



Stock Code: 2754

Kura Sushi Asia Co., Ltd.
(Original name: Kura Sushi Taiwan Co., Ltd.)

2021 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, 2022

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Chapter 1. Letter to Shareholders

Dear Shareholders,

COVID-19 has been spreading since 2020, with a major outbreak in Taiwan in 2021. The government has implemented preventive measures such as checkerboard seating and suspension of indoor dining to avoid the continued expansion of the epidemic, which was undoubtedly an even worse year for the business environment of Taiwan's catering industry. In addition to implementing basic preventive measures such as hand disinfection and temperature measurement, the Company has further suspended its indoor dining service from May to August 2021 in accordance with the government's control of indoor dining. While actively cooperating with the government's epidemic prevention policy, the Company's operations were also severely impacted. Despite the initiation of takeaway services and strict control of costs and expenses, it was still difficult to offset the impact of the significant reduction in revenue. 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,. The Company focuses on future development and continues to invest in store development despite the difficult operating environment.

A total of 9 new stores were opened in 2021, and the total number of stores grew from 33 in 2020 to 42. The results of store development in 2021 are shown in the table below.

Results of Store Development in 2021

Store No.	Store name	Open date
Store 34	Banqiao Zhongshan Far Eastern Department Store	Jan. 2021
Store 35	Zhonghe Qiaohe Store	Apr. 2021
Store 36	Kaohsiung Gangshan Store	Jul. 2021
Store 37	Taoyuan Far Eastern Department Store	Aug. 2021
Store 38	Taichung Chongde Store	Aug. 2021
Store 39	Nangang CITYLINK Store	Aug. 2021
Store 40	Xinzhung Siyuan Road Store	Sep. 2021
Store 41	Changhua Zhonghua West Road Store	Oct. 2021
Store 42	Chiayi Nice Plaza Store	Nov. 2021
A total of 9 stores		

As a result of the rampant epidemic and the government's epidemic prevention measures, store operations have been restricted, resulting in a decline in revenue and fewer customers, as well as fierce competition in the industry, making the overall business environment critical. Despite the general environment, the Company benefited from the increase in stores, with consolidated revenue of NT\$2,527,098 thousand, a slight increase

of 5% over the previous year. The consolidated operating profit was NT\$32,694 thousand, a decrease of 36% from the previous year. The consolidated net profit after tax was NT\$22,349 thousand, a decrease of 29% from the previous year. Although both consolidated operating income and consolidated net income after tax decreased, we were able to maintain a surplus for the year. From May to August 2021, the epidemic in Taiwan rapidly escalated and local governments banned the indoor dining, resulting in a significant decline in revenue between the second and third quarters. However, after the fourth quarter, various epidemic prevention measures were loosened and store operations gradually returned to the right track. The Company actively launched sales promotion campaigns in line with the government's Quintuple Stimulus Voucher, and with proper cost management, and benefited from more stable fluctuations in the cost of ingredients, the number of customers rebounded significantly, effectively improving revenue.

[Consolidated Statements of Comprehensive Income]

Unit: NT\$ thousand

Item	2020	%	2021	%	Increase/Decrease for the Previous Year (%)
Operating Revenue	2,414,639	100	2,527,098	100	5
Operating Costs	1,457,497	60	1,535,008	61	5
Gross Profit	957,142	40	992,090	39	4
Operating Expenses	906,404	38	959,396	38	6
Operating Income	50,738	2	32,694	1	(36)
Income before Tax	39,470	2	23,228	1	(41)
Net Profit	31,570	1	22,349	1	(29)

[2021 Quarterly Consolidated Statements of Comprehensive Income]

Unit: NT\$ thousand

Item	Q1	Q2	Q3	Q4
Operating Revenue	792,039	379,438	482,107	873,514
Operating Costs	466,764	253,775	314,381	500,088
Gross Profit	325,275	125,663	167,726	373,426
Operating Expenses	249,036	194,085	233,248	283,027
Operating Income	76,239	(68,422)	(65,522)	90,399
Income before Tax	73,540	(71,972)	(66,130)	87,790
Net Profit	58,829	(53,822)	(52,873)	70,215

Looking ahead to 2022 and the following years, the Company will maintain stable operation of its existing stores based on our business philosophy of improving customer satisfaction. In addition to maintaining a strong financial structure, the Company has devoted its efforts to training talents and optimizing our organization, strengthening our operating system, developing products, planning effective marketing activities, and actively expanding our stores in Taiwan, as well as promoting the development of overseas markets to further expand our business scale and maximize shareholders' equity.

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 Road 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 Road Store”.
Jun. 2017	The global flagship store with the most seats, “Taipei Guanqian Store” officially opened.
Aug. 2017	“Taoyuan Chunri Road Store” officially opened.
Nov. 2017	After the “Zhongli MetroWalk 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 Road Store” officially opened.
Apr. 2018	The first Dozou (traditional Japanese warehouse) style store in Northern Taiwan, “Sangchong Jixian Road 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.

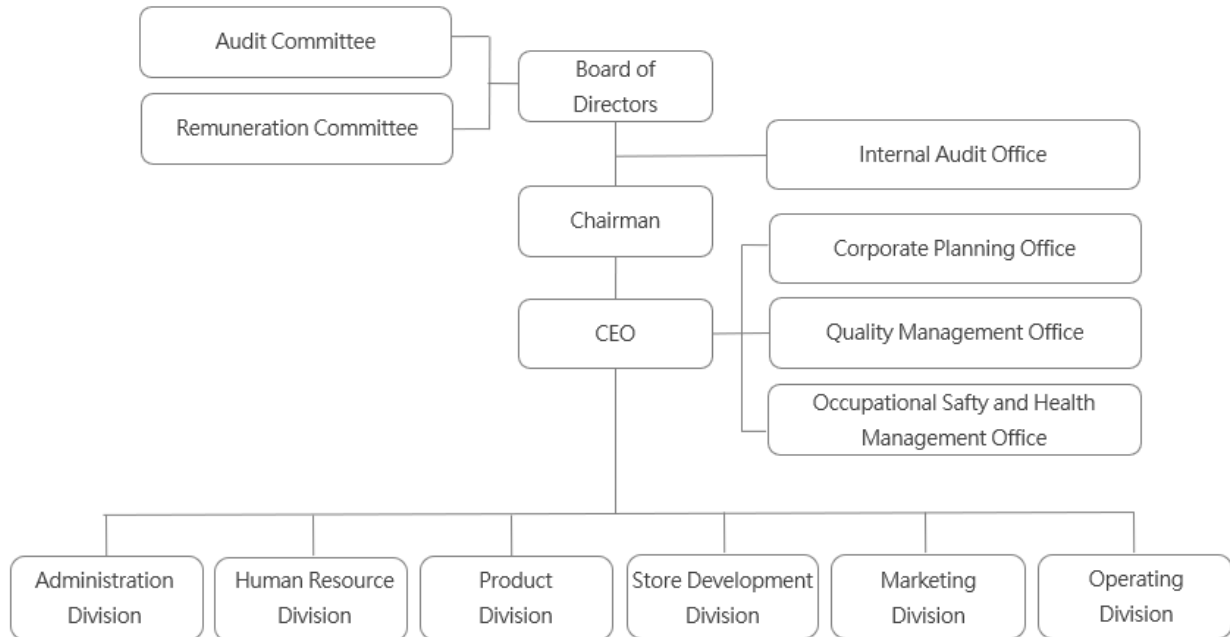
Dec. 2018	The second store in cooperation with Mitsui Outlet Park, “Taichung Port Mitsui Outlet Store” officially opened.
Dec. 2018	2,400 employee stock options were issued.
Mar. 2019	Approved by TPEx to become a Public Company.
Apr. 2019	Total paid-in capital amounted to NT\$ 378.73 million after an 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 approval by and registered in Taipei City Government.
Jul. 2019	“Yonghe Beyond Plaza Store” opened.
Sep. 2019	“Sanxia Xuecheng Store” opened.
Oct. 2019	“Kaohsiung Hanshin Department 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.
Dec. 2018	“Songjiang Nanjing Store” renovated and reopened.
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 Road Store” 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 “Xinzhuan Honghui 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.
Sep. 2020	“Taichung Kuang San SOGO Store” renovated and reopened.
Oct. 2020	“Dazhi ATT Store” opened.
Nov. 2020	The sixth Dozou (traditional Japanese warehouse) style store in Taiwan, “Taoyuan Cingpu Store” and “Fengyuan Pacific Store” opened.
Dec. 2020	“Zhongshan Nanxi Store” opened. The Company has reached 33 stores in Taiwan.
Jan. 2021	“Zhongli Station Store” renovated and reopened. “Banqiao Zhongshan Mega City Store” opened.

Feb. 2021	Awarded the "Elite Award" by the Bureau of Labor Affairs of Taipei City Government.
Apr. 2021	“Zhonghe Qiaohe Store” opened.
May. 2021	The Company’s capital increased to 458.36 million.
Jun. 2021	“Linkou Mitsui Outlet Store” renovated and reopened.
Jul. 2021	Take-away and pick-up service has been launched to provide consumers with more dining options.
Jul. 2021	"Kaohsiung Gangshan Store” officially opened.
Aug. 2021	“Taoyuan Far Eastern Department Store”, ”Taichung Chongde Store” and “Nangang CITYLINK Store” opened.
Aug. 2021	As a token of appreciation for the long-term support of the shareholders, the shareholder privilege system was introduced for the first time.
Sep. 2021	“Kaohsiung Hanshin Department Store” renovated and reopened. Taiwan's seventh Dozou (traditional Japanese warehouse) style store, “Xinzhung Siyuan Road Store”, officially opened.
Sep. 2021	The Company’s capital increased to 458.4 million.
Oct. 2021	Taiwan's eighth and Changhua’s first Dozou (traditional Japanese warehouse) style store, “Changhua Zhonghua West Road Store” opened. It is also the first store to introduce the mobile ordering service.
Nov. 2021	The first contactless self-checkout machine was launched at the first store, “Songjiang Nanjing Store” to create a more secure and safe dining environment in the post-epidemic era.
Nov. 2021	“Chiayi Nice Plaza Store” opened. Thus, the Company had a total of 42 stores in Taiwan.
Nov. 2021	The Company’s capital increased to 458.56 million.
Jan. 2022	“Changhua Zhonghua West Road Store” opened.
Jan. 2022	In line with the transformation of the mall into a shopping center, the former "Kaohsiung Caoya Avenue Store" was renamed as "Kaohsiung SKM Park Store".
Feb. 2022	“Taichung Fuke Road Store” renovated and reopened. To improve customers’ dining experience, it is also Taiwan’s first store to introduce the mobile ordering service and self-checkout device simultaneously.
Feb. 2022	“Taichung Huiwen Road Store” opened.
Mar. 2022	Taiwan’s seventh and Pingtung’s first Dozou (traditional Japanese warehouse) style store, “Pingtung Shengli Road 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.
President	<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 Dep.	<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 Resources Dep.	<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.
Store Operation Dep.	<ul style="list-style-type: none"> Manage and operate stores. Offer work training to store employees. Respond to and manage customer complaints.
Marketing Dep.	<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.

Departments	Work responsibilities
Product Dep.	<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 Dep.	<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 the Sustainability 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

April 29, 2022; Unit: shares; %

Title	Nationality/ Place of Registration	Name	Age Gender	Date elected	Term	Date First Elected	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			Remark
							Number of Shares	Sharehold- ing ratio (%)	Number of Shares	Sharehold- ing ratio (%)	Number of Shares	Sharehold- ing ratio (%)	Number of Shares	Sharehold- ing ratio (%)			Title	Na- me	Relati- onship	
Chairman	Japan	KURA SUSHI, INC.	-	2019.06.03	3 years	2016.06.30	31,500,000	83.17%	31,200,000	67.42%	-	-	-	-	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 chairman 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.
	Japan	Representa- tive: Kentaro Nishikawa	Male Age 41-50				-	-	245,000	0.53%	-	-	-	-			-	-	-	
Director	Japan	KURA SUSHI, INC.	-	2019.06.03	3 years	2019.02.01	31,500,000	83.17%	31,200,000	67.42%	-	-	-	-	Law Administration Specialty of Osaka College of Law Business Department Manager of KURA SUSHI, INC.	Deputy CEO of KURA SUSHI ASIA CO., LTD. CEO of Kura Sushi Shanghai Co., Ltd.	-	-	-	
	Japan	Representa- tive: Kazuto Kondo	Male Age 41-50				-	-	393,000	0.85%	-	-	-	-			-	-	-	
Director	Japan	KURA SUSHI, INC.	-	2019.06.03	3 years	2019.02.01	31,500,000	83.17%	31,200,000	67.42%	-	-	-	-	School of Science and Technology, Keio University Senior Manager of Deloitte & Touche	CFO of KURA SUSHI ASIA CO., LTD.	-	-	-	
	Japan	Representa- tive: Kazuya Tamura	Male Age 41-50				-	-	128,000	0.28%	-	-	-	-			-	-	-	
Director	Japan	Shinji Wanibe	Male Age 51-60	2019.06.03	3 years	2019.06.03	-	-	-	-	-	-	-	-	Chairman of Watami (China) Co., Ltd. Chairman of Watami International Co., Ltd.	President, Oasis F&B Company Limited	-	-	-	
Independent Director	R.O.C.	Jason Liu	Male Age 61-70	2019.06.03	3 years	2019.06.03	-	-	-	-	-	-	-	-	Department of Accounting, the private university Soochow University Partner accountant of KPMG Deputy Manager of Deloitte & Touche	Partner, Moores Rowland CPAs 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	-	-	-	

Title	Nationality/ Place of Registration	Name	Age Gender	Date elected	Term	Date First Elected	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			Remark
							Number of Shares	Sharehold- ing ratio (%)	Number of Shares	Sharehol- ding ratio (%)	Number of Shares	Sharehol- ding ratio (%)	Number of Shares	Sharehol- ding ratio (%)			Title	Na- me	Relati- onship	
Independent Director	Japan	Jun Ishikawa	Male Age 41-50	2019.06.03	3 years	2019.06.03	-	-	-	-	-	-	-	-	Graduate School of Accounting Research, Waseda University Senior Manager of Crowe Horwath International	Senior Manager of Crowe Horwath International Representative Director of Crowe ProC.A Chairman of Yi Si Man Co., Ltd. Director of Kawasaki Wood Worker	-	-	-	
Independent Director	R.O.C.	Claire Lin	Female Age 41-50	2019.06.03	3 years	2019.06.03	-	-	-	-	-	-	-	-	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 Shareholder that are Corporate Shareholders

October 31, 2021

Name of Institutional Shareholder	Major Shareholder	Percentage of Ownership
KURA SUSHI, INC. (Note)	WALNUT CORPORATION	34.15%
	Tanaka Makoto	10.09%
	The Master Trust Bank of Japan, Ltd. (trust bank account)	6.88%
	Custody Bank of Japan, Ltd. (trust bank account)	3.55%
	Kura Sushi Employee Ownership Organization	1.93%
	Tanaka Kunihiro	1.61%
	NORTHERN TRUST CO. (AVFC) RE HCR00 (Permanent Agent: The Hongkong and Shanghai Banking Corporation, Tokyo Branch)	1.22%
	Tanaka Setsuko	1.21%
	The Dai-ichi Life Insurance Company, Limited	1.08%
	The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account, Kiyo Bank, Ltd.)	0.97%

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

3. Corporate Shareholders as the Major Shareholders

Oct. 31, 2021

Name of Institutional Shareholder	Major Shareholder	Percentage of Ownership
WALNUT CORPORATION	Tanaka Makoto	100.00%

4. Professional Qualification of Directors and Independence Status of Independent Directors

Qualifications Name	Professional Qualification and Work Experience	Status of Independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Chairman Kentaro Nishikawa	He was the Purchasing Department Manager of KURA SUSHI, INC. and has practical experience in the restaurant chain industry. He is currently the Chairman and President of the Company. Not under any of the categories stated in Article 30 of the Company Act.	-	-
Director Kazuto Kondo	He was the Business Department Manager of KURA SUSHI, INC., and has extensive experience in store management. He is currently the Vice-President of the Company. Not under any of the categories stated in Article 30 of the Company Act.	-	-

Qualifications Name	Professional Qualification and Work Experience	Status of Independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Director Kazuya Tamura	He was an associate of the Audit Department of Deloitte & Touche with accounting and financial expertise and is currently the Chief Financial Officer of the Company. Not under any of the categories stated in Article 30 of the Company Act.	-	-
Director Shinji Wanibe	He has years of experience in the catering business and is currently the Chairman of Oasis F&B Company Limited. Not under any of the categories stated in Article 30 of the Company Act.	-	-
Independent Director Jason Liu	He is currently the Partner Accountant of MRI with years of practical experience in IPO review, counseling and accounting or financial expertise. Not under any of the categories stated in Article 30 of the Company Act.	<ol style="list-style-type: none"> 1. Not an employee, director or supervisor of the Company or any of its affiliated companies. 2. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, 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 is ranked in the top 10 in shareholdings. 3. Not a spouse or a relative within the second degree of kinship to any other director of the Company, and none of the circumstances specified in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. 4. Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act. 	-
Independent Director Jun Ishikawa	He is currently in charge of Japanese business at Crowe Taiwan with years of practical experience in Japanese business counseling and has expertise in accounting and finance. Not under any of the categories stated in Article 30 of the Company Act.	<ol style="list-style-type: none"> 1. Not an employee, director or supervisor of the Company or any of its affiliated companies. 2. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more 	-

<div>Qualifications</div> <div>Name</div>	Professional Qualification and Work Experience	Status of Independence	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
		<p>of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.</p> <p>3. Not a spouse or a relative within the second degree of kinship to any other director of the Company, and none of the circumstances specified in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.</p> <p>4. Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.</p>	
Independent Director Claire Lin	<p>Graduated from Institute of Applied Biochemistry, Tokyo University of Agriculture with a PhD, she is currently the Business Director of the Industrial Service Center of the Industrial Technology Research Institute and has extensive experience in industry and academia. Not under any of the categories stated in Article 30 of the Company Act.</p>	<p>1. Not an employee, director or supervisor of the Company or any of its affiliated companies.</p> <p>2. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, 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 is ranked in the top 10 in shareholdings.</p> <p>3. Not a spouse or a relative within the second degree of kinship to any other director of the Company, and none of the circumstances specified in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.</p> <p>4. Not a governmental or judicial person or a representative thereof as defined in Article 27 of the Company Act.</p>	-

5. Board Diversity and Independence:

(1) Diversity of Board of Directors:

Article 20 of the Code of Corporate Governance of the Company states that the composition of the Board of Directors shall take into account diversity. In addition to the fact that the number of directors who are also managers of the Company shall not exceed one-third of the total number of directors, appropriate diversity guidelines shall be formulated with respect to the Company's operation, business model and development needs, which shall include but not be limited to the following two major criteria:

- A. Basic criteria and values: Gender, age, nationality, cultural background, etc.
- B. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience, etc.

