UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended August 31, 2024

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 NO.: 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 Number)**

17461 Derian Avenue, Suite 200, Irvine, California 92614
(Address of principal executive offices and zip code)

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

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**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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 February 29, 2024, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $579.6 million, based on the closing sale price as reported on the Nasdaq Global Market.

As of November 1, 2024, the registrant had 10,255,998 shares of Class A common stock outstanding and 1,000,050 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Form 10-K, to the extent not set forth herein, is incorporated by reference from the registrant's definitive proxy statement for the 2025 annual meeting of stockholders, which will be filed no later than 120 days after the close of the registrant's fiscal year ended August 31, 2024.

Auditor Firm Id: 185 Auditor Name: KPMG LLP Auditor Location: Irvine, CA

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. The terms such as "target," "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "estimate," "continue," "predict," "potential," "plan," "anticipate" or the negative of these terms, and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including but not limited to:

- our ability to successfully maintain increases in our comparable restaurant sales and average unit volumes ("AUVs");
- our ability to successfully execute our growth strategy and open new restaurants that are profitable;
- our ability to expand in existing and new markets;
- our projected growth in the number of our restaurants;
- macroeconomic conditions and other economic factors;
- our ability to compete with many other restaurants;
- our reliance on vendors, suppliers and distributors, including our majority stockholder, Kura Sushi, Inc.;
- changes in food and supply costs, including the impact of inflation and tariffs;
- concerns regarding food safety and foodborne illness;
- changes in consumer preferences and spending behavior and the level of acceptance of our restaurant concept in new markets;
- minimum wage increases and mandated employee benefits that could cause a significant increase in our labor costs, as well as the impact of labor availability;
- the failure of our automated equipment or information technology systems or the breach of our network security;
- the loss of key members of our management team;
- the impact of governmental laws and regulations;
- volatility in the price of our common stock; and
- those other risk factors described in Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Annual Report on Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

BASIS OF PRESENTATION

"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.

We refer to our Class A common stock as "common stock," unless the context otherwise requires. We sometimes refer to our Class A common stock and Class B common stock as "equity interests" when described on an aggregate basis.

The Company's fiscal year begins on September 1 and ends on August 31. We refer to our last three completed fiscal years as "fiscal year 2024," "fiscal year 2023" and "fiscal year 2022."

TRADEMARKS, SERVICE MARKS AND TRADE NAMES

We own or have rights to various trademarks, service marks and trade names that we use in connection with the operation of our business. This report may also contain trademarks, service marks and trade names of third parties, which are the property of their respective owners. Our use or display of third parties' trademarks, service marks, trade names or food products in this report is not intended to imply a relationship with, or endorsement or sponsorship by, these other parties. Solely for convenience, the trademarks, service marks and trade names referred to in this report may appear without the ®, TM or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks, service marks and trade names.

PART I

Item 1. Business

Company Overview

Kura Sushi USA, Inc. ("Kura Sushi") 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.

Kura Sushi is headquartered in Irvine, California and was established in 2008 as a subsidiary of Kura Sushi, Inc. ("Kura Japan"), a Japan-based revolving sushi chain with over 550 restaurants and 40 years of brand history. Kura Sushi opened its first restaurant in Irvine, California in 2009, and currently operates 70 restaurants across twenty states and Washington, DC.

Kura Japan owns 4,126,500 shares of our Class A common stock and all of our 1,000,050 Class B common stock. Kura Japan's combined ownership of Class A common stock and Class B common stock represents 70% of the combined voting power of our equity interests. As a result, we are a "controlled company" within the meaning of the corporate governance rules of the Nasdaq Stock Market, and Kura Japan can exert significant voting influence over fundamental and significant corporate matters and transactions and may have interests that differ from yours. See "Item 1A. Risk Factors—Risks Related to Our Organizational Structure."

