

Kura Sushi Asia Co., Ltd.

Parent Company Only Financial  
Statements and Independent  
Auditors' Report  
For the Years of 2022 and 2021

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying parent company only financial statements of Kura Sushi Asia Co., Ltd. (the “Company”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the “parent company only financial statements”).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and 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 Parent Company Only Financial Statements section of our report. We are independent of Kura Sushi Asia Co., Ltd. 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 parent company only financial statements of Kura Sushi Asia Co., Ltd. for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only 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 parent company only financial statements of Kura Sushi Asia Co., Ltd. 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 parent company only 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.

#### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

In preparing the parent company only financial statements, management is also responsible for assessing the ability of Kura Sushi Asia Co., Ltd. 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. 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.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

As part of an audit in accordance with the auditing standards of the Republic of China, we exercise professional judgment maintain professional skepticism throughout the audit. We have also performed the following tasks:

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

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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 parent company only financial statements for the year ended December 31, 2022 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  
CPA Chun-Ming Hsueh

March 9, 2023

#### Notice to Readers

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

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

Kura Sushi Asia Co., Ltd.  
Parent Company Only Balance Sheets  
December 31, 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)   | \$ 269,240          | 6          | \$ 412,215          | 11         |
| 1170 | Accounts receivable from unrelated parties (Notes 4 and 7)                          | 101,172             | 2          | 100,972             | 3          |
| 1200 | Other receivables (Notes 4 and 26)  | 1,202               | -          | 17,550              | -          |
| 130X | Inventories (Notes 4 and 8)   | 25,965              | 1          | 16,082              | 1          |
| 1410 | Prepayments (Note 26)   | 21,125              | 1          | 26,397              | 1          |
| 1470 | Other current assets (Notes 13 and 27)  | 4,829               | -          | 5,923               | -          |
| 11XX | Total current assets  | <u>423,533</u>      | <u>10</u>  | <u>579,139</u>      | <u>15</u>  |
|      | Non-current assets  |                     |            |                     |            |
| 1550 | Investment accounted for using the equity method (Notes 4 and 9)                    | 111,652             | 3          | -                   | -          |
| 1600 | Property, plant, and equipment (Notes 4, 10, 24, and 27)                            | 1,562,326           | 36         | 1,276,462           | 32         |
| 1755 | Right-of-use asset (Notes 4, 5, and 11)   | 2,040,344           | 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   | 51,977              | 1          | 45,509              | 1          |
| 1985 | Prepayments for leases  | -                   | -          | 8,705               | -          |
| 15XX | Total non-current assets  | <u>3,907,341</u>    | <u>90</u>  | <u>3,429,752</u>    | <u>85</u>  |
| 1XXX | Total assets  | <u>\$ 4,330,874</u> | <u>100</u> | <u>\$ 4,008,891</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)   | 248,985             | 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)                                   | 240,304             | 6          | 212,694             | 5          |
| 2300 | Other current liabilities (Note 15)   | 3,147               | -          | 2,868               | -          |
| 21XX | Total current liabilities   | <u>798,274</u>      | <u>18</u>  | <u>772,057</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)                               | 1,821,751           | 42         | 1,759,053           | 44         |
| 2640 | Net defined benefit liabilities - non-current (Notes 4 and 17)                      | 2,541               | -          | 1,628               | -          |
| 2650 | Credit balance of investments accounted for using the equity method (Notes 4 and 9) | -                   | -          | 95                  | -          |
| 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>2,036,694</u>    | <u>47</u>  | <u>1,964,357</u>    | <u>49</u>  |
| 2XXX | Total liabilities   | <u>2,834,968</u>    | <u>65</u>  | <u>2,736,414</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>\$ 4,330,874</u> | <u>100</u> | <u>\$ 4,008,891</u> | <u>100</u> |

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

Chairman: Kentaro Nishikawa

CEO: Kentaro Nishikawa

Accounting Officer: Shang-Chih Lin

Kura Sushi Asia Co., Ltd.  
Parent Company Only 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  | 179,036           | 5            | 165,924          | 7         |
| 6300 | Research and development expenses  | 606               | -            | 532              | -         |
| 6450 | Expected credit impairment losses  | <u>4</u>          | <u>-</u>     | <u>-</u>         | <u>-</u>  |
| 6000 | Total operating expenses   | <u>1,263,278</u>  | <u>33</u>    | <u>959,387</u>   | <u>38</u> |
| 6900 | Net operating income   | <u>345,499</u>    | <u>9</u>     | <u>32,703</u>    | <u>1</u>  |
|      | Non-operating income and expenses (Note 19)  |                   |              |                  |           |
| 7100 | Interest income  | 461               | -            | 518              | -         |
| 7010 | Other income   | 9,087             | -            | 3,357            | -         |
| 7020 | Other gains and losses   | 4,055             | -            | 14,938           | 1         |
| 7050 | Finance costs  | ( 35,861 )        | ( 1 )        | ( 28,268 )       | ( 1 )     |
| 7070 | Share of loss of subsidiaries, associates, and joint ventures accounted for using equity method (Note 9) | ( <u>22,794</u> ) | <u>-</u>     | ( <u>20</u> )    | <u>-</u>  |
| 7000 | Total non-operating income and expenses  | ( <u>45,052</u> ) | ( <u>1</u> ) | ( <u>9,475</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 will 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> |
|      | Net income attributable to:   |                   |          |                  |          |
| 8610 | Owners of the Company   | <u>\$ 241,064</u> | <u>6</u> | <u>\$ 22,349</u> | <u>1</u> |
|      | Comprehensive income attributable to:   |                   |          |                  |          |
| 8710 | Owners of the Company   | <u>\$ 240,085</u> | <u>6</u> | <u>\$ 23,124</u> | <u>1</u> |
|      | Earnings per share (Note 21)  |                   |          |                  |          |
| 9750 | 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 Parent Company Only Financial Statements.