To achieve the desired objectives of corporate governance, the Board of Directors as a whole shall possess competencies that include operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership and decision-making skills.

The diversity policy and its implementation by the current members of the Board of Directors of the Company are as follows:

Diversified Core Name of Director	Composition of basic conditions (Note)						Industry Experience and Professional Competence			
	Nationality	Gender	With employee status	Age			Food, Beverage and Service Industry	Accounting and Finance	Business Administration	Industrial Research
				Age 41-50	Age 51-60	Age 61-70				
Chairman Kentaro Nishikawa	Japan	Male	●	●			●		●	
Director Kazuto Kondo	Japan	Male	●	●			●		●	
Director Kazuya Tamura	Japan	Male	●	●				●		
Director Shinji Wanibe	Japan	Male			●		●		●	
Independent Director Jason Liu	R.O.C.	Male				●		●		
Independent Director Jun Ishikawa	Japan	Male		●				●		
Independent Director Claire Lin	R.O.C.	Female		●						●

Note: There are 5 directors with foreign nationality and 3 directors with employee status, accounting for 43% of the total. The age distribution of the board members is 5 directors aged 40-50, 1 director aged 51-60 and 1 director aged 61-70. In addition to the aforesaid, the Company also emphasizes gender equality in the composition of the Board of Directors. The current term of the Board of Directors includes one female member and the percentage of female directors reaches 14%.

(2) Independence of the Board of Directors:

The Company has seven directors, three of whom are independent directors, accounting for 43% of the total. There are no spouses or relatives within the second degree of kinship among the independent directors of the Company.

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

April 29, 2022; Unit: shares; %

Title	Name	Gender	Nationality	Date taking office	Shares held		Shares held by spouse and underage children		Shares held in other's name		Main educational background (working experience)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Remark
					Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)			Title	Name	Relationship	
President	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 Chairman 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.
Vice President	Kazuto Kondo	Male	Japan	2014.02.16	393,000	0.85%	-	-	-	-	Law Administration Specialty of Osaka College of Law Business Department Manager of KURA SUSHI, INC.	CEO of Kura Sushi Shanghai Co., Ltd.	-	-	-	
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	-	-	-	-	
Senior Manager	Shingo Iwai	Male	Japan	2019.03.01	13,000	0.03%	-	-	-	-	School of Commerce and Economics, Nippon Bunri University Recruiting Department Manager of KURA SUSHI, INC.	Deputy CEO of Kura Sushi Shanghai Co., Ltd.	-	-	-	

III. Remuneration Paid During the Most Recent Fiscal Year (2021) to Directors, Supervisors, CEO, and Deputy CEO

1. Remuneration of Directors and Independent Directors

Dec. 31, 2021; Unit: NT\$ thousand

Title	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	Cash Amount	Stock			Cash	Stock Amount		
Chairman	KURA SUSHI, INC. Representative: Kentaro Nishikawa	600	600	-	-	-	-	-	-	600 2.68%	600 2.68%	18,310	18,310	-	-	-	-	-	-	18,910 84.61%	18,910 84.61%	-
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	-	-	-	-	-	-	1,800 8.05%	1,800 8.05%	-	-	-	-	-	-	-	-	1,800 8.05%	1,800 8.05%	-
Independent Director	Jun Ishikawa																					
Independent Director	Claire Lin																					
1. Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration and the considered factors such as their job responsibilities, risks, and working time: 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\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	-	-	-	-
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	-	-	Kentaro Nishikawa and Kazuto Kondo Kazuya Tamura	Kentaro Nishikawa, Kazuto Kondo and Kazuya Tamura
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7 persons	7 persons	7 persons	7 persons

2. Remuneration to Supervisors: N/A

3. Remuneration to CEO and Deputy CEO

Dec. 31, 2021; Unit: NT\$ thousand

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Allowance (C)		Employee Compensation (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		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			
President	Kentaro Nishikawa	11,799	11,799	-	-	733	733	-	-	-	-	12,532 56.08%	12,532 56.08%	-
Vice President	Kazuto Kondo													

Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice President	
	The Company	All companies in the financial statements E
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Kentaro Nishikawa and Kazuto Kondo	Kentaro Nishikawa and Kazuto Kondo
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	2 Supervisors	2 Supervisors

4. Name of Managers for Employee Remuneration for 2021 and the Distribution Status

Unit: NT\$ thousand

	Title	Name	Stock	Cash	Total	Ratio of total amount to after-tax net income (%)
Managerial Officer	CEO	Kentaro Nishikawa	-	-	-	-
	Deputy CEO	Kazuto Kondo				
	CFO	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: %

Title	2020 Proportion of total remuneration to after-tax net income (%)		2021 Proportion of total remuneration to after-tax net income (%)	
	The Company	The Company	The Company	All Companies in Consolidated Financial Statements
Director	65.02	65.02	84.61	84.61
Supervisor	-	-	-	-
CEO and Deputy CEO	35.68	35.68	56.08	56.08

(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. Implementation of Corporate Governance

(I) Operation of Board of Directors

In the year 2021 and up to the date of publication of the annual report, the Board of Directors held seven meetings; the Directors' attendance is as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Remark
Chairman	KURA SUSHI, INC. (Representative: Kentaro Nishikawa)	7	0	100	Expected Attendance Times: 7
Director	KURA SUSHI, INC. (Representative: Kazuto Kondo)	7	0	100	Expected Attendance Times: 7
Director	KURA SUSHI, INC. (Representative: Kazuya Tamura)	7	0	100	Expected Attendance Times: 7
Director	Shinji Wanibe	7	0	100	Expected Attendance Times: 7
Independent Director	Jason Liu	7	0	100	Expected Attendance Times: 7
Independent Director	Jun Ishikawa	7	0	100	Expected Attendance Times: 7
Independent Director	Claire Lin	7	0	100	Expected Attendance Times: 7

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) Matters 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:

Board meeting date	Name of Director	Contents of motions	Reasons for avoidance of conflict of interest	Participation in voting
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.
2021.12.23	Shinji Wanibe, Jason Liu, Jun Ishikawa, and Claire Lin	Remunerations to Directors for 2022	Relevance with own interests	The directors recused themselves from voting in accordance with the law.
2021.12.23	Kentaro Nishikawa, Kazuto Kondo and Kazuya Tamura	Remunerations to individual managers for 2022	Relevance with own interests	The directors recused themselves from voting in accordance with the law.
2022.03.10	Kazuto Kondo	Appointment of Manager of Shanghai Company	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	2021.01.01-2021.12.31	Board of Directors	Self-evaluation by the Board	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".
		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 6 Audit Committee meetings were held in 2021. The attendance of the independent directors is as follows:

Title	Name	Times of Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Remark
Independent Director	Jason Liu	6	0	100	Expected Attendance Times: 6
Independent Director	Jun Ishikawa	6	0	100	Expected Attendance Times: 6
Independent Director	Claire Lin	6	0	100	Expected Attendance Times: 6

Other matters to be recorded:

I. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the Audit Committee meetings, contents of motions, content of the objections, reservations or significant recommendations of the Independent Directors, 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	Objections, Reservations or Significant Recommendations of Independent Directors	Audit Committee Resolution	The Company's Response
2021.03.24 (The 1st Meeting in 2021 of the 1st Term)	Proposal of 2020 "Statement on Internal Control System"	None	Approved	Passed by the Board of Directors
	Proposal of the Amendment to the "Working Procedure for Preparation of Financial Statements"	None	Approved	Passed by the Board of Directors
	Proposal of Business Report for 2020 & Consolidated Financial Statements	None	Approved	Passed by the Board of Directors
	Proposal of the Appointment and Remuneration for 2021 CPA	None	Approved	Passed by the Board of Directors
2021.11.10 (The 1st Meeting in 2021 of the 5th Term)	Proposal of the Amendments to the "Internal Control System (Including Implementation Rules of Internal Audit)"	None	Approved	Passed by the Board of Directors
2022.03.10 (The 1st Meeting in 2022 of the 1st Term)	Proposal of 2021 "Statement on Internal Control System"	None	Approved	Passed by the Board of Directors
	Proposal of Business Report and Individual and Consolidated Financial Statements for 2021	None	Approved	Passed by the Board of Directors
	Proposal of the hiring and compensation of CPA for 2021	None	Approved	Passed by the Board of Directors
	Proposal of Amendments to the "Regulations Governing the Acquisition and Disposal of Assets"	None	Approved	Passed by the Board of Directors

(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

(III) 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 insiders 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" and duly informed the Company's personnel to follow them strictly.	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	
III. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors have a diversity policy, specific management objectives and implementation?	✓		(I) The Company has established the "Code of Corporate Governance Practice", which states that the composition of the Board of Directors shall consider the diversity. Currently, the Company's Board of Directors consists of seven directors with backgrounds in finance, corporate business, and industry-related expertise, which has ensured the diversity of the Board of Directors. Please refer to pages 11~14 for the diversity of 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. The Company has reported the results of the performance evaluation to the Board on March 10, 2022, and the results of the evaluation will be used as a reference for the remuneration of individual directors and subsequent nominations for reappointment.	No material discrepancy.
(IV) Does the company regularly evaluate the independence of the CPAs?	✓		(IV) The Audit Committee of the Company regularly evaluates the independence of the certified public accountants on an annual basis, and then reports the results to the Board of Directors. The last evaluation has been approved by the Audit Committee on March 10, 2022 and submitted to the Board of Directors for approval on March 10, 2022. 1. Independence Evaluation Mechanism	

Evaluation Item	Status (Note 1)			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
			<p>A. The Company has not appointed the same CPA for seven consecutive years.</p> <p>B. We obtained the independent statement issued by the CPA to confirm that the independence between the CPA and the Company is in compliance with the ROC Accountants Act, the Code of Ethics for Accountants, and other relevant regulations.</p> <p>2. Evaluation Result: The financial statements for the year 2022 have been audited by CPA Hsueh Frank and CPA Chou I-Ling from Deloitte & Touche, and their independence and appropriateness have been assessed to be in compliance.</p>	
IV. Does the company appoint adequate persons and a chief 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, 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	✓		The Company has appointed the professional shareholder service agency "Corporate Trust Operation and Service	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	
affairs?			Department, CTBC Bank Co., Ltd.” to deal with shareholder affairs.	
VII. Information disclosure				
(I) Does the company have a website to disclose the financial operations and corporate governance status?	✓		(I) Does the company have a website to disclose the financial operations and corporate governance status? 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 disclosure, implement spokesman system, and making the process of Road Show available on the corporate website)?	✓		(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.
(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, 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	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	
			<p>courses to strengthen the corporate governance ideas.</p> <p>(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.</p> <p>(VI) Implementation of customer policies: The Company attaches great importance to customer's opinions and works hard on improving service quality.</p> <p>(VII) Purchase of liability insurance for Directors: The Company has purchased liability insurance for Directors.</p>	
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".

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

1. Information about the members of the Remuneration Committee

Qualifications		Professional Qualification and Work Experience	Status of independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Title	Name			
Independent Director	Jason Liu		Note	-
Independent Director	Jun Ishikawa		Note	-
Independent Director	Claire Lin		Note	-

Note: Please refer to page 11 for the "Professional Qualification of Directors and Independence Status of Independence Directors".

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 3 (A) Remuneration Committee meetings were held this year. The attendance of the members was as follows:

Title	Name	Attendance Times in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) B/A	Remark
Convener	Jason Liu	3	0	100.00	Expected Attendance Times: 3
Committee Member	Jun Ishikawa	3	0	100.00	Expected Attendance Times: 3
Committee Member	Claire Lin	3	0	100.00	Expected Attendance Times: 3
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.					

(V) Implementation of the promotion of sustainable development and deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof.

Evaluation Item	Implementation Status(Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
I. Has the Company established a governance structure to promote sustainable development and set up an exclusively (or concurrently) dedicated unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and is supervised by the Board of Directors?		✓	The Company has not yet established an exclusively (or concurrently) dedicated unit for sustainable development, but the Company is actively promoting sustainable development and related projects, led by the Chairman of the Board.	No material discrepancy
II. 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 will draft risk management policy in due time and make evaluation oriented to the topics of environment, society, and corporate governance.	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. No material discrepancy.
(II) Does the company endeavor to improve resource efficiency and use renewable materials that have low impact on the environment?	✓		(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.
(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	No material discrepancy.

Evaluation Item	Implementation Status(Note 1)			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(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?	✓		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. (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.	
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. (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.	No material discrepancy. No material discrepancy.

Evaluation Item	Implementation Status(Note 1)			Deviations from the Sustainable Development 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?	✓		(III) 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.	No material discrepancy. No material discrepancy. No material discrepancy. No material discrepancy.
(IV) Does the company establish effective career development and training plans for its employees?	✓		(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. The total number of hours of external training provided by the Company in 2021 was 320, with 57 participants. Depending on the position of the employees, professional competency training or supervisory training was provided, and the courses included team communication, leadership, and regulatory courses.	

Evaluation Item	Implementation Status(Note 1)			Deviations from the Sustainable Development 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, labeling 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.	
(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 has established the "Supplier Management Regulations" and has to carry out supplier evaluation before dealing with suppliers, including factory visits and ingredient inspection reports to ensure that the quality of food materials is safe.	
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports to prepare the reports such as Sustainability report to disclose its non-financial information? Are the aforementioned reports certified or assured by a third-party accreditation body?	✓		The 2020 Sustainability Report has been prepared in accordance with regulations and verified by a third party.	No material discrepancy.
VI. If the company has established sustainable development best-practice principles based on the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such 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 sustainable development practices: None.				

Note 1. If the "Yes" box is checked, please specify the important policies, strategies and measures adopted and their implementation. If the "No" box is checked, please explain the differences and reasons for the deviations in the "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof" column, and explain the plans for the future implementation of the relevant policies, strategies and measures.

Note 2. Materiality principle refers to the environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.

Note 3. Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

(VI) 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 March 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. 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.	
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. No material discrepancy.
(II) Does the Company establish an exclusively (or concurrently) dedicated unit under the Board, which	✓		(II) Administration Dep. is responsible for the relevant advocacy of ethical corporate management. All	

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	
reports to the Board the ethical corporate management policies and program against unethical conduct and supervises the implementation?			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's internal control system has considered the risks caused by dishonest acts and set up appropriate control points, and the internal auditors follow the audit plan and implement it every year.	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.	
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. 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	

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	
			whistleblowers from receiving improper treatment due to their whistle-blowing.	
IV. Enhanced disclosure of ethical corporate management information 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".

- (VII) If having formulated the corporate governance best practice principles and relevant regulations, the Company shall disclose the inquiry method: Please refer to the Company's investor website at: <https://investor.kurasushi.tw/corporation/> °
- (VIII) Other important information to enhance understanding of corporate governance operations: Please refer to the website of the Market Observation Post System at: <http://mops.twse.com.tw>

(IX) Implementation of Internal Control System:

1. Statement on Internal Control:

Kura Sushi Asia Co., Ltd.
Statement on Internal Control

Date: March 10, 2022

The Company makes the following statement according to the self-evaluation conducted of the internal control system for 2021:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and managerial officers to establish, implement, and maintain the established 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: 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. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. In accordance with the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2021, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.
- VI. This statement is an integral part of the Company's 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 has been approved on March 10, 2022, by the Board of Directors, and out of the 7 Board members in attendance, none has objected to this statement and all consented to the content expressed herein.

