UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-39012

KURA SUSHI USA, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**26-3808434**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
17461 Derian Avenue, Suite 200 Irvine, California	**92614**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (657) 333-4100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.001 par value per share	**KRUS**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2023, the registrant had 10,106,852 shares of Class A common stock, $0.001 par value per share, outstanding and 1,000,050 shares of Class B common stock, $0.001 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Kura Sushi USA, Inc.
Condensed Balance Sheets
(amounts in thousands, except par value)
(Unaudited)

	May 31, 2023	August 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 70,474	$ 35,782
Short-term investments	8,742	—
Accounts and other receivables	3,536	2,486
Inventories	1,387	1,120
Due from affiliate	—	156
Prepaid expenses and other current assets	5,123	2,852
Total current assets	89,262	42,396
Non-current assets:		
Property and equipment – net	96,654	75,590
Operating lease right-of-use assets	96,126	79,990
Deposits and other assets	4,206	3,380
Total assets	$ 286,248	$ 201,356
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 5,521	$ 5,559
Accrued expenses and other current liabilities	2,084	3,731
Salaries and wages payable	6,932	5,955
Finance leases – current	75	507
Operating lease liabilities – current	8,593	7,992
Due to affiliate	466	285
Sales tax payable	1,445	1,240
Total current liabilities	25,116	25,269
Non-current liabilities:		
Finance leases – non-current	16	30
Operating lease liabilities – non-current	100,794	82,280
Other liabilities	582	483
Total liabilities	126,508	108,062
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 1,000 shares authorized, no shares issued or outstanding	—	—
Class A common stock, $0.001 par value; 50,000 shares authorized, 10,101 and 8,788 shares issued and outstanding as of May 31, 2023 and August 31, 2022, respectively	10	9
Class B common stock, $0.001 par value; 10,000 shares authorized, 1,000 shares issued and outstanding as of May 31, 2023 and August 31, 2022	1	1
Additional paid-in capital	186,845	118,970
Accumulated deficit	(27,109)	(25,686)
Accumulated other comprehensive loss	(7)	—
Total stockholders' equity	159,740	93,294
Total liabilities and stockholders' equity	$ 286,248	$ 201,356

The accompanying notes are an integral part of these condensed financial statements.

Kura Sushi USA, Inc.
Condensed Statements of Operations and Comprehensive Income (Loss)
(amounts in thousands, except per share data)
(Unaudited)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2023	**2022**	**2023**	**2022**
Sales	$ 49,238	$ 37,969	$ 132,500	$ 99,091
Restaurant operating costs:				
Food and beverage costs	14,770	11,282	40,440	29,615
Labor and related costs	14,362	11,788	40,751	31,840
Occupancy and related expenses	3,554	2,693	9,504	7,195
Depreciation and amortization expenses	1,975	1,376	5,309	3,814
Other costs	6,165	4,372	17,352	12,326
Total restaurant operating costs	40,826	31,511	113,356	84,790
General and administrative expenses	7,012	5,900	20,776	16,714
Depreciation and amortization expenses	92	85	265	256
Total operating expenses	47,930	37,496	134,397	101,760
Operating income (loss)	1,308	473	(1,897)	(2,669)
Other expense (income):				
Interest expense	23	23	53	70
Interest income	(436)	(25)	(593)	(75)
Income (loss) before income taxes	1,721	475	(1,357)	(2,664)
Income tax expense (benefit)	41	(2)	66	13
Net income (loss)	$ 1,680	$ 477	$ (1,423)	$ (2,677)
Net income (loss) per Class A and Class B shares				
Basic	$ 0.16	$ 0.05	$ (0.14)	$ (0.28)
Diluted	$ 0.16	$ 0.05	$ (0.14)	$ (0.28)
Weighted average Class A and Class B shares outstanding				
Basic	10,485	9,722	10,028	9,714
Diluted	10,807	10,069	10,028	9,714
Other comprehensive income (loss):				
Unrealized loss on short-term investments	$ (7)	—	$ (7)	—
Comprehensive income (loss)	$ 1,673	$ 477	$ (1,430)	$ (2,677)

The accompanying notes are an integral part of these condensed financial statements.

Kura Sushi USA, Inc.
Condensed Statements of Stockholders' Equity
(amounts in thousands)
(Unaudited)

	Common Stock							
	Class A		Class B		Additiona l Paid-in Capital	Accumula ted Deficit	Accumula ted Other Compreh ensive Loss	Total Stockho lders' Equity
	Shares	Amount	Shares	Amount				
Balances as of August 31, 2022	8,788	$ 9	1,000	$ 1	$ 118,970	$ (25,686)	—	$ 93,29 4
Stock-based compensation	—	—	—	—	650	—	—	650
Employee stock plan	3	—	—	—	51	—	—	51
Net loss	—	—	—	—	—	(2,088)	—	(2,088)
Balances as of November 30, 2022	8,791	$ 9	1,000	$ 1	$ 119,671	$ (27,774)	—	$ 91,90 7
Stock-based compensation	—	—	—	—	945	—	—	945
Employee stock plan	28	—	—	—	533	—	—	533
Net loss	—	—	—	—	—	(1,015)	—	(1,015)
Balances as of February 28, 2023	8,819	$ 9	1,000	$ 1	$ 121,149	$ (28,789)	—	$ 92,37 0
Stock-based compensation	—	—	—	—	975	—	—	975
Employee stock plan	17	—	—	—	423	—	—	423
Issuance of common stock in connection with follow-on public offering, net of underwriter discounts and issuance costs	1,265	1	—	—	64,298	—	—	64,29 9
Net income	—	—	—	—	—	1,680	—	1,680
Other comprehensive loss	—	—	—	—	—	—	(7)	(7)
Balances as of May 31, 2023	10,101	$ 10	1,000	$ 1	$ 186,845	$ (27,109)	$ (7)	$ 159,7 40

	Common Stock						
	Class A		Class B		Additiona l Paid-in Capital	Accumula ted Deficit	Total Stockhold ers' Equity
	Shares	Amount	Shares	Amount			
Balances as of August 31, 2021	8,700	$ 9	1,000	$ 1	$ 115,756	$ (24,922)	$ 90,844
Stock-based compensation	—	—	—	—	443	—	443
Employee stock plan	13	—	—	—	19	—	19
Net loss	—	—	—	—	—	(1,275)	(1,275)
Balances as of November 30, 2021	8,713	$ 9	1,000	$ 1	$ 116,218	$ (26,197)	$ 90,031
Stock-based compensation	—	—	—	—	596	—	596
Employee stock plan	5	—	—	—	29	—	29
Taxes paid on vested restricted stock awards	(2)	—	—	—	(154)	—	(154)
Net loss	—	—	—	—	—	(1,879)	(1,879)
Balances as of February 28, 2022	8,716	$ 9	1,000	$ 1	$ 116,689	$ (28,076)	$ 88,623
Stock-based compensation	—	—	—	—	732	—	732
Employee stock plan	18	—	—	—	128	—	128
Net income	—	—	—	—	—	477	477
Balances as of May 31, 2022	8,734	9	1,000	1	117,549	(27,599)	89,960

The accompanying notes are an integral part of these condensed financial statements.