Our Strengths

Authentic Japanese Cuisine—A Tribute to Our Roots. We provide our guests with a Kura Experience that is uniquely Japanese and is based on the legacy built by Kura Japan. Kura Japan opened its first revolving sushi restaurant in 1984 and was among the pioneers of the revolving sushi restaurant model. Our various sushi items are made fresh using high-quality fish and rice. Our vinegar, made using old-world methods, is sourced from Japan. Our broths are made in-house daily using ingredients that impart complex umami flavors. To complement our sushi selection, we offer a variety of side dishes and desserts including gyoza, tempura, soups, ramen, mochi, and cheesecake. In our commitment to our Japanese heritage and traditional cooking methods, we have prepared our food without artificial sweeteners, seasonings, colorings, or preservatives since our formation.

"Revolutionary" and Engaging Dining Experience. The Kura Experience is a multi-sensory experience for our guests comprised of the sight of our beautifully crafted cuisine weaving through our restaurants, the motion of dishes zipping by tables on the express belt, robots delivering drinks and condiments, the sound of anime videos playing on tableside touch screens, the thrill of being rewarded for achieving dining milestones, and the flavor of authentic Japanese dishes, which collectively create a highly entertaining and engaging environment for our guests. Our revolving conveyor belt service model offers a steady stream of dishes and continuous service which we believe builds anticipation and a sense of discovery among our guests. To simplify the guest experience, all plates on the revolving conveyor belt are the same price within a restaurant. In addition, items ordered on our on-demand screen arrive on the express belt in a theatrical fashion, which we believe our guests find entertaining and adds to the sense of constant motion in our restaurants. Our menu of small plates allows our guests to sample a variety of dishes, and with approximately 130 items on our menu, there is always something new to enjoy when our guests return. We also seek to delight and reward our guests for achieving dining milestones with short anime videos and a rotating selection of small toys from our Bikkura-Pon rewards machines. For every five plates placed into the plate slot, the tableside touch screen plays a short anime video, and for every 15 plates, our proprietary tableside Bikkura-Pon rewards machine dispenses a toy. We believe our Bikkura-Pon rewards machines encourage guests to consume a greater quantity of plates as they work towards achieving the next dining milestone. Our continuous service model creates an atmosphere of active participation where food is at the center of the conversation, and we believe it also creates a memorable and shareable experience for our guests.

Compelling Value Proposition with Broad Appeal. Our service model allows our guests to control their dining experience, from food variety to time spent on a meal, and from portions to check size. With instant access to food on the revolving conveyor belt, our guests can drop in for a quick meal or stay longer for a more relaxed dining experience. Our guests can enjoy high-quality dishes at affordable prices because of our efficient kitchen operations and low front-of-house labor needs. The average plate price on the revolving conveyor belt of our restaurants is around $3.65, which appeals to guests with appetites and budgets both large and small. We believe that our authentic approach to a popular cuisine and unique and flexible dining experience appeal to a wide range of demographics. In addition, we believe our commitment to high-quality and non-artificial ingredients in our food is at the forefront of current dining trends as consumers continue to seek healthy and natural food options.

Highly Attractive Restaurant-Level Economics. At Kura Sushi, we leverage the disciplined operational expertise honed over the more than 40-year history of Kura Japan to help us achieve strong restaurant-level economics. We believe our results are driven by our high-volume restaurants, intelligent and efficient operations, and flexible real estate model:

- High-Volume Restaurants: We believe the combination of authentic Japanese cuisine at an accessible price point and a service model that promotes discovery, fun, and optionality for guests creates a highly differentiated dining experience that drives traffic and robust sales in our restaurants;
- Intelligent and Efficient Operations: Our revolving conveyor belt, express belt, and touch screen menu enable self-service dining and reduce our need for service staff. In addition, our use of sushi robots, vinegar mixing machines, and automatic rice washers in our kitchens eliminates the need for highly trained and expensive sushi chefs. The proprietary technology deployed in our kitchens allows us to collect real-time data on food consumption and guest preferences which we analyze to further optimize our restaurants and enhance the dining experience; and
- Flexible Real Estate: We have a flexible restaurant model which has allowed us to open restaurants as small as 1,600 square feet and as large as 7,920 square feet. We believe this allows us to maximize our sales per square foot.

