

Kura Sushi Asia Co., Ltd. and  
Subsidiaries

Consolidated Financial Statements  
and Independent Auditors' Report  
For the Years of 2022 and 2021

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

Tel. No.: 02-8978-8558

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## Declaration of Consolidation of Financial Statements of Affiliates

For the year of 2022 (from January 1 to December 31, 2022), 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 9, 2023

## **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, 2022 and 2021, 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, 2022 and 2021, 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 of 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 Kura Sushi Asia Co., Ltd. and its subsidiaries 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 of Kura Sushi Asia Co., Ltd. and its subsidiaries for the year ended December 31, 2022. 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 consolidated financial statements of Kura Sushi Asia Co., Ltd. and its subsidiaries for the year ended December 31, 2022 are as follows:

#### Accuracy of Revenue Recognition

The Company is engaged in the restaurant business. Its revenue, which is generated from individual consumers at each restaurant, is comprised of a large number of transactions, each of which with a small amount. The Company needs to rely on the POS system to collect and summarize daily operating income information. The Company operates 48 restaurants at the end of 2022, 26 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 above-mentioned type of restaurants for the year ended December 31, 2022 was NT\$ 2,168,122 thousand. Since the number of this type of restaurants is large and its revenue recognition relies on manual controls to verify vouchers and relevant statements, we identified the accuracy of revenue recognition related to this type of restaurants 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 whether the accounting department actually 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 Matters**

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, 2022 and 2021, on which we have issued an unqualified 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 also responsible for assessing the ability of Kura Sushi Asia Co., Ltd. and its subsidiaries 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 Kura Sushi Asia Co., Ltd. and its subsidiaries 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 financial reporting process of Kura Sushi Asia Co., Ltd. and its subsidiaries.

### **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 of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material if individual or aggregate amount of misstatements 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 of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We have also performed the following tasks:

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.

We provided the governance units with a statement assuring the personnel of our accounting firm who are subject to independent regulations had acted according to the Norm of Professional Ethics for Certified Public Accountant of the Republic of China to remain neutral and also communicated with them about all relations and other matters (including related preventive measures) that could affect the independence of certified public accountants.

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, 2022, 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 Chun-Ming Hsueh and Yi-Lung Chou.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 9, 2023

#### 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, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 376,186	9	\$ 412,600	10
1170	Accounts receivable from unrelated parties (Notes 4 and 7)	101,172	2	100,972	3
1200	Other receivables (Notes 4 and 26)	690	-	17,550	-
130X	Inventories (Notes 4 and 8)	25,965	1	16,082	-
1410	Prepayments (Note 26)	21,842	1	26,406	1
1470	Other current assets (Note 13)	10,201	-	5,484	-
11XX	Total current assets	<u>536,056</u>	<u>13</u>	<u>579,094</u>	<u>14</u>
	Non-current assets				
1600	Property, plant, and equipment (Notes 4, 10, 24, and 27)	1,562,475	36	1,276,462	32
1755	Right-of-use asset (Notes 4, 5, and 11)	2,043,508	47	1,961,806	49
1780	Intangible assets (Notes 4 and 12)	2,289	-	2,839	-
1840	Deferred tax assets (Notes 4 and 20)	13,016	-	6,686	-
1915	Prepayments for construction and equipment (Note 24)	125,737	3	127,745	3
1920	Refundable deposits	53,197	1	45,509	1
1985	Prepayments for leases	-	-	8,705	1
15XX	Total non-current assets	<u>3,800,222</u>	<u>87</u>	<u>3,429,752</u>	<u>86</u>
1XXX	Total assets	<u>\$ 4,336,278</u>	<u>100</u>	<u>\$ 4,008,846</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 4, 14, and 24)	\$ 100,000	2	\$ 200,000	5
2170	Accounts payable	141,522	3	117,099	3
2219	Other receivables (Notes 4, 15, 24, and 27)	250,828	6	239,388	6
2230	Current tax liabilities (Notes 4 and 20)	64,316	1	8	-
2280	Lease liabilities - current (Notes 4, 11, and 24)	242,314	6	212,694	5
2300	Other current liabilities (Note 15)	3,787	-	2,918	-
21XX	Total current liabilities	<u>802,767</u>	<u>18</u>	<u>772,107</u>	<u>19</u>
	Non-current liabilities				
2550	Provisions - non-current (Notes 4 and 16)	98,175	2	74,818	2
2570	Deferred income tax liabilities (Notes 4 and 20)	4,060	-	2,837	-
2580	Lease liabilities - non-current (Notes 4, 11, and 24)	1,822,662	42	1,759,053	44
2640	Net defined benefit liabilities - non-current (Notes 4 and 17)	2,541	-	1,628	-
2610	Other payables - non-current (Notes 10, 15, and 24)	110,130	3	125,889	3
2670	Other non-current liabilities	37	-	37	-
25XX	Total non-current liabilities	<u>2,037,605</u>	<u>47</u>	<u>1,964,262</u>	<u>49</u>
2XXX	Total liabilities	<u>2,840,372</u>	<u>65</u>	<u>2,736,369</u>	<u>68</u>
	Equity (Note 18)				
	Share capital				
3110	Common stock	463,070	11	458,560	11
3140	Capital received in advance	154	-	957	-
3100	Total share capital	<u>463,224</u>	<u>11</u>	<u>459,517</u>	<u>11</u>
3200	Capital surplus	<u>582,525</u>	<u>13</u>	<u>582,074</u>	<u>15</u>
	Retained earnings				
3310	Legal reserve	27,324	1	25,012	1
3320	Special reserve	3	-	4	-
3350	Unappropriated earnings	423,211	10	205,873	5
3300	Total retained earnings	<u>450,538</u>	<u>11</u>	<u>230,889</u>	<u>6</u>
3400	Other equity	( 381 )	-	( 3 )	-
3XXX	Total equity	<u>1,495,906</u>	<u>35</u>	<u>1,272,477</u>	<u>32</u>
	Total liabilities and equity	<u>\$ 4,336,278</u>	<u>100</u>	<u>\$ 4,008,846</u>	<u>100</u>