Kura Sushi USA, Inc.
Condensed Statements of Cash Flows
(amounts in thousands)
(Unaudited)

	Nine Months Ended May 31,	
	2023	2022
Cash flows from operating activities		
Net loss	$ (1,423)	$ (2,677)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	5,574	4,070
Stock-based compensation	2,570	1,771
Loss on disposal of property and equipment	53	—
Non-cash lease expense	2,820	2,294
Changes in operating assets and liabilities:		
Accounts and other receivables	(230)	(301)
Inventories	(267)	(151)
Due from affiliate	156	329
Prepaid expenses and other current assets	(1,876)	7,849
Deposits and other assets	122	(124)
Accounts payable	(71)	1,439
Accrued expenses and other current liabilities	(1,176)	762
Salaries and wages payable	977	1,335
Operating lease liabilities	(341)	93
Due to affiliate	26	6
Sales tax payable	149	304
Net cash provided by operating activities	7,063	16,999
Cash flows from investing activities		
Payments for property and equipment	(27,215)	(19,457)
Payments for initial direct costs	(320)	(435)
Payments for purchases of liquor licenses	(947)	(825)
Purchases of short-term investments	(8,749)	—
Net cash used in investing activities	(37,231)	(20,717)
Cash flows from financing activities		
Repayment of principal on finance leases	(446)	(766)
Taxes paid on vested restricted stock awards	—	(154)
Proceeds from exercise of stock options	1,007	176
Proceeds from the follow-on public offering, net of discounts and commissions	64,895	—
Payments of costs related to the follow-on offering	(596)	—
Net cash provided by (used in) financing activities	64,860	(744)
Increase (decrease) in cash and cash equivalents	34,692	(4,462)
Cash and cash equivalents, beginning of period	35,782	40,430
Cash and cash equivalents, end of period	$ 70,474	$ 35,968
Supplemental disclosures of cash flow information		
Cash paid for income taxes	$ 185	$ 144
Noncash investing activities		
Acquisition of finance leases	—	$ 34
Amounts unpaid for purchases of property and equipment	$ 1,706	$ 863

The accompanying notes are an integral part of these condensed financial statements.

Note 1. Organization and Basis of Presentation

Kura Sushi USA, Inc. is a technology-enabled Japanese restaurant concept that provides guests with a distinctive dining experience by serving authentic Japanese cuisine through an engaging revolving sushi service model, which the Company refers to as the "Kura Experience." Kura Sushi encourages healthy lifestyles by serving freshly prepared Japanese cuisine using high-quality ingredients that are free from artificial seasonings, sweeteners, colorings, and preservatives. Kura Sushi aims to make quality Japanese cuisine accessible to its guests across the United States through affordable prices and an inviting atmosphere. "Kura Sushi USA," "Kura Sushi," "Kura," and the "Company" refer to Kura Sushi USA, Inc. unless expressly indicated or the context otherwise requires.

Basis of Presentation

The accompanying unaudited condensed financial statements (the "Condensed Financial Statements") have been prepared by the Company in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. As such, these Condensed Financial Statements should be read in conjunction with the Company's audited financial statements and accompanying notes included in its Annual Report on Form 10-K for the fiscal year ended August 31, 2022.

The accounting policies followed by the Company are set forth in Part II, Item 8, Note 2, Basis of Presentation and Summary of Significant Accounting Policies, of the Notes to Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2022. In the opinion of management, all adjustments necessary to fairly state the Condensed Financial Statements have been made. All such adjustments are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of results to be expected for the fiscal year ending August 31, 2023 or for any other future annual or interim period.

Fiscal Year

The Company's fiscal year begins on September 1 and ends on August 31, and references made to "fiscal year 2023" and "fiscal year 2022" refer to the Company's fiscal years ending August 31, 2023 and ended August 31, 2022, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented.

Significant items subject to such estimates include asset retirement obligations, stock-based compensation, the useful lives of assets, the assessment of the recoverability of long-lived assets, and income taxes. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could differ materially from those estimates and assumptions.

Short-Term Investments

Short-term investments consist of certificates of deposits and Treasury bills. The Company considers all highly liquid investments with an original maturity date greater than three months but less than one year as short-term investments. The carrying value of the short-term investments is equivalent to their amortized cost basis. As of May 31, 2023 and August 31, 2022, short-term investments were $8.7 million and none, respectively. The certificates of deposits are deposited at Federal Deposit Insurance Corporation ("FDIC") insured banks. The certificates of deposits are in amounts of $250,000 in multiple banks so that the entire deposit balance is eligible for FDIC insurance. Certificates of deposits and Treasury bills are classified as available-for-sale debt securities which are measured at fair value with unrealized gains or losses recorded in other comprehensive income (loss). As of May 31, 2023, the Company recorded $7 thousand in unrealized losses on short-term investments in comprehensive income (loss). Based on the evaluation of credit risk factors, the Company has concluded that an allowance for credit losses is unnecessary for its short-term investments.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's short-term investments consist of certificates of deposits and Treasury bills that are classified as available-for-sale debt securities which are measured at fair value with unrealized gains or losses recorded in other comprehensive income (loss).

Recently Adopted Accounting Pronouncement

In November 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-10, "Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance," which provides guidance on disclosures for transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021, with early adoption permitted. The Company adopted this update effective September 1, 2022. The adoption of this update did not have a material impact to the consolidated financial statements.

Follow-On Offering

On April 13, 2023, the Company completed an underwritten public offering of common stock pursuant to the Company's universal shelf registration statement on Form S-3, selling an aggregate of 1,265,000 shares of Class A common stock, including the exercise in full of the underwriters' option to purchase 165,000 additional shares, at the price of $54.00 per share less an underwriting discount of $2.70 per share. The Company received aggregate net proceeds of $64.3 million after deducting the underwriting discounts and commissions and offering expenses payable by the Company. The proceeds are to be used for general corporate purposes, including capital expenditures, working capital, and other business purposes. No payments were made by the Company to directors, officers or persons owning 10% or more of the Company's common stock or to their associates, or to the Company's affiliates.

Note 2. Balance Sheet Components

Accounts and Other Receivables

	May 31, 2023	August 31, 2022
	(amounts in thousands)	
Lease receivables	$ 2,587	$ 1,767
Credit card and other receivables	949	719
Total accounts and other receivables	$ 3,536	$ 2,486

Property and Equipment - net

	May 31, 2023	August 31, 2022
	(amounts in thousands)	
Leasehold improvements	$ 68,067	$ 56,668
Lease assets	6,146	6,166
Furniture and fixtures	29,775	21,759
Computer equipment	2,408	1,307
Vehicles	220	159
Software	996	921
Construction in progress	14,650	8,666
Property and equipment – gross	122,262	95,646
Less: accumulated depreciation and amortization	(25,608)	(20,056)
Total property and equipment – net	$ 96,654	$ 75,590

Depreciation and amortization expense for property and equipment was $2.1 million and $1.5 million for the three months ended May 31, 2023 and May 31, 2022, respectively, and was $5.6 million and $4.1 million for the nine months ended May 31, 2023 and May 31, 2022, respectively.

Note 3. Leases

The Company has operating and finance leases for its corporate office, restaurant locations, office equipment, kitchen equipment and automobiles. The Company's leases have remaining lease terms of less than 1 year to 20 years, some of which include options to extend the leases.

Lease related costs recognized in the statements of operations and comprehensive income (loss) are as follows:

		Three Months Ended May 31,		Nine Months Ended May 31,	
		2023	2022	2023	2022
		(amounts in thousands)			
Finance lease cost	**Classification**				
Amortization of right-of-use assets	Depreciation and amortization expenses	$ 136	$ 145	$ 500	$ 424
Interest on lease liabilities	Interest expense	—	11	7	35
Total finance lease cost		$ 136	$ 156	$ 507	$ 459

		Three Months Ended May 31,		Nine Months Ended May 31,	
		2023	2022	2023	2022
		(amounts in thousands)			
Operating lease cost	**Classification**				
Operating lease cost	Occupancy and related expenses, other costs and general and administrative expenses	$ 3,208	$ 2,088	$ 7,450	$ 5,835
Variable lease cost	Occupancy and related expenses, and general and administrative expenses	1,072	556	2,307	1,445
Total operating lease cost		$ 4,280	$ 2,644	$ 9,757	$ 7,280

Supplemental balance sheet information related to leases is as follows:

Operating Leases

	May 31, 2023	August 31, 2022
	(amounts in thousands)	
Right-of-use assets	$ 96,126	$ 79,990
Lease liabilities – current	$ 8,593	$ 7,992
Lease liabilities – non-current	100,794	82,280
Total lease liabilities	$ 109,387	$ 90,272

Finance Lease Assets – net

	May 31, 2023	August 31, 2022
	(amounts in thousands)	
Property and equipment	$ 6,146	$ 6,166
Accumulated depreciation	(3,752)	(3,348)
Total property and equipment – net	$ 2,394	$ 2,818

Finance Leases Liabilities

	May 31, 2023	August 31, 2022
	(amounts in thousands)	
Finance lease – current	$ 75	$ 507
Finance lease – non-current	16	30
Total finance lease liabilities	$ 91	$ 537

	Nine months ended May 31,	
	2023	2022
Weighted Average Remaining Lease Term (Years)		
Operating leases	16.3	16.3
Finance leases	0.2	1.0
Weighted Average Discount Rate		
Operating leases	6.6%	6.4%
Finance leases	4.7%	4.7%

Supplemental disclosures of cash flow information related to leases are as follows:

	Nine Months Ended May 31,	
	2023	2022
	(amounts in thousands)	
Operating cash flows paid for operating lease liabilities	$ 5,775	$ 4,781
Operating right-of-use assets obtained in exchange for new operating lease liabilities	$ 18,415	$ 16,622

As of May 31, 2023, the Company has an additional $39.0 million of operating leases related to restaurants for which the Company has not yet taken possession. Subsequent to May 31, 2023, the Company entered into an additional operating lease related to a restaurant for which the Company has not yet taken possession. The lease liability associated with the lease after May 31, 2023 is $0.6 million. The operating lease is expected to commence in fiscal year 2024, with a lease term of 20 years.