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

Kura Sushi Asia Co., Ltd.  
Parent Company Only 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<br>(in Thousands) | Common stock | Capital received<br>in advance | Capital surplus | Legal reserve     | Special reserve | Unappropriated<br>earnings | Total retained<br>earnings | Financial<br>statements<br>translation<br>differences of<br>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                           | 46,307                             | \$ 463,070   | \$ 154                         | \$ 582,525      | \$ 27,324         | \$ 3            | \$ 423,211                 | \$ 450,538                 | ( \$ 381 )   | \$ 1,495,906 |

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

Chairman: Kentaro Nishikawa

CEO: Kentaro Nishikawa

Accounting Officer: Shang-Chih Lin

Kura Sushi Asia Co., Ltd.  
Parent Company Only 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   | 487,820                              | 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   | 35,861                               | 28,268     |
| A21200 | Interest income   | ( 461 )                              | ( 518 )    |
| A23700 | Write-downs of inventories  | 5                                    | 23         |
| A22400 | Share of loss of subsidiaries, associates, and joint ventures accounted for using equity method | 22,794                               | 20         |
| 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   | 16,352                               | ( 432 )    |
| A31200 | Inventories   | ( 9,888 )                            | 1,452      |
| A31230 | Prepayments   | 5,272                                | ( 8,257 )  |
| A31240 | Other current assets  | 1,094                                | ( 281 )    |
| A32150 | Accounts payable  | 24,423                               | 3,706      |
| A32180 | Other payables  | 20,091                               | 20,474     |
| A32230 | Other current liabilities   | 279                                  | 464        |
| A33000 | Cash generated from operations  | 885,646                              | 404,909    |
| A33100 | Interest received   | 457                                  | 674        |
| A33300 | Interest paid   | ( 36,508 )                           | ( 27,438 ) |
| A33500 | Income tax paid   | ( 32 )                               | ( 9,418 )  |
| AAAA   | Net cash flows from operating activities  | 849,563                              | 368,727    |

(Continued on the next page)

(Continued from the previous page)

| Code   |  | 2022         | 2021       |
|--------|--|--------------|------------|
|        | Cash flows from investing activities   |              |            |
| B02200 | Net cash outflow from acquisition of subsidiaries (investment accounted for using the equity method) | (\$ 134,919) | \$ -       |
| B02700 | Acquisition of property, plant, and equipment  | ( 495,557)   | ( 584,284) |
| B02800 | Proceeds from disposal of property, plant, and equipment   | -            | 8,571      |
| B03700 | Increase in refundable deposits  | ( 6,468)     | ( 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   | ( 638,291)   | ( 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  | ( 237,591)   | ( 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  | ( 354,247)   | 3,950      |
| EEEE   | Net decrease in cash and cash equivalents  | ( 142,975)   | ( 221,995) |
| E00100 | Cash and cash equivalents at beginning of year   | 412,215      | 634,210    |
| E00200 | Cash and cash equivalents at end of year   | \$ 269,240   | \$ 412,215 |

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

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

Kura Sushi Asia Co., Ltd.  
Notes to Parent Company Only Financial Statements  
January 1 to December 31, 2022 and 2021  
(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. Company History

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

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

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

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

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

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

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

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

- a) Has changed during the period by the Company, and this change results in a material change on information of the financial statements
- b) Was chosen properly by the Company from alternatives permitted by IFRS
- c) Was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of IFRS that specifically applies
- d) Relates to an area for which the Company is required to make significant judgments and assumptions; or

- e) Relates to complex accounting, and users of the Company's financial statements would otherwise not understand the relating transactions, other events or conditions
- 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 Company 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 Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

In addition, the 2020 amendments stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which the Company 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 Company 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 Company 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 Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

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

4. Summary of Significant Accounting Policies

a. Compliance declaration

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



b. Preparation basis

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

In the preparation of financial statements, transactions denominated in a currency other than the Company's functional currency (i.e. foreign currency) are translated into the Company's functional currency by using the exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising on the settlement or on translating of monetary items are recognized in profit or loss in the period in which they arise.

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

Subsidiaries are entities controlled by the Company.

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

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

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

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

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

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

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

g. Property, plant, and equipment

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

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

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

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

h. Intangible Assets

1) Separate acquisition

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

2) Derecognition

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

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

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

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

j. Financial Instruments

Financial assets and financial liabilities shall be recognized in the parent company only balance sheets when the Company becomes a party of the financial instrument contract. At initial recognition, if a financial asset or a financial liability was not measured at fair value through profit or loss, it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Types of measurement

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

Financial assets at amortized cost

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

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

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

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

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

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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



b) Derecognition of financial liabilities

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

k. Provisions

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

l. Revenue recognition

1) Sales of commodities

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

2) Interest income

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

m. Leases

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

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

If the Company is a lessee:

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

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

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

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

Subsequently, the lease liability is measured on the basis of amortized cost using the effective interest method, and the interest expense is apportioned during the lease period. In the case that future lease payments change as a result of a change in the lease term, the Company remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in profit or loss. Lease liabilities are expressed separately in the parent company only balance sheets. The Company and the lessor conducted rent negotiations directly associated with the COVID-19 pandemic, and adjusted the rent due before December 31, 2022, resulting in a decrease in the rent. These negotiations have not significantly changed other lease terms. The Company chooses to adopt practical expedients to deal with all rental negotiations that meet the aforementioned conditions. The consolidated company does not assess whether these negotiations are lease modifications, but recognizes the reduction of lease payments in the profit or loss when the concession event or situation occurs (recognized as lease payment deduction for changes), and relatively reduces the lease liability.

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

n. Borrowing costs

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

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

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

o. Government Grants

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

q. Share-based payments

Employees stock option granted to employees

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

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

r. Income tax

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

1) Current income tax

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

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

2) Deferred income tax

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

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

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary

difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3) Current and deferred income taxes

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

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

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

The Company has taken into consideration the recent development of the COVID-19 outbreak 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   | 247,311                  | 393,670                  |
| Cash equivalents (Time deposits with original maturities within three months) |                          |                          |
| Time deposit  | <u>8,916</u>             | <u>8,906</u>             |
|   | <u>\$ 269,240</u>        | <u>\$ 412,215</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 Company usually adopts cash payment and credit card from customers. Except for that the credit period of the accounts receivable established in department stores for cooperation is negotiated by both parties, with a monthly balance between 15-30 days. The Company considers any changes to the credit quality of accounts receivable from the original credit date to the balance sheet date when determining the recoverability of accounts receivable. In order to reduce the credit risk, the Company reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the management concludes that the credit risk of the Company is significantly reduced.