Kura Sushi Asia Co., Ltd.

Chairman and CEO: Kentaro Nishikawa

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

(X) 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: The Company and its internal personnel have not been penalized in accordance with the law for the most recent year and as of the date of printing of the annual report.

(XI) 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	2022.07.27	1. Approval of 2020 Business Report and Financial Statements 2. Approval of Proposal of the Distribution of Earnings for 2020 ※ Implementation status: September 8, 2021 was set as the base date for distribution and was fully paid out on October 7, 2021. (The Chairman adjusted the cash dividend distribution rate to NT\$0.49936742 per share after the cessation of transfer date.) 3. Approved the amendment to the "Election of Directors". ※ Implementation status: Announced on the Company's investor website and in accordance with the revised procedures. 4. Approved the amendment to the "Rules of Procedure of the Shareholders' Meeting". ※ Implementation status: Announced on the Company's investor website and in accordance with the revised procedures.

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	2021.03.24	1. Proposal on increasing the remuneration of employees and directors for 2020 2. Remuneration distribution of individual directors for 2020 3. "Internal Control System Declaration" for 2020 4. Business Report for 2020 and Individual and 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 compensation 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.
Board of Directors	2021.05.12	1. Consolidated financial statements for the first quarter of 2021. 2. The Company resolved the benchmark date for issuance of the transfer of employee stock options for capital increases of common shares. 3. Proposal of authorization of the ex-dividend date for the distribution of earnings for 2020.

Name of Meeting	Date	Major Resolutions
Board of Directors	2021.06.28	Proposal to reschedule the 2021 shareholders' meeting
Board of Directors	2021.08.11	The Company resolved the benchmark date for issuance of the transfer of employee stock options for capital increases of common shares.
Board of Directors	2021.11.11	1. The Company resolved the benchmark date for issuance of the transfer of employee stock options for capital increases of common shares. 2. Proposal of the Amendments to the "Internal Control System (Including Implementation Rules of Internal Audit)".
Board of Directors	2021.12.23	1. Directors' Remuneration for 2022 2. Managers' Remuneration for 2022 3. The Company's Audit plan for 2022 4. The Company's Business plan for 2022 5. Proposal of revision of the Company's Basis of Decision Table.
Board of Directors	2022.03.10	1. Proposal on increasing the remuneration of employees and directors for 2021 2. Appointment of Manager of Shanghai Company. 3. Proposal of 2021 "Statement on Internal Control System". 4. Proposal of Business Report and Individual and Consolidated Financial Statements for 2021. 5. Proposal of the appointment and compensation of CPA for 2022. 6. The Company resolved the benchmark date for issuance of the transfer of employee stock options for capital increases of common shares. 7. Amendments to the "Regulations Governing the Acquisition and Disposal of Assets" 8. Proposal of the amendments to the "Corporate Social Responsibility Best Practice Principles". 9. Proposal of re-election of directors. 10. Proposal of director candidates by the Board of Directors of the Company. 11. Proposal of release of the Company's new directors and their representatives from non-competition restrictions. 12. Proposal for convening the 2022 Annual Shareholders' Meeting.

(XII) 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.

(XIII) 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 on CPA Professional Fees:

(I) Information on CPA Professional Fees

Unit: NT\$ thousand

Name of CPA Firm	Name of CPA	CPA Audit Period	Audit Fees	Non-audit Fees	Total	Remark
Deloitte & Touche	Chang Jui-Na, Chou I-Lung	2021.01.01-2021.12.31	2,670	500(Note)	3,170	-

Note: Non-audit fees include NT\$200 thousand for tax certification, NT\$180 thousand for assistance in applying for foreign investment business, and NT\$120 thousand for review opinions on the reasonableness of changes in accounting estimates.

(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 10% than that of the previous year, its reduction amount, proportion, and cause shall be disclosed: None.

VI. Information on Replacement of CPAs:

(I) Former CPAs

Date of Replacement	Approved by the Audit Committee and the Board of Directors on March 10, 2022. Effective from the financial statements for the first quarter of 2022.				
Replacement Reasons and Explanations	In line with Deloitte & Touche's internal staff rotation, the Company's certified public accountants have been changed from Chang Jui-Na, Chou I-Lung to Hsueh Chun-Min and Chou I-Lung.				
Termination by the Company or the CPAs	Party		CPA	Client	
	Condition				
	Termination by the Company		N/A	N/A	
	Termination by the CPAs		N/A	N/A	
Opinions (Other than Unmodified Opinions) in the Past 2 Years and Reasons	None				
Deviation from the Issuer	Yes		Accounting principles or practices		
			Disclosure of financial statements		
			Audit scope or steps		
			Others		
	None	V			
	Description				
Additional Disclosures (under Subparagraphs 1-4 to 1-7, Paragraph 6, Article 10 of the Guidelines)	None				

(II) Successive CPAs

Name of CPA Firm	Deloitte & Touche
Name of CPA	Hsueh Frank , Chou I-Lung
Date of Appointment	Effective from the financial statements for the first quarter of 2022.
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	Internal rotation of the accounting firm, therefore not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Internal rotation of the accounting firm, therefore not applicable

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.

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

Title	Name	2021		As of April 29, 2022 of the current year	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Chairman/ CEO	Kentaro Nishikawa	245,000	-	-	-
Director /Deputy CEO	Kazuto Kondo	195,000	-	195,000	-
Director/ Chief Finance Officer	Kazuya Tamura	125,000	-	-	-
Director	Shinji Wanibe	-	-	-	-
Independent Director	Jason Liu	-	-	-	-
Independent Director	Jun Ishikawa	-	-	-	-
Independent Director	Claire Lin	-	-	-	-
Senior Manager	Shingo Iwai	10,000	-	-	-
More than 10% of shareholders	KURA SUSHI, INC.	-	-	-	-

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

(III) 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 29, 2022

Name	Current Shareholding		Shares held by spouse and under-age children (Note)		Shareholding by Nominees		Among ten largest shareholders, name and relationship with anyone who is a related party or a relative within the second degree of kinship		Remark
	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Number of Shares	Shareholding ratio (%)	Name	Relationship	
KURA SUSHI, INC.	31,200,000	67.42%	-	-	-	-	-	-	-
Responsible person: Tanaka Kunihiro	-	-	-	-	-	-	-	-	-
Wu Zheng-Xue	688,000	1.49%	-	-	-	-	Yuanta Commercial Bank entrusted with the custody of the investment account of FORTUNE SEA GROUP LTD	Ultimate beneficiary of the investment account	-
MIKOBEAUTE INTERNATIONAL CO., LTD.	407,000	0.88%	-	-	-	-			-
Kazuto Kondo	393,000	0.85%	-	-	-	-	-	-	-
Lin Bing Yi	310,000	0.67%	-	-	-	-	-	-	-
Yuanta Commercial Bank entrusted with the custody of the investment account of FORTUNE SEA GROUP LTD	295,000	0.64%	-	-	-	-	Wu Zheng-Xue	Ultimate beneficiary of the investment account	
Wang Jyun Sian	260,000	0.56%	-	-	-	-	-	-	
Lu Shih Yun	250,000	0.54%	-	-	-	-	-	-	-
Kentaro Nishikawa	245,000	0.53%	-	-	-	-	-	-	-
Siao Yi Ren	212,403	0.46%	-	-	-	-	-	-	-

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:

April 29, 2022

Investee business	Ownership by the Company		Investment by Directors/Managerial Officers and Companies Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership	Number of Shares	Percentage of Ownership
Kura Sushi Hong Kong Limited	15,500,000	100%	-	-	15,500,000	100%

Chapter 4. Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Capital formation

Unit: NT\$ thousand; Thousand shares

Year/ Month	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares (Thousand shares)	Amount (NT\$ thou sand)	Number of Shares (Thousan d shares)	Amount (NT\$ tho usand)	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
2021.05	11	60,000	600,000	45,836	458,360	The execution of employee stock options is NT\$ 500 thousand	None	Note 7
2021.09	11	60,000	600,000	45,840	458,400	The execution of employee stock options is NT\$ 40 thousand	None	Note 8
2021.11	11	60,000	600,000	45,856	458,560	The execution of employee stock options is NT\$ 160 thousand	None	Note 9
2022.03	11	60,000	600,000	46,213	462,130	The execution of employee stock options is NT\$3,570 thousand	None	Note 10

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. 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

Note 7. F.C.Y.S.Z. No. 11049815900 on May 27, 2021

Note 8. F.C.Y.S.Z. No. 11052891400 on September 1, 2021

Note 9. F.C.Y.S.Z. No. 11055559500 on November 29, 2021

Note 10. F.C.Y.S.Z. No. 11147632000 on March 29, 2022

2. Share Type

April 29, 2022; Unit: shares

Share Type	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common stock	46,280,000	13,720,000	60,000,000	Stocks of listed companies

3. Information for declaration system: None

(II) Shareholder structure

April 29, 2022; Unit: Person; share; %

Shareholder structure Item	Government Agencies	Financial Institutions	Other Institutional Shareholders	Domestic Natural Persons	Foreign Institutions and Natural Persons	Total
Number of shareholders	-	-	20	3,291	24	3,335
Shares Held	-	-	947,025	12,853,967	32,479,008	46,280,000
Percentage of Ownership	-	-	2.05%	27.77%	70.18%	100.00%

(III) Status of Share Ownership Dispersion

1. Common stock

April 29, 2022; Unit: Person; share; %

Range of Shares	Number of Shareholders	Shares Held	Percentage of Ownership
1~999	834	74,182	0.16%
1,000~5,000	2,114	3,622,052	7.83%
5,001~10,000	173	1,365,612	2.95%
10,001~15,000	57	750,233	1.62%
15,001~20,000	45	819,500	1.77%
20,001~30,000	44	1,147,500	2.48%
30,001~40,000	16	564,518	1.22%
40,001~50,000	7	332,000	0.72%
50,001~100,000	21	1,353,000	2.92%
100,001~200,000	14	1,991,000	4.30%
200,001~400,000	7	1,965,403	4.25%
400,001~600,000	1	407,000	0.88%
600,001~800,000	1	688,000	1.49%
800,001~1,000,000	0	0	0.00%
1,000,001 shares and above	1	31,200,000	67.41%
Total	3,335	46,280,000	100.00%

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

(IV) Name List of Major Shareholders

April 29, 2022; Unit: Person; share; %

Name of Major Shareholders	Shareholding	Shares Held	Percentage of Ownership
KURA SUSHI, INC.		31,200,000	67.42%
Wu Zheng-Xue		688,000	1.49%
MIKOBEAUTE INTERNATIONAL CO., LTD.		407,000	0.88%
Kazuto Kondo		393,000	0.85%
Lin Bing Yi		310,000	0.67%
Yuanta Commercial Bank entrusted with the custody of the investment account of FORTUNE SEA GROUP LTD		295,000	0.64%
Wang Jyun Sian		260,000	0.56%
Lu Shih Yun		250,000	0.54%
Kentaro Nishikawa		245,000	0.53%
Siao Yi Ren		212,403	0.46%

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

Unit: NT\$; Thousand shares

Item		Year	2020	2021
Share price (Note 1)	Highest		120.50	81.40
	Lowest		73.00	60.00
	Average		86.79	73.53
Net Worth per Share	Before distribution		27.94	27.70
	After distribution		27.44	27.24(Note 2)
Earnings per Share	Weighted Average Shares		39,971	45,772
	Earnings per Share		0.79	0.49
Dividends Per Share	Cash dividends		0.5	0.45(Note 2)
	Stock dividends	Stock dividends appropriated from earnings	-	-
		Stock dividends appropriated from capital surplus	-	-
	Accumulated unpaid dividends		-	-
Return on Investment	Price/Earnings Ratio		109.86	150.06
	Price/Dividend Ratio		173.58	163.40
	Cash Dividends Yield		0.58%	0.61%

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. As of the publication date of the annual report, the earnings distribution proposal has been resolved by the Board of Directors on May 11, 2022 and is pending approval by the shareholders' meeting.

(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 2021 of the Company, the Board of Directors made the resolution that every share was distributed with NT\$ 0.45 in cash dividend on May 11, 2022, with its total of NT\$ 20,814,300. It will be submitted to the shareholders meeting on June 27, 2022, 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 2021, it did not distribute shares and dividends on May 11, 2022. 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 directors' compensation shall be distributed in cash only. 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 2021 approved by the Company's Board of Directors on March 10, 2022, the employees and directors compensations are NT\$ 3 million and NT\$ 0 thousand respectively, which employees compensation would be distributed in cash 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 2020 of the Company was reported to the Board of Directors on July 27, 2021, 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 Depositary 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 29, 2022

Types of Employee Stock Options	Employee Stock Options for 2018 (Note 1)
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	5.19%
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	1,300,000 shares
Exercised amount	NT\$ 14,300,000
Unexercised number of stock option	1,100 units (Note 2)
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 (%)	2.38%
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.

Note 1. When the Company issued the employee stock option, it was still a private company. According to Article 167-2 of in the Company Act, it shall be issued after the resolution of the Board of Directors.

Note 2. 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 29, 2022; Unit: thousand shares; NT\$ thousand; %

	Title	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
Managerial Officer	CEO	Kentaro Nishikawa	1,345	2.91%	770	11	8,470	1.66%	575	11	6,325	1.20%
	Deputy CEO	Kazuto Kondo										
	CFO	Kazuya Tamura										
	Senior Manager (Note 1)	Shingo Iwai										
	Manager (Note 2)	Yang Guo-Sheng										
Employee	Manager	Lai Guo-Xuan	313	0.68%	168	11	1,848	0.36%	145	11	1,595	0.31%
	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 (Note 2)	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.

Note 4. Unexercised number includes resignation and invalid units.

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. Scope of Business

(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

Product item \ Year	2020		2021	
	Operating Revenue	Proportion (%)	Operating Revenue	Proportion (%)
Revolving sushi	2,414,639	100.00	2,527,098	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.

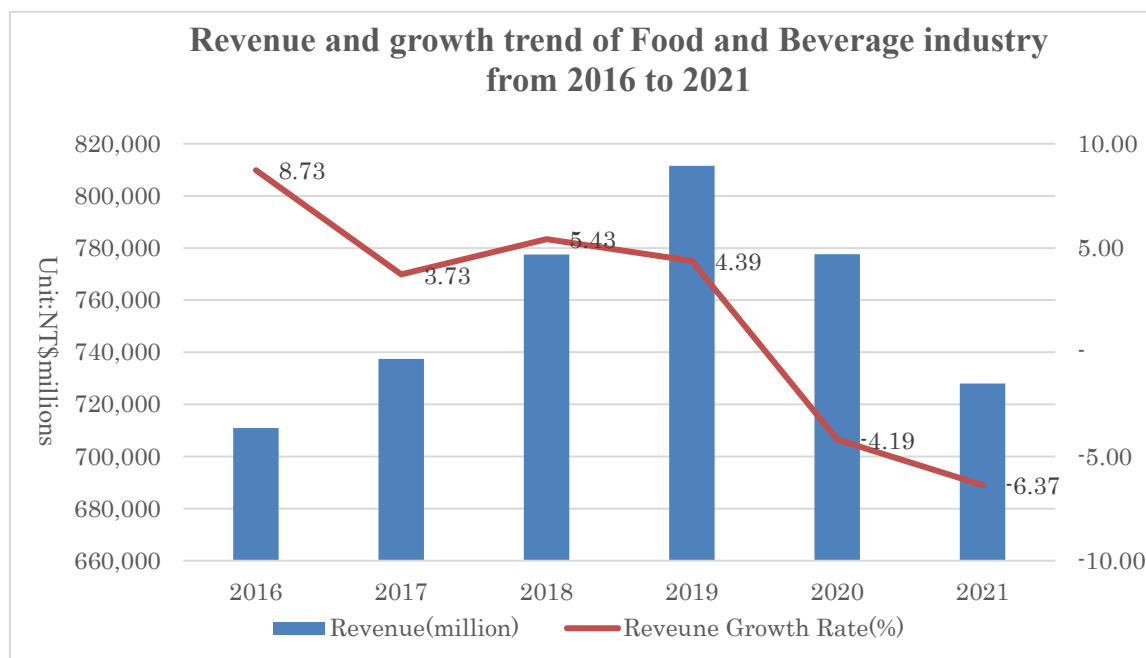
(4) New goods (services) planned to be developed

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 2016 to 2021 was NT\$ 710.9 billion, NT\$ 737.4 billion, NT\$ 777.5 billion, NT\$ 811.6 billion, NT\$ 777.6 billion and NT\$ 728.0 respectively, with annual growth rates of 8.73%, 3.73%, 5.43%, 4.39%, -4.19% and -6.37%, respectively.



Source: Executive Yuan Census and Statistics Department

The global outbreak of COVID-19 has affected Taiwanese to change their daily eating habits, reduce group gatherings, and replace dinners with take-out meals by delivery or purchase of fresh and frozen food and other ready-to-eat meals, resulting in a decline in the overall restaurant industry's willingness to travel and dine out, causing the restaurant industry to

decline for the first time since 2016, with an annual decrease in turnover of 4.19% in 2020.