Maturities of lease liabilities, net of lease receivables, were as follows:

	Operating Leases	Finance Leases
	(amounts in thousands)	
Remainder of 2023	$ 1,221	$ 55
2024	7,008	36
2025	10,253	7
2026	10,188	—
2027	10,131	—
Thereafter	139,798	—
Total lease payments	178,599	98
Less: imputed interest	(69,212)	(7)
Present value of lease liabilities	$ 109,387	$ 91

Note 4. Related Party Transactions

Kura Sushi, Inc. ("Kura Japan") is the majority stockholder of the Company and is incorporated and headquartered in Japan. In August 2019, the Company entered into a Shared Services Agreement with Kura Japan, pursuant to which Kura Japan provides the Company with certain strategic, operational and other support services, including assigning certain employees to work for the Company as expatriates to provide support to the Company's operations, sending its employees to the Company on a short-term basis to provide support for the opening of new restaurants or renovation of existing restaurants, and providing the Company with certain supplies, parts and equipment for use in the Company's restaurants. In addition, the Company has agreed to continue to provide Kura Japan with certain translational support services, and market research. In exchange for such services, supplies, parts and equipment, the parties pay fees to each other as set forth under the Shared Services Agreement. A right of setoff is not required; however, from time to time, either party will net settle transactions as needed. Purchases of administrative supplies, expatriate salaries and travel and other administrative expenses payable to Kura Japan are included in general and administrative expenses in the accompanying statements of operations and comprehensive income (loss). Purchases of equipment from Kura Japan are included in property and equipment in the accompanying balance sheets.

In August 2019, the Company entered into an Amended and Restated Exclusive License Agreement (the "License Agreement") with Kura Japan. Pursuant to the License Agreement, the Company pays Kura Japan a royalty fee of 0.5% of the Company's net sales in exchange for an exclusive, royalty-bearing license for use of certain of Kura Japan's intellectual property rights, including, but not limited to, Kura Japan's trademarks "Kura Sushi", "Mr. Fresh" and "Kura Revolving Sushi Bar," and patents for a food management system and the Mr. Fresh protective dome, among other intellectual property rights necessary to continue operation of the Company's restaurants. Royalty payments to Kura Japan are included in other costs at the restaurant level in the accompanying statements of operations and comprehensive income (loss).

On April 10, 2020, the Company and Kura Japan entered into a Revolving Credit Agreement, as amended, to provide the Company a revolving credit line of $45.0 million (the "Revolving Credit Agreement"). For additional information, see "Note 6. Debt."

Balances with Kura Japan are as follows:

	May 31, 2023	August 31, 2022
	(amounts in thousands)	
Due from affiliate	$ —	$ 156
Due to affiliate	$ 466	$ 285

Reimbursements and other payments by the Company to Kura Japan were as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2023	2022	2023	2022
	(amounts in thousands)			
Related party transactions:				
Expatriate salaries expense	$ 33	$ 33	$ 87	$ 116
Royalty payments	246	190	663	496
Travel and other administrative expenses	—	5	30	24
Purchases of equipment	568	624	2,024	1,127
Total related party transactions	$ 847	$ 852	$ 2,804	$ 1,763

Reimbursements by Kura Japan to the Company were $7 thousand and none for the three months ended May 31, 2023 and May 31, 2022, respectively, and were $67 thousand and $28 thousand for the nine months ended May 31, 2023 and May 31, 2022, respectively. The reimbursements were for professional fees, travel and other administrative expenses.

Note 5. Stock-based Compensation

The following table summarizes the stock option activity under the Company's 2018 Incentive Compensation Plan, as amended and restated (the "Stock Incentive Plan"):

	Options Outstanding		
	Number of Shares Underlying Outstanding Options		Weighted Average Exercise Price Per Share
Outstanding — August 31, 2022	675,942	$	27.12
Options granted	56,951	$	73.20
Options exercised	(2,491)	$	12.82
Options canceled/forfeited	(23,781)	$	46.47
Outstanding — November 30, 2022	706,621	$	30.28
Options granted	75,084	$	60.62
Options exercised	(27,858)	$	19.13
Options canceled/forfeited	(13,034)	$	40.72
Outstanding — February 28, 2023	740,813	$	33.57
Options granted	1,749	$	64.87
Options exercised	(17,119)	$	24.69
Options canceled/forfeited	(22,445)	$	57.25
Outstanding — May 31, 2023	702,998	$	33.11

The following table summarizes the restricted stock unit ("RSU") activity under the Stock Incentive Plan:

	Number of Shares Underlying Outstanding RSU		Weighted Average Grant Date Fair Value
Outstanding — August 31, 2022	—		—
RSU's granted	1,359	$	73.58
Outstanding — November 30, 2022	1,359	$	73.58
RSU's granted	25,347	$	62.14
Outstanding — February 28, 2023	26,706	$	62.72
RSU's canceled/forfeited	(1,025)	$	68.92
Outstanding — May 31, 2023	25,681	$	62.47

The total stock-based compensation recognized under the Stock Incentive Plan in the statements of operations and comprehensive income (loss) is as follows:

	Three Months Ended May 31,				Nine Months Ended May 31,			
	2023		2022		2023		2022	
	(amounts in thousands)							
Restaurant-level stock-based compensation included in other costs	$	163	$	88	$	382	$	195
Corporate-level stock-based compensation included in general and administrative expenses		812		644		2,188		1,576
Total stock-based compensation	$	975	$	732	$	2,570	$	1,771

Note 6. Debt

On April 10, 2020, the Company and Kura Japan entered into a Revolving Credit Agreement, as amended, establishing a $45.0 million revolving credit line for the Company. The maturity date for each advance is 60 months from the date of disbursement and the last day of the period of availability for advances is April 10, 2025. The Revolving Credit Note under the Revolving Credit Agreement has an interest rate for advances fixed at 130% of the Annual Compounding Long-Term Applicable Federal Rate ("AFR") on the date such advance is made. There are no financial covenants under the Revolving Credit Agreement with which the Company must comply.

As of May 31, 2023 and August 31, 2022, the Company had no outstanding balance and $45.0 million of availability remaining under the Revolving Credit Agreement. For additional information, see "Note 4. Related Party Transactions."

Note 7. Income (Loss) Per Share

The net income (loss) per share attributable to common stockholders is allocated based on the contractual participation rights of the Class A common stock and Class B common stock as if the income for the year has been distributed. As the liquidation and dividend rights for Class A and Class B common stock are identical, the net loss attributable to all common stockholders is allocated on a proportionate basis.