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

Chairman: Kentaro Nishikawa

CEO: Kentaro Nishikawa

Accounting Officer: Shang-Chih Lin



Kura Sushi Asia Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to December 31, 2022 and 2021

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

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (Note 4)	\$ 3,847,885	100	\$ 2,527,098	100
5000	Operating costs (Notes 4, 8, and 27)	<u>2,239,108</u>	<u>58</u>	<u>1,535,008</u>	<u>61</u>
5900	Gross profit	<u>1,608,777</u>	<u>42</u>	<u>992,090</u>	<u>39</u>
	Operating expenses (Notes 19 and 27)				
6100	Selling expenses	1,083,632	28	792,931	31
6200	General and administrative expenses	202,024	5	165,933	7
6300	Research and development expenses	638	-	532	-
6450	Expected credit impairment losses	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>1,286,298</u>	<u>33</u>	<u>959,396</u>	<u>38</u>
6900	Net operating income	<u>322,479</u>	<u>9</u>	<u>32,694</u>	<u>1</u>
	Non-operating income and expenses (Note 19)				
7100	Interest income	611	-	518	-
7010	Other income	9,087	-	3,357	-
7020	Other gains and losses	4,175	-	14,927	1
7050	Finance costs	( <u>35,905</u> )	( <u>1</u> )	( <u>28,268</u> )	( <u>1</u> )
7000	Total non-operating income and expenses	( <u>22,032</u> )	( <u>1</u> )	( <u>9,466</u> )	<u>-</u>
7900	Net income before tax	300,447	8	23,228	1
7950	Tax expenses (Notes 4 and 20)	<u>59,383</u>	<u>2</u>	<u>879</u>	<u>-</u>
8200	Net income for the year	<u>241,064</u>	<u>6</u>	<u>22,349</u>	<u>1</u>

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Code		2022		2021	
		Amount	%	Amount	%
	Other comprehensive income				
	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans	(\$ 751)	-	\$ 967	-
8349	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 20)	150	-	( 193)	-
8310		( 601)	-	774	-
8360	Items that may subsequently be reclassified to profit or loss:				
8361	Financial statements translation differences of foreign operations	( 378)	-	1	-
8300	Other comprehensive income for the year (net income after tax)	( 979)	-	775	-
8500	Total comprehensive income for the year	<u>\$ 240,085</u>	<u>6</u>	<u>\$ 23,124</u>	<u>1</u>
8610	Net income attributable to: Owners of the Company	<u>\$ 241,064</u>	<u>6</u>	<u>\$ 22,349</u>	<u>1</u>
8710	Comprehensive income attributable to: Owners of the Company	<u>\$ 240,085</u>	<u>6</u>	<u>\$ 23,124</u>	<u>1</u>
9750	Earnings per share (Note 21) Basic	<u>\$ 5.21</u>		<u>\$ 0.49</u>	
9850	Diluted	<u>\$ 5.14</u>		<u>\$ 0.48</u>	

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

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

Kura Sushi Asia Co., Ltd. and Subsidiaries  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2022 and 2021

(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, 2021	44,980	\$ 449,800	\$ 1,870	\$ 579,387	\$ 21,815	\$ -	\$ 208,844	\$ 230,659	(\$ 4)	\$ 1,261,712
	Appropriation and distribution of earnings for 2020: :										
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
	Appropriation and distribution of earnings for 2021:										
B1	Legal reserve appropriated	-	-	-	-	2,312	-	( 2,312 )	-	-	-
B3	Special reserve appropriated	-	-	-	-	-	( 1 )	1	-	-	-
B5	Cash dividends	-	-	-	-	-	-	( 20,814 )	( 20,814 )	-	( 20,814 )
N1	Issuance of common stock under employee stock options	451	4,510	( 803 )	451	-	-	-	-	-	4,158
D1	Net income in 2022	-	-	-	-	-	-	241,064	241,064	-	241,064
D3	Other comprehensive income after tax in 2022	-	-	-	-	-	-	( 601 )	( 601 )	( 378 )	( 979 )
D5	Total comprehensive income in 2022	-	-	-	-	-	-	240,463	240,463	( 378 )	240,085
Z1	Balance at December 31, 2022	<u>\$ 46,307</u>	<u>\$ 463,070</u>	<u>\$ 154</u>	<u>\$ 582,525</u>	<u>\$ 27,324</u>	<u>\$ 3</u>	<u>\$ 423,211</u>	<u>\$ 450,538</u>	<u>( \$ 381 )</u>	<u>\$ 1,495,906</u>

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

Chairman: Kentaro Nishikawa

CEO: Kentaro Nishikawa

Accounting Officer: Shang-Chih Lin

Kura Sushi Asia Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to December 31, 2022 and 2021

		(In Thousands of New Taiwan Dollars)	
Code		2022	2021
	Cash flows from operating activities		
A10000	Net income before tax for the year	\$ 300,447	\$ 23,228
A20010	Adjustments for:		
A20100	Depreciation expenses	488,469	381,981
A20200	Amortization expenses	1,897	1,524
A20300	Expected credit impairment losses	4	-
A21900	Compensation costs of employee stock options	-	1,811
A20900	Finance costs	35,905	28,268
A21200	Interest income	( 611 )	( 518 )
A23700	Write-downs of inventories	5	23
A22500	Net losses (gains) on disposal of property, plant, and equipment	102	( 6,632 )
A24100	Net gains on foreign currency exchange	( 20,401 )	( 24,691 )
A29900	Recognition of pension costs	162	693
A29900	Losses (gains) on disposal of right-of-use assets	( 3 )	1,161
A30000	Net changes in operating assets and liabilities		
A31150	Accounts receivable	( 204 )	( 19,085 )
A31180	Other receivables	16,863	( 432 )
A31200	Inventories	( 9,888 )	1,452
A31230	Prepayments	4,564	( 8,266 )
A31240	Other current assets	( 4,717 )	( 270 )
A32150	Accounts payable	24,423	3,706
A32180	Other payables	21,934	20,474
A32230	Other current liabilities	869	503
A33000	Cash generated from operations	859,820	404,930
A33100	Interest received	608	674
A33300	Interest paid	( 36,552 )	( 27,438 )
A33500	Income tax paid	( 32 )	( 9,418 )
AAAA	Net cash flows from operating activities	<u>823,844</u>	<u>368,748</u>

