
  - 13.1.7.3 Trading of RP/RS bonds or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
- 13.1.8 The amounts of the foregoing transactions are calculated as follow, “within a year” mentioned in the preceding subparagraph refers to a period of one year calculated retroactively from the date of event of the transaction. Amounts already publicly announced are exempted from inclusion in the calculation.
  - 13.1.8.1 Amount of each transaction
  - 13.1.8.2 The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterpart within a year.
  - 13.1.8.3 The cumulative transaction amount of acquisitions or disposals (cumulative acquisitions and disposals, respectively) of real estate or the right-of-use assets thereof in the same development project within a year.
  - 13.1.8.4 The cumulated amount of the acquisition and disposal (cumulative acquisitions and disposals, respectively) of the same securities within a year.
- 13.2 Time limit for making announcement and declaration  
If the Company acquires or disposes of assets with the first item of this Article that

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should be announced and the transaction amount reaches the standard that should be announced and reported in this Article, the Company shall make an announcement and report within two days from the date of occurrence of the fact.

- 13.3 Announcement and reporting procedures
  - 13.3.1 The Company shall report the relevant information in the announcement on the website designated by the Securities and Futures Commission.
  - 13.3.2 The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
  - 13.3.3 When the Company announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.
  - 13.3.4 The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.
  - 13.3.5 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:
    - 13.3.5.1 The originally signed trade contract is modified, terminated, or revoked.
    - 13.3.5.2 Merger, demerger, acquisition, or transfer of shares is not completed by the deadline set forth in the contract.
    - 13.3.5.3 Changes are made to the content of the original public announcement and regulatory filing.
- 14 The Company's subsidiaries shall comply with the following regulations:
  - 14.1 The subsidiaries shall also establish "Procedures for the Acquisition or Disposal of Assets" in accordance with the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" and submit them to the shareholders' meeting and the board of directors of the parent company after they have been approved by the board of directors of the subsidiaries, and the same applies to any amendments.
  - 14.2 If a subsidiary, which is not a public company, acquires or disposes of assets that meet the announcement and reporting standards set forth in the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," the parent company shall also file the announcement and reporting on behalf of the subsidiary.
  - 14.3 The reporting standards for the announcement of subsidiaries are based on the Company's paid-in capital or total assets.
- 15 For the Company's acquisition or disposal of assets through court auction procedures, the evidentiary documentation issued by the court may be used in place of the appraisal report or CPA opinion.

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## 16 Implementation and Amendment

- 16.1 The Company's "Procedures for the Acquisition or Disposal of Assets" are approved by the Audit Committee and then submitted to the Board of Directors for approval and the shareholders' meeting for approval, and the same applies to amendments.
- 16.2 When submitting for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the board of directors meeting.
- 16.3 Resolution of the Audit Committee shall be approved by at least one-half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in paragraph is not obtained, the Procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board meeting.
- 16.4 "All audit committee members" mentioned above and "all Directors" mentioned in the preceding paragraph refer to the actual number of persons currently holding those positions.

## 17 Penalty

If the Company's managers and organizers violate these procedures and the related laws and regulations, they shall be punished in accordance with the Company's Reward and Punishment Act according to the severity of the situation.

## 18 Supplementary Provisions

Any matters not covered by this procedure shall be handled in accordance with the relevant laws and regulations.

## 19 History

This procedure became effective as of November 07, 2018.

The first amendment was made on June 3, 2019.

The second amendment was made on June 27, 2022.