In 2021, Taiwan was still under the influence of COVID-19. The number of diagnosed cases in Taiwan has increased significantly since May. On May 19, the government raised the epidemic alert to level 3 and implemented various policies to prevent the epidemic, such as suspending indoor dining, closing schools, and limiting the number of people at gatherings, etc. In response, some companies and schools activated home-based work and classes, causing people to go out less and the number of people going out dropped sharply, and the catering industry shrank again. The food and beverage industry was once again in a sharp contraction. Later, with the government's awareness of self-prevention, increased vaccination rate and crowd control, the daily number of confirmed cases declined and the epidemic was brought under control. The government lowered the epidemic alert to level 2 on July 26 and gradually lifted the restrictions on the number of people using restaurants and assemblies, but people are still worried about the risk of contracting the epidemic outside, so the recovery of the restaurant industry has been limited and remained low until October 2021, when various economic revitalization measures were launched.

In October, the Executive Yuan launched the "Quintuple Stimulus Voucher" and spending vouchers for various ministries and commissions, such as national travel vouchers and food vouchers, which boosted the public's willingness to travel and dine out, resulting in a gradual recovery of the restaurant industry's turnover from the trough to the January-April 2021 level, but it was still unable to fully cover the shortfall in restaurant revenue during the epidemic alert period, with annual turnover decreasing by 0.06%.

According to the Household Income and Expenditure Survey released by the Office of the Comptroller of the Executive Yuan, modern people are getting richer and richer, and the culture of leisure and travel is becoming more and more popular, so the proportion of spending on "restaurants and hotels" to household consumption expenditure is increasing year by year. In 2020, due to the global outbreak of the new pneumonia epidemic, people have shifted their spending from overseas tourism to domestic tourism activities or food and beverage consumption due to the restrictions on entry policies and epidemic prevention in overseas countries, and their household income and expenses have decreased by 1.73% from NT\$829,000 to NT\$815,000 in 2020. The proportion of spending on "restaurants and hotels" in 2020 increased, from 12.89% to 13.10%.

In response to the shift of national consumption to the domestic market, some restaurant chains have taken advantage of the severe epidemic to eliminate their underperforming stores or brands or retool their restaurant brands. Since the fourth quarter of 2021, the epidemic has been well controlled, the government has launched policies to revitalize the economy and local governments have been offering shopping festivals to stimulate consumption. The restaurant chain industry has accelerated its pace of expansion, launching new restaurant brands or emphasizing new experiential dining styles to make up for the short-term inability of Chinese people to go abroad. In addition, the restaurant industry has been providing additional services such as online ordering, internal tableside ordering, multi-payment and enhanced membership APP functions to enhance consumer desire and cultivate loyalty among consumers who are still skeptical about going out.

(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 45 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.

In the post-epidemic era, to enhance the safety of our customers' dining environment, we have introduced the "Mobile Ordering Service" system, which allows customers to click on the "Mobile Ordering Service" from their seats and scan the QR code on the screen to synchronize with the tablet, browse the online menu and order with their own cell phones, and the delicious food will be delivered to them immediately. It has been introduced to Changhua Zhonghua West Road Store, Chiayi Nice Plaza Store, and Kaohsiung Hanshin Arena Shopping Plaza Store, and will continue to be introduced to all stores in the future to give customers more peace of mind.

In addition, the Company has also invested in the development of "Contactless self-checkout machines", where consumers can scan the barcode on the back of the table number to complete the checkout process after eating, greatly reducing the chance of human contact. It has been introduced to Songjiang Nanjing Store and will be expanded to other stores in the future.

(2) Research and development

In terms of product development, the professional product development staff of the parent company in Japan provide new products or new ingredients from time to time, and the purchasing staff search for local ingredients or new ingredients in Taiwan for the menu development staff to develop trial products, and the staff of the product department compile the opinions of the tasters to confirm whether the new products meet the Group's standards. In addition, we continue to actively develop and combine new products in response to changes in the general environment, such as climate change and epidemics, and make timely adjustments to strategic products and menu items with reference to seasonal changes and sales conditions.

(3) R&D personnel and their academic experiences

Unit: person

Year		2019	2020	2021	End of April 2022
Academic distribution ratio	PhD	-	-	-	-
	Master's	-	-	-	-
	University/College	1	2	3	3
	High School and below	1	0	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
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 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

Date	Type of Product	Item
		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 temaki, 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 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 temaki, 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

Date	Type of Product	Item
2021	Sushi	Black pepper pickled albacore tuna (modified version), onion crab stick, sushi beef roast sushi, sushi beef half-cooked egg gunkan, crab salmon egg gunkan, fresh shrimp lettuce temaki, tuna lettuce temaki, scallion cooked tuna, green trevally (direct from Japan), Saikyo pickled sole, yuzu pickled gun squid, roasted black pepper pickled salmon belly, roasted cheese pork pancake, roasted salmon with green sauce, loose egg gunkan, shiso snapper kissed son of fish gunkan, eel half-cooked egg gunkan, eel tamago gunkan, yuzu pickled salmon gunkan, salmon parent and child gunkan, grilled cheese fresh shrimp salad, white skin sailfish with Ishizawa salad dressing, black pepper pickled swordfish, sea fortune deluxe sankan, deluxe sansho (dried scallop, tuna, salmon), large satisfied sweet shrimp grip sushi, sizzling rose salt yuzu raw salmon (consistent), large sweet shrimp nuts flying fish eggs, yuzu spiced salmon eggs raw salmon (consistent), teriyaki eel with grilled cheese
	Side dishes	Assorted udon noodles with tempura sauce (cold & warm), udon noodles with eel and tamago tempura sauce (warm), white fish tempura, Belgian chocolate cake, popping caramel berry chocolate sundae
	Takeaway lunch box	Children Lunch Box, Value Select Lunch Box, Grilled Lunch Box, Deli Lunch Box, Popular Bento box, Gunkan Bento box, Salmon Bento box, Grilled Bento box, Deluxe Bento box, Children Bento box, Comprehensive and Strictly Selected, Deli Bento box

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 45 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. Analysis of Market and Production and Marketing Situation

1. Market Analysis

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

Unit: NT\$ thousand; %

Sales Territory \ Year	2020		2021	
	Amount	Ratio(%)	Amount	Ratio(%)
Domestic Sales	2,414,639	100.00%	2,527,098	100.00%
Foreign Sales	-	-	-	-
Total	2,414,639	100.00%	2,527,098	100.00%

(2) Market Share

Unit: NT\$ thousand; %

Item \ Year	2019		2020		2021	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
Sales revenue (A)	1,926,252	34.15%	2,414,639	25.35%	2,527,098	4.66%
Revenue of restaurant industry in Taiwan (B)	669,513,218	4.78%	649,822,357	-2.94%	609,448,742	-6.21%
Market share (A/B)	0.29%		0.37%		0.41%	

Source: Census and Statistics Department, Ministry of Economic Affairs, and the Company's audited consolidated financial statements for each period.

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 2019 to 2021 were NT\$ 1,926,252 thousand, NT\$ 2,414,639 thousand and NT\$ 2,527,098 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 2019 to 2021 were NT\$ 669,513,218 thousand, NT\$ 649,822,357 thousand and NT\$ 609,448,742 thousand, respectively, and the growth rate of revenue for 2019 to 2021 were 4.78%, -2.94% and -6.21%, respectively. Based on the operating revenue of the Company, its market share from 2019 to 2021 were estimated to be 0.29%, 0.37% and 0.41%, respectively, showing a year-on-year growth trend due to the rapid expansion of the Company by adding 9-10 stores per year from 2019 to 2021. However, the outbreak of the Newcastle Pneumonia epidemic affected the willingness of Chinese people to dine out from 2020 onwards, resulting in a decline in the number of restaurant customers and a reduction in growth, resulting in a decline in revenue growth to 25.35% in 2020. From January to April 2021, revenue remained stable, but from May 2021 onwards, the government imposed a moratorium on the use of restaurants or the number of people for indoor dining, resulting in a significant decline in revenue. Later on, with the popularization of vaccination and proper epidemic prevention policies, the epidemic was brought under control and government authorities offered Quintuple Stimulus Voucher and other consumer stimulation policies, which led to a stable recovery in revenue from the trough and maintained a positive growth rate of 4.66% for the whole year, which was better than the growth rate of -6.21% for the restaurant industry in Taiwan. 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: Stores; 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
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	146,009	8.36%	1,059,731	2.26%	829,199	2.20%	12.79%
2020	153,689	5.26%	1,079,648	1.90%	815,100	(1.70%)	13.10%

Source: Statistical Information Network and the Ministry of Finance of the Republic of China.

According to the R.O.C. Statistical Information Website and the Ministry of Finance, the number of catering establishments in Taiwan is increasing year by year from 2016 to 2020. Despite the impact of the epidemic in 2020, the number of catering establishments grew to 153,689, indicating that the supply side of Taiwan's catering industry continues to thrive. On the demand side, the disposable income and consumer spending of Taiwanese households are on a growth trend from 2016 to 2019. In 2020, due to the impact of the epidemic, people will generally go out less, resulting in an average annual decrease of 1.7% in consumer spending per household, with the proportion of consumer spending increasing due to people staying at home longer and emphasizing health care, resulting in an increase in the proportion of residential services, utilities and fuel, and health care. The percentage of household spending on restaurants and hotels increased to 13.10%, while the amount spent on restaurants and hotels decreased only slightly.

The proportion of restaurants and hotels has been increasing year by year, mainly due to the increase in national income, busy industrial and commercial activities, and the increase in the number of working women, as well as the increasing proportion of young people who work abroad or leave home for further studies. Even though the last two years have been affected by the epidemic, people still choose to take away or deliver delicate meals or buy the easy-to-prepare packages launched by the restaurant chains to make up for the regret of not being able to go out for dinner. As a result, the restaurant industry's turnover has increased year by year in recent years, 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 Sendokun (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.

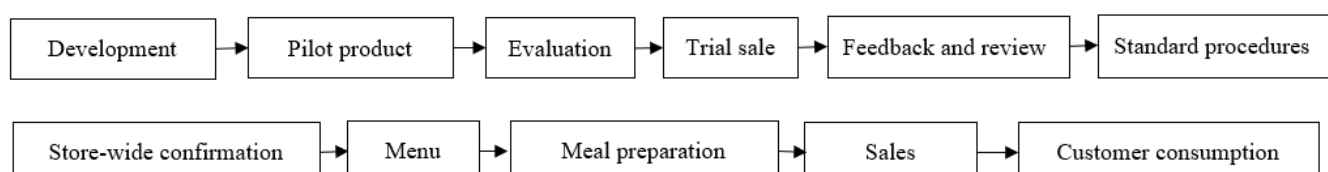
The imported ingredients of the Company are not exclusively from specific suppliers, but may also be imported from other wholesale ingredients traders. Therefore, regardless of the concentration of purchase, there will be no shortage of goods due to the inability of specific suppliers to supply. The 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.

2. Usage and Manufacturing Processes for Main 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	2020				2021			
	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	719,451	73.79	None	A	699,447	71.54	None
2	B	112,504	11.54	None	B	108,866	11.13	None
	Others	143,035	14.67	-	Others	169,393	17.33	-
	Net purchase	974,990	100.00	-	Net purchase	977,706	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

Type of Product \ Year	2020		2021	
	Volume	Value	Volume	Value
Revolving sushi	58,366	1,457,497	59,685	1,535,008

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

Unit: thousand shares; NT\$ thousand

Year Type of Product	2020		2021	
	Volume	Value	Volume	Value
Revolving sushi	58,366	2,414,639	59,685	2,527,098

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.

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: person; year; %

Year		End of 2020	End of 2021	End of April 2022
Number of Employees	Employees in the Headquarters	89	90	92
	Restaurant full-time employees	384	318	294
	Temporary employees	1,611	2,128	2,213
	Total	2,084	2,536	2,599
Average Age		23.15	24.91	25.00
Average length of service (years)		0.67	1.05	1.11
Educational background distribution ratio (%)	PhD	-	-	-
	Master's	0.7	0.43	0.42
	Bachelor's degree	54.8	44.36	51.75
	High School and below	44.5	55.21	47.83

IV. Disbursements for Environmental Protection

- 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.
- Investment in main equipment for preventing and controlling environmental pollution, its use and possible benefits: N/A.
- 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): In 2021, a total of NT\$240,000 was penalized by the New Taipei City Environmental Protection Bureau for not erecting site fences and dustproof cloths for new construction projects. The Company has immediately requested the manufacturer to improve the situation and will pay attention to avoid the recurrence in the future.

V. Labor Relations

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

- A. Insurance:

Besides labor insurance and national health insurance stipulated by laws and regulations, the Company also provides group insurance for employees and their families.

- B. 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.

- C. Various subsidies: Holiday bonus and employee meal discount.

- D. 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 Company shall set forth the losses suffered as a result of labor disputes in the most recent year and as of the date of the annual report (including the results of labor inspections in violation of the Labor Standards Law, and shall set forth the date of sanction, the number of the sanction, the provisions of the law violated, the content of the law violated, and the content of the sanction), and shall disclose the estimated amount of current and potential future losses and the measures to be taken, and if the amount cannot be reasonably estimated, shall state the fact that it cannot be reasonably estimated. The Company considers its employees as its greatest assets, and will continue to maintain a good relationship between employees and employers with humane management.

VI. Cyber security management

1. Describe the cyber security risk management framework, cyber security policies, specific management plans and resources devoted to cyber security management, etc.

(1) Cyber Security Risk Management Framework

The information unit under the Management Planning Office is responsible for the planning and promotion of the Company's cyber security-related operations, with the cooperation of all units within the Company. A dedicated cyber security officer is assigned in the responsible unit to be in charge of cyber security risk management, and the head of the operation planning office is responsible for the overall cyber security governance of the company as well as reporting the cyber security governance overview to the management.

(2) Cyber Security Policy and Specific Management Plan

A. Cyber Security Policy

To maintain the overall cyber security of the Company and ensure the continuous and uninterrupted operation of our core business, and to strengthen the security management of various information assets to ensure their confidentiality, integrity and availability, we have established the following cyber security policy for compliance.

(A) Legal Compliance

Compliance with relevant laws and regulations, including the Intellectual Property Protection Act, the Personal Information Protection Act, and agreements and contracts signed with external parties.

(B) Control of Tangible Information Assets

Information assets held for business needs are classified and categorized according to demand planning based on the principle of public ownership and public use, and risk assessment based on business needs is conducted to achieve effective control.

(C) Control of Intangible Information Assets

Information technology operations are planned for continuous management based on the actual needs of business implementation to ensure the availability of information technology operations, protect information from unauthorized access, maintain the confidentiality of information, and protect against unauthorized modifications to protect the integrity of information.

(D) External Threat Prevention and Control

To prevent computer viruses and malware from affecting operations, the use of unauthorized software other than legally licensed systems and applications is prohibited.

(E) Reward and Penalty Specification

To ensure the effectiveness of the management system, anyone who violates the relevant procedures and regulations of the management system shall be considered and penalized in accordance with the relevant regulations.

B. Specific Management Plan

(A) Network Protection

Regular terminal scanning, email filtering and system software updates are performed to prevent users from inadvertently contacting malicious links and paralyzing the internal network. Strengthen the network firewall and network control, continuously optimize the network structure, ensure the normal connection of external sites, and effectively block the network malicious activity attacks.

(B) Installation Protection

Unauthorized USB cannot be used on any of the Company's internal terminals. Build anti-virus software and strengthen malware behavior detection.

(C) Outsourcing Management of Information System Services

When outsourcing the construction, maintenance, or provision of information services of the information system, we require the consignee to sign a letter of guarantee to avoid the leakage of company secrets. To ensure that the hosting party's development environment and procedures are equipped with sound cyber security management measures, to confirm that the hosting party clearly understands the Company's cyber security needs, and to strictly monitor its cyber security maintenance.

(3) Resources for Cyber Security Management

The allocation of resources for cyber security management is planned in consideration of the Company's information security policy and objectives. The Company selects well-known domestic and foreign manufacturers to cooperate with to ensure the perfection of their information and cyber security management measures, so as to obtain the maximum information and information protection benefits with less investment. The Company also has dedicated staff for cyber security to ensure the management quality of outsourced vendors and perform regular cyber security inspections.

2. The losses suffered as a result of major information security incidents, their possible impact and the measures taken to address them, for the most recent year and up to the date of printing of the annual report, and, if they cannot be reasonably estimated, the facts that they cannot be reasonably estimated: None.