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Code		2022	2021
	Cash flows from investing activities		
B02700	Acquisition of property, plant, and equipment	(\$ 495,720)	(\$ 584,284)
B02800	Proceeds from disposal of property, plant, and equipment	-	8,571
B03700	Increase in refundable deposits	( 7,688)	( 9,141)
B04500	Acquisition of intangible assets	( 1,347)	( 1,113)
B07300	Increase in prepayments for leases	-	( 8,705)
BBBB	Cash used in investing activities, net	( 504,755)	( 594,672)
	Cash flows from financing activities		
C00100	Increase in short-term loans	-	200,000
C00200	Decrease in short-term loans	( 100,000)	-
C04020	Repayments of lease liabilities	( 238,466)	( 181,917)
C03000	Guarantee deposits received	-	37
C04500	Cash dividends distributed	( 20,814)	( 22,893)
C04600	Proceeds from issuance of ordinary shares	4,158	8,723
CCCC	Net cash inflow (outflow) from financing activities	( 355,122)	3,950
DDDD	Effect of exchange rate changes on cash and cash equivalents	( 381)	1
EEEE	Net decrease in cash and cash equivalents	( 36,414)	( 221,973)
E00100	Cash and cash equivalents at beginning of year	412,600	634,573
E00200	Cash and cash equivalents at end of year	\$ 376,186	\$ 412,600

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

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

## Kura Sushi Asia Co., Ltd. and Subsidiaries

### Notes to Consolidated Financial Statements

January 1 to December 31, 2022 and 2021

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

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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 9, 2023.

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")

The application of the amendments to IFRSs endorsed and issued into effect by the FSC did not result in major changes in the accounting policies of the Group.

- b. FSC-endorsed IFRSs that are applicable from 2023 onward

New/Revised/Amended Standards and Interpretations	Effective Date of Issuance by the IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 3)

- Note 1. This amendment applies to annual periods beginning after January 1, 2023.
- Note 2. This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual periods beginning after January 1, 2023.
- Note 3. 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 "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

2) 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, a measurement technique or an input has to be used to develop an accounting estimate to achieve this goal. If the effects of changes in measurement techniques or inputs on accounting estimates did not result from corrections of previous errors, such changes are considered as changes in accounting estimates.

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
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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. A seller-lessee should apply the amendment retrospectively to sale and leaseback transactions entered after the date of initial application of IFRS 16.



Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (2020 amendments) and "Non-current Liabilities with Covenants" (2022 amendments)

The 2020 amendments clarify 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.

In addition, the 2020 amendments stipulate 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 2022 amendments further clarify that only covenants with which the Group must comply on or before the reporting date will affect a liability's classification as current or non-current. Although the covenants with which the Group must comply within 12 months after the reporting date do not affect the classification of liabilities, relevant information needs to be disclosed so that users of financial statements are aware of the risk that the Group may not be able to comply with the covenants and be required to repay within 12 months after the reporting date.

The 2020 amendments stipulate 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.

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 3 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 December 31, 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 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.

### 6. Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and working capital	\$ 13,013	\$ 9,639
Checks and demand deposits in banks	354,257	394,055
Cash equivalents (Time deposits with original maturities within three months)		
Time deposit	<u>8,916</u>	<u>8,906</u>
	<u>\$ 376,186</u>	<u>\$ 412,600</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits in banks	0.0010%~0.3950%	0.005%~0.05%
Time deposit	0.15%	0.07%

### 7. Accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Accounts receivable from unrelated parties</u>		
Measured at amortized cost		
Total carrying amount	\$ 101,178	\$ 100,974
Less: Loss allowance	( <u>6</u> )	( <u>2</u> )
	<u>\$ 101,172</u>	<u>\$ 100,972</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, 2022

	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	\$ 101,059	\$ 106	\$ -	\$ 1	\$ 12	\$ 101,178
Allowance for loss (expected credit losses during the period)	-	-	-	-	( 6 )	( 6 )
Amortized cost	<u>\$ 101,059</u>	<u>\$ 106</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 6</u>	<u>\$ 101,172</u>

December 31, 2021

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

Changes in loss allowances for trade receivables are as follows:

	2022	2021
Balance at beginning of the year	\$ 2	\$ 2
Add: Impairment loss in the current year	4	-
Balance at end of the year	<u>\$ 6</u>	<u>\$ 2</u>

8. Inventories

The allowance for write-downs of inventories as of December 31, 2022 and 2021 were NT\$167 thousand and NT\$162 thousand respectively.

The cost of goods sold associated with inventories in 2022 and 2021 was NT\$2,239,108 thousand and NT\$1,535,008 thousand respectively. The cost of goods sold included loss of write-downs of inventories of NT\$5 thousand and NT\$23 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, 2022	December 31, 2021
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 via Kura Sushi Hong Kong Limited to reinvest 100% of Kura Sushi Shanghai Co., Ltd. on August 6, 2019, and completed their registration of establishment on November 4, 2019 and January 2, 2020 respectively.

On September 16, 2022, the Board of Directors resolved to invest additional RMB15,000 thousand in Kura Sushi Hong Kong Limited with an accumulated investment amount of RMB30,500 thousand, which has been approved by the Investment Commission of the Ministry of Economic Affairs (approval documents: Jin-Shen-Second-Zi No. 11000340070, Jin-Shen-Second-Zi No. 1100157660 and Jin-Tou-Shen-Zi No. 11100096360).

Kura Sushi Shanghai Co., Ltd. obtained the business license on January 2, 2020, and Kura Sushi Hong Kong Limited remitted capital of RMB15,000 thousand on March 3, 2022 and November 4, 2022, respectively. The accumulated indirect investment amount is RMB30,000 thousand.