The following table sets forth the computation of the Company's basic and diluted net income (loss) per share:

	Three Months Ended May 31,				Nine Months Ended May 31,			
	2023		2022		2023		2022	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
	(amounts in thousands, except per share data)							
Net income (loss) attributable to common stockholders – basic	$ 1,520	$ 160	$ 428	$ 49	$ (1,281)	$ (142)	$ (2,401)	$ (276)
Net income (loss) attributable to common stockholders – diluted	$ 1,525	$ 155	$ 430	$ 47	$ (1,281)	$ (142)	$ (2,401)	$ (276)
Weighted average common shares outstanding – basic	9,485	1,000	8,722	1,000	9,028	1,000	8,714	1,000
Dilutive effect of stock-based awards	322	—	347	—	—	—	—	—
Weighted average common shares outstanding – diluted	9,807	1,000	9,069	1,000	9,028	1,000	8,714	1,000
Net income (loss) per share attributable to common stockholders – basic	$ 0.16	$ 0.16	$ 0.05	$ 0.05	$ (0.14)	$ (0.14)	$ (0.28)	$ (0.28)
Net income (loss) per share attributable to common stockholders – diluted	$ 0.16	$ 0.16	$ 0.05	$ 0.05	$ (0.14)	$ (0.14)	$ (0.28)	$ (0.28)

The Company computes basic income (loss) per common share using net income (loss) and the weighted average number of common shares outstanding during the period, and computes diluted income (loss) per common share using net income (loss) and the weighted average number of common shares and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include dilutive outstanding employee stock options and restricted stock units.

For the three months ended May 31, 2023 and May 31, 2022, there were 201 thousand and 250 thousand shares of common stock subject to outstanding employee stock options and restricted stock units that were excluded from the calculation of diluted income per share because their inclusion would have been anti-dilutive. For the nine months ended May 31, 2023 and May 31, 2022, there were 729 thousand and 762 thousand shares of common stock subject to outstanding employee stock options and RSU's that were excluded from the calculation of diluted loss per share because their inclusion would have been anti-dilutive.

Note 8. Commitments and Contingencies

On May 31, 2019, a putative class action complaint was filed by a former employee, Brandy Gomes, in Los Angeles County Superior Court, alleging violations of California wage and hour laws. On July 9, 2020, plaintiff's counsel filed a first amended class action complaint to add Jamar Spencer, another former employee, as a plaintiff to this action. In addition, the first amended class action complaint added new causes of action alleging violations of California wage and hour laws including a cause of action brought under the California Private Attorney General Act. On August 7, 2020, the Company filed its answer to the first amended complaint, generally denying the allegations in the complaint. In May 2021, a joint stipulation was filed requesting a delay in the class certification hearing date to March 3, 2022, and a mediation was scheduled for September 24, 2021. During the mediation, a settlement was agreed upon in the amount of $1.75 million. The Company recorded an accrued liability of $1.78 million, including an estimated $30 thousand in employer payroll taxes, related to this settlement within general and administrative expenses in the statements of operations and comprehensive income (loss) during the fiscal year ended August 31, 2021. The court granted final approval of the settlement on November 18, 2022. In December 2022, pursuant to the court's order granting final approval of the settlement, the Company deposited $1.78 million into an account controlled by a settlement administrator for disbursement to class participants and other parties to the litigation. A final report regarding the distribution of settlement funds is due on July 6, 2023, and a non-appearance case review is scheduled for July 13, 2023.

The Company is involved from time to time in various legal proceedings that arise in the ordinary course of business, including but not limited to commercial disputes, environmental matters, employee related claims, intellectual property disputes and litigation in connection with transactions including acquisitions and divestitures. In the opinion of management, the Company does not believe that such litigation, claims, and administrative proceedings, excluding the putative class action matter referenced above, will have a material adverse effect on its business, financial position, results of operations or cash flows. However, a significant increase in the number of these claims or an increase in amounts owing under successful claims, including the putative class action referenced above, could materially and adversely affect its business, financial condition, results of operations or cash flows. The Company records a liability when a loss is considered probable, and the amount can be reasonably estimated.

Note 9. Income Taxes

The Company recorded an income tax expense of $41 thousand and an income tax benefit of $2 thousand for the three months ended May 31, 2023 and May 31, 2022, respectively, and income tax expense of $66 thousand and $13 thousand for the nine months ended May 31, 2023 and May 31, 2022, respectively. The Company's effective tax rates for the three and nine months ended May 31, 2023 substantially differed from the federal statutory tax rate of 21% primarily due to a valuation allowance for the Company's deferred tax assets.

The Company continually monitors and performs an assessment of the realizability of its deferred tax assets, including an analysis of factors such as future taxable income, reversal of existing taxable temporary differences, and tax planning strategies. In assessing the need for a valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of deferred tax assets using a "more likely than not" standard. In making such assessment, more weight was given to evidence that could be objectively verified, including recent cumulative losses. Based on the Company's review of this evidence, management determined that a full valuation allowance against all of the Company's net deferred tax assets at May 31, 2023 was appropriate.

Note 10. Fair Value Measurements

The following table sets forth the Company's assets measured at fair value on a recurring basis as of May 31, 2023. The Company did not have any assets and liabilities measured at fair value on a recurring basis as of August 31, 2022.

	Level 1	Level 2	Level 3	Total
		(amounts in thousands)		
Assets:				
Certificates of deposits	$ —	$ 4,745	$ —	$ 4,745
Treasury bills	3,997	—	—	3,997
Total assets at fair value	$ 3,997	$ 4,745	$ —	$ 8,742

The Company's cash and cash equivalents include cash on hand, deposits in banks, certificates of deposits and money market funds. Due to their short-term nature, the carrying amounts reported in the accompanying balance sheets approximate the fair value of cash and cash equivalents. The fair value of our certificates of deposits are estimated using Level 2 of the fair value hierarchy. Level 2 inputs are based on market data that include factors such as interest rates, market and pricing activity and other market-based valuation techniques.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited financial statements and the related notes included in this Quarterly Report on Form 10-Q and with the audited financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2022 (the “Annual Report”).

In addition to historical information, the following discussion and analysis contains forward-looking statements, such as statements about our plans, objectives, expectations, and intentions, which are based on current expectations and that involve risks, uncertainties and assumptions as set forth and described in the “Special Note Regarding Forward-Looking Statements” and “Risk Factors” sections of the Annual Report. You should review those sections in our Annual Report for a discussion of important factors, including the continuing development of our business and other factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in this Quarterly Report on Form 10-Q.

“Kura Sushi USA,” “Kura Sushi,” “Kura,” “we,” “us,” “our,” “our company” and the “Company” refer to Kura Sushi USA, Inc. unless expressly indicated or the context otherwise requires.

Overview

Kura Sushi USA is a technology-enabled Japanese restaurant concept that provides guests with a distinctive dining experience by serving authentic Japanese cuisine through an engaging revolving sushi service model, which we refer to as the “Kura Experience.” We encourage healthy lifestyles by serving freshly prepared Japanese cuisine using high-quality ingredients that are free from artificial seasonings, sweeteners, colorings, and preservatives. We aim to make quality Japanese cuisine accessible to our guests across the United States through affordable prices and an inviting atmosphere.

Business Trends

We have experienced inflationary pressures affecting our operations in certain areas such as food and beverage costs, labor costs, construction costs and energy costs. We have also experienced temporary shortages in food, equipment and other goods, as well as an increase in freights costs, due in part to supply chain impacts of overall economic conditions in the markets in which we operate. We have been able to offset to some extent these inflationary and other cost pressures through various actions, such as increasing menu prices, productivity improvements, and supply chain initiatives, however, we expect these inflationary and other cost pressures to continue throughout the remainder of fiscal year 2023.

Key Financial Definitions

Sales. Sales represent sales of food and beverages in restaurants. Restaurant sales in a given period are directly impacted by the number of restaurants we operate and comparable restaurant sales performance.

Food and beverage costs. Food and beverage costs are variable in nature, change with sales volume and are influenced by menu mix and subject to increases or decreases based on fluctuations in commodity costs. Other important factors causing fluctuations in food and beverage costs include seasonality and restaurant-level management of food waste. Food and beverage costs are a substantial expense and are expected to grow proportionally as our sales grow.

Labor and related expenses. Labor and related expenses include all restaurant-level management and hourly labor costs, including wages, employee benefits and payroll taxes. Similar to the food and beverage costs that we incur, labor and related expenses are expected to grow proportionally as our sales grow. Factors that influence fluctuations in our labor and related expenses include minimum wage and payroll tax legislation, the frequency and severity of workers’ compensation claims, healthcare costs and the performance of our restaurants.