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

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

December 31, 2022

|   | <u>Not Past Due</u> | <u>1 to 30 days past due</u> | <u>31 to 60 days past due</u> | <u>61 to 90 days past due</u> | <u>91 to 365 days past due</u> | <u>Total</u>      |
|---|---------------------|------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------|
| Expected credit loss rate                                     | -                   | -                            | 10%                           | 20%                           | 50%                            |                   |
| Total carrying amount   | \$ 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

|                             | December 31, 2022 | December 31, 2021 |
|-----------------------------|-------------------|-------------------|
| Investments in subsidiaries | <u>\$ 111,652</u> | <u>(\$ 95)</u>    |

| Name of Subsidiary            | Percentage of Ownership |                   |
|-------------------------------|-------------------------|-------------------|
|                               | December 31, 2022       | December 31, 2021 |
| Kura Sushi Hong Kong Limited  | 100%                    | 100%              |
| Kura Sushi Shanghai Co., Ltd. | 100%                    | 100%              |

The Company passed a resolution of the Board of Directors to establish Kura Sushi Hong Kong Limited and 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-<br>generating<br>instruments | Machinery         | Leasehold<br>improvements | Total               |
|---------------------------------|-------------------|--------------------------------------|-------------------|---------------------------|---------------------|
| <u>Cost</u>                     |                   |                                      |                   |                           |                     |
| Balance at January 1, 2022      | \$ 421,755        | \$ 72,776                            | \$ 714,448        | \$ 800,060                | \$ 2,009,039        |
| Addition                        | 312,211           | 28,190                               | 103,795           | 88,230                    | 532,426             |
| Disposal                        | -                 | ( 5,886)                             | ( 617)            | -                         | ( 6,503)            |
| Balance at December 31, 2022    | <u>\$ 733,966</u> | <u>\$ 95,080</u>                     | <u>\$ 817,626</u> | <u>\$ 888,290</u>         | <u>\$ 2,534,962</u> |
| <u>Accumulated depreciation</u> |                   |                                      |                   |                           |                     |
| Balance at January 1, 2022      | \$ 77,564         | \$ 34,492                            | \$ 307,164        | \$ 313,357                | \$ 732,577          |
| Depreciation expenses           | 52,113            | 15,071                               | 92,649            | 86,627                    | 246,460             |
| Disposal                        | -                 | ( 5,886)                             | ( 515)            | -                         | ( 6,401)            |
| Balance at December 31, 2022    | <u>\$ 129,677</u> | <u>\$ 43,677</u>                     | <u>\$ 399,298</u> | <u>\$ 399,984</u>         | <u>\$ 972,636</u>   |
| Net amount at December 31, 2022 | <u>\$ 604,289</u> | <u>\$ 51,403</u>                     | <u>\$ 418,328</u> | <u>\$ 488,306</u>         | <u>\$ 1,562,326</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 Company 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 Company 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 Company shall make payments every six months after the delivery of the equipment.
- b. The payables in installments as agreed in the contract are separately accounted for in “Other payables” and “Other payables-non-current”. The discount rate used in evaluating the trade payables over one year is 1.14%. The future trade payables are detailed as follows:

|   | <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                                    | 1,015,105                | 1,081,200                |
| Transportation equipment                     | <u>-</u>                 | <u>120</u>               |
|  | <u>\$ 2,040,344</u>      | <u>\$ 1,961,806</u>      |
|  | <u>2022</u>              | <u>2021</u>              |
| Addition of right-of-use assets              | <u>\$ 358,392</u>        | <u>\$ 907,765</u>        |
| Depreciation expenses on right-of-use assets |                          |                          |
| Land   | \$ 62,879                | \$ 38,394                |
| Buildings                                    | 178,361                  | 158,816                  |
| Transportation equipment                     | <u>120</u>               | <u>144</u>               |
|  | <u>\$ 241,360</u>        | <u>\$ 197,354</u>        |

Other than the above increase in right-of-use assets and recognition of depreciation expenses, the Company's right-of-use assets did not undergo significant sublease 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 Company did not recognize any impairment loss after its assessment in accordance the asset impairment policy.

b. Lease liabilities

|                                      | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------------------|--------------------------|--------------------------|
| Carrying amount of lease liabilities |                          |                          |
| Current                              | <u>\$ 240,304</u>        | <u>\$ 212,694</u>        |
| Non-current                          | <u>\$ 1,821,751</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%                    | 1.69%                    |
| Transportation equipment | -                        | 1.69%                    |

c. Major lease activities and terms

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

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

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

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

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

d. Other lease information

|   | <u>2022</u>           | <u>2021</u>           |
|---|-----------------------|-----------------------|
| Short-term lease expenses   | \$ <u>5,376</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>311,075</u> ) | ( \$ <u>227,580</u> ) |

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

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

|                   | <u>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 Company did not recognize any impairment loss after its assessment in accordance the asset impairment policy.

13. Other Assets

|                       | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------|--------------------------|--------------------------|
| <u>Current</u>        |                          |                          |
| Temporary payments    | \$ 2,510                 | \$ 2,385                 |
| Inventory of supplies | <u>2,319</u>             | <u>3,538</u>             |
|                       | <u>\$ 4,829</u>          | <u>\$ 5,923</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                                    | 70,943                   | 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  | 7,452                    | 6,556                    |
| Others  | <u>60,424</u>            | <u>61,951</u>            |
|   | <u>\$ 248,985</u>        | <u>\$ 239,388</u>        |
| <u>Other Liabilities</u>  |                          |                          |
| Receipts under custody  | \$ 3,118                 | \$ 2,793                 |
| Others  | <u>29</u>                | <u>75</u>                |
|   | <u>\$ 3,147</u>          | <u>\$ 2,868</u>          |
| <u>Non-current</u>  |                          |                          |
| Other payables  |                          |                          |
| Equipment payable   | <u>\$ 110,130</u>        | <u>\$ 125,889</u>        |

16. Provisions for liabilities - non-current

|                              | <u>Decommissioning liabilities</u> |
|------------------------------|------------------------------------|
| 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>                   |