## 10. Property, plant, and equipment

	Buildings	Profit- generating instruments	Machinery	Leasehold improvements	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 421,755	\$ 72,776	\$ 714,448	\$ 800,060	\$ 2,009,039
Addition	312,211	28,352	103,796	88,230	532,589
Disposal	-	( 5,886 )	( 617 )	-	( 6,503 )
Balance at December 31, 2022	<u>\$ 733,966</u>	<u>\$ 95,242</u>	<u>\$ 817,627</u>	<u>\$ 888,290</u>	<u>\$ 2,535,125</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2022	\$ 77,564	\$ 34,492	\$ 307,164	\$ 313,357	\$ 732,577
Depreciation expenses	52,113	15,085	92,649	86,627	246,474
Disposal	-	( 5,886 )	( 515 )	-	( 6,401 )
Balance at December 31, 2022	<u>\$ 129,677</u>	<u>\$ 43,691</u>	<u>\$ 399,298</u>	<u>\$ 399,984</u>	<u>\$ 972,650</u>
Net amount at December 31, 2022	<u>\$ 604,289</u>	<u>\$ 51,551</u>	<u>\$ 418,329</u>	<u>\$ 488,306</u>	<u>\$ 1,562,475</u>
<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>

Although COVID-19 pandemic has a significant impact on the consumer behavior of the general public in 2022 and 2021, the Group did 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 2022 and 2021 were JPY1,544,640,000 and JPY1,422,337,000 respectively. The equipment is recognized under the item of “property, plant, and equipment-machinery and equipment”. The summary of the installment payments is as follows:

- a. The Group shall make payments every 6 months after the delivery of the equipment.
- b. The payables in installments as agreed in the contract are separately accounted for in “Other payables” and “Other payables-non-current”. The discount rate used in evaluating the trade payables over one year is 1.14%. The future trade payables are detailed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equipment payable	\$ 173,378	\$ 187,001
Less: Equipment payable due within one year	( <u>63,248</u> )	( <u>61,112</u> )
	<u>\$ 110,130</u>	<u>\$ 125,889</u>

## 11. Lease Agreements

- a. Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of right-of-use assets		
Land	\$ 1,025,239	\$ 880,486
Buildings	1,018,269	1,081,200
Transportation equipment	<u>-</u>	<u>120</u>
	<u>\$ 2,043,508</u>	<u>\$ 1,961,806</u>
	<u>2022</u>	<u>2021</u>
Addition of right-of-use assets	<u>\$ 362,190</u>	<u>\$ 907,765</u>
Depreciation expenses on right-of-use assets		
Land	\$ 62,879	\$ 38,394
Buildings	178,996	158,816
Transportation equipment	<u>120</u>	<u>144</u>
	<u>\$ 241,995</u>	<u>\$ 197,354</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 for the years ended 2022 and 2021.

Although COVID-19 pandemic has a significant impact on the consumer behavior of the general public in 2022 and 2021, the Group did not recognize any impairment loss after its assessment in accordance with the asset impairment policy.

b. Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of lease liabilities		
Current	<u>\$ 242,314</u>	<u>\$ 212,694</u>
Non-current	<u>\$ 1,822,662</u>	<u>\$ 1,759,053</u>

The discount rate ranges for lease liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	1.69%	1.69%
Buildings	1.69%~3.79%	1.69%
Transportation equipment	-	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.

d. Other lease information

	<u>2022</u>	<u>2021</u>
Short-term lease expenses	<u>\$ 8,244</u>	<u>\$ 4,683</u>
Lease expenses of low-value assets	<u>\$ -</u>	<u>\$ -</u>
Variable lease payments not included in lease liability measurement	<u>\$ 36,103</u>	<u>\$ 15,789</u>
Total cash inflows (outflows) on lease	<u>(\$ 314,862)</u>	<u>(\$ 227,580)</u>

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, 2022</u>	<u>December 31, 2021</u>
Lease commitments	<u>\$ 277,750</u>	<u>\$ 411,708</u>

12. Intangible Assets

	<u>Computer software</u>
<u>Cost</u>	
Balance at January 1, 2022	\$ 6,930
Separate acquisition	<u>1,347</u>
Balance at December 31, 2022	<u>\$ 8,277</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2022	\$ 4,091
Amortization expenses	<u>1,897</u>
Balance at December 31, 2022	<u>\$ 5,988</u>
Net amount at December 31, 2022	<u>\$ 2,289</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>

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

Although COVID-19 pandemic has a significant impact on the consumer behavior of the general public in 2022 and 2021, the Group did not recognize any impairment loss after its assessment in accordance with the asset impairment policy.

13. Other Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Temporary payments	\$ 7,454	\$ 1,946
Inventory of supplies	2,319	3,538
Others	428	-
	<u>\$ 10,201</u>	<u>\$ 5,484</u>

14. Short-term loans

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Unsecured loans</u>		
Credit loans	<u>\$ 100,000</u>	<u>\$ 200,000</u>

As of December 31, 2022 and 2021, the interest rates of bank revolving loans were 2.00%~2.12% and 1.05%, respectively.

15. Other Liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Equipment payable	\$ 72,190	\$ 82,237
Salaries and bonuses payable	71,927	62,372
Labor & health insurance payable	19,494	15,101
Pension payable	10,982	8,171
Remuneration payable to employees and directors and supervisors	7,500	3,000
Holiday benefits payable	7,496	6,556
Others	61,239	61,951
	<u>\$ 250,828</u>	<u>\$ 239,388</u>
Other Liabilities		
Receipts under custody	\$ 3,696	\$ 2,793
Others	91	125
	<u>\$ 3,787</u>	<u>\$ 2,918</u>
<u>Non-current</u>		
Other payables		
Equipment payable	<u>\$ 110,130</u>	<u>\$ 125,889</u>