VII. Important 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	2021/5/1~ 2022/4/30	Operating turnover	None

Chapter 6. Financial Information

1. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal 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 Information for the Past Five Fiscal Years (Note)				
		2017	2018	2019	2020	2021
Current Assets		153,158	188,859	375,053	759,407	579,094
Property, Plant, and Equipment		343,114	508,894	646,500	954,840	1,276,462
Right-of-use assets		-	-	681,725	1,300,276	1,961,806
Intangible Assets		503	857	905	3,250	2,839
Other Assets		38,188	46,474	71,443	82,009	188,645
Total Assets		534,963	745,084	1,775,626	3,099,782	4,008,846
Current	Before distribution	141,751	210,830	356,311	516,664	772,107
Liabilities	After distribution	141,751	221,548	375,248	539,557	772,107
Non-current Liabilities		55,961	89,827	683,311	1,321,406	1,964,262
Total	Before distribution	197,712	300,657	1,039,622	1,838,070	2,736,369
Liabilities	After distribution	197,712	311,375	1,058,559	1,860,963	2,736,369
Equity Attributable to Owners of the Parent		-	-	-	-	-
Capital Stock		315,000	315,000	378,730	451,670	459,517
Capital Surplus		-	-	139,650	579,387	582,074
Retained	Before distribution	22,251	129,427	217,624	230,659	230,889
Earnings	After distribution	22,251	118,709	198,687	207,766	230,889
Other Equity		-	-	-	(4)	(3)
Non-controlling Interests		-	-	-	-	-
Total Equity	Before distribution	337,251	444,427	736,004	1,261,712	1,272,477
	After distribution	337,251	433,709	717,067	1,238,819	1,272,477

Note: 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.

(2) Condensed comprehensive income statement-consolidated

Unit: NT\$ thousand

Item \ Year	Financial Information for the Past Five Fiscal Years (Note 1)				
	2017 (Note 2)	2018	2019	2020	2021
Operating Revenue	844,053	1,435,914	1,926,252	2,414,639	2,527,098
Gross Profit	366,292	627,563	803,342	957,142	992,090
Operating Income	67,991	138,501	116,482	50,738	32,694
Non-operating Income and Expenses	2,376	(3,739)	(5,498)	(11,268)	(9,466)
Income before Tax	70,367	134,762	110,984	39,470	23,228
Income from Continuing Operations	58,404	107,176	88,716	31,570	22,349
Loss from Discontinued Operations	-	-	-	-	-
Profit for the year	58,404	107,176	88,716	31,570	22,349
Other comprehensive income (loss), after-tax	-	-	(519)	398	775
Total Comprehensive Income	58,404	107,176	88,197	31,968	23,124
Net Income Attributable to Shareholders of the Parent	58,404	107,176	88,716	31,570	22,349
Net Income Attributable to Non-controlling Interests	-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent	58,404	107,176	88,197	31,968	23,124
Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-
Earnings per Share (NT\$) (Note 3)	1,854.10	3.40	2.47	0.79	0.49

Note 1. The financial information of the above-mentioned years has been audited and certified by accountants. From 2017 to 2018, there were no reinvestment 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 for 2016 attached.

Note 3. The par value per share of the Company in 2017 was NT\$ 10,000, and it was NT\$ 10 from 2018 to 2021.

(3) Condensed Balance Sheet - Parent Only/Individual

Unit: NT\$ thousand

Item \ Year		Financial Information for the Past Five Fiscal Years (Note 1)				
		2017	2018	2019	2020	2021
Current Assets		153,158	188,859	375,053	759,472	579,139
Property, Plant, and Equipment		343,114	508,894	646,500	954,840	1,276,462
Right-of-use assets		-	-	681,725	1,300,276	1,961,806
Intangible Assets		503	857	905	3,250	2,839
Other Assets		38,188	46,474	71,443	82,009	188,645
Total Assets		534,963	745,084	1,775,626	3,099,847	4,008,891
Current Liabilities	Before distribution	141,751	210,830	356,311	516,653	772,057
	After distribution	141,751	221,548	375,248	539,546	772,057
Non-current Liabilities		55,961	89,827	683,311	1,321,482	1,964,357
Total Liabilities	Before distribution	197,712	300,657	1,039,622	1,838,135	2,736,414
	After distribution	197,712	311,375	1,058,559	1,861,028	2,736,414
Equity Attributable to Owners of the Parent		-	-	-	-	-
Capital Stock		315,000	315,000	378,730	451,670	459,517
Capital Surplus		-	-	139,650	579,387	582,074
Retained Earnings	Before distribution	22,251	129,427	217,624	230,659	230,889
	After distribution	22,251	118,709	198,687	207,766	230,889
Other Equity		-	-	-	(4)	(3)
Non-controlling Interests		-	-	-	-	-
Total Equity	Before distribution	337,251	444,427	736,004	1,261,712	1,272,477
	After distribution	337,251	433,709	717,067	1,238,819	1,272,477

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.

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

Unit: NT\$ thousand

Item \ Year	Financial Information for the Past Five Fiscal Years (Note 1)				
	2017	2018	2019	2020	2021
Operating Revenue	844,053	1,435,914	1,926,252	2,414,639	2,527,098
Gross Profit	366,292	627,563	803,342	957,142	992,090
Operating Income	67,991	138,501	116,482	50,789	32,703
Non-operating Income and Expenses	2,376	(3,739)	(5,498)	(11,319)	(9,475)
Income before Tax	70,367	134,762	110,984	39,470	23,228
Income from Continuing Operations	58,404	107,176	88,716	31,570	22,349
Loss from Discontinued Operations	-	-	-	-	-
Profit for the year	58,404	107,176	88,716	31,570	22,349
Other comprehensive income (loss), after-tax	-	-	(519)	398	775
Total Comprehensive Income	58,404	107,176	88,197	31,968	23,124
Net Income Attributable to Shareholders of the Parent	58,404	107,176	88,716	31,570	22,349
Net Income Attributable to Non-controlling Interests	-	-	-	-	-
Comprehensive Income Attributable to Owners of the Parent	58,404	107,176	88,197	31,968	23,124
Comprehensive Income Attributable to Non-controlling Interests	-	-	-	-	-
Earnings per Share (NT\$) (Note 3)	1,854.10	3.40	2.47	0.79	0.49

Note 1. The financial information of the above-mentioned years has been audited and certified by accountants. From 2017 to 2018, there were no reinvestment 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 for 2016 attached.

Note 3. The par value per share of the Company in 2017 was NT\$ 10,000, and it was NT\$ 10 from 2018 to 2021.

(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	Opinions
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
2021	Deloitte & Touche	Chang Jui-Na, Chou I-Lung	Unmodified opinion

2. Reasons for replacement of former and later CPAs in the last five years: None.

2. Financial Analysis

1. Financial Analysis-Consolidated (IFRS)

Item \ Year		Financial Information for the Past Five Fiscal Years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure	Ratio of liabilities to assets (%)	36.96	40.35	58.55	59.30	68.26
	Ratio of long-term capital to property, plant, and equipment	114.60	104.98	219.54	270.53	253.57
Solvency	Liquidity ratio (%)	108.05	89.58	105.26	146.98	75.00
	Quick ratio (%)	101.13	82.60	98.44	140.05	69.48
	Interest coverage ratio	143.16	146.53	12.96	3.66	1.82
Operating ability	Accounts receivable turnover rate (times)	33.62	34.08	39.24	37.52	27.64
	Average days for cash receipts	10.86	10.71	9.30	9.73	13.21
	Inventory turnover rate (times)	118.49	118.63	134.53	110.53	90.45
	Accounts payable turnover rate (times)	17.73	17.94	17.95	15.82	13.32
	Average days for sale of goods	4.53	4.56	2.71	3.30	4.04
	Property, plant, and equipment turnover rate (times)	3.43	3.37	3.33	3.02	2.27
	Total assets turnover rate (times)	1.86	2.24	1.53	0.99	0.71
Profitability	Return on Assets (ROA) (%)	12.97	16.86	7.63	1.78	1.27
	Equity return ratio (%)	18.96	27.42	15.03	3.16	1.76
	Ratio of income before tax to paid-in capital (%)	22.34	42.78	29.30	8.74	5.05
	Net Profit Margin (%)	6.92	7.46	4.61	1.31	0.88
	Earnings per Share (NT\$) (Note 3)	1.85	3.40	2.47	0.79	0.49
Cash Flows	Cash Flow Ratio (%)	106.14	117.42	102.95	80.18	47.76
	Cash Flow Adequacy Ratio (%)	49.70	71.19	93.79	100.01	104.64
	Cash Reinvestment Ratio (%)	30.82	32.47	20.05	12.43	8.44
Leverage	Operating leverage	1.83	1.77	3.16	7.84	12.73
	Financial leverage	1.01	1.01	1.09	1.41	7.39
Reasons for any changes in financial ratios up to 20% in the past two years:						
(1) Solvency						
A. Decrease in liquidity ratio: Mainly due to the decrease in current assets and increase in current liabilities in 2021.						
B. Decrease in quick ratio: Mainly due to the decrease in current assets and increase in current liabilities in 2021.						
C. Decrease in interest coverage ratio: Mainly due to the decrease in pre-tax benefit and increase in interest expense in 2021.						
(2) Operating Ability						
A. Decrease in accounts receivable turnover rate (times): Mainly due to the increase in average accounts receivable in 2021						

- B. Increase in average inventory turnover days: Mainly due to increase in average inventory in 2021.
- C. Decrease in property, plant, and equipment turnover rate (times): Mainly due to the increase in average total assets in 2021.
- (3) Profitability
 - A. Decrease in return on assets: Mainly due to decrease in net profit and increase in interest expense average total assets in 2021.
 - B. Decrease in equity return ratio: Mainly due to decrease in net profit and increase in average net shareholders' equity in 2021.
 - C. Decrease in the ratio of income before tax to paid-in capital: Mainly due to the decrease of pre-tax profit and the increase of paid-in capital in 2021.
 - D. Decrease in net profit margin: Mainly due to decrease in net profit and increase in net sales 2021.
 - E. Decrease in earnings per share: Mainly due to decrease in net profit and increase in weighted-average number of shares outstanding in 2021.
- (4) Cash Flows
 - A. Decrease in cash flow ratio: Mainly due to the increase in current liabilities and decrease in net cash flow from operating activities in 2021.
 - B. Decrease in cash reinvestment ratio: Mainly due to the increase in fixed assets and other assets and the decrease in operating capital in 2021.
- (5) Leverage
 - A. Increase in operating leverage: Mainly due to the decrease in operating profit in 2021.
 - B. Decrease in financial leverage: Mainly due to the decrease in operating profit and increase in interest expense in 2021.

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 retroactive par value per share of the Company in 2017 was NT\$ 10 ; and it was NT\$ 10 from 2018 to 2021.

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 = Income before tax and interest expenses/Interest expenses.
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 days for cash receipts = 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 days for sale of goods = 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) $\text{Earnings per Share} = (\text{Net Income} - \text{Dividend to Preferred Stock}) / \text{Weighted Average of Shares Issued}$.

5. Cash Flows

- (1) $\text{Cash flow ratio} = \text{Net cash flows generated from operating activities} / \text{Current liabilities}$.
- (2) $\text{Cash flow adequacy ratio} = \text{Five-year sum of net cash flows generated from operating activities} / \text{Five-year sum of capital expenditure, inventory additions and cash dividends}$.
- (3) $\text{Cash reinvestment ratio} = (\text{Net cash flows from operating} - \text{cash dividends}) / (\text{Gross amount of property, plant, and equipment} + \text{Long term investment} + \text{Other assets} + \text{Working capital})$.

6. Leverage

- (1) $\text{Operating leverage} = (\text{Net Sales} - \text{Variable Cost and expense}) / \text{Operating income}$
- (2) $\text{Financial leverage} = \text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

2. Financial Analysis - Parent Only (IFRS)

Item \ Year		Financial Information for the Past Five Fiscal Years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure	Ratio of liabilities to assets (%)	36.96	40.35	58.55	59.30	68.26
	Ratio of long-term capital to property, plant, and equipment	114.60	104.98	219.79	270.54	253.58
Solvency	Liquidity ratio (%)	108.05	89.58	105.73	147.00	75.01
	Quick ratio (%)	101.13	82.60	98.88	140.06	69.49
	Interest coverage ratio	143.16	146.53	12.96	3.66	1.82
Operating ability	Accounts receivable turnover rate (times)	33.62	34.08	39.24	37.52	27.64
	Average days for cash receipts	10.86	10.71	9.30	9.73	13.21
	Inventory turnover rate (times)	118.49	118.63	134.53	110.53	90.46
	Accounts payable turnover rate (times)	17.73	17.94	17.95	15.82	13.32
	Average days for sale of goods	4.53	4.56	2.71	3.30	4.03
	Property, plant, and equipment turnover rate (times)	3.43	3.37	3.33	3.02	2.27
	Total assets turnover rate (times)	1.86	2.24	1.53	0.99	0.71
Profitability	Return on Assets (ROA) (%)	12.97	16.86	7.63	1.78	1.27
	Equity return ratio (%)	18.96	27.42	15.03	3.16	1.76
	Ratio of income before tax to paid-in capital (%)	22.34	42.78	29.30	8.74	5.05
	Net Profit Margin (%)	6.92	7.46	4.61	1.31	0.88
	Earnings per Share (NT\$) (Note 3)	1.85	3.40	2.47	0.79	0.49
Cash Flows	Cash Flow Ratio (%)	106.14	117.42	102.95	80.11	47.76
	Cash Flow Adequacy Ratio (%)	49.70	71.19	93.79	99.98	104.61
	Cash Reinvestment Ratio (%)	30.82	32.47	20.04	12.42	8.44
Leverage	Operating leverage	1.83	1.77	3.16	7.84	12.73
	Financial leverage	1.01	1.01	1.09	1.41	7.37
Reasons for any changes in financial ratios up to 20% in the past two years:						
(1) Financial structure						
A. Decrease in liquidity ratio: Mainly due to the decrease in current assets and increase in current liabilities in 2021.						
B. Decrease in quick ratio: Mainly due to the decrease in current assets and increase in current liabilities in 2021.						
C. Decrease in interest coverage ratio: Mainly due to the decrease in pre-tax benefit and increase in interest expense in 2021.						
(2) Operating Ability						
A. Decrease in accounts receivable turnover rate (times): Mainly due to the increase in average accounts receivable in 2021						
B. Increase in average inventory turnover days: Mainly due to increase in average inventory in 2021.						
C. Decrease in property, plant, and equipment turnover rate (times): Mainly due to the increase in average total assets in 2021.						
(3) Profitability						

<p>A. Decrease in return on assets: Mainly due to decrease in net profit and increase in interest expense average total assets in 2021.</p> <p>B. Decrease in equity return ratio: Mainly due to decrease in net profit and increase in average net shareholders' equity in 2021.</p> <p>C. Decrease in the ratio of income before tax to paid-in capital: Mainly due to the decrease of pre-tax profit and the increase of paid-in capital in 2021.</p> <p>D. Decrease in net profit margin: Mainly due to decrease in net profit and increase in net sales 2021.</p> <p>E. Decrease in earnings per share: Mainly due to decrease in net profit and increase in weighted-average number of shares outstanding in 2021.</p> <p>(4) Cash Flows</p> <p>A. Decrease in cash flow ratio: Mainly due to the increase in current liabilities and decrease in net cash flow from operating activities in 2021.</p> <p>B. Decrease in cash reinvestment ratio: Mainly due to the increase in fixed assets and other assets and the decrease in operating capital in 2021.</p> <p>(5) Leverage</p> <p>A. Increase in operating leverage: Mainly due to the decrease in operating profit in 2021.</p> <p>B. Decrease in financial leverage: Mainly due to the decrease in operating profit and increase in interest expense in 2021.</p>

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

Note 2. The retroactive par value per share of the Company in 2017 was NT\$ 10 ; and it was NT\$ 10 from 2018 to 2021.

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 = Income before tax and interest expenses/Interest expenses.
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 days for cash receipts = 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 days for sale of goods = 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 = $(\text{Net cash flows from operating} - \text{cash dividends}) / (\text{Gross amount of property, plant, and equipment} + \text{Long term investment} + \text{Other assets} + \text{Working capital})$.

6. Leverage

(1) Operating leverage = $(\text{Net Sales} - \text{Variable Cost and expense}) / \text{Operating income}$

(2) Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

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

Kura Sushi Asia Co., Ltd.
Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 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 Chang Jui-Na and Chou I-Lung 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.
Convener of the Audit Committee: Jason Liu

March 11, 2022

4. Financial Statements for the Most Recent Fiscal Year

Please refer to Attachment (I)

5. Parent Company Only Financial Statements for the Most Recent Fiscal Year, Audited by CPAs

Please refer to Attachment (II) - Excluding the breakdown of significant accounting items

6. 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: None.