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

17. Post-retirement Benefit Plan

a. Defined contribution plans

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

b. Defined benefit plans

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

18. Equity

a. Share capital

Common stock

|   | <u>December 31, 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,<br>appropriated as cash dividends<br>or transferred to capital (1) |                          |                          |
| Share premiums   | \$ 578,890               | \$ 576,172               |
| May not be used for any purpose<br>(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                | \$ 253        | \$ 329        |
| Imputed interest on deposits | <u>208</u>    | <u>189</u>    |
|                              | <u>\$ 461</u> | <u>\$ 518</u> |

b. Other income

|                          | <u>2022</u>     | <u>2021</u>     |
|--------------------------|-----------------|-----------------|
| Government grants income | \$ 8,040        | \$ -            |
| 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                                       | \$ 4,413        | \$ 11,087        |
| 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>\$ 4,055</u> | <u>\$ 14,938</u> |

d. Finance costs

|                               | 2022             | 2021             |
|-------------------------------|------------------|------------------|
| Interest on bank loans        | \$ 1,448         | \$ 830           |
| Interest on lease liabilities | 32,005           | 25,191           |
| Other interest expense        | 2,408            | 2,247            |
|                               | <u>\$ 35,861</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%    | 1.69%    |

e. Depreciation and amortization

|                                   | 2022              | 2021              |
|-----------------------------------|-------------------|-------------------|
| Depreciation expenses by function |                   |                   |
| Operating costs                   | \$ 158,057        | \$ 128,028        |
| Operating expenses                | <u>329,763</u>    | <u>253,953</u>    |
|                                   | <u>\$ 487,820</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                 | \$ 872,148          | \$ 626,284        |
| Insurance premium               | <u>100,816</u>      | <u>82,470</u>     |
|                                 | <u>972,964</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         |                     |                   |
| Total employee benefit expenses | <u>11,230</u>       | <u>11,708</u>     |
|                                 | <u>\$ 1,025,265</u> | <u>\$ 757,421</u> |
| By function                     |                     |                   |
| Operating costs                 | \$ 548,653          | \$ 395,609        |
| Operating expenses              | <u>476,612</u>      | <u>361,812</u>    |
|                                 | <u>\$ 1,025,265</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          | \$ 5,343        | \$ 24,056         |
| Total gains (losses) on foreign currency exchange | ( <u>930</u> )  | ( <u>12,969</u> ) |
| Net gains on foreign currency exchange            | <u>\$ 4,413</u> | <u>\$ 11,087</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>    |
|   | ( <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>Deferred income tax assets</u>                             | <u>Balance at beginning of the year</u> | <u>Recognized in profit or loss</u> | <u>Recognized in other comprehensive income</u> | <u>Balance at end of the year</u> |
|---|---|-------------------------------------|---|-----------------------------------|
| Temporary differences   |   |                                     |   |                                   |
| Holiday benefits payable                                      | \$ 1,311                                | \$ 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>                  |
| <u>Deferred income tax liabilities</u>                        |   |                                     |   |                                   |
| 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

| Deferred income tax assets                                    | Balance at beginning of the year | Recognized in profit or loss | Recognized in other comprehensive income | Balance at end of the year |
|---|----------------------------------|------------------------------|--|----------------------------|
| Temporary differences   |                                  |                              |  |                            |
| Holiday benefits payable                                      | \$ 1,267                         | \$ 44                        | \$ -                                     | \$ 1,311                   |
| Provisions  | 3,718                            | 1,053                        | -  | 4,771                      |
| Unrealized write-downs of inventories                         | 28                               | 4                            | -  | 32                         |
| Appropriation of employee welfare capital                     | 96                               | ( 32)                        | -  | 64                         |
| Defined benefit pension plan                                  | 380                              | 139                          | ( 29)                                    | 490                        |
| Share of profit or loss accounted for using the equity method | <u>15</u>                        | <u>3</u>                     | <u>-</u>                                 | <u>18</u>                  |
|   | <u>\$ 5,504</u>                  | <u>\$ 1,211</u>              | <u>( \$ 29)</u>                          | <u>\$ 6,686</u>            |
| Temporary differences   |                                  |                              |  |                            |
| Unrealized exchange gains                                     | \$ 646                           | \$ 2,027                     | \$ -                                     | \$ 2,673                   |
| Defined benefit pension plan                                  | <u>-</u>                         | <u>-</u>                     | <u>164</u>                               | <u>164</u>                 |
|   | <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

|   | 2022              | 2021             |
|---|-------------------|------------------|
| 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 |               |
|---|-----------------------|---------------|
|   | 2022                  | 2021          |
| 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 Company chooses to offer employee compensation or share profits in the form of cash or stock, while calculating diluted earnings per share, and assuming that the compensation is paid in the form of stock, the dilutive potential common shares will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. The dilutive effect of such potential common shares shall continue to be considered when calculating diluted earnings per share before the number of shares to be distributed as employee compensation is approved in the following year.

## 22. Share-based Payment Agreement

### 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                 |  |
|---|----------------------|--|----------------------|--|
| Employees stock option  | Unit in<br>Thousands | Weighted-<br>average<br>execution<br>price<br>(NT\$) | Unit in<br>Thousands | Weighted-<br>average<br>execution<br>price<br>(NT\$) |
| 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  | ( 378 )              | 11   | ( 793 )              | 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:

| Employees stock option                     | 2022    | 2021    |
|--|---------|---------|
| Range of exercise price (NT\$)             | \$ 11   | \$ 11   |
| Weighted-average remaining duration (year) | 6 years | 7 years |

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

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

The compensation cost recognized by the Company for the year of 2021 was NT\$1,811 thousand.

## 23. Government Grants

In 2022, the Company 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 Company 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 Company conducted the following investments and financing activities in non-cash transactions:

|  | 2022         | 2021         |
|--|--------------|--------------|
| Increase in property, plant, and equipment                     | (\$ 532,426) | (\$ 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 | (\$ 495,557) | (\$ 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,<br>2022  | Cash Flows            | Non-cash changes  |                   |                         | December 31,<br>2022 |
|-------------------|---------------------|-----------------------|-------------------|-------------------|-------------------------|----------------------|
|                   |                     |                       | New lease         | Disposal lease    | Interest capitalization |                      |
| Short-term loans  | \$ 200,000          | (\$ 100,000)          | \$ -              | \$ -              | \$ -                    | \$ 100,000           |
| Lease liabilities | 1,971,747           | ( 237,591 )           | 326,330           | ( 554 )           | 2,123                   | 2,062,055            |
|                   | <u>\$ 2,171,747</u> | <u>( \$ 337,591 )</u> | <u>\$ 326,330</u> | <u>( \$ 554 )</u> | <u>\$ 2,123</u>         | <u>\$ 2,162,055</u>  |



## 2021

|                   | January 1,<br>2021  | Cash Flows         | Non-cash changes  |                      |                         | December 31,<br>2021 |
|-------------------|---------------------|--------------------|-------------------|----------------------|-------------------------|----------------------|
|                   |                     |                    | New lease         | Disposal lease       | Interest capitalization |                      |
| 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 Company manages capital management under the precondition for sustainable development of each company in the Group to ensure that it is able to maximize the benefit for its shareholders by optimizing debt and equity.