Occupancy and related expenses. Occupancy and related expenses include rent for all restaurant locations and related taxes.

Depreciation and amortization expenses. Depreciation and amortization expenses are periodic non-cash charges that consist of depreciation of fixed assets, including equipment and capitalized leasehold improvements. Depreciation is determined using the straight-line method over the assets’ estimated useful lives, ranging from three to 20 years.

Other costs. Other costs include credit card processing fees, repairs and maintenance, restaurant-level advertising and promotions, restaurant supplies, royalty payments to Kura Japan, stock-based compensation for restaurant-level employees, utilities and other restaurant-level expenses.

General and administrative expenses. General and administrative expenses include expenses associated with corporate and regional supervision functions that support the operations of existing restaurants and development of new restaurants, including compensation and benefits, travel expenses, stock-based compensation for corporate-level employees, legal and professional fees, marketing costs, information systems, corporate office rent and other related corporate costs. General and administrative expenses are expected to grow as our unit base grows.

Interest expense. Interest expense includes cash and non-cash charges related to our line of credit and finance lease obligations.

Interest income. Interest income includes income earned on our money market funds.

Income tax expense (benefit). Provision for income taxes represents federal, state and local current and deferred income tax expense (benefit).

Results of Operations

The following tables present selected comparative results of operations for the three and nine months ended May 31, 2023 and May 31, 2022. Our financial results for these periods are not necessarily indicative of the financial results that we will achieve in future periods. Certain totals for the tables below may not recalculate or sum to 100% due to rounding.

	Three Months Ended May 31,			
	2023	2022	$ Change	% Change
	(dollar amounts in thousands)			
Sales	$ 49,238	$ 37,969	$ 11,269	29.7 %
Restaurant operating costs				
Food and beverage costs	14,770	11,282	3,488	30.9
Labor and related costs	14,362	11,788	2,574	21.8
Occupancy and related expenses	3,554	2,693	861	32.0
Depreciation and amortization expenses	1,975	1,376	599	43.5
Other costs	6,165	4,372	1,793	41.0
Total restaurant operating costs	40,826	31,511	9,315	29.6
General and administrative expenses	7,012	5,900	1,112	18.8
Depreciation and amortization expenses	92	85	7	8.2
Total operating expenses	47,930	37,496	10,434	27.8
Operating income	1,308	473	835	176.5
Other expense (income):				
Interest expense	23	23	—	—
Interest income	(436)	(25)	(411)	1,644.0
Income before income taxes	1,721	475	1,246	262.3
Income tax expense (benefit)	41	(2)	43	(2,150.0)
Net income	$ 1,680	$ 477	$ 1,203	252.2 %

	Nine Months Ended May 31,			
	2023	2022	$ Change	% Change
	(dollar amounts in thousands)			
Sales	$ 132,500	$ 99,091	$ 33,409	33.7 %
Restaurant operating costs				
Food and beverage costs	40,440	29,615	10,825	36.6
Labor and related costs	40,751	31,840	8,911	28.0
Occupancy and related expenses	9,504	7,195	2,309	32.1
Depreciation and amortization expenses	5,309	3,814	1,495	39.2
Other costs	17,352	12,326	5,026	40.8
Total restaurant operating costs	113,356	84,790	28,566	33.7
General and administrative expenses	20,776	16,714	4,062	24.3
Depreciation and amortization expenses	265	256	9	3.5
Total operating expenses	134,397	101,760	32,637	32.1
Operating loss	(1,897)	(2,669)	772	(28.9)
Other expense (income):				
Interest expense	53	70	(17)	(24.3)
Interest income	(593)	(75)	(518)	690.7
Loss before income taxes	(1,357)	(2,664)	1,307	(49.1)
Income tax expense	66	13	53	407.7
Net loss	$ (1,423)	$ (2,677)	$ 1,254	(46.8) %

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2023	2022	2023	2022
	(as a percentage of sales)			
Sales	100.0 %	100.0 %	100.0 %	100.0 %
Restaurant operating costs				
Food and beverage costs	30.0	29.7	30.5	29.9
Labor and related costs	29.2	31.0	30.8	32.1
Occupancy and related expenses	7.2	7.1	7.2	7.3
Depreciation and amortization expenses	4.0	3.6	4.0	3.8
Other costs	12.5	11.5	13.1	12.4
Total restaurant operating costs	82.9	83.0	85.6	85.5
General and administrative expenses	14.2	15.5	15.7	16.9
Depreciation and amortization expenses	0.2	0.2	0.2	0.3
Total operating expenses	97.3	98.7	101.5	102.7
Operating income (loss)	2.7	1.3	(1.6)	(2.7)
Other expense (income):				
Interest expense	-	0.1	-	0.1
Interest income	(0.9)	(0.1)	(0.4)	(0.1)
Income (loss) before income taxes	3.6	1.3	(1.2)	(2.7)
Income tax expense	0.1	—	—	—
Net income (loss)	3.5 %	1.3 %	(1.2) %	(2.7) %

Three Months Ended May 31, 2023 Compared to Three Months Ended May 31, 2022

Sales. Sales were $49.2 million for the three months ended May 31, 2023 compared to $38.0 million for the three months ended May 31, 2022, representing an increase of $11.2 million, or 29.7%. Comparable restaurant sales increased 10.3% for the three months ended May 31, 2023, as compared to the three months ended May 31, 2022. The increase in sales was primarily driven by the sales resulting from nine new restaurants opened subsequent to May 31, 2022, as well as increases in menu prices during the same period.

Food and beverage costs. Food and beverage costs were $14.8 million for the three months ended May 31, 2023 compared to $11.3 million for the three months ended May 31, 2022, representing an increase of $3.5 million, or 30.9%. The increase in food and beverage costs was primarily driven by costs associated with sales from nine new restaurants opened subsequent to May 31, 2022. As a percentage of sales, food and beverage costs increased to 30.0% in the three months ended May 31, 2023 as compared to 29.7% in the three months ended May 31, 2022, primarily due to food cost inflation partially offset by increases in menu prices.

Labor and related costs. Labor and related costs were $14.4 million for the three months ended May 31, 2023 compared to $11.8 million for the three months ended May 31, 2022, representing an increase of $2.6 million, or 21.8%. This increase in labor and related costs was primarily driven by additional labor costs incurred from nine new restaurants opened subsequent to May 31, 2022. As a percentage of sales, labor and related costs decreased to 29.2% in the three months ended May 31, 2023 as compared to 31.0% in the three months ended May 31, 2022. The decrease in cost as a percentage of sales was primarily due to increases in menu prices and technological initiatives, partially offset by increases in wage rates.

Occupancy and related expenses. Occupancy and related expenses were $3.6 million for the three months ended May 31, 2023 compared to $2.7 million for the three months ended May 31, 2022, representing an increase of $0.9 million, or 32.0%. The increase was primarily a result of additional lease expense related to the opening of nine new restaurants subsequent to May 31, 2022. As a percentage of sales, occupancy and related expenses remained consistent at 7.2% in the three months ended May 31, 2023 as compared to 7.1% in the three months ended May 31, 2022.

Depreciation and amortization expenses. Depreciation and amortization expenses incurred as part of restaurant operating costs were $2.0 million for the three months ended May 31, 2023 compared to $1.4 million for the three months ended May 31, 2022, representing an increase of $0.6 million, or 43.5%. The increase was primarily due to depreciation of property and equipment related to the nine new restaurants opened subsequent to May 31, 2022. As a percentage of sales, depreciation and amortization expenses at the restaurant level increased to 4.0% in the three months ended May 31, 2023 as compared to 3.6% in the three months ended May 31, 2022. Depreciation and amortization expenses incurred at the corporate level were $0.1 million for both the three months ended May 31, 2023 and May 31, 2022, and as a percentage of sales were both 0.2%, respectively.