Our Growth Strategies

Pursue New Restaurant Development. We have pursued a disciplined new unit growth strategy, having expanded our concept and operating model across varying restaurant sizes and geographies. We plan to leverage our expertise opening new restaurants to fill in existing markets and expand into new geographies with the same careful planning as we have demonstrated in the past. See also our real estate strategy under "Site Development and Expansion – Site Selection Process." We believe that we have the potential to become a national Japanese restaurant brand, with a long-term total restaurant potential in the United States of over 290 restaurants. However, we cannot predict the time period over which we can achieve any level of restaurant growth or whether we will achieve this level of growth at all. Our ability to achieve new restaurant growth is impacted by a number of risks and uncertainties beyond our control, including those described in "Item 1A. Risk Factors—Risk Factors".

Deliver Consistent Comparable Restaurant Sales Growth. We believe we will be able to generate comparable restaurant sales growth by growing traffic through increased brand awareness, consistent delivery of a unique and engaging dining experience, new menu offerings, and restaurant renovations. We will continue to manage our menu and pricing as part of our overall strategy to drive traffic and increase average check. We continue to explore initiatives to increase off-premises sales, enhance our rewards program, and improve our mobile application. Our rewards program, which has been rolled out across our entire restaurant base, tracks participants' spending and provides a discount voucher if a spending threshold is achieved.

Increase Profitability. During our expansion, we have invested in our infrastructure and personnel, which we believe positions us to continue to scale our business operations. As we continue to grow, we expect to drive higher profitability at the corporate level by leveraging our existing support infrastructure, as we believe that as our

restaurant base grows, our general and administrative costs over several years will increase at a slower rate than our sales.

Heighten Brand Awareness. We intend to continue to pursue targeted local marketing efforts and plan to increase our investment in advertising. We intend to continue to promote limited time offerings to build guest loyalty and brand awareness.

Site Development and Expansion

Site Selection Process

We consider site selection and real estate development to be critical to our success. We invest in a 3rd party data analytics tool that directs us to trade areas and sites that will give us the best chance at success, and more importantly, will identify potential demographic characteristics that could result in underperformance. With this data and local market knowledge, we identify pre- approved targeted trade areas. Our national broker team receives potential site locations within the aforementioned targeted trade area from networks of local brokers, which are then reviewed by our restaurant development and senior management teams. This review includes multiple site visits, key deal terms, analyses of the estimated profitability and cash-on-cash returns of proposed properties. Further analysis is done to assess the proposed property's sales and profit impact on nearby Kura restaurants to ensure that the site is accretive to the overall market return even when considering impact on the existing portfolio.

Our current real estate strategy focuses on high-traffic retail centers in markets with a highly educated and diverse population with above-average household incomes. In site selection, we also consider attributes such as visibility, traffic patterns, accessibility, parking and competition. Our flexible physical footprint allows us to open in-line, end-cap, and free-standing restaurant formats at strip malls and shopping centers and penetrate markets in both suburban and urban areas.

Expansion Strategy

We have a two-pronged expansion strategy by opening new restaurants in both new and existing markets. We believe this expansion is crucial to executing our growth strategy and building awareness of Kura Sushi as a national Japanese casual dining brand. Expansion into new markets occurs in parallel with ongoing growth in existing markets, with the goal of maintaining a pipeline of top-tier development opportunities.

Upon selecting a new market, we typically build one to two restaurants to prove concept viability in that market. We have a remote management system whereby our operations team can monitor restaurants in real-time from our headquarters to maintain operational quality in new markets.

Due to our relatively small restaurant count, new restaurants have an outsized impact on our financial performance. When selecting sites, we look to replicate the site attributes, trade area quality, and co-tenant mix of our most successful restaurants. We frequently reevaluate our market area development plan (targeted areas and pacing for development) and our site selection strategy within those targeted areas.

Restaurant Design

Our in-house development team handles restaurant design in conjunction with outsourced vendor relationships. Our restaurant size currently averages approximately 3,400 square feet. Seating in our restaurants is comprised of a combination of booths and counter seats, with an average seating capacity of approximately 110 guests. Our restaurant layout blends a traditional Japanese dining experience characterized by wood designs throughout the dining room mixed with the brand's modern technology utilizing the revolving conveyor belt, the express belt, the robot server, the tablet ordering and the Bikkura-Pon rewards machines.