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

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

### 26. Financial Instruments

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

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

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

#### c. Category of financial instruments

|   | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets</u>                     |                          |                          |
| Financial assets at amortized cost (Note 1) | <u>\$ 371,614</u>        | <u>\$ 530,737</u>        |
| <u>Financial liabilities</u>                |                          |                          |
| Measured at amortized cost (Note 2)         | <u>\$ 600,637</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 Company include trade receivables from unrelated parties, trade payables, short-term borrowings and lease liability. The financial management department of the Company provides services for the business units, coordinates the operation of the domestic financial market, and supervises and manages financial risks related to the operation of the Company by analyzing the internal risk reports of the risks according to the level and scope of risks. Such risks include market risk (foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

1) Market risk

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

a) Foreign exchange risk

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

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies of the Company at the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the financial statements) and the carrying amount of derivatives with exchange rate risk exposure, please refer to Note 30.

Sensitivity analysis

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

The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and is used to adjust the translation at the end of the period to a 1% change in the exchange rate. When the New Taiwan Dollar appreciates 1% relative to the relevant foreign currencies, it will increase/decrease the Company's pre-tax net profits in 2022 and 2021 by NT\$1,795 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 Company has been exposed to interest rate risk through its fixed and floating-rate borrowings.

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

|                              | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|------------------------------|--------------------------|--------------------------|
| Cash flow interest rate risk |                          |                          |
| — Financial assets           | \$ 256,227               | \$ 402,576               |
| — 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 Company to the main management is an increase or decrease of 1% in interest rates, which also represents the management's assessment of the reasonably possible range of changes in interest rates.

If interest rates increase/decrease by 1%, and all other variables remain unchanged, the Company's net profit before tax will increase/decrease by NT\$1,562 thousand and NT\$2,026 thousand for 2022 and 2021, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

Bank borrowing is an important source of liquidity for the Company. As of December 31, 2022 and 2021, for the unutilized financing amount of the Company, please refer to the following item (b).

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

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

December 31, 2022

|   | Within 3<br>months | 3 months~1<br>year | 1~3 year(s)       | Over 3 years        |
|---|--------------------|--------------------|-------------------|---------------------|
| <u>Non-derivative financial liabilities</u> |                    |                    |                   |                     |
| Zero-interest-bearing liabilities           | \$ 340,536         | \$ 49,971          | \$ 90,651         | \$ 19,479           |
| Lease liabilities                           | 57,858             | 182,446            | 460,347           | 1,361,404           |
| Fixed-rate instruments                      | -                  | 100,000            | -                 | -                   |
|   | <u>\$ 398,394</u>  | <u>\$ 332,417</u>  | <u>\$ 550,998</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>\$ 272,292</u> | <u>\$ 955,363</u> | <u>\$ 716,599</u> | <u>\$ 305,618</u> |

December 31, 2021

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

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

|                   | <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 Company and other related parties are as follows.

a. Names and relations of related parties

| <u>Related Party</u>          | <u>Relationship with the Company</u> |
|-------------------------------|--------------------------------------|
| Kura Sushi, Inc.              | Investor of significant influence    |
| Kura Sushi Hong Kong Limited  | Subsidiary                           |
| Kura Sushi Shanghai Co., Ltd. | Sub-subsidiary                       |

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>          |
| Other receivables         | Sub-subsidiary                    | <u>\$ 700</u>            | <u>\$ -</u>              |

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

d. Payables to related parties

| Accounting subject | Type of stakeholders              | December 31,<br>2022 | December 31,<br>2021 |
|--------------------|-----------------------------------|----------------------|----------------------|
| Other payables     | Investor of significant influence | <u>\$ 5,626</u>      | <u>\$ 5,238</u>      |
| Other payables     | Sub-subsidiary                    | <u>\$ 7</u>          | <u>\$ -</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 Company 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 Company, as a collection and payment transaction. Kura Sushi, Inc. did not receive profit in this transaction.

g. Endorsements/guarantees

Endorsements/guarantees provided for others

| Related Party                 | December 31, 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Kura Sushi Shanghai Co., Ltd. |                   |                   |
| Guarantee amount              | \$ 50,000         | \$ -              |
| The actual amounts disbursed  | <u>-</u>          | <u>-</u>          |
|                               | <u>\$ 50,000</u>  | <u>\$ -</u>       |

h. Other Related Party Transactions

| Accounting subject      | Type of stakeholders              | 2022             | 2021             |
|-------------------------|-----------------------------------|------------------|------------------|
| Temporary payments      | Subsidiary                        | <u>\$ 242</u>    | <u>\$ 439</u>    |
| Operating expenses      | Investor of significant influence | <u>\$ 24,235</u> | <u>\$ 23,755</u> |
| Operating expenses      | Sub-subsidiary                    | <u>\$ 195</u>    | <u>\$ -</u>      |
| Manufacturing overheads | Investor of significant influence | <u>\$ 1,606</u>  | <u>\$ 1,145</u>  |

- 1) The Company signed a trademark and patent license agreement with Kura Sushi, Inc., and paid a certain percentage of the total sales as license fee in accordance with the agreement (recognized as operating expenses). The cooperation period is 10 years from January 1, 2019. One month before the expiry of the period, a new contract can be concluded after mutual agreement. The contract was re-signed on January 1, 2020 due to the change in the company names of both parties. The contract period is ten years from January 1, 2020. If both parties fail to terminate the contract through negotiations, the contract will be automatically renewed.
- 2) The Company signed a procurement assistance contract (食材手配サポート) with Kura Sushi, Inc. for food ingredients that cannot be obtained locally in Taiwan. The Company entrusts Kura Sushi, Inc. to assist in seeking qualified suppliers, arranging delivery and transportation methods and other matters, in order to ensure that the quality and delivery date meet the standards of the Company. Kura Sushi, Inc. will charge the Company assistance service fees (recognized as operating costs) in accordance with the agreed method in the contract.
- 3) Part of the operating expenses of the Company was advanced by Kura Sushi, Inc. and then paid by the Company to Kura Sushi, Inc., as a collection and payment transaction. Kura Sushi, Inc. did not collect profits in such transactions. The amount of fees collected and paid which were appropriated in 2022 and 2021 were NT\$4,995 thousand and NT\$11,119 thousand, respectively.
- 4) Part of the operating expenses of the Company was advanced by Kura Sushi Shanghai Co., Ltd. (sub-subsidiary) and then paid by the Company to Kura Sushi Shanghai Co., Ltd. as a collection and payment transaction. Kura Sushi Shanghai Co., Ltd. did not collect profits in such transactions. The amount of fees collected and paid which were appropriated in 2022 was NT\$195 thousand.