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

I. Financial Position

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	2021	2020	Difference	
			Amount	%
Current Assets	579,094	759,407	(180,313)	(23.74)
Property, Plant, and Equipment	1,276,462	954,840	321,622	33.68
Right-of-use assets	1,961,806	1,300,276	661,530	50.88
Intangible Assets	2,839	3,250	(411)	(12.65)
Other Assets	188,645	82,009	106,636	130.03
Total Assets	4,008,846	3,099,782	909,064	29.33
Current Liabilities	772,107	516,664	255,443	49.44
Non-current Liabilities	1,964,262	1,321,406	642,856	48.65
Total Liabilities	2,736,369	1,838,070	898,299	48.87
Capital Stock	459,517	451,670	7,847	1.74
Capital Surplus	582,074	579,387	2,687	0.46
Retained Earnings	230,889	230,659	230	0.10
Other Equity	(3)	(4)	1	(25.00)
Total shareholder equity	1,272,477	1,261,712	10,765	0.85
<p>1. 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):</p> <p>(1) Decrease in current assets: Mainly due to the decrease in cash and cash equivalents in 2021.</p> <p>(2) Increase in property, plant, and equipment: Mainly due to new stores in 2021.</p> <p>(3) Right-of-use assets: Mainly due to new stores in 2021.</p> <p>(4) Increase in other assets: Mainly due to new stores and increase in prepayment for construction and equipment in 2021.</p> <p>(5) Increase in total assets: Mainly due to the increase in right-of-use assets and property, plant and equipment in 2021.</p> <p>(6) Increase in current liabilities: Mainly due to the increase in lease liabilities in 2021.</p> <p>(7) Increase in total liabilities: Mainly due to the increase in short-term loans and lease liabilities in 2021.</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:

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

Unit: NT\$ thousand

Item \ Year	2021	2020	Change, by Amount	Change, by Percentage
Operating Revenue	2,527,098	2,414,639	112,459	4.66
Operating Costs	1,535,008	1,457,497	77,511	5.32
Gross Profit	992,090	957,142	34,948	3.65
Operating Expenses	959,396	906,404	52,992	5.85
Net operating income	32,694	50,738	(18,044)	(35.56)
Non-operating Income and Expenses	(9,466)	(11,268)	1,802	(15.99)
Income before Tax	23,228	39,470	(16,242)	(41.15)
Profit for the year	22,349	31,570	(9,221)	(29.21)
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. Decrease in operating income: Mainly due to the decrease in operating income in the first half of the year due to the impact of pneumonia and the increase in store opening costs due to the continued expansion of stores this year, resulting in a decrease in operating income for the year.				
2. Decrease in net income before tax and for the period: Mainly due to decrease in net profit of stores in 2021.				

(2) 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 operations and response: The Company will strive to meet customers' needs and use financial funds effectively to meet the needs of business growth.

III. Cash Flows

(1) Analysis of cash flow changes in recent years

Unit: NT\$ thousand

Item \ Year	2021	2020	Change, by Amount	Change ratio (%)
Cash inflow (outflow) from business activities	368,748	414,255	(45,507)	(10.99)
Cash inflow (outflow) from investment activities	(594,672)	(417,150)	(177,522)	42.56
Cash inflow (outflow) from fund-raising activities	3,950	340,016	(336,066)	(98.84)
Analysis of cash flow changes; 1. Decrease in cash inflow from business activities: Mainly due to the decrease in net income before income tax and net change in operating liabilities and the increase in interest paid in 2021. 2. Increase in cash outflow from investment activities: Mainly due to new stores in 2021. 3. Decrease in cash inflow from financing activities: Mainly due to the increase in short-term loans in 2021 and capital increase in 2020.				

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

(3) Analysis of cash liquidity in the coming year (2022)

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
412,215	486,950	(553,753)	(220,814)	124,598	-	-
Explanation/analysis: (I) Analysis of variance in cash flows for the future year: Operating activities: In 2022, the adverse impact on the Company's operations will be mitigated as the epidemic tends to become influenza-prone, and the Company's revenue is expected to largely recover, resulting in cash inflows from operating 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\$ 20,814 thousand and repay short-term loans of NT\$ 200,000 thousand in 2022. 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:

Investee business	Main business items	Investment gains and losses recognized in 2021	Main reasons for profit or loss	Improvement plan
Kura Sushi Hong Kong Limited	Investment business	(20)	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, and remitted the investment amount of RMB15,500 thousand on February 21, 2022.

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. After the global pandemic is in stable condition, new overseas stores will be planned and opened in due course.

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, supplemented by bank financing loans. As of the end of 2021, the loan amount with financial institutions was NT\$ 200,000 thousand. The interest expenses for 2020 and 2021 were NT\$ 14,818 thousand and NT\$ 28,286 thousand, respectively accounting for 37.54% and 121.78% of the net profit before tax. However, this is mainly due to the application of IFRS 16 "Leases" in 2019, which recognizes lease liabilities under the effective interest method, and the overall interest expense recognized for borrowings from financial institutions is NT\$140 thousand and NT\$830 thousand in 2020 and 2021, respectively, which has a minimal impact. Moreover, the Company is financially stable. 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\$. Some of the operating equipment and machinery are imported and are priced in Japanese Yen. The net exchange benefits in 2020 and 2021 were NT\$ 1,563 thousand and NT\$ 11,076 thousand, respectively accounting for 3.96% and 47.68% of the net profit before tax of the Company, respectively, is mainly due to the decrease in profit due to the Covid-19 epidemic in 2021 and the depreciation of the Japanese Yen against the New Taiwan dollar. 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. When the impact of the epidemic on operations recedes, the exchange rate impact will be reduced, and therefore the exchange rate change has not yet had a significant impact on the Company.

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. In the future, if the operation is exposed to inflation, it is expected that consumers will be more careful and seek good value for money. 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, actively use fresh local ingredients. 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 annual report, 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 Department. In 2020 and 2021, the Company invested NT\$ 669 thousand and NT\$ 533 thousand, respectively in the search for food ingredients and the development of new products. In the future, the Company will continue to invest in R&D to increase the variety of ingredients 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) Effect on the Financial Operations of Developments in Science and Technology (Including Cyber Security Risk) and Industrial Change, and Measures to Be Taken in Response:

The Company is mainly engaged in the domestic food and beverage market. Since its establishment, we have been keeping an eye on industry dynamics and market information, and closely observing consumer behavior. Recently, due to the epidemic, consumers are paying more attention to food safety, so we, together with our group, are constantly improving, using technology and patents to provide appropriate products and services to improve consumer satisfaction in response to market demand and to maintain our competitive advantage. In addition, our information storage partners are all well-known domestic companies, which have their own high-standard cyber security procedures, and we also have an off-site backup of important information to ensure the security of information. In the most recent year and up to the publication date of the prospectus, there have been no significant changes in technology or industry that would have a material impact on the Company's financial operations.

(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.

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

VII. Other Important Matters: None.

Chapter 8. Special Disclosure

I. Information on affiliates:

(I) Business report: N/A

(II) Consolidated financial statement of affiliates: N/A

(III) Affiliates reports: N/A

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: None

Kura Sushi Asia Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report For the Years of 2021 and 2020

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 2021 (from January 1 to December 31, 2021), 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 11, 2022

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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 are as follows:

Accuracy of Revenue Recognition

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

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

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

1. Obtain an understanding of the controls related to the general IT environment surrounding the ERP system and test the operating effectiveness of the controls.
2. Perform internal control effectiveness testing by selecting samples from the restaurant operating income report generated from the headquarter POS system. For each sample, verify that the accounting department obtained external statements and performed reconciliation procedures. Also examine and ensure that the reconciliation records are summarized in the daily business report and whether the reconciliation discrepancies were investigated in accordance with the established threshold.
3. Perform detail testing of the transactions by verifying whether the amount per the daily business report matches the amount per the manual journal entry to recognize revenue recorded by the accounting department.

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, 2021 and 2020, 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, 2021, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

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, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 412,600	10	\$ 634,573	20
1170	Accounts receivable from unrelated parties (Notes 4 and 7)	100,972	3	81,887	3
1200	Other receivables (Notes 4 and 26)	17,550	-	2,036	-
130X	Inventories (Notes 4 and 8)	16,082	-	17,557	1
1410	Prepayments (Note 26)	26,406	1	18,140	1
1470	Other current assets (Note 13)	5,484	-	5,214	-
11XX	Total current assets	<u>579,094</u>	<u>14</u>	<u>759,407</u>	<u>25</u>
	Non-current assets				
1600	Property, plant, and equipment (Notes 4, 10, 24, and 27)	1,276,462	32	954,840	31
1755	Right-of-use asset (Notes 4, 5, and 11)	1,961,806	49	1,300,276	42
1780	Intangible assets (Notes 4 and 12)	2,839	-	3,250	-
1840	Deferred tax assets (Notes 4 and 20)	6,686	-	5,504	-
1915	Prepayments for construction and equipment (Note 24)	127,745	3	40,137	1
1920	Refundable deposits	45,509	1	36,368	1
1985	Prepayments for leases	8,705	1	-	-
15XX	Total non-current assets	<u>3,429,752</u>	<u>86</u>	<u>2,340,375</u>	<u>75</u>
1XXX	Total assets	<u>\$ 4,008,846</u>	<u>100</u>	<u>\$ 3,099,782</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 4, 14, and 24)	\$ 200,000	5	\$ -	-
2170	Accounts payable	117,099	3	113,393	4
2219	Other receivables (Notes 4, 15, 24, and 27)	239,388	6	232,815	7
2230	Current tax liabilities (Notes 4 and 20)	8	-	9,363	-
2280	Lease liabilities - current (Notes 4, 11, and 24)	212,694	5	158,678	5
2300	Other current liabilities (Note 15)	2,918	-	2,415	-
21XX	Total current liabilities	<u>772,107</u>	<u>19</u>	<u>516,664</u>	<u>16</u>
	Non-current liabilities				
2550	Provisions - non-current (Notes 4 and 16)	74,818	2	54,149	2
2570	Deferred income tax liabilities (Notes 4 and 20)	2,837	-	646	-
2580	Lease liabilities - current (Notes 4, 11, and 24)	1,759,053	44	1,134,879	37
2640	Net defined benefit liabilities - non-current (Notes 4 and 17)	1,628	-	1,902	-
2610	Other payables - non-current (Notes 10, 15, and 24)	125,889	3	129,830	4
2670	Other non-current liabilities	37	-	-	-
25XX	Total non-current liabilities	<u>1,964,262</u>	<u>49</u>	<u>1,321,406</u>	<u>43</u>
2XXX	Total liabilities	<u>2,736,369</u>	<u>68</u>	<u>1,838,070</u>	<u>59</u>
	Equity (Note 18)				
	Share capital				
3110	Common stock	458,560	11	449,800	14
3140	Capital received in advance	957	-	1,870	-
3100	Total share capital	<u>459,517</u>	<u>11</u>	<u>451,670</u>	<u>14</u>
3200	Capital surplus	<u>582,074</u>	<u>15</u>	<u>579,387</u>	<u>19</u>
	Retained earnings				
3310	Legal reserve	25,012	1	21,815	1
3320	Special reserve	4	-	-	-
3350	Unappropriated earnings	205,873	5	208,844	7
3300	Total retained earnings	<u>230,889</u>	<u>6</u>	<u>230,659</u>	<u>8</u>
3400	Other equity	(3)	-	(4)	-
3XXX	Total equity	<u>1,272,477</u>	<u>32</u>	<u>1,261,712</u>	<u>41</u>
	Total liabilities and equity	<u>\$ 4,008,846</u>	<u>100</u>	<u>\$ 3,099,782</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, 2021 and 2020

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

Code		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Note 4)	\$ 2,527,098	100	\$ 2,414,639	100
5000	Operating costs (Notes 4, 8, and 27)	<u>1,535,008</u>	<u>61</u>	<u>1,457,497</u>	<u>60</u>
5900	Gross profit	<u>992,090</u>	<u>39</u>	<u>957,142</u>	<u>40</u>
	Operating expenses (Notes 19 and 27)				
6100	Selling expenses	792,931	31	733,587	30
6200	General and administrative expenses	165,933	7	172,161	7
6300	Research and development expenses	532	-	669	-
6450	Expected gain on reversal of credit losses	<u>-</u>	<u>-</u>	(<u>13</u>)	<u>-</u>
6000	Total operating expenses	<u>959,396</u>	<u>38</u>	<u>906,404</u>	<u>37</u>
6900	Net operating income	<u>32,694</u>	<u>1</u>	<u>50,738</u>	<u>3</u>
	Non-operating income and expenses (Note 19)				
7100	Interest income	518	-	435	-
7010	Other income	3,357	-	1,628	-
7020	Other gains and losses	14,927	1	1,487	-
7050	Finance costs	(<u>28,268</u>)	(<u>1</u>)	(<u>14,818</u>)	(<u>1</u>)
7000	Total non-operating income and expenses	(<u>9,466</u>)	<u>-</u>	(<u>11,268</u>)	(<u>1</u>)
7900	Net income before tax	23,228	1	39,470	2
7950	Tax expenses (Notes 4 and 20)	<u>879</u>	<u>-</u>	<u>7,900</u>	<u>1</u>
8200	Net income for the year	<u>22,349</u>	<u>1</u>	<u>31,570</u>	<u>1</u>

(Continued on the next page)

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

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

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

The accompanying notes are an integral part of the 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, 2021 and 2020

(In Thousands of New Taiwan Dollars)

Code		2021	2020
	Cash flows from operating activities		
A10000	Net income before tax for the year	\$ 23,228	\$ 39,470
A20010	Adjustments for:		
A20100	Depreciation expenses	381,981	345,890
A20200	Amortization expenses	1,524	1,071
A20300	Expected gain on reversal of credit losses	-	(13)
A21900	Compensation costs of employee stock options	1,811	6,021
A20900	Finance costs	28,268	14,818
A21200	Interest income	(518)	(435)
A23700	Write-downs of inventories	23	-
A23800	Gains on price recovery from write-downs of inventories	-	(74)
A22500	Net losses (gains) on disposal of property, plant, and equipment	(6,632)	46
A24100	Net gains on foreign currency exchange	(24,691)	(2,735)
A29900	Recognition of pension costs	693	816
A29900	Losses on disposal of right-of-use assets	1,161	-
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	(19,085)	(35,083)
A31180	Other receivables	(432)	(496)
A31200	Inventories	1,452	(9,019)
A31230	Prepayments	(8,266)	(2,515)
A31240	Other current assets	(270)	107
A32150	Accounts payable	3,706	42,579
A32180	Other payables	20,474	40,799
A32230	Other current liabilities	503	502
A33000	Cash generated from operations	404,930	441,749
A33100	Interest received	674	291
A33300	Interest paid	(27,438)	(14,898)
A33500	Income tax paid	(9,418)	(12,887)
AAAA	Net cash flows from operating activities	368,748	414,255

(Continued on the next page)

(Continued from the previous page)

Code		2021	2020
	Cash flows from investing activities		
B02700	Acquisition of property, plant, and equipment	(\$ 584,284)	(\$ 396,648)
B02800	Proceeds from disposal of property, plant, and equipment	8,571	-
B03700	Increase in refundable deposits	(9,141)	(17,086)
B04500	Acquisition of intangible assets	(1,113)	(3,416)
B07300	Increase in prepayments for leases	(8,705)	-
BBBB	Cash used in investing activities, net	(594,672)	(417,150)
	Cash flows from financing activities		
C00100	Increase in short-term loans	200,000	-
C00200	Decrease in short-term loans	-	(10,541)
C04020	Repayments of lease liabilities	(181,917)	(137,162)
C03000	Guarantee deposits received	37	-
C04500	Cash dividends distributed	(22,893)	(18,937)
C04600	Proceeds from issuance of ordinary shares	8,723	506,656
CCCC	Net cash generated from financing activities	3,950	340,016
DDDD	Effect of exchange rate changes on cash and cash equivalents	1	(4)
EEEE	Net (decrease) increase in cash and cash equivalents	(221,973)	337,117
E00100	Cash and cash equivalents at beginning of year	634,573	297,456
E00200	Cash and cash equivalents at end of year	\$ 412,600	\$ 634,573

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, 2021 and 2020

(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

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

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

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

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

The Consolidated Financial Statements have been approved by the Board of Directors on March 10, 2022.

3. Application of New and Amended Standards and Interpretations

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

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

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

The Group chooses to apply the revised practical expedients to deal with rent negotiations directly associated with the COVID-19 pandemic between it and the lessor. For the relevant accounting policies, please refer to Note 4. 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, 2021. Since the aforementioned rent negotiations only affect the year of 2021, retrospective application of these amendments will not affect the retained earnings as of January 1, 2021.

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

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

- Note 1. The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 2. This amendment applies to the business combination that starts on the acquisition date after January 1, 2022 during the annual report period.
- Note 3. The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 4. This amendment applies to contracts under which all obligations have not been on January 1, 2022.

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

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

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

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

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

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

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

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

The amendment clarifies whether or not a liability to be classified as non-current, the 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) Amendments 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.

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 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.

Please refer to Note 9 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. 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 the recoverable amount prior to revision, provided the increased carrying amount does not exceed the carrying amount (minus amortization or depreciation) of the asset or the cash-generating unit not declared as impairment loss in the previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

j. Financial Instruments

Financial assets and liabilities will be recognized in the consolidated balance sheets when the Group becomes a party to the contract of the financial instrument.

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

1) Financial assets

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

a) Types of measurement

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

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability, the lease payment paid before the lease commencement date minus the lease incentive received, the original direct cost and the estimated cost of the recovery target asset), and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. 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 the COVID-19 pandemic, and adjusted the rent due before June 30, 2022, resulting in a decrease in the rent. These negotiations have not significantly changed other lease terms. The 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. Government Grants

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

The costs of defined benefits under the defined benefit pension plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method.