16. Provisions for liabilities - non-current

	Decommissioning liabilities
Balance at January 1, 2022	\$ 74,818
Addition	<u>23,357</u>
Balance at December 31, 2022	<u>\$ 98,175</u>
Balance at January 1, 2021	\$ 54,149
Addition	22,538
Disposal	( <u>1,869</u> )
Balance at December 31, 2021	<u>\$ 74,818</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, 2022</u>	<u>December 31, 2021</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>46,307</u>	<u>45,856</u>
Share capital issued (Face value of NT\$10 per share)	<u>\$ 463,070</u>	<u>\$ 458,560</u>
Capital received in advance	<u>\$ 154</u>	<u>\$ 957</u>

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

From December 31, 2020 to December 31, 2022, the Company's employees have exercised their stock options for a total of 1,327 units, each unit subscribing for 1,000 common shares, for a total of 1,327,000 shares at a subscription price of NT\$11 per share, and the Company has received full payment of NT\$14,597 thousand for the shares and completed the registration of changes on April 12, 2021, May 27, 2021, September 1, 2021, November 29, 2021, March 29, 2022, May 26, 2022 and December 9, 2022, respectively.

b. Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
May be used to offset deficits, appropriated as cash dividends or transferred to capital (1)		
Share premiums	\$ 578,890	\$ 576,172
May not be used for any purpose (2)		
Employees stock option	<u>3,635</u>	<u>5,902</u>
	<u>\$ 582,525</u>	<u>\$ 582,074</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) 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 2021 and 2020 on June 27, 2022 and July 27, 2021, respectively, as follows:

	<u>2021</u>	<u>2020</u>
Legal reserve	<u>\$ 2,312</u>	<u>\$ 3,197</u>
Special reserve	<u>(\$ 1 )</u>	<u>\$ 4</u>
Cash dividends	<u>\$ 20,814</u>	<u>\$ 22,893</u>
Dividends Per Share (NT\$)	<u>\$ 0.45</u>	<u>\$ 0.50</u>

As of March 9, 2023, the Board of Directors has not yet approved the distribution of earnings for 2022.

The distribution of earnings for 2022 is subject to the resolution of the Shareholders' meeting to be held on June 27, 2023.

19. Net Income from continuing operations

Components of net income from continuing operations are as follows:

a. Interest income

	<u>2022</u>	<u>2021</u>
Bank deposits	<u>\$ 403</u>	<u>\$ 329</u>
Imputed interest on deposits	<u>208</u>	<u>189</u>
	<u>\$ 611</u>	<u>\$ 518</u>

b. Other income

	<u>2022</u>	<u>2021</u>
Government grants income	<u>\$ 8,040</u>	<u>\$ -</u>
Others	<u>1,047</u>	<u>3,357</u>
	<u>\$ 9,087</u>	<u>\$ 3,357</u>



c. Other gains and losses

	2022	2021
Net foreign exchange gains	\$ 4,533	\$ 11,076
Net gains (losses) on disposal of property, plant, and equipment	( 102 )	6,632
Gains (losses) on disposal of right-of-use assets	3	( 1,161 )
Others	( 259 )	( 1,620 )
	<u>\$ 4,175</u>	<u>\$ 14,927</u>

d. Finance costs

	2022	2021
Interest on bank loans	\$ 1,448	\$ 830
Interest on lease liabilities	32,049	25,191
Other interest expense	<u>2,408</u>	<u>2,247</u>
	<u>\$ 35,905</u>	<u>\$ 28,268</u>

Information related to interest capitalization is as follows:

	2022	2021
Amount of interest capitalization	\$ 2,704	\$ 4,789
Rate of interest capitalization	1.69%~3.79%	1.69%

e. Depreciation and amortization

	2022	2021
Depreciation expenses by function		
Operating costs	\$ 158,057	\$ 128,028
Operating expenses	<u>330,412</u>	<u>253,953</u>
	<u>\$ 488,469</u>	<u>\$ 381,981</u>
Amortization expenses by function		
Operating expenses	<u>\$ 1,897</u>	<u>\$ 1,524</u>

f. Employee benefits

	<u>2022</u>	<u>2021</u>
Short-term employee benefits		
Salary expenses	\$ 886,774	\$ 626,284
Insurance premium	<u>101,546</u>	<u>82,470</u>
	<u>988,320</u>	<u>708,754</u>
Retirement benefits		
Defined contribution plans	40,624	34,378
Defined benefit plans	<u>447</u>	<u>770</u>
	<u>41,071</u>	<u>35,148</u>
Share-based payments		
Equity delivery	<u>-</u>	<u>1,811</u>
Other employee benefits	<u>13,151</u>	<u>11,708</u>
Total employee benefit expenses	<u>\$ 1,042,542</u>	<u>\$ 757,421</u>
By function		
Operating costs	\$ 548,654	\$ 395,609
Operating expenses	<u>493,888</u>	<u>361,812</u>
	<u>\$ 1,042,542</u>	<u>\$ 757,421</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 2022 and 2021 were resolved by the Board of Directors on March 9, 2023 and March 10, 2022 respectively as follows:

Estimated percentage

	<u>2022</u>	<u>2021</u>
Employee compensation	1.95%	11.44%
Remunerations for directors and supervisors	0.49%	-

Amount

	<u>2022</u>	<u>2021</u>
Employee compensation	\$ 6,000	\$ 3,000
Remunerations for directors and supervisors	1,500	-

The amounts of employee compensation and remuneration for directors and supervisors actually distributed for the years of 2022 and 2021 and the amounts recognized in the financial reports for the years of 2021 and 2020 are consistent.