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

i. Remunerations to Major Management

|                              | 2022            | 2021             |
|------------------------------|-----------------|------------------|
| Short-term employee benefits | \$ 7,371        | \$ 11,709        |
| Share-based payments         | -               | 733              |
|                              | <u>\$ 7,371</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 Company on the balance sheet date are as follows:

- a. As of December 31, 2022 and 2021, the Company 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 Company provided security deposits for leased stores and issued notes with a value of NT\$9,052 thousand.

29. Other Matters

The Company 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 Company 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 Company initiated financing activities in the third quarter in response to the impact of the pandemic on its profitability.

c. Government Relief Measures

The Company applied for salary 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 Company is expected to stabilize and recover gradually.

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



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

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

December 31, 2022

|                                 | Foreign<br>currencies | Exchange rate     | Carrying<br>amount |
|---------------------------------|-----------------------|-------------------|--------------------|
| Foreign currency<br>assets      |                       |                   |                    |
| <u>Monetary items</u>           |                       |                   |                    |
| JPY                             | \$ 4,279              | 0.2324 (JPY: NTD) | <u>\$ 994</u>      |
| Foreign currency<br>liabilities |                       |                   |                    |
| <u>Monetary items</u>           |                       |                   |                    |
| JPY                             | 776,626               | 0.2324 (JPY: NTD) | <u>\$ 180,488</u>  |

December 31, 2021

|                                 | Foreign<br>currencies | Exchange rate     | Carrying<br>amount |
|---------------------------------|-----------------------|-------------------|--------------------|
| Foreign currency<br>assets      |                       |                   |                    |
| <u>Monetary items</u>           |                       |                   |                    |
| JPY                             | \$ 346,152            | 0.2405 (JPY: NTD) | <u>\$ 83,249</u>   |
| Foreign currency<br>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<br>currencies | Exchange rate     | Net foreign<br>exchange gains<br>(losses) | Exchange rate     | Net foreign<br>exchange gains<br>(losses) |
| JPY                   | 0.2324 (JPY: NTD) | <u>\$ 4,414</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)

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

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

Table 1

Kura Sushi Asia Co., Ltd.  
Loans provided for others  
January 1 to December 31, 2022  
(In Thousands of New Taiwan Dollars)

| No.<br>(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<br>( CNY 20,000)              | \$ 88,160<br>( CNY 20,000) | \$ -<br>( 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.**

**Endorsements/guarantees provided for others**

**January 1 to December 31, 2022**

**(In Thousands of New Taiwan Dollars)**

| No.<br>(Note 1) | Name of the company<br>providing<br>endorsements/<br>guarantees | The company covered by<br>endorsements/guarantees |                          | The limit of<br>endorsements/<br>guarantees for a<br>single company | The maximum<br>endorsements/<br>guarantees<br>balance in the<br>current period | The<br>endorsements/<br>guarantees<br>balance at the<br>end of the<br>period | The actual<br>amounts<br>disbursed | The amount of<br>endorsements/<br>guarantees<br>secured by<br>property | The percentage of<br>the accumulated<br>endorsement/<br>guarantee amount<br>to the net worth of<br>the latest financial<br>statement (%) | The maximum<br>limit of<br>endorsements/<br>guarantees<br>(Note 3) | Parent<br>company's<br>endorsements/<br>guarantees to<br>subsidiary | Subsidiary's<br>endorsements<br>/guarantees<br>to parent<br>company | Endorsements/<br>guarantees<br>provided to the<br>entity in<br>mainland<br>China | Note |
|-----------------|---|---|--------------------------|---|--|--|------------------------------------|--|--|--|---|---|--|------|
|                 |   | Name of company                                   | Relationship<br>(Note 2) |   |  |  |                                    |  |  |  |   |   |  |      |
| 0               | Kura Sushi Asia Co.,<br>Ltd.                                    | Kura Sushi Shanghai<br>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 relationship.
- (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 can not 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.****Information about the investee name, address, etc.****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 1 and Note 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 and Note 3) |

Note 1. Kura Sushi Hong Kong Limited has completed the registration of establishment and obtained the certificate of incorporation on November 4, 2019, with a registered capital 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.**  
**Information on Investments in Mainland China**  
**January 1 to December 31, 2022**  
**(Unit: Unless Stated Otherwise) (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<br>(RMB30,000,000)   | \$132,240<br>(RMB30,000,000)  | \$897,544   |

- Note 1. It is a mainland China 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.****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 parent company only financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.

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



## Statements of Significant Accounting Subjects

| ITEM  | Number/Index |
|---|--------------|
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| Statement of Inventories  | Statement 3  |
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**Statement 1****Kura Sushi Asia Co., Ltd.****Statement of Cash and Cash Equivalents****December 31, 2022****Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise**

| <u>Item</u>                      | <u>Summary</u> | <u>Amount</u>     |
|----------------------------------|----------------|-------------------|
| Cash on hand and working capital | Note 1         | <u>\$ 13,013</u>  |
| Bank deposits                    |                |                   |
| NTD deposits                     |                |                   |
| Demand deposits                  |                | 244,993           |
| Check deposits                   |                | 890               |
| Foreign currency demand deposits | Note 2         | <u>1,428</u>      |
| Subtotal                         |                | <u>247,311</u>    |
| Cash equivalents                 |                |                   |
| New Taiwan Dollars time deposit: |                | <u>8,916</u>      |
| Total                            |                | <u>\$ 269,240</u> |

Note 1. Including HKD450, JPY15,656 and RMB590, which are translated at the exchange rate: HKD\$1=\$3.9380, JPY\$1=\$0.2324 and RMB\$1=\$4.4080 respectively.