Other costs. Other costs were $6.2 million for the three months ended May 31, 2023 compared to $4.4 million for the three months ended May 31, 2022, representing an increase of $1.8 million, or 41.0%. The increase was primarily driven by an increase in costs related to nine new restaurants opened subsequent to May 31, 2022. As a percentage of sales, other costs increased to 12.5% in the three months ended May 31, 2023 as compared to 11.5% in the three months ended May 31, 2022, primarily driven by advertising, repair and maintenance and travel costs.

General and administrative expenses. General and administrative expenses were $7.0 million for the three months ended May 31, 2023 compared to $5.9 million for the three months ended May 31, 2022, representing an increase of $1.1 million, or 18.8%. This increase was primarily due to increases in compensation related costs of $0.7 million due to additional headcount, $0.2 million of professional fees and $0.1 million in travel expenses. As a percentage of sales, general and administrative expenses decreased to 14.2% in the three months ended May 31, 2023 from 15.5% in the three months ended May 31, 2022, primarily driven by leverage benefits from the increase in sales.

Interest expense. Interest expense was $23 thousand for both the three months ended May 31, 2023 and May 31, 2022, respectively.

Interest income. Interest income was $436 thousand for the three months ended May 31, 2023 compared to $25 thousand for the three months ended May 31, 2022. The increase was primarily driven by investing our net cash proceeds from our $64.3 million follow-on offering completed in April 2023 into cash and cash equivalents and short-term investments.

Income tax expense. Income tax expense was $41 thousand for the three months ended May 31, 2023 compared to an income tax benefit of $2 thousand for the three months ended May 31, 2022. For further discussion of our income taxes, see “Note 9. Income Taxes” in the Notes to Condensed Financial Statements.

Nine Months Ended May 31, 2023 Compared to Nine Months Ended May 31, 2022

Sales. Sales were $132.5 million for the nine months ended May 31, 2023 compared to $99.1 million for the nine months ended May 31, 2022, representing an increase of $33.4 million, or 33.7%. Comparable restaurant sales increased 11.0% for the nine months ended May 31, 2023, as compared to the nine months ended May 31, 2022. The increase in sales was primarily driven by the sales resulting from nine new restaurants opened subsequent to May 31, 2022, as well as increases in menu prices during the same period.

Food and beverage costs. Food and beverage costs were $40.4 million for the nine months ended May 31, 2023 compared to $29.6 million for the nine months ended May 31, 2022, representing an increase of $10.8 million, or 36.6%. The increase in food and beverage costs was primarily driven by costs associated with sales from nine new restaurants opened subsequent to May 31, 2022. As a percentage of sales, food and beverage costs increased to 30.5% in the nine months ended May 31, 2023 as compared to 29.9% in the nine months ended May 31, 2022, primarily due to food cost inflation partially offset by increases in menu prices.

Labor and related costs. Labor and related costs were $40.8 million for the nine months ended May 31, 2023 compared to $31.8 million for the nine months ended May 31, 2022, representing an increase of $9.0 million, or 28.0%. This increase in labor and related costs was primarily driven by additional labor costs incurred from nine new restaurants opened subsequent to May 31, 2022. As a percentage of sales, labor and related costs decreased to 30.8% in the nine months ended May 31, 2023 as compared to 32.1% in the nine months ended May 31, 2022. The decrease in cost as a percentage of sales was primarily due to increases in menu prices and technological initiatives, partially offset by increases in wage rates.

Occupancy and related expenses. Occupancy and related expenses were $9.5 million for the nine months ended May 31, 2023 compared to $7.2 million for the nine months ended May 31, 2022, representing an increase of $2.3 million, or 32.1%. The increase was primarily a result of additional lease expense related to the opening of nine new restaurants opened subsequent to May 31, 2022. As a percentage of sales, occupancy and related expenses remained consistent at 7.2% in the nine months ended May 31, 2023, compared to 7.3% in the nine months ended May 31, 2022.

Depreciation and amortization expenses. Depreciation and amortization expenses incurred as part of restaurant operating costs were $5.3 million for the nine months ended May 31, 2023 compared to $3.8 million for the nine months ended May 31, 2022, representing an increase of $1.5 million, or 39.2%. The increase was primarily due to depreciation of property and equipment related to nine new restaurants opened subsequent to May 31, 2022. As a percentage of sales, depreciation and amortization expenses at the restaurant level increased to 4.0% for the nine months ended May 31, 2023 as compared to 3.8% for the nine months ended May 31, 2022. Depreciation and amortization expenses incurred at the corporate level were $0.3 million for the nine months ended May 31, 2023 and May 31, 2022, and as a percentage of sales were 0.2% and 0.3%, respectively.

Other costs. Other costs were $17.4 million for the nine months ended May 31, 2023 compared to $12.3 million for the nine months ended May 31, 2022, representing an increase of $5.1 million, or 40.8%. The increase was primarily driven by an increase in costs related to nine new restaurants opened subsequent to May 31, 2022. As a percentage of sales, other costs increased to 13.1% in the nine months ended May 31, 2023 from 12.4% in the nine months ended May 31, 2022, primarily driven by advertising, repair and maintenance and travel costs.

General and administrative expenses. General and administrative expenses were $20.8 million for the nine months ended May 31, 2023 compared to $16.7 million for the nine months ended May 31, 2022, representing an increase of $4.1 million, or 24.3%. This increase was primarily due to increases in compensation related costs of $3.3 million due to additional headcount and $0.5 million in travel expenses and $0.3 million in professional fees. As a percentage of sales, general and administrative expenses decreased to 15.7% in the nine months ended May 31, 2023 from 16.9% in the nine months ended May 31, 2022, primarily driven by leverage benefits from the increase in sales.

Interest expense. Interest expense was $53 thousand for the nine months ended May 31, 2023 compared to $70 thousand for the nine months ended May 31, 2022.

Interest income. Interest income was $593 thousand for the nine months ended May 31, 2023 compared to $75 thousand for the nine months ended May 31, 2022. The increase was primarily driven by investing our net cash proceeds from our $64.3 million follow-on offering completed in April 2023 into cash and cash equivalents and short-term investments.

Income tax expense. Income tax expense was $66 thousand for the nine months ended May 31, 2023 compared to $13 thousand for the nine months ended May 31, 2022. For further discussion of our income taxes, see “Note 9. Income Taxes” in the Notes to Condensed Financial Statements.

Key Performance Indicators

In assessing the performance of our business, we consider a variety of financial and performance measures. The key measures for determining how our business is performing include sales, EBITDA, Adjusted EBITDA, Restaurant-level Operating Profit, Restaurant-level Operating Profit margin, Average Unit Volumes (“AUVs”), comparable restaurant sales performance, and the number of restaurant openings.

Sales

Sales represents sales of food and beverages in restaurants, as shown on our statements of operations and comprehensive income (loss). Several factors affect our restaurant sales in any given period, including the number of restaurants in operation, guest traffic and average check.

EBITDA and Adjusted EBITDA

EBITDA is defined as net income (loss) before interest, income taxes and depreciation and amortization. Adjusted EBITDA is defined as EBITDA plus stock-based compensation expense, non-cash lease expense and asset disposals, closure costs and restaurant impairments, that we believe are not indicative of our core operating results. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by sales. EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures which are intended as supplemental measures of our performance and are neither required by, nor presented in accordance with, GAAP. We believe that EBITDA, Adjusted EBITDA and Adjusted EBITDA margin provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results. However, these measures may not provide a complete understanding of the operating results of the Company as a whole and such measures should be reviewed in conjunction with our GAAP financial results.

We believe that the use of EBITDA, Adjusted EBITDA and Adjusted EBITDA margin provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. However, you should be aware when evaluating EBITDA, Adjusted EBITDA and Adjusted EBITDA margin that in the future we may incur expenses similar to those excluded when calculating these measures. In addition, our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of Adjusted EBITDA and Adjusted EBITDA margin may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate Adjusted EBITDA and Adjusted EBITDA margin in the same fashion.

Because of these limitations, EBITDA, Adjusted EBITDA and Adjusted EBITDA margin should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA, Adjusted EBITDA and Adjusted EBITDA margin on a supplemental basis. You should review the reconciliation of net income (loss) to EBITDA, Adjusted EBITDA and Adjusted EBITDA margin below and not rely on any single financial measure to evaluate our business.