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

h. Gains or losses on foreign currency exchange

	<u>2022</u>	<u>2021</u>
Total gains on foreign currency exchange	\$ 5,251	\$ 24,056
Total gains (losses) on foreign currency exchange	( <u>718</u> )	( <u>12,980</u> )
Net gains on foreign currency exchange	<u>\$ 4,533</u>	<u>\$ 11,076</u>

20. Income tax from continuing operations

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

	<u>2022</u>	<u>2021</u>
Current income tax		
Accrued this period	\$ 64,339	\$ 54
Adjustments from previous years	<u>1</u>	<u>9</u>
	<u>64,340</u>	<u>63</u>
Deferred income tax		
Accrued this period	( <u>4,957</u> )	<u>816</u>
Income tax expense recognized in profit or loss	<u>\$ 59,383</u>	<u>\$ 879</u>

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

	<u>2022</u>	<u>2021</u>
Net income before tax	<u>\$ 300,447</u>	<u>\$ 23,228</u>
Income tax expense of net profit before tax calculated at statutory tax rate (20%)	\$ 60,090	\$ 4,646
Tax exemption	( 780 )	( 3,800 )
Fees that cannot be deducted from taxes	72	24
Adjustments of current income tax expenses in previous years	<u>1</u>	<u>9</u>
Income tax expense recognized in profit or loss	<u>\$ 59,383</u>	<u>\$ 879</u>

b. Current income tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax liabilities		
Income tax payable	<u>\$ 64,316</u>	<u>\$ 8</u>

c. Deferred tax assets and liabilities

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

2022

	<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>
Deferred income tax assets				
Temporary differences				
Holiday benefits payable	\$ 1,311	\$ 179	\$ -	\$ 1,490
Provisions	4,771	1,591	-	6,362
Unrealized write-downs of inventories	32	1	-	33
Appropriation of employee welfare capital	64	( 32 )	-	32
Defined benefit pension plan	490	32	-	522
Share of profit or loss accounted for using the equity method	18	4,559	-	4,577
	<u>\$ 6,686</u>	<u>\$ 6,330</u>	<u>\$ -</u>	<u>\$ 13,016</u>
Deferred income tax liabilities				
Temporary differences				
Unrealized exchange gains	\$ 2,673	\$ 1,373	\$ -	\$ 4,046
Defined benefit pension plan	164	-	( 150 )	14
	<u>\$ 2,837</u>	<u>\$ 1,373</u>	<u>( \$ 150 )</u>	<u>\$ 4,060</u>

2021

	Balance at beginning of the year	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of the year
Deferred income tax assets				
Temporary differences				
Holiday benefits payable	\$ 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				
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>

d. Income tax assessment

The annual income tax returns of a profit-seeking enterprise through 2020 have been assessed by the tax authorities.

21. Earnings per Share

	Unit: In Shares or NT\$	
	2022	2021
Basic earnings per share	<u>\$ 5.21</u>	<u>\$ 0.49</u>
Diluted earnings per share	<u>\$ 5.14</u>	<u>\$ 0.48</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>2022</u>	<u>2021</u>
Net profit used to calculate basic and diluted earnings per share	<u>\$ 241,064</u>	<u>\$ 22,349</u>
Number of Shares		Unit: Thousand shares
	<u>2022</u>	<u>2021</u>
Weighted average number of common shares used for calculation of basic earnings per share	46,250	45,772
Effect of potentially dilutive common shares:		
Employees stock option	640	936
Employee compensation	<u>51</u>	<u>49</u>
Weighted average number of common shares used for calculation of diluted earnings per share	<u>46,941</u>	<u>46,757</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

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.

	2022		2021	
	Unit in Thousands	Weighted- average execution price (NT\$)	Unit in Thousands	Weighted- average execution price (NT\$)
<u>Employees stock option</u>				
Stock warrants outstanding at the beginning of the period	1,097	\$ -	1,895	\$ -
Waived for the current period	( 6 )	-	( 5 )	-
Implemented for the current period	( <u>378</u> )	11	( <u>793</u> )	11
Stock warrants outstanding at the end of the period	<u>713</u>		<u>1,097</u>	
Exercisable at the end of the period	<u>713</u>	11	<u>1,097</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>2022</u>	<u>2021</u>
Range of exercise price (NT\$)	\$ 11	\$ 11
Weighted-average remaining duration (year)	6 years	7 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:

	<u>Vested employee stock options after two years</u>	<u>Vested employee stock options after three years</u>
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 cost recognized by the Company for the year of 2021 was NT\$1,811 thousand.

## 23. Government Grants

In 2022, the Group received a catering marketing subsidy of NT\$3,900 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 under other income. In 2021, the Group received a government salary subsidy of NT\$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 2022 and 2021, the Group conducted the following investments and financing activities in non-cash transactions:

	2022	2021
Increase in property, plant, and equipment	(\$ 532,589 )	(\$ 523,427 )
Transfer of right-of-use assets	23,810	-
Decrease (increase) in prepayments for equipment	18,264	( 65,007 )
Increase (decrease) in equipment payable	( 5,205 )	4,150
Cash used in the acquisition of property, plant, and equipment	(\$ 495,720 )	(\$ 584,284 )
Decrease in property, plant, and equipment	\$ 6,503	\$ 25,799
Retirement of property, plant, and equipment	( 6,503 )	( 1,990 )
Increase in other receivables	-	( 15,238 )
Cash received from disposal of property, plant, and equipment	\$ -	\$ 8,571

### b. Changes in liabilities from financing activities

#### 2022

	January 1, 2022	Cash Flows	Non-cash changes			December 31, 2022
			New lease	Disposal lease	Interest capitalization	
Short-term loans	\$ 200,000	(\$ 100,000 )	\$ -	\$ -	\$ -	\$ 100,000
Lease liabilities	1,971,747	( 238,468 )	330,128	( 554 )	2,123	2,064,976
	<u>\$ 2,171,747</u>	<u>( \$ 338,468 )</u>	<u>\$ 330,128</u>	<u>( \$ 554 )</u>	<u>\$ 2,123</u>	<u>\$ 2,164,976</u>



## 2021

			Non-cash changes			
	January 1, 2021	Cash Flows	New lease	Disposal lease	Interest capitalization	December 31, 2021
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>

### 25. Capital Risk Management

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

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

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

### 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, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	<u>\$ 478,048</u>	<u>\$ 531,122</u>
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	<u>\$ 602,480</u>	<u>\$ 682,376</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.

For 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, please refer to Note 30.