Note 2. It is JPY4,263,192.00, which is converted at the exchange rate: JPY\$1=\$0.2324.  
It is RMB99,103.34, which is converted at the exchange rate: CNY\$1=\$4.4080.

**Statement 2****Kura Sushi Asia Co., Ltd.****Statement of Accounts Receivable****December 31, 2022****(In Thousands of New Taiwan Dollars)**

| <u>Name</u>                 | <u>Summary</u>                                  | <u>Amount</u>     |
|-----------------------------|---|-------------------|
| Non-related party           |   |                   |
| Company A                   | Store and department<br>store catering payments | \$ 16,797         |
| Company B                   | Store and department<br>store catering payments | 16,054            |
| Company C                   | Store and department<br>store catering payments | 7,670             |
| Company D                   | Store and department<br>store catering payments | 7,539             |
| Company E                   | Store and department<br>store catering payments | 5,938             |
| Company F                   | Store and department<br>store catering payments | 5,486             |
| Company G                   | Store and department<br>store catering payments | 5,194             |
| Others (Note)               | Catering payments                               | <u>36,500</u>     |
| Subtotal                    |   | 101,178           |
| Less: Bad debt<br>allowance |   | ( <u>6</u> )      |
| Total                       |   | <u>\$ 101,172</u> |

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

**Statement 3**

**Kura Sushi Asia Co., Ltd.**

**Statement of Inventories**

**December 31, 2022**

**(In Thousands of New Taiwan Dollars)**

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| Item         | Amount           |                      |
|--------------|------------------|----------------------|
|              | Cost             | Net realizable value |
| Raw Material | <u>\$ 26,132</u> | <u>\$ 26,866</u>     |

Note: NT\$167 thousand has been appropriated as the loss allowance for write-downs of inventories.

**Statement 4****Kura Sushi Asia Co., Ltd.****Statement of Changes in Right-of-use Assets and Accumulated Depreciation****December 31, 2022****(In Thousands of New Taiwan Dollars)**

| Name                        | Beginning<br>balance | Increase for<br>the period<br>(Note) | Decrease for<br>the period | Ending<br>balance   |
|-----------------------------|----------------------|--------------------------------------|----------------------------|---------------------|
| Right-of-use assets         |                      |                                      |                            |                     |
| Land                        | \$ 1,004,577         | \$ 245,575                           | (\$ 23,810)                | \$ 1,226,342        |
| Buildings                   | 1,408,780            | 112,817                              | ( 20,802)                  | 1,500,795           |
| Transportation<br>equipment | 432                  | -                                    | ( 432)                     | -                   |
| Subtotal                    | <u>\$ 2,413,789</u>  | <u>\$ 358,392</u>                    | <u>(\$ 45,044)</u>         | <u>\$ 2,727,137</u> |
| Accumulated<br>depreciation |                      |                                      |                            |                     |
| Land                        | \$ 124,091           | \$ 77,012                            | \$ -                       | \$ 201,103          |
| Buildings                   | 327,580              | 178,361                              | ( 20,251)                  | 485,690             |
| Transportation<br>equipment | 312                  | 120                                  | ( 432)                     | -                   |
| Subtotal                    | <u>\$ 451,983</u>    | <u>\$ 255,493</u>                    | <u>(\$ 20,683)</u>         | <u>\$ 686,793</u>   |
| Net amount                  | <u>\$ 1,961,806</u>  |                                      | <u>\$ 24,361</u>           | <u>\$ 2,040,344</u> |

Note: The new amount of accumulated depreciation for the current period includes the depreciation expenses recognized in the profit or loss of NT\$241,360 thousand and the depreciation recognized as the prepayments for construction equipment acquisition cost of NT\$14,133 thousand.

**Statement 5**

**Kura Sushi Asia Co., Ltd.**

**Statement of Short-term Loans**

**December 31, 2022**

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

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| <u>Name</u>  | <u>Period</u>         | <u>Rate (%)</u> | <u>Balance</u>    | <u>Pledge or<br/>Guarantee</u> |
|--------------|-----------------------|-----------------|-------------------|--------------------------------|
| Credit loans |                       |                 |                   |                                |
| H Bank       | 2022.11.07~2023.11.06 | 2.00%           | \$ 50,000         | None                           |
| H Bank       | 2022.12.21~2023.12.20 | 2.12%           | <u>50,000</u>     | None                           |
| Total        |                       |                 | <u>\$ 100,000</u> |                                |

**Statement 6****Kura Sushi Asia Co., Ltd.****Statement of Accounts Payable****December 31, 2022****(In Thousands of New Taiwan Dollars)**

| <u>Customer name</u> | <u>Summary</u>    | <u>Amount</u>     |
|----------------------|-------------------|-------------------|
| Non-related party    |                   |                   |
| Supplier I           | Payment for goods | \$ 95,512         |
| Supplier J           | Payment for goods | 14,385            |
| Supplier K           | Payment for goods | 12,719            |
| Supplier L           | Payment for goods | 8,942             |
| Supplier M           | Payment for goods | 7,633             |
| Others (Note)        | Payment for goods | <u>2,331</u>      |
| Total                |                   | <u>\$ 141,522</u> |

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

**Statement 7****Kura Sushi Asia Co., Ltd.****Statement of Lease Liabilities****December 31, 2022****(In Thousands of New Taiwan Dollars)**

| <u>Item</u>                                     | <u>Lease period</u> | <u>Discount rate</u> | <u>Balance</u>      |
|---|---------------------|----------------------|---------------------|
| Land  | 2015.12~2043.2      | 1.69%                | \$ 1,012,075        |
| Buildings                                       | 2015.9~2036.6       | 1.69%                | <u>1,049,980</u>    |
| Subtotal  |                     |                      | 2,062,055           |
| Less: Lease liabilities due<br>within 12 months |                     |                      | ( <u>240,304</u> )  |
|   |                     |                      | <u>\$ 1,821,751</u> |



**Statement 8**

**Kura Sushi Asia Co., Ltd.**

**Statement of Operating Revenue**

**2022**

**(In Thousands of New Taiwan Dollars)**

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| <u>Item</u>      | <u>Amount</u>       |
|------------------|---------------------|
| Sales Revenue    |                     |
| Catering Revenue | <u>\$ 3,847,885</u> |

**Statement 9**

**Kura Sushi Asia Co., Ltd.**

**Statement of Operating Costs**

**2022**

**(In Thousands of New Taiwan Dollars)**

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| Item                            | Amount                  |
|---------------------------------|-------------------------|
| Direct raw materials            |                         |
| Beginning inventory (Note)      | \$ 16,082               |
| Purchase for the current period | 1,494,502               |
| Ending inventory (Note)         | ( <u>25,965</u> )       |
| Direct raw materials consumed   | 1,484,619               |
| <br>Director labor              | <br>491,723             |
| <br>Manufacturing overheads     | <br>261,160             |
| <br>Other operating costs       | <br><u>1,606</u>        |
| <br>Total operating costs       | <br><u>\$ 2,239,108</u> |

Note: The beginning and ending inventories respectively include allowances for write-downs of inventories of NT\$162 thousand and NT\$167 thousand respectively, and the current loss on write-downs of inventories is NT\$5 thousand.