Construction of a new restaurant takes approximately five months. We oversee and coordinate engagement with our preferred general contractors for the restaurant construction process. On average, our restaurants opened during fiscal year 2024 required a cash build-out cost of approximately $2.4 million per restaurant, net of landlord tenant improvement allowances; however, this amount could be materially higher or lower depending on the utilization of union labor, geography, restaurant size, and condition of the premises upon landlord delivery.

Restaurant Management and Operations

Restaurant Management and Employees

Our restaurants typically employ one restaurant manager, two to four assistant managers, and approximately 30 to 70 additional team members depending on the restaurant size. Managers, assistant managers, and management trainees are cross-trained throughout the restaurant to create competency across critical restaurant functions, both in the dining area and the kitchen.

In addition, our operations team monitors restaurants in real-time from our headquarters using our remote management system of approximately 20 to 30 cameras installed in each restaurant. These team members are responsible for different components of the restaurant: cleanliness, service, and food quality. We believe that establishing the operations team has enabled our restaurant managers to focus on guest service and efficient operations in our restaurants and has permitted a smaller regional management structure.

Training and Employee Programs

We devote significant resources to identifying, selecting, and training all employees. Restaurant management trainees undergo training to develop a deep understanding of our operations. In addition, we have extensive training manuals that cover all aspects of restaurant-level operations. We have implemented additional online training through our learning management system and operational manuals for our restaurant employees to provide a safe and sanitary environment for our customers and employees.

Our traveling "opening teams" provide training to team members before opening a new restaurant. We believe the opening teams facilitate a smooth opening process and efficient restaurant operations from the first day a restaurant opens to the public. An opening team is typically on-site at new restaurants from two weeks before opening to six weeks after opening.

Food Preparation, Quality and Safety

Food safety is essential to our success and we have established procedures to help ensure that our guests enjoy safe, quality food. We require each restaurant employee to complete food handler safety certification upon hiring. We have taken various additional steps to mitigate food quality and safety risks, including the following:

- *HACCP*. To minimize the risk of food-borne illness, we have implemented a Hazard Analysis and Critical Control Points ("HACCP") system for managing food safety and quality for sushi rice and other foods which require time and temperature control for safety;
- *Mr. Fresh*. We use the proprietary Mr. Fresh dome, developed by Kura Japan, to protect each plate on the revolving conveyor belt. The Mr. Fresh dome is a plastic cover that opens when a guest selects the plate beneath the dome;
- *Revolving Conveyor Belt Time Limit.* We limit the amount of time that our dishes remain on the revolving conveyor belt to two hours, which is shorter than the time required by local health authorities where we operate our restaurants. Once the RFID or QR Code tag on Mr. Fresh registers over two hours, a robotic arm in our kitchen automatically removes the plate from the revolving conveyor belt; and

- *Suppliers and Third-Party Reviews.* Our restaurants undergo internal safety audits and routine health inspections. We also consider food safety and quality assurance when selecting our distributors and suppliers.

Shared Services Agreement with Kura Japan

Kura Sushi operates independently from Kura Japan but does utilize Kura Japan for certain services. On August 5, 2019, we entered into a Shared Services Agreement with Kura Japan, pursuant to which Kura Japan provides us with certain strategic, operational and other support services, including assigning certain employees to work for us as expatriates to provide support to our operations, sending its employees to us on a short-term basis to provide support for the opening of new restaurants or renovation of existing restaurants, and providing us with certain supplies, parts and equipment for use in our restaurants. In addition, we have agreed to continue to provide Kura Japan with certain translational support services and market research analyses. In exchange for such services, supplies, parts and equipment, the parties pay fees to each other as set forth under the Shared Services Agreement. The Shared Services Agreement may be modified or supplemented to include additional services under terms and conditions to be mutually agreed upon in good faith by the parties. The fees for additional services shall be mutually agreed upon by the parties.