Sensitivity analysis

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

The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and is used to adjust the translation at the end of the period to a 1% change in the exchange rate. When the New Taiwan Dollar appreciates 1% relative to the relevant foreign currencies, it will increase/decrease the Group's pre-tax net profits in 2022 and 2021 by NT\$1,799 thousand and NT\$1,109 thousand, respectively. When the functional currency depreciates 1% relative to the relevant foreign currencies, its impact on net profit after tax will be a negative number of the same amount.

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, 2022</u>	<u>December 31, 2021</u>
Cash flow interest rate risk		
— Financial assets	\$ 363,173	\$ 402,961
— Financial liabilities	100,000	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\$2,632 thousand and NT\$2,030 thousand for 2022 and 2021, 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, 2022 and 2021, 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, 2022

	Within 3 months	3 months~1 year	1~3 year(s)	Over 3 years
<u>Non-derivative</u> <u>financial liabilities</u>				
Zero-interest-bearing liabilities	\$ 342,379	\$ 49,971	\$ 90,651	\$ 19,479
Lease liabilities	58,193	184,121	461,258	1,361,404
Fixed-rate instruments	-	100,000	-	-
	<u>\$ 400,572</u>	<u>\$ 334,092</u>	<u>\$ 551,909</u>	<u>\$ 1,380,883</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>\$ 274,301</u>	<u>\$ 956,368</u>	<u>\$ 716,599</u>	<u>\$ 305,618</u>

December 31, 2021

	Within 3 months	3 months~1 year	1~3 year(s)	Over 3 years
<u>Non-derivative</u> <u>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:

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

b) Line of credit

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unsecured bank loans		
— Amount utilized	\$ 100,000	\$ 200,000
— Amount not utilized	<u>240,000</u>	<u>40,000</u>
	<u>\$ 340,000</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

<u>Related Party</u>	<u>Relationship with the Group</u>
Kura Sushi, Inc.	Investor of significant influence

b. Purchase of goods

	<u>2022</u>	<u>2021</u>
Investor of significant influence	<u>\$ 12,247</u>	<u>\$ 10,142</u>

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

c. Receivables from related parties

<u>Accounting subject</u>	<u>Type of stakeholders</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables	Investor of significant influence	<u>\$ 252</u>	<u>\$ 2,051</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, 2022	December 31, 2021
Other payables	Investor of significant influence	<u>\$ 6,052</u>	<u>\$ 5,238</u>

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

e. Prepayments

	December 31, 2022	December 31, 2021
Investor of significant influence	<u>\$ 61</u>	<u>\$ 49</u>

f. Acquisition of property, plant, and equipment

	Price	
	2022	2021
Investor of significant influence	<u>\$ 226</u>	<u>\$ 1,612</u>

The property, plant, and equipment purchased by the Group in 2022 and 2021 amounted to NT\$226 thousand and NT\$1,612 thousand, respectively, 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>\$ 28,766</u>	<u>\$ 23,755</u>
Manufacturing overheads	Investor of significant influence	<u>\$ 1,606</u>	<u>\$ 1,145</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 2022 and 2021 were NT\$9,527 thousand and NT\$11,119 thousand, respectively.

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

#### h. Remunerations to Major Management

	2022	2021
Short-term employee benefits	\$ 13,149	\$ 11,709
Share-based payments	-	733
	<u>\$ 13,149</u>	<u>\$ 12,442</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, 2022 and 2021, the Group has signed land lease commissioning contracts of NT\$150,220 thousand and NT\$184,370 thousand, respectively, and the prices paid in accordance with the contracts were NT\$75,024 thousand and NT\$93,263 thousand (recognized under prepayments for construction and equipment).
- b. As of December 31, 2022 and 2021, the Group provided security deposits for leased stores and issued notes with a value of NT\$9,052 thousand.

#### 29. Other Matters

The Group has been affected by the global pandemic of COVID-19 in recent years and continues to take the following measures in response to the changes brought about by the pandemic:

a. Adjusting Operating Strategies

In addition to promoting "take-out" lunch boxes to respond to the severe outbreak of the epidemic, the Group also continued to improve the overall dining environment towards "zero-contact" dining in order to make consumers feel more at ease after the epidemic gradually receded. For example, consumers can order food on their own mobile phones and self-checkout after consumption, etc., to provide consumers with greater peace of mind when eating.

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 and marketing subsidy under the government's relief policy because its operations were affected by the pandemic, and received a subsidy of NT\$22,900 thousand as of December 31, 2022.

With the above-mentioned strategies and the joint efforts of countries around the world, the epidemic has slowed down recently, and the revenue of the Group is expected to stabilize and recover gradually.

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.

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

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

December 31, 2022

	Foreign currencies	Exchange rate	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
JPY	\$ 4,279	0.2324 (JPY: NTD)	<u>\$ 994</u>
Foreign currency liabilities			
<u>Monetary items</u>			
JPY	794,724	0.2324 (JPY: NTD)	<u>\$ 180,917</u>



December 31, 2021

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

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

	2022		2021	
Foreign currencies	Exchange rate	Net foreign exchange gains (losses)	Exchange rate	Net foreign exchange gains (losses)
JPY	0.2324 (JPY: NTD)	<u>\$ 4,533</u>	0.2405 (JPY: NTD)	<u>\$ 11,087</u>

31. Supplementary Disclosures

a. Information on Significant Transactions:

- 1) Loans provided for others. (Table 1)
- 2) Endorsements/guarantees provided for others. (Table 2)
- 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 the paid-in capital or more. (None).
- 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 3)
- 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 4)
  - 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: (None)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) Ending balances and purposes of endorsements/guarantees or collateral provided.
    - e) The highest of the financing balance, ending balance, interest rate range and total amount of current interest.
    - 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.
- d. Information on Major Shareholders: names of shareholders with a shareholding ratio of more than 5%, number of shares held and shareholding ratio. (Table 5)

### 32. Segment Information

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

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

Table 1

Kura Sushi Asia Co., Ltd. and Subsidiaries

Loans provided for others  
January 1 to December 31, 2022  
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender of funds	Borrower of funds	Transaction item	Are they related parties	Maximum balance for the period (Note 2)	Ending balance	The actual amounts disbursed	Interest rate range	Nature of loan (Note 4)	Business transaction amount	Reasons for requirement of short-term financing	Amount of provision for bad debt allowance	Collateral		Loan limit amount for each individual (Note 3)	Total limit on financing amount (Note 3)	Note
													Name	Value			
0	Kura Sushi Asia Co., Ltd.	Kura Sushi Shanghai Co., Ltd.	Receivables from related parties	Yes	\$ 88,160 ( CNY 20,000)	\$ 88,160 ( CNY 20,000)	\$ - ( CNY -)	2%	Requirement for short-term financing	\$ -	Operating working capital	\$ -	None	None	\$ 448,772	\$ 598,362	

Note 1. The description of the number column is as follows:

- 1. For the column of the issuer, please fill in “0”.
- 2. (Investee is numbered starting from number 1.