The following table reconciles net loss to EBITDA and Adjusted EBITDA:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2023	2022	2023	2022
	(amounts in thousands)			
Net income (loss)	$ 1,680	$ 477	$ (1,423)	$ (2,677)
Interest income, net	(413)	(2)	(540)	(5)
Income tax expense (benefit)	41	(2)	66	13
Depreciation and amortization expenses	2,067	1,461	5,574	4,070
EBITDA	3,375	1,934	3,677	1,401
Stock-based compensation expense[(a)]	975	732	2,570	1,771
Non-cash lease expense[(b)]	768	517	1,818	1,189
Adjusted EBITDA	$ 5,118	$ 3,183	$ 8,065	$ 4,361
Adjusted EBITDA margin	10.4%	8.4%	6.1%	4.4%

(a) Stock-based compensation expense includes non-cash stock-based compensation, which is comprised of restaurant-level stock-based compensation included in other costs and of corporate-level stock-based compensation included in general and administrative expenses in the statements of operations and comprehensive income (loss). For further details of stock-based compensation, see “Note 5. Stock-based Compensation” in the notes to condensed financial statements included in this Quarterly Report on Form 10-Q.

(b) Non-cash lease expense includes lease expense from the date of possession of our restaurants that did not require cash outlay in the respective periods.

Restaurant-level Operating Profit and Restaurant-level Operating Profit Margin

Restaurant-level Operating Profit (Loss) is defined as operating income (loss) plus depreciation and amortization; stock-based compensation expense; pre-opening costs and general and administrative expenses which are considered normal, recurring, cash operating expenses and are essential to support the development and operations of our restaurants; non-cash lease expense; asset disposals, closure costs and restaurant impairments; less corporate-level stock-based compensation expense recognized within general and administrative expenses. Restaurant-level Operating Profit (Loss) margin is defined as Restaurant-level Operating Profit (Loss) divided by sales. Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) margin non-GAAP measures which are intended as supplemental measures of our performance and are neither required by, nor presented in accordance with, GAAP. We believe that Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) margin provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results, as this measure depicts normal, recurring cash operating expenses essential to supporting the development and operations of our restaurants. However, these measures may not provide a complete understanding of the operating results of the Company as a whole and such measures should be reviewed in conjunction with our GAAP financial results. We expect Restaurant-level Operating Profit (Loss) to increase in proportion to the number of new restaurants we open and our comparable restaurant sales growth.

We present Restaurant-level Operating Profit (Loss) because it excludes the impact of general and administrative expenses, which are not incurred at the restaurant level. We also use Restaurant-level Operating Profit (Loss) to measure operating performance and returns from opening new restaurants. Restaurant-level Operating Profit (Loss) margin allows us to evaluate the level of Restaurant-level Operating Profit (Loss) generated from sales.

However, you should be aware that Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) margin are financial measures which are not indicative of overall results for the Company, and Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) margin do not accrue directly to the benefit of stockholders because of corporate-level expenses excluded from such measures.

In addition, when evaluating Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) margin, you should be aware that in the future we may incur expenses similar to those excluded when calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) margin may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) margin in the same fashion. Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP.

The following table reconciles operating loss to Restaurant-level Operating Profit and Restaurant-level Operating Profit margin:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2023	**2022**	**2023**	**2022**
	(amounts in thousands)			
Operating income (loss)	$ 1,308	$ 473	$ (1,897)	$ (2,669)
Depreciation and amortization expenses	2,067	1,461	5,574	4,070
Stock-based compensation expense[(a)]	975	732	2,570	1,771
Pre-opening costs[(b)]	258	104	1,011	420
Non-cash lease expense[(c)]	768	517	1,818	1,189
General and administrative expenses	7,012	5,900	20,776	16,714
Corporate-level stock-based compensation in general and administrative expenses	(812)	(644)	(2,188)	(1,576)
Restaurant-level operating profit	$ 11,576	$ 8,543	$ 27,664	$ 19,919
Operating income (loss) margin	2.7%	1.2%	(1.4)%	(2.7)%
Restaurant-level operating profit margin	23.5%	22.5%	20.9%	20.1%

(a) Stock-based compensation expense includes non-cash stock-based compensation, which is comprised of restaurant-level stock-based compensation included in other costs and of corporate-level stock-based compensation included in general and administrative expenses in the statements of operations and comprehensive income (loss). For further details of stock-based compensation, see “Note 5. Stock-based Compensation” in the notes to condensed financial statements included in this Quarterly Report on Form 10-Q.

(b) Pre-opening costs consist of labor costs and travel expenses for new employees and trainers during the training period, recruitment fees, legal fees, cash-based lease expenses incurred between the date of possession and opening day of our restaurants, and other related pre-opening costs.

(c) Non-cash lease expense includes lease expense from the date of possession of our restaurants that did not require cash outlay in the respective periods.

Comparable Restaurant Sales Performance

Comparable restaurant sales performance refers to the change in year-over-year sales for the comparable restaurant base. We include restaurants in the comparable restaurant base that have been in operation for at least 18 months prior to the start of the accounting period presented due to new restaurants experiencing a period of higher sales upon opening, including those temporarily closed for renovations during the year. For restaurants that were temporarily closed for renovations during the year, we make fractional adjustments to sales such that sales are annualized in the associated period.

Measuring our comparable restaurant sales performance allows us to evaluate the performance of our existing restaurant base. Various factors impact comparable restaurant sales, including:

- consumer recognition of our brand and our ability to respond to changing consumer preferences;
- overall economic trends, particularly those related to consumer spending;
- our ability to operate restaurants effectively and efficiently to meet consumer expectations;
- pricing;
- guest traffic;
- per-guest spend and average check;
- marketing and promotional efforts;
- local competition; and
- opening of new restaurants in the vicinity of existing locations.

Since opening new restaurants will be a significant component of our sales growth, comparable restaurant sales performance is only one measure of how we evaluate our performance. The following table shows the comparable restaurant sales performance:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2023	2022	2023	2022
Comparable restaurant sales performance (%)	10.3%	65.3%	11.0%	118.7%
Comparable restaurant base	32	25	30	25

Number of Restaurant Openings

The number of restaurant openings reflects the number of restaurants opened during a particular reporting period. Before we open new restaurants, we incur pre-opening costs. New restaurants may not be profitable, and their sales performance may not follow historical patterns. The number and timing of restaurant openings has had, and is expected to continue to have, an impact on our results of operations. The following table shows the growth in our restaurant base:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2023	2022	2023	2022
Restaurant activity:				
Beginning of period	45	36	40	32
Openings	1	1	6	5
End of period	46	37	46	37

Liquidity and Capital Resources

Our primary uses of cash are for operational expenditures and capital investments, including new restaurants, costs incurred for restaurant remodels and restaurant fixtures.

On April 13, 2023, we completed an underwritten public offering of common stock pursuant to our universal shelf registration statement on Form S-3, selling an aggregate of 1,265,000 shares of Class A common stock, including the exercise in full of the underwriters' option to purchase 165,000 additional shares, at the price of $54.00 per share less an underwriting discount of $2.70 per share. We received aggregate net proceeds of $64.3 million after deducting the underwriting discounts and commissions and offering expenses payable by us. The proceeds are to be used for general corporate purposes, including capital expenditures, working capital, and other business purposes. No payments were made by us to directors, officers or persons owning 10% or more of our common stock or to their associates, or to our affiliates.

During the nine months ended May 31, 2023, we had no borrowings under the Revolving Credit Agreement and have $45.0 million of availability remaining. As of May 31, 2023, we did not have any material off-balance sheet arrangements.

The significant components of our working capital are liquid assets such as cash, cash equivalents, receivables and short-term investments reduced by accounts payable and accrued expenses. Our working capital position benefits from the fact that we generally collect cash from sales to guests the same day or, in the case of credit or debit card transactions, within several days of the related sale, while we typically have longer payment terms with our vendors.

We believe that cash provided by operating activities, cash on hand, short-term investments and availability under our existing Revolving Credit Agreement, will be sufficient to fund our lease obligations, capital expenditures and working capital needs for at least the next 12 months.