The cost of services (including the cost of services of the current period) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses as they occur.

The remeasurements (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets after interest deduction) are recognized as other comprehensive income and included as retained earnings at the time of occurrence, and are not reclassified to profit or loss in subsequent periods.

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

q. Share-based payments

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.

r. Income tax

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

1) Current income tax

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

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

2) Deferred income tax

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

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

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 Group has taken into consideration the recent development of the COVID-19 outbreak in Taiwan and its possible impact on the economic environment, and has taken into account the significant accounting estimates related to cash flow projections, growth rates, discount rates, profitability, etc. Management will continue to review the estimates and underlying assumptions. If an amendment of an estimate affects only the current period, it is recognized in the period in which it is amended. If an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the period of amendment and future periods.

Material accounting judgments

Lease period

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

Primary Sources of Uncertainties in Estimates, and Assumptions

The Useful Lives of Property, Plant, and Equipment

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

6. Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash on hand and working capital	\$ 9,639	\$ 6,787
Checks and demand deposits in banks	394,055	368,888
Cash equivalents (Time deposits with original maturities within three months)		
Time deposit	8,906	258,898
	<u>\$ 412,600</u>	<u>\$ 634,573</u>

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

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

7. Accounts receivable

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

The Group usually adopts cash payment and credit card from customers. Except for that the credit period of the trade receivable stores established in department stores for cooperation is negotiated by both parties, with a monthly balance between 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:

December 31, 2021

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

December 31, 2020

	<u>Not Past Due</u>	<u>1 to 30 days past due</u>	<u>31 to 60 days past due</u>	<u>61 to 90 days past due</u>	<u>91 to 365 days past due</u>	<u>Total</u>
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>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>

Changes in loss allowances for trade receivables are as follows:

<u>2021</u>	<u>2020</u>
-------------	-------------

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

8. Inventories

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

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

9. Subsidiary

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	
			December 31, 2021	December 31, 2020
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%	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, 2021	\$ 299,405	\$ 58,125	\$ 559,420	\$ 594,461	\$ 1,511,411
Addition	122,350	17,738	157,431	225,908	523,427
Disposal	-	(3,087)	(2,403)	(20,309)	(25,799)
Balance at December 31, 2021	<u>\$ 421,755</u>	<u>\$ 72,776</u>	<u>\$ 714,448</u>	<u>\$ 800,060</u>	<u>\$ 2,009,039</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ 50,417	\$ 25,659	\$ 232,255	\$ 248,240	\$ 556,571
Depreciation expenses	27,147	11,569	75,848	70,063	184,627
Disposal	-	(2,736)	(939)	(4,946)	(8,621)
Balance at December 31, 2021	<u>\$ 77,564</u>	<u>\$ 34,492</u>	<u>\$ 307,164</u>	<u>\$ 313,357</u>	<u>\$ 732,577</u>
Net amount at December 31, 2021	<u>\$ 344,191</u>	<u>\$ 38,284</u>	<u>\$ 407,284</u>	<u>\$ 486,703</u>	<u>\$ 1,276,462</u>
<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>

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

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

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

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

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

11. Lease Agreements

- Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of right-of-use assets		
Land	\$ 880,486	\$ 649,731
Buildings	1,081,200	650,281
Transportation equipment	<u>120</u>	<u>264</u>
	<u>\$ 1,961,806</u>	<u>\$ 1,300,276</u>
	<u>2021</u>	<u>2020</u>
Addition of right-of-use assets	<u>\$ 907,765</u>	<u>\$ 768,282</u>
Depreciation expenses on right-of-use assets		
Land	\$ 38,394	\$ 30,637
Buildings	158,816	110,064
Transportation equipment	<u>144</u>	<u>335</u>
	<u>\$ 197,354</u>	<u>\$ 141,036</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 2021 and 2020.

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

b. Lease liabilities

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

The discount rate ranges for lease liabilities are as follows:

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

c. Major lease activities and terms

The 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 Group and the lessor. Due to the different types of leases of the lessor, the payment terms of the lease payments agreed between the Group 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.

The Group has severely affected the market economy due to the COVID-19 pandemic in 2021 and 2020. 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 September 30, 2021 and January 1 to December 31, 2020.

d. Other lease information

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

The 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>December 31, 2021</u>	<u>December 31, 2020</u>
Lease commitments	<u>\$ 411,708</u>	<u>\$271,250</u>

12. Intangible Assets

	<u>Computer software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 5,817
Separate acquisition	<u>1,113</u>
Balance at December 31, 2021	<u>\$ 6,930</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 2,567
Amortization expenses	<u>1,524</u>
Balance at December 31, 2021	<u>\$ 4,091</u>
Net amount at December 31, 2021	<u>\$ 2,839</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 expenses	<u>1,071</u>
Balance at December 31, 2020	<u>\$ 2,567</u>
Net amount at December 31, 2020	<u>\$ 3,250</u>

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

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

13. Other Assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Temporary payments	\$ 1,946	\$ 2,782
Inventory of supplies	<u>3,538</u>	<u>2,432</u>
	<u>\$ 5,484</u>	<u>\$ 5,214</u>

14. Short-term loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Unsecured loans</u>		
Credit loans	<u>\$200,000</u>	<u>\$ -</u>

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

15. Other Liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Other payables		
Equipment payable	\$ 82,237	\$ 98,450
Salaries and bonuses payable	62,372	53,584
Labor & health insurance payable	15,101	13,199
Pension payable	8,171	8,245
Holiday benefits payable	6,556	6,335
Others	<u>64,951</u>	<u>53,002</u>
	<u>\$ 239,388</u>	<u>\$ 232,815</u>
Other Liabilities		
Receipts under custody	\$ 2,793	\$ 2,356
Others	<u>125</u>	<u>59</u>
	<u>\$ 2,918</u>	<u>\$ 2,415</u>
<u>Non-current</u>		
Other payables		
Equipment payable	<u>\$ 125,889</u>	<u>\$ 129,830</u>

16. Provisions for liabilities - non-current

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

When the Group leases a store from the owner, 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.

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 each employee's 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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>45,856</u>	<u>44,980</u>
Share capital issued (Face value of NT\$10 per share)	<u>\$ 458,560</u>	<u>\$ 449,800</u>
Capital received in advance	<u>\$ 957</u>	<u>\$ 1,870</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 July 20, 2020 to issue 7,107 thousand shares at par value of NT\$10 per share through issuance of ordinary shares for cash and issued at a premium of NT\$55. Actual share capital is NT\$71,070 thousand after capital increase. The aforementioned issuance of ordinary shares for cash was approved and declared effective by the Taipei Exchange on August 3, 2020, and resolved by the Board of Directors. The Company has completed the relevant procedure with September 15, 2020 as the base day for capital increase.

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

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

b. Capital surplus

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

c. Retained earnings and dividend policy

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

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

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

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

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

As of March 31, 2022, the Board of Directors has not yet approved the distribution of earnings for 2021.

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

19. Net Income from continuing operations

Components of net income from continuing operations are as follows:

a. Interest income

	2021	2020
Bank deposits	\$ 329	\$ 167
Imputed interest on deposits	189	268
	<u>\$ 518</u>	<u>\$ 435</u>

b. Other income

	2021	2020
Others	<u>\$ 3,357</u>	<u>\$ 1,628</u>

c. Other gains and losses

	2021	2020
Net foreign exchange gains	\$ 11,076	\$ 1,563
Net gains (losses) on disposal of property, plant, and equipment	6,632	(46)
Losses on disposal of right-of-use assets	(1,161)	-
Others	(1,620)	(30)
	<u>\$ 14,927</u>	<u>\$ 1,487</u>

d. Finance costs

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

Information related to interest capitalization is as follows:

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

e. Depreciation and amortization

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

f. Employee benefits

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

g. Employee compensation and remuneration for directors and supervisors

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

Estimated percentage

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

Amount

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

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

For information on the Group's employee compensation and remuneration for directors and supervisors as resolved by the Board of Directors in 2021 and 2020, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	2021	2020
Total gains on foreign currency exchange	\$ 24,056	\$ 2,052
Total gains (losses) on foreign currency exchange	(12,980)	(489)
Net gains on foreign currency exchange	<u>\$ 11,076</u>	<u>\$ 1,563</u>

20. Income tax from continuing operations

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

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

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

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

b. Current income tax assets and liabilities

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

c. Deferred tax assets and liabilities

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

2021

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

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

2020

<u>Deferred income tax assets</u>	<u>Balance at beginning of the year</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Balance at end of the year</u>
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>

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

d. Income tax assessment

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

21. Earnings per Share

Unit: In Shares or NT\$

	<u>2021</u>	<u>2020</u>
Basic earnings per share	<u>\$ 0.49</u>	<u>\$ 0.79</u>
Diluted earnings per share	<u>\$ 0.48</u>	<u>\$ 0.76</u>

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

Net income for the year

	<u>2021</u>	<u>2020</u>
Net profit used to calculate basic and diluted earnings per share	<u>\$ 22,349</u>	<u>\$ 31,570</u>

Number of Shares

Unit: Thousand shares

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

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.

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

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

<u>Employees stock option</u>	<u>2021</u>	<u>2020</u>
Range of exercise price (NT\$)	\$ 11	\$ 11
Weighted-average remaining duration (year)	7 years	8 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 2021 and 2020 were NT\$1,811 thousand and NT\$4,677 thousand, respectively.

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

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

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

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

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

23. Government Grants

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

24. Cash Flows

a. Non-cash Transactions

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

	2021	2020
Increase in property, plant, and equipment	(\$ 523,427)	(\$ 513,240)
Decrease (increase) in prepayments for equipment	(65,007)	17,551
Decrease in equipment payable	4,150	99,041
Cash used in the acquisition of property, plant, and equipment	(\$ 584,284)	(\$ 396,648)
Proceeds from disposal of property, plant, and equipment	\$ 23,809	\$ -
Increase in other receivables	(15,238)	-
Cash received from disposal of property, plant, and equipment	\$ 8,571	\$ -

b. Changes in liabilities from financing activities

2021

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

2020

	January 1, 2020	Cash Flows	Non-cash changes			December 31, 2020
			New lease	Interest capitalization		
Short-term loans	\$ 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>

25. Capital Risk Management

The Group conducts capital management to ensure that the Group's businesses are able to continue as a going concern by optimizing debt and equity balances in order to maximize shareholder returns.

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.

26. 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	<u>\$ 531,122</u>	<u>\$ 718,496</u>
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	<u>\$ 682,376</u>	<u>\$ 476,038</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 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 Note 31.

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 2021 and 2020 by NT\$1,109 thousand and NT\$735 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash flow interest rate risk		
— Financial assets	\$ 402,961	\$ 627,786
— Financial liabilities	200,000	-

Sensitivity analysis

The sensitivity analysis below is prepared based on the risk exposure of derivative and non-derivative instruments to the interest rates at balance sheet date. For liabilities at floating interest rates, the analysis assumes they are outstanding throughout the reporting period if they are outstanding at the balance sheet date. The rate of change used when reporting interest rates within the 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\$2,030 thousand and NT\$6,278 thousand for 2021 and 2020, 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, 2021 and 2020, 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.

December 31, 2021

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

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

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

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

b) Line of credit

	December 31, 2021	December 31, 2020
Unsecured bank loans		
— Amount utilized	\$ 200,000	\$ -
— Amount not utilized	40,000	240,000
	<u>\$ 240,000</u>	<u>\$ 240,000</u>

27. Related Party Transactions

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

a. Names and relations of related parties

Related Party	Relationship with the Group
Kura Sushi, Inc.	Investor of significant influence

b. Purchase of goods

	2021	2020
Investor of significant influence	<u>\$ 10,142</u>	<u>\$ 7,850</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	December 31, 2021	December 31, 2020
Other receivables	Investor of significant influence	<u>\$ 2,051</u>	<u>\$1,687</u>

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

d. Payables from related parties

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

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

e. Prepayments

	December 31, 2021	December 31, 2020
Investor of significant influence	<u>\$ 49</u>	<u>\$ 18</u>

f. Acquisition of property, plant, and equipment

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

The property, plant, and equipment purchased by the Group in 2021 and 2020, respectively, amounted to NT\$1,612 thousand and NT\$3,032 thousand, which were advanced by Kura Sushi, Inc. and then

paid by the Group, as a collection and payment transaction. Kura Sushi, Inc. did not receive profit in this transaction.

g. Other Related Party Transactions

Accounting subject	Type of stakeholders	2021	2020
Operating expenses	Investor of significant influence	<u>\$ 23,755</u>	<u>\$ 23,734</u>
Manufacturing overheads	Investor of significant influence	<u>\$ 1,145</u>	<u>\$ 1,025</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 amount of fees collected and paid which were appropriated in 2021 and 2020 were NT\$11,119 thousand and NT\$11,661 thousand, respectively. The aforementioned related party transactions are not comparable to other transactions of the same type.

h. Others

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

i. Remunerations to Major Management

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

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

28. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

- a. As of December 31, 2021 and 2020, the Group has signed land lease commissioning contracts of NT\$184,370 thousand and NT\$49,500 thousand, respectively, and the prices paid in accordance with the contracts were NT\$93,263 thousand and NT\$0 thousand (recognized under prepayments for construction and equipment).
- b. As of December 31, 2021 and 2020, the Group provided security deposits for leased stores and issued notes with a value of NT\$9,052 thousand and NT\$11,670 thousand, respectively.

29. Significant Events after the Balance Sheet Date

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

30. Other Matters

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

a. Adjusting Operating Strategies

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

b. Financing Strategy

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

c. Government Relief Measures

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

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

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

The following information is aggregated by the foreign currencies other than the functional currency of the 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:

December 31, 2021

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

December 31, 2020

	Foreign currencies	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>

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

	2021		2020	
	Exchange rate	Net foreign exchange gains (losses)	Exchange rate	Net foreign exchange gains (losses)
JPY	0.2405 (JPY: NTD)	<u>\$ 11,087</u>	0.2763 (JPY: NTD)	<u>\$ 1,584</u>

32. Supplementary Disclosures

a. Information on Significant Transactions:

- 1) Loans provided for others: None.
- 2) Endorsements/guarantees provided for others: None.
- 3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures): None.
- 4) Marketable securities acquired and disposed of amounting to NT\$300 million or 20% of the paid-in capital or more: None.
- 5) Acquisition of property amounting to NT\$300 million or 20% of paid-in capital or more: Table 1.
- 6) Disposal of property amounting to NT\$300 million or 20% of paid-in capital or more: None.

- 7) Purchases from or sales to related parties amounting to NT\$100 million or 20% of the paid-in capital or more: None.
- 8) Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital or more: None.
- 9) Derivatives transactions: None.
- 10) Other: Intercompany relationships and significant intercompany transactions: None.
- b. Information on Reinvestment Business. (Table 2)
- c. Information on Investments in Mainland China
 - 1) Information on invested companies in Mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss on investments, carrying amount of investment at the end of the period, gain or loss on repatriated investment and ceiling of investments in Mainland China: (Table 3)
 - 2) Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None.
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - d) Ending balances and purposes of endorsements/guarantees or collateral provided: None.
 - e) The highest of the financing balance, ending balance, interest rate range and total amount of current interest: None.
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services: None.
- d. Information of Major Shareholders (Table 4)

33. Segment Information

The information is provided to the main business decision-makers to allocate resources and to evaluate the performance of each department, focusing on the category of product or service delivered or provided. In accordance with IFRS 8 “Operating Segments”, the operating decision of the 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, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

Table 2**Kura Sushi Asia Co., Ltd. and Subsidiaries****Information about the investee name, address, etc.****January 1 to December 31, 2021****(In Thousands of New Taiwan Dollars)**

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

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

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

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

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

Table 3

Kura Sushi Asia Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
January 1 to December 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

- Note 1. It is a mainland investment business indirectly held by the Company through its Hong Kong subsidiary Kura Sushi Hong Kong Limited.
- Note 2. Kura Sushi Shanghai Co., Ltd. has completed the registration of establishment and obtained the business license on January 2, 2020, with a registered capital of RMB30,000 thousand. As of December 31, 2021, the Company has not remitted investment funds. However, on March 3, 2022 after the balance sheet date, the Company has remitted RMB15,000 thousand as investment.
- Note 3. The translation is based on the exchange rate at the end of the period: NT\$=1:4.344.
- Note 4. The investment limit is 60% of net worth.

Table 4**Kura Sushi Asia Co., Ltd. and Subsidiaries****Information on Major Shareholders****December 31, 2021**

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

Note 1. The major shareholders in this table are shareholders holding 5% or greater of the ordinary and preference shares that have completed delivery without physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's 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 of 2021 and 2020

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, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

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

Accuracy of Revenue Recognition

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

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

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

1. Obtain an understanding of the controls related to the general IT environment surrounding the ERP system and test the operating effectiveness of the controls.
2. Perform internal control effectiveness testing by selecting samples from the restaurant operating income report generated from the headquarter POS system. For each sample, verify that the accounting department obtained external statements and performed reconciliation procedures. Also examine and ensure that the reconciliation records are summarized in the daily business report and whether the reconciliation discrepancies were investigated in accordance with the established threshold.
3. Perform detail testing of the transactions by verifying whether the amount per the daily business report matches the amount per the manual journal entry to recognize revenue recorded by the accounting department.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely

responsible for our audit opinion.