Note 2. The maximum balance of funds loaned to others in the current year.

Note 3. The Company's limit of lending to others is in compliance with Article 36-1 of the Securities and Exchange Act, the regulations of the Securities and Futures Commission of the Ministry of Finance, and the procedures for lending funds and providing endorsement and guarantee approved by the shareholders' meeting. The Company's total lending limit shall not exceed 40% of the Company's latest net worth. The lending limit for an individual entity shall not exceed 30% of the latest net worth.

**Table 2****Kura Sushi Asia Co., Ltd. and Subsidiaries****Endorsements/guarantees provided for others****January 1 to December 31, 2022****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Name of the company providing endorsements/ guarantees	The company covered by endorsements/guarantees		The limit of endorsements/ guarantees for a single company	The maximum endorsements/ guarantees balance in the current period	The endorsements/ guarantees balance at the end of the period	The actual amounts disbursed	The amount of endorsements/ guarantees secured by property	The percentage of the accumulated endorsement/ guarantee amount to the net worth of the latest financial statement (%)	The maximum limit of endorsements/ guarantees (Note 3)	Parent company's endorsements /guarantees to subsidiary	Subsidiary's endorsements /guarantees to parent company	Endorsements/ guarantees provided to the entity in mainland China	Note
		Name of company	Relationship (Note 2)											
0	Kura Sushi Asia Co., Ltd.	Kura Sushi Shanghai Co., Ltd.	2	\$ 109,529	\$ 50,000	\$ 50,000	\$ -	\$ -	3.34%	\$ 1,495,906	Y	N	Y	

Note 1. The description of the number column is as follows:

- (1) For the column of the issuer, please fill in “0”.
- (2) Investee is numbered starting from number 1.

Note 2. There are 7 types of relationship between the endorsements/guarantees provider and the company covered by the endorsements/guarantees, please indicate the type:

- (1) Having business relationship.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the voting shares of the Company.
- (4) Among companies in which the Company directly and indirectly holds more than 90% of the voting shares.
- (5) Companies that guarantee each other in accordance with the contract between peers or co-builders based on the needs of contracting projects.
- (6) A company is endorsed/guaranteed by all shareholders in proportion to their shareholdings given the joint investment relation ship.
- (7) Companies engage in the provision of performance guarantee for pre-sale contracts in accordance with the Consumer Protection Act.

Note 3. The maximum total endorsements/guarantees limit cannot exceed the net worth of equity. Based on the net worth of equity, the limit of endorsements/guarantees provided to an individual entity and the maximum total endorsements/guarantees limit are set up.

1. Total limit: the net worth of the Company's latest financial statements.
2. Individual limit: shall not exceed 50% of the net worth of the Company's latest financial statements and shall not exceed the net worth of the subsidiary's most recent financial report or self-prepared financial statements.

**Table 3****Kura Sushi Asia Co., Ltd. and Subsidiaries****Information about the investee name, address, etc.****January 1 to December 31, 2022****(Unit: 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	\$ 134,919	\$ -	30,500,000	100	\$ 111,652	(\$ 22,794)	(\$ 22,794)	Note 2 & 3
Kura Sushi Hong Kong Limited	Kura Sushi Shanghai Co., Ltd.	Shanghai, China	Catering sales	132,930	-	-	100	109,529	( 22,810)	( 22,810)	Note 2 & 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 of RMB31,000 thousand. On February 21, 2022 and November 2, 2022, investment funds of RMB15,500 thousand and RMB15,000 thousand were received respectively.

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. On January 31, 2023, the change of the registered capital to RMB100,000 thousand was completed. In addition, the company received RMB15,000 thousand and RMB15,000 thousand of investment funds remitted by Kura Sushi Hong Kong Limited on March 3, 2022 and November 4, 2022, respectively.

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 2022.

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

**Table 4****Kura Sushi Asia Co., Ltd. and Subsidiaries****Information on Investments in Mainland China****January 1 to December 31, 2022****(In Thousands of New Taiwan Dollars)**

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	\$ 132,930	Note 1	\$ -	\$ 132,930	\$ -	\$ 132,930	(\$ 22,810 )	100%	(\$ 22,810 )	\$ 109,529	\$ -	Note 2

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period (Note 3)	Amount of Investments Authorized by Investment Commission, M.O.E.A.(Note 4)	Ceiling on Amount of Investments in Mainland China Stipulated by Investment Commission, M.O.E.A. (Note 5)
\$132,930 (RMB 30,000,000)	\$132,240 (RMB 30,000,000)	\$ 897,544

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. Kura Sushi Hong Kong Limited remitted investment funds of RMB15,000 thousand and RMB 15,000 thousand on March 3, 2022 and November 4, 2022, respectively.

Note 3. It is converted based on the exchange rate at the time of investment.

Note 4. The translation is based on the exchange rate at the end of the period: NT\$=1:4.408.

Note 5. The investment limit is 60% of net worth.

**Table 5****Kura Sushi Asia Co., Ltd. and Subsidiaries****Information on Major Shareholders****December 31, 2022**

Name of Major Shareholders	Shareholding	
	Shares	Shareholding Ratio
KURA SUSHI, INC.	31,200,000	67.37%

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.