Summary of Cash Flows

Our primary sources of liquidity and cash flows are operating cash flows, cash on hand and short-term investments. We use this to fund investing expenditures for new restaurant openings, reinvest in our existing restaurants, and increase our working capital. Our working capital position benefits from the fact that we generally collect cash from sales to guests the same day, or in the case of credit or debit card transactions, within several days of the related sale, and we typically have at least 30 days to pay our vendors.

The following table summarizes our cash flows for the periods presented:

	Nine Months Ended May 31,			
	2023		2022	
Statement of Cash Flow data:	(amounts in thousands)			
Net cash provided by operating activities	$	7,063	$	16,999
Net cash used in investing activities	$	(37,231)	$	(20,717)
Net cash provided by (used in) financing activities	$	64,860	$	(744)

Cash Flows Provided by Operating Activities

Net cash provided by operating activities during the nine months ended May 31, 2023 was $7.1 million, which results from a net loss of $1.4 million, non-cash charges of $5.6 million for depreciation and amortization, $2.6 million for stock-based compensation, and $2.8 million in non-cash lease expense, and net cash outflows of $2.5 million from changes in operating assets and liabilities.

Net cash provided by operating activities during the nine months ended May 31, 2022 was $17.0 million, which results from a net loss of $2.7 million, non-cash charges of $4.1 million for depreciation and amortization, $1.8 million for stock-based compensation, and $2.3 million in non-cash lease expense, and net cash inflows of $11.5 million from changes in operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities were primarily the result of decreases of $7.8 million in prepaid expenses and other current assets, which was primarily due to collection of $8.0 million of employee retention credits.

Cash Flows Used in Investing Activities

Net cash used in investing activities during the nine months ended May 31, 2023 was $37.2 million, primarily due to $8.7 million in purchases of short-term investments, $27.2 million in purchases of property and equipment and $0.9 million in purchases of liquor licenses. The purchases of property and equipment in the nine months ended May 31, 2023 is primarily related to capital expenditures for current and future restaurant openings and renovations, maintaining our existing restaurants and other projects.

Net cash used in investing activities during the nine months ended May 31, 2022 was $20.7 million, primarily due to $19.5 million in purchases of property and equipment, $0.8 million in purchases of liquor licenses and $0.4 million in payments for initial direct costs. The purchases of property and equipment in the nine months ended May 31, 2022 is primarily related to capital expenditures for current and future restaurant openings and renovations, maintaining our existing restaurants and other projects.

Cash Flows Provided by (Used in) Financing Activities

Net cash provided by financing activities during the nine months ended May 31, 2023 was $64.9 million and is primarily due to aggregate net proceeds of $64.3 million after deducting the underwriting discounts and commissions and offering expenses payable, and $1.0 million of proceeds from exercise of stock options offset by $0.4 million in repayments of principal on finance leases.

Net cash used in financing activities during the nine months ended May 31, 2022 was $0.7 million and is primarily due to $0.8 million in repayments of principal on finance leases.

Material Cash Requirements

As of May 31, 2023, we had $11.4 million in contractual obligations relating to the construction of new restaurants and purchase commitments for goods related to restaurant operations. All contractual obligations are expected to be paid during the next 12 months utilizing cash and cash equivalents on hand and provided by operations. For operating and finance lease obligations, see “Note 3. Leases” in the Notes to Condensed Financial Statements included in this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncement, including the respective date of adoption and expected effect on our results of operations and financial condition, see “Part I, Item 1, Note 1. Organization and Basis of Presentation” of the Notes to Condensed Financial Statements included in this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

Our discussion and analysis of operating results and financial condition are based upon our financial statements. The preparation of our financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales, expenses and related disclosures of contingent assets and liabilities. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis.

Our critical accounting policies are those that materially affect our financial statements. Our critical accounting estimates are those that involve subjective or complex judgments by management. Although these estimates are based on management’s best knowledge of current events and actions that may impact us in the future, actual results may be materially different from the estimates. We believe the assessment of potential impairments of long-lived assets is affected by significant judgments and estimates used in the preparation of our financial statements and that the judgments and estimates are reasonable.

There have been no material changes in our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the fiscal year ended August 31, 2022. Please refer to “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates” of our Annual Report on Form 10-K for the fiscal year ended August 31, 2022 for a discussion of our critical accounting policies and estimates.

Jumpstart Our Business Startups Act of 2012

We qualify as an “emerging growth company” as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

Subject to certain conditions set forth in the JOBS Act, we are also eligible for and intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We may take advantage of these exemptions until we are no longer an emerging growth company. We will continue to be an emerging growth company until the earliest to occur of (i) the last day of the fiscal year in which the market value of our Class A common stock that is held by non-affiliates exceeds $700 million as of June 30 of that fiscal year, (ii) the last day of the fiscal year in which our annual gross revenues exceed $1.235 billion during such fiscal year (as indexed for inflation), (iii) the date on which we have issued more than $1 billion in non-convertible debt in the prior three-year period or (iv) the last day of the fiscal year following the fifth anniversary of the date of the completion of our initial public offering.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Commodity and Food Price Risks

Our profitability is dependent on, among other things, our ability to anticipate and react to changes in the costs of key operating resources, including food and beverages and other commodities. We have been able to partially offset cost increases resulting from a number of factors, including market conditions, shortages or interruptions in supply due to weather or other conditions beyond our control, governmental regulations, and inflation, by increasing our menu prices, as well as making other operational adjustments that increase productivity. However, substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be offset by menu price increases or operational adjustments.

Inflation Risk

The primary inflationary factors affecting our operations are food and beverage costs, labor costs, construction costs and energy costs. Our restaurant operations are subject to federal and state minimum wage and other laws governing such matters as working conditions, overtime and tip credits. Significant numbers of our restaurant personnel are paid at rates related to the federal and/or state minimum wage and, accordingly, increases in the minimum wage increase our labor costs. To the extent permitted by competition and the economy, we have mitigated increased costs by increasing menu prices and may continue to do so if deemed necessary in future years. Substantial increases in costs and expenses could impact our operating results to the extent such increases cannot be passed through to our guests. Historically, inflation has not had a material effect on our results of operations, although inflationary pressures have increased across our business, including with respect to food and beverage costs, due in part to supply chain impacts of overall economic conditions in the markets in which we operate. Severe increases in inflation, however, could affect the global and U.S. economies and could have an adverse impact on our business, financial condition or results of operations.

While we have been able to partially offset inflation and other changes in the costs of core operating resources by gradually increasing menu prices, coupled with more efficient purchasing practices, productivity improvements and greater economies of scale, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions could limit our menu pricing flexibility. In addition, macroeconomic conditions could make additional menu price increases imprudent. There can be no assurance that future cost increases can be offset by increased menu prices or that increased menu prices will be fully absorbed by our guests without any resulting change to their visit frequencies or purchasing patterns. In addition, there can be no assurance that we will generate the same sales growth in an amount sufficient to offset inflationary or other cost pressures.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

For a description of our legal proceedings, see Part I, Item 1, Note 8 – Commitments and Contingencies, of the Notes to Condensed Financial Statements of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors.

A description of the risk factors associated with our business is contained in the "Risk Factors" section of our Annual Report on Form 10-K for our fiscal year ended August 31, 2022. There have been no material changes to our Risk Factors as therein previously reported.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	KURA SUSHI USA, INC.
Date: July 6, 2023	By: /s/ Jeffrey Uttz
	Jeffrey Uttz
	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Hajime Uba, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kura Sushi USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 6, 2023

/s/ Hajime Uba

Hajime Uba
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Uttz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kura Sushi USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 6, 2023	/s/ Jeffrey Uttz
	Jeffrey Uttz
	Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kura Sushi USA, Inc. (the "Company") on Form 10-Q for the period ending May 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: July 6, 2023

By: /s/ Hajime Uba
Hajime Uba
Chairman, President and Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kura Sushi USA, Inc. (the “Company”) on Form 10-Q for the period ending May 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: July 6, 2023	By:	/s/ Jeffrey Uttz
		Jeffrey Uttz
		Chief Financial Officer