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2022

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, 2021 and 2020

(In Thousands of New Taiwan Dollars)

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

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

(Continued on the next page)

(Continued from the previous page)

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

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

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

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

Chairman: Kentaro Nishikawa

CEO: Kentaro Nishikawa

Accounting Officer: Lin-Shang Chih

Kura Sushi Asia Co., Ltd.
Parent Company Only Statements of Cash Flows
January 1 to December 31, 2021 and 2020

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

(Continued on the next page)

(Continued from the previous page)

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

Notes to Parent Company Only Financial Statements

January 1 to December 31, 2021 and 2020

(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

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

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

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

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

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

3. Application of New and Amended Standards and Interpretations

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

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

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

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

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

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

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

- Note 1. The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 2. This amendment applies to the business combination that starts on the acquisition date after January 1, 2022 during the annual report period.
- Note 3. The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 4. This amendment applies to contracts under which all obligations have not been on January 1, 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- a) Has changed during the period by the Company, and this change results in a material change on information of the financial statements
- b) Was chosen properly by the Company from alternatives permitted by IFRS
- c) Was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of IFRS that specifically applies
- d) Relates to an area for which the Company is required to make significant judgments and assumptions; or
- e) Relates to complex accounting, and users of the Company's financial statements would otherwise not understand the relating transactions, other events or conditions

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

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

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

4. Summary of Significant Accounting Policies

a. Compliance declaration

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

b. Preparation basis

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. deduced from prices).
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

in other comprehensive income, where the resulting exchange difference is recognized in other comprehensive income.

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

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

e. Inventories

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

f. Investments in subsidiaries

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

Subsidiaries are entities controlled by the Company.

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

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

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

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

When the Company assesses impairment, the test shall be performed on the basis of cash generating units within the financial statements. The recoverable amount and the carrying amount of cash

generating units shall be compared. Subsequently, if the recoverable amount of an asset increases, the recovery of the impairment loss shall be recognized as an advantage, provided that the carrying amount of the asset recovered from the impairment loss shall not exceed the carrying amount of the asset to be amortized if the impairment loss is not recognized. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

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

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

g. Property, plant, and equipment

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

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

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

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

h. Intangible Assets

1) Separate acquisition

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

2) Derecognition

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

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

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

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

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

j. Financial Instruments

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

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

1) Financial assets

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

a. Types of measurement

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

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

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

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

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

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

b. Impairment of financial assets

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

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

The expected credit loss is the weighted average credit loss determined by the risk of default.

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. Where the debt is overdue more than 365 days, unless there is reasonable and authenticated information showing that the delayed default basis is more appropriate.

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

c. Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

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

l. Revenue recognition

1) Sales of commodities

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

2) Interest income

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

m. Leases

The Company assesses whether the contract is (or includes) a lease on the date of its establishment. For contracts that include both lease and non-lease components, the Company apportions considerations in contracts based on relative stand-alone prices and processes them separately.

If the Company is a lessee:

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

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

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

Lease liabilities were originally measured by the present value of lease payments (including fixed payments and substantial fixed payments). If the implicit interest rate of lease is easy to determine, the interest rate is used to discount the lease payment. If the interest rate is not easy to determine, the lessee's incremental borrowing rate shall be used.

Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. In the case that future lease payments change as a result of a change in the lease term, the Company remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in profit or loss. Lease liabilities are expressed separately in the parent company only balance sheets.

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

n. Borrowing costs

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

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

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

o. Government Grants

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

The costs of defined benefits under the defined benefit pension plan (including service cost, net interest, and the remeasurement amount) are calculated based on the projected unit credit method.

The cost of services (including the cost of services of the current period) and the net interest of the net defined benefit liability (asset) are recognized as employee benefit expenses as they occur.

The remeasurements (including actuarial gains and losses, changes in the effect of the asset ceiling, and the return on plan assets after interest deduction) are recognized as other comprehensive income and included as retained earnings at the time of occurrence, and are not reclassified to profit or loss in subsequent periods.

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

q. Share-based payments

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.

r. Income tax

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

1) Current income tax

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

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

2) Deferred income tax

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow

from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred income taxes

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

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

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

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

Material accounting judgments

Lease period

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

Primary Sources of Uncertainties in Estimates, and Assumptions

The Useful Lives of Property, Plant, and Equipment

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

6. Cash and Cash Equivalents

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

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

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

7. Accounts receivable

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

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

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

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

December 31, 2021

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

December 31, 2020

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

Changes in loss allowances for trade receivables are as follows:

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

8. Inventories

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

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

9. Subsidiary

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

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

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

10. Property, plant, and equipment

	Buildings	Profit-generating instruments	Machinery	Leasehold improvements	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 299,405	\$ 58,125	\$ 559,420	\$ 594,461	\$ 1,511,411
Addition	122,350	17,738	157,431	225,908	523,427
Disposal	-	(3,087)	(2,403)	(20,309)	(25,799)
Balance at December 31, 2021	\$ 421,755	\$ 72,776	\$ 714,448	\$ 800,060	\$ 2,009,039
<u>Accumulated depreciation</u>					
Balance at January 1, 2021	\$ 50,417	\$ 25,659	\$ 232,255	\$ 248,240	\$ 556,571
Depreciation expenses	27,147	11,569	75,848	70,063	184,627
Disposal	-	(2,736)	(939)	(4,946)	(8,621)
Balance at December 31, 2021	\$ 77,564	\$ 34,492	\$ 307,164	\$ 313,357	\$ 732,577

Net amount at December 31, 2021	<u>\$ 344,191</u>	<u>\$ 38,284</u>	<u>\$ 407,284</u>	<u>\$ 486,703</u>	<u>\$ 1,276,462</u>
<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>

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

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

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

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

- The Company shall make payments every six 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>December 31, 2021</u>	<u>December 31, 2020</u>
Equipment payable	\$ 187,001	\$ 187,687
Less: Equipment payable due within one year	(61,112)	(57,857)
	<u>\$ 125,889</u>	<u>\$ 129,830</u>

11. Lease Agreements

- Right-of-use assets

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

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

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

b. Lease liabilities

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

The discount rate ranges for lease liabilities are as follows:

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

c. Major lease activities and terms

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

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

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

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

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

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

d. Other lease information

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

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Lease commitments	\$ 411,708	\$271,250

12. Intangible Assets

	<u>Computer software</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 5,817
Separate acquisition	1,113
Balance at December 31, 2021	<u>\$ 6,930</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 2,567
Amortization expenses	1,524
Balance at December 31, 2021	<u>\$ 4,091</u>
Net amount at December 31, 2021	<u>\$ 2,839</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 2,401
Separate acquisition	3,416
Balance at December 31, 2020	<u>\$ 5,817</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 1,496
Amortization expenses	1,071
Balance at December 31, 2020	<u>\$ 2,567</u>
Net amount at December 31, 2020	<u>\$ 3,250</u>

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

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

13. Other Assets

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

14. Short-term loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Unsecured loans</u>		
Credit loans	<u>\$ 200,000</u>	<u>\$ -</u>

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

15. Other Liabilities

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

16. Provisions for liabilities - non-current

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

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

17. Post-retirement Benefit Plan

a. Defined contribution plans

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

b. Defined benefit plans

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

18. Equity

a. Share capital

Common stock

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
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>45,856</u>	<u>44,980</u>
Share capital issued (Face value of NT\$10 per share)	<u>\$ 458,560</u>	<u>\$ 449,800</u>
Capital received in advance	<u>\$ 957</u>	<u>\$ 1,870</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 July 20, 2020 to issue 7,107 thousand shares at par value of NT\$10 per share through issuance of ordinary shares for cash and issued at a premium of NT\$55. Actual share capital is NT\$71,070 thousand after capital increase. The aforementioned issuance of ordinary shares for cash was approved and declared effective by the Taipei Exchange on August 3, 2020, and resolved by the Board of Directors. The Company has completed the relevant procedure with September 15, 2020 as the base day for capital increase.

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

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

b. Capital surplus

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

c. Retained earnings and dividend policy

According to the surplus distribution policy in the Company's Articles of Association, if the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends in accordance with a proposal for appropriation of earnings as approved by the Board of Directors and submit it to the shareholders' meeting for distribution of shareholder dividends. Please refer to Note 19 (g) - "Remuneration for Employees, Directors and Supervisors" for the policy of employee, director and supervisor bonus distribution. The Company's dividend policy shall be in line with its current and future development plan, taking into consideration the investment environment, capital requirements. At least 10% of the net profit for the current year shall be allocated to shareholders every year. Distribution of dividends and bonuses to shareholders may be in the form of cash or shares, and the cash dividend shall not be less than 10% of the total dividend.

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

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

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

As of March 31, 2022, the Board of Directors has not yet approved the distribution of earnings for 2021.

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

19. Net Income from continuing operations

Components of net income from continuing operations are as follows:

a. Interest income

	2021	2020
Bank deposits	\$ 329	\$ 167
Imputed interest on deposits	189	268
	<u>\$ 518</u>	<u>\$ 435</u>

b. Other income

	2021	2020
Others	<u>\$ 3,357</u>	<u>\$ 1,628</u>

c. Other gains and losses

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

d. Finance costs

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

Information related to interest capitalization is as follows:

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

e. Depreciation and amortization

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

f. Employee benefits

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

g. Employee compensation and remuneration for directors and supervisors

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

Estimated percentage

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

Amount

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

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

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

h. Gains or losses on foreign currency exchange

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

20. Income tax from continuing operations

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

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

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

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

b. Current income tax assets and liabilities

	December 31, 2021	December 31, 2020
Current income tax liabilities		
Income tax payable	<u>\$ 8</u>	<u>\$ 9,363</u>

c. Deferred tax assets and liabilities

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

2021

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

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

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>

d. Income tax assessment

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

21. Earnings per Share

	Unit: In Shares or NT\$	
	2021	2020
Basic earnings per share	\$ 0.49	\$ 0.79
Diluted earnings per share	\$ 0.48	\$ 0.76

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

Net income for the year

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

Number of Shares

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

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

22. Share-based Payment Agreement

a. Employee stock option plans

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

After the issuance of the options, if there is a change in the Company's original shares, the exercise price of the options will be adjusted in accordance with the prescribed formula.

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

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

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

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

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

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

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

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

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

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

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

23. Government Grants

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

24. Cash Flows

- a. Non-cash Transactions

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

	<u>2021</u>	<u>2020</u>
Increase in property, plant, and equipment	(\$ 523,427)	(\$ 513,240)
Decrease (increase) in prepayments for equipment	(65,007)	17,551
Decrease in equipment payable	<u>4,150</u>	<u>99,041</u>
Cash used in the acquisition of property, plant, and equipment	(\$ <u>584,284</u>)	(\$ <u>396,648</u>)
Proceeds from disposal of property, plant, and equipment	\$ 23,809	\$ -
Increase in other receivables	(<u>15,238</u>)	<u>-</u>
Cash received from disposal of property, plant, and equipment	<u>\$ 8,571</u>	<u>\$ -</u>

- b. Changes in liabilities from financing activities

2021

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

2020

	January 1, 2020	Cash Flows	Non-cash changes		December 31, 2020
			New lease	Interest capitalization	
Short-term loans	\$ 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>

25. Capital Risk Management

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

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

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

26. Financial Instruments

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

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

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

c. Category of financial instruments

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

Sensitivity analysis

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

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

b) Interest rate risk

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash flow interest rate risk		
— Financial assets	\$ 402,576	\$ 627,423
— Financial liabilities	200,000	-

Sensitivity analysis

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

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

2) Credit risk

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

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

3) Liquidity risk

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

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

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

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

December 31, 2021

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

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

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

December 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	<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:

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

	December 31, 2021	December 31, 2020
Unsecured bank loans		
— Amount utilized	\$ 200,000	\$ -
— Amount not utilized	<u>40,000</u>	<u>240,000</u>
	<u>\$ 240,000</u>	<u>\$ 240,000</u>

27. Related Party Transactions

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

a. Names and relations of related parties

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

b. Purchase of goods

	2021	2020
Investor of significant influence	<u>\$ 10,142</u>	<u>\$ 7,850</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	December 31, 2021	December 31, 2020
Other receivables	Investor of significant influence	<u>\$ 2,051</u>	<u>\$ 1,687</u>

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

d. Receivables from related parties

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

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

e. Prepayments

	December 31, 2021	December 31, 2020
Investor of significant influence	<u>\$ 49</u>	<u>\$ 18</u>

f. Acquisition of property, plant, and equipment

	Price	
	2021	2020
Investor of significant influence	<u>\$ 1,612</u>	<u>\$ 3,032</u>

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

g. Other Related Party Transactions

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

- 1) The Company signed a trademark and patent license agreement with Kura Sushi, Inc., and paid a certain percentage of the total sales in accordance with the agreement (recognized as operating expenses). The cooperation period is 10 years from January 1, 2019. One month before the expiry of the period, a new contract can be concluded after mutual agreement. The contract was re-signed on January 1, 2020 due to the change in the company names of both parties. The contract period is ten years from January 1, 2020. If both parties fail to terminate the contract through negotiations, the contract will be automatically renewed.
- 2) The Company signed a procurement assistance contract (食材手配サポート) with Kura Sushi, Inc. For food ingredients that cannot be obtained locally in Taiwan, the Company entrusts Kura Sushi, Inc. to assist in seeking qualified suppliers, arranging delivery and transportation methods and other matters. In order to ensure that the quality and delivery date meet the standards of the Company, Kura Sushi, Inc. will charge the Company assistance service fees (recognized as operating costs) in accordance with the agreed method in the contract.
- 3) Part of the operating expenses of the Company was advanced by Kura Sushi, Inc. and then paid by the Company to Kura Sushi, Inc., as a collection and payment transaction. Kura Sushi, Inc. did not collect profits in such transactions. The amount of fees collected and paid which were appropriated in 2021 and 2020 were NT\$11,119 thousand and NT\$11,661 thousand, respectively. The aforementioned related party transactions are not comparable to other transactions of the same type.

h. Others

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

i. Remunerations to Major Management

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

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

28. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

- a. As of December 31, 2021 and 2020, the Company has signed land lease commissioning contracts of NT\$184,370 thousand and NT\$49,500 thousand, respectively, and the prices paid in accordance with the contracts were NT\$93,263 thousand and NT\$0 thousand (recognized under prepayments for construction and equipment).
- b. As of December 31, 2021 and 2020, the Company provided security deposits for leased stores and issued notes with a value of NT\$9,052 thousand and NT\$11,670 thousand, respectively.

29. Significant Events after the Balance Sheet Date

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

30. Other Matters

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

a. Adjusting Operating Strategies

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

phone self-ordering and self-service checkout after they finish their meals to ensure consumers' safety and health.

b. Financing Strategy

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

c. Government Relief Measures

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

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

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

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

December 31, 2021

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

December 31, 2020

	Foreign currencies	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>

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

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

32. Supplementary Disclosures

- a. Information on Significant Transactions:
 - 1) Loans provided for others: None.
 - 2) Endorsements/guarantees provided for others: None.
 - 3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates and joint ventures): None.
 - 4) Marketable securities acquired and disposed of amounting to NT\$300 million or 20% of the paid-in capital or more: None.
 - 5) Acquisition of property amounting to NT\$300 million or 20% of paid-in capital or more: Table 1.
 - 6) Disposal of property amounting to NT\$300 million or 20% of paid-in capital or more: None.
 - 7) Purchases from or sales to related parties amounting to NT\$100 million or 20% of the paid-in capital or more: None.
 - 8) Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital or more: None.
 - 9) Derivatives transactions: None.
 - 10) Other: Intercompany relationships and significant intercompany transactions: None.
- b. Information on Reinvestment Business. (Table 2)
- c. Information on Investments in Mainland China
 - 1) Information on invested companies in Mainland China, including the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss on investments, carrying amount of investment at the end of the period, gain or loss on repatriated investment and ceiling of investments in Mainland China: (Table 3)
 - 2) Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: None
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) Ending balances and purposes of endorsements/guarantees or collateral provided: None.
 - e) The highest of the financing balance, ending balance, interest rate range and total amount of current interest: None
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services. (None)
- d. Information of Major Shareholders (Table 4)

33. Segment Information

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

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

Table 1

Kura Sushi Asia Co., Ltd.
Acquisition of real estate amounting to NT\$300 million or 20% of the paid-in capital or more
January 1 to December 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

Table 2**Kura Sushi Asia Co., Ltd.****Information about the investee name, address, etc.****2021****(In Thousands of New Taiwan Dollars)**

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

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

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

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

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

Table 3**Kura Sushi Asia Co., Ltd.****Information on Investments in Mainland China****January 1 to December 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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

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

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

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

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

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

Table 4**Kura Sushi Asia Co., Ltd. and Subsidiaries****Information on Major Shareholders****December 31, 2021**

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

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

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

Kura Sushi Asia Co., Ltd.

Responsible person: Kentaro Nishikawa