**Statement 10**

**Kura Sushi Asia Co., Ltd.**

**Statement of Manufacturing Expenses**

**2022**

**(In Thousands of New Taiwan Dollars)**

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| Item                            | Amount            |
|---------------------------------|-------------------|
| Depreciation                    | \$ 158,057        |
| Insurance expenses              | 52,645            |
| Water, electricity, and gas fee | 29,461            |
| Rental expense                  | 16,711            |
| Others (Note)                   | <u>4,286</u>      |
|                                 | <u>\$ 261,160</u> |

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

**Statement 11****Kura Sushi Asia Co., Ltd.****Statement of Operating Expenses****2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

| <u>Name</u>   | <u>Selling<br/>expenses</u> | <u>General and<br/>administrativ<br/>e expenses</u> | <u>Research and<br/>development<br/>expenses</u> | <u>Total</u>        |
|---|-----------------------------|---|--|---------------------|
| Salary and wage<br>expenses (including<br>pensions) | \$ 300,641                  | \$ 120,856  | \$ -   | \$ 421,497          |
| Depreciation  | 324,474                     | 5,289   | -  | 329,763             |
| Consumables fees                                    | 87,083                      | 46  | -  | 87,129              |
| Advertising fee                                     | 82,610                      | 3,855   | -  | 86,465              |
| Water, electricity, and<br>gas fee                  | 69,856                      | 337   | -  | 70,193              |
| Insurance expenses                                  | 36,629                      | 11,542  | -  | 48,171              |
| Others (Note)                                       | <u>182,339</u>              | <u>37,115</u>                                       | <u>606</u>                                       | <u>220,060</u>      |
| Total   | <u>\$ 1,083,632</u>         | <u>\$ 179,040</u>                                   | <u>\$ 606</u>                                    | <u>\$ 1,263,278</u> |

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

**Statement 12**

**Kura Sushi Asia Co., Ltd.**

**Statement of Employee Benefits and Depreciation and Amortization Expenses  
For the Years of 2022 and 2021**

**(In Thousands of New Taiwan Dollars)**

|                                 | 2022              |                    |                    | 2021              |                    |                   |
|---------------------------------|-------------------|--------------------|--------------------|-------------------|--------------------|-------------------|
|                                 | Operating costs   | Operating expenses | Total              | Operating costs   | Operating expenses | Total             |
| Salary expenses                 | \$ 469,765        | \$ 398,483         | \$ 868,248         | \$ 329,320        | \$ 294,564         | \$ 623,884        |
| Labor and health insurance      | 52,645            | 48,171             | 100,816            | 42,922            | 39,548             | 82,470            |
| Pension                         | 21,957            | 19,114             | 41,071             | 18,490            | 16,658             | 35,148            |
| Remuneration Paid to Directors  | -                 | 3,900              | 3,900              | -                 | 2,400              | 2,400             |
| Other employee benefits         | <u>4,286</u>      | <u>6,944</u>       | <u>11,230</u>      | <u>4,878</u>      | <u>8,641</u>       | <u>13,519</u>     |
| Total employee benefit expenses | <u>\$ 548,653</u> | <u>\$ 476,612</u>  | <u>\$1,025,265</u> | <u>\$ 395,610</u> | <u>\$ 361,811</u>  | <u>\$ 757,421</u> |
| Depreciation expenses           | <u>\$ 158,057</u> | <u>\$ 329,763</u>  | <u>\$ 487,820</u>  | <u>\$ 128,028</u> | <u>\$ 253,953</u>  | <u>\$ 381,981</u> |
| Amortization expenses           | <u>\$ -</u>       | <u>\$ 1,897</u>    | <u>\$ 1,897</u>    | <u>\$ -</u>       | <u>\$ 1,524</u>    | <u>\$ 1,524</u>   |

Note:

- (1) The average number of employees of the Company in 2022 and 2021 were 2,737 and 2,315 respectively, and there were 4 directors who do not serve as employees concurrently. They are subject to the same basis of calculation as employee benefit expenses.
- (2) The average employee benefit expenses in 2022 and 2021 were NT\$374 thousand and NT\$327 thousand respectively.
- (3) The average employee salary expenses in 2022 and 2021 were NT\$317 thousand and NT\$270 thousand respectively. In 2022, the average employee salary cost increased by 17.41% compared with that in 2021.
- (4) The number of employees at the end of 2022 and 2021 were 2,928 and 2,536 respectively. The ratio of the number of full-time and part-time employees was about 1: 6. The part-time employees were clocked in according to the operating needs of each store according to the scheduling arrangement, and the salaries were calculated according to the number of working hours, so the total number of working hours per month and the salary was not fixed.
- (5) The average number of full-time employees in 2022 and 2021 were approximately 424 and 441, respectively, and the average full-time employee salary costs were NT\$657 thousand and NT\$603 thousand, respectively. In 2022, the average employee salary cost increased by 9% compared with that in 2021.
- (6) The Company's salary and remuneration policy:
  1. The Company's employee compensation includes the monthly salary and the Company's remunerations based on the annual profit amount and employee performance.
  2. The Company's managers are given appropriate bonuses and remuneration distribution based on their annual profits and performances, which are reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.
  3. The remuneration for the Company's directors is paid in accordance with the "Remuneration Measures for Directors and Functional Committees", and the compensation to directors is based on work performance, responsibility and contribution, and shall not be higher than 3% of the Company's annual profit in accordance with the Articles of Association. All compensation and remuneration shall be reviewed by the Remuneration Committee and then submitted to the Board of Directors for resolution.