Marketing and Advertising

We use a variety of marketing and advertising channels to build brand awareness, attract new guests, increase dining frequency, support new restaurant openings, and promote Kura Sushi as an authentic Japanese restaurant with high-quality cuisine and a distinctive dining experience. Our primary advertising channels include digital, social media, traditional media, and print. Our Bikkura-Pon promotional programs, which include the licensing of other popular brands from time-to-time, are an additional form of marketing that differentiates the Kura brand.

We maintain a strong social media presence allowing us to communicate regularly with guests, inform guests of new offerings, and conduct promotions. Our unique dining experience is built to provide our guests with social media shareable moments, which extends our advertising reach.

We focus advertising efforts on new menu offerings to broaden our appeal to guests and drive traffic. We periodically update our offerings with new menu items based on our consumer testing results. We promote these new menu additions through various social media platforms, our website and in-restaurant signage.

We offer guests our monthly limited-time offer promotions which feature premium, seasonal, and limited-availability ingredients. Most premium items are priced the same as standard menu items, thereby offering significant value to our guests.

We also maintain a loyalty program while focusing on member growth and high engagement. This program allows us to build relationships with our guests while increasing brand loyalty.

In addition to our national marketing initiatives, we implement regional and local store marketing efforts tailored to the specific demographics and preferences of each community we serve. These localized campaigns help us better connect with our guests on a more personal level and drive traffic to individual locations.

Furthermore, we are committed to utilizing meaningful cause marketing strategies where possible. By partnering with local charities and community organizations, we aim to give back to the communities that support us, enhance our brand reputation, and foster a sense of goodwill among our guests.

Suppliers

We carefully select suppliers based on product quality and authenticity and their understanding of our brand, and we seek to develop long-term relationships with them. We identify and procure high-quality ingredients at competitive prices. We make a portion of our purchases annually in bulk at fixed prices, and we do not engage in any hedging agreements to manage our exposure to fluctuations in the price of seafood or other food commodities.

In fiscal year 2024, we sourced through the following two major Japanese-related distributors: JFC International Inc. ("JFC"), a subsidiary of Kikkoman Corporation, and Mutual Trading Co., Inc. ("Mutual"). Our spend with JFC accounted for 55%, 49%, and 52% of total food and beverage costs for fiscal years 2024, 2023, and 2022, respectively. Our purchases from Mutual were 34% of our total food and beverage cost for fiscal year 2024, and were not significant for fiscal years 2023 and 2022. Our relationships with both JFC and Mutual have been in place since 2009. We also source from other distributors. Our suppliers deliver to our restaurants approximately three times per week. If we could no longer source through any of our suppliers, we would intend to replace the supplier with a different source, but there can be no assurance that any such replacement would provide goods at the prices and level of quality of our current suppliers. In fiscal year 2025, we expect our two major suppliers to be JFC and Mutual.

Management Information Systems

All of our restaurants use computerized management information systems, which we believe are scalable to support our future growth plans. We use proprietary technology developed by Kura Japan to predict a restaurant's food consumption. We use our current point-of-sale system to tally food consumption and produce the final bill. All credit card transactions are processed through third-party terminals using secure network and processing systems. Transaction data is used to generate customizable reports that our restaurant managers, operations team, and senior management use to analyze sales, product mix, and check averages.

We use a combination of proprietary and off-the-shelf kitchen and in-restaurant back-office computer systems to assist in the management of our restaurants and provide labor and food cost management tools. Our systems analyze customer traffic, order demand, timestamps on Mr. Fresh RFID, QR Code tags, or AI Powered Camera Systems for plates on the revolving conveyor belt, and plate classification and quantities on the revolving conveyor belt. Our systems communicate restaurant-level data to our corporate headquarters to track and manage inventory and labor at the restaurant-level and generate reports for our management team to track performance.

Competition

The restaurant industry is divided into several primary categories, including limited-service and full-service restaurants, which are generally categorized by price, food quality, service, and location. The Kura model sits at the intersection of these two categories, offering the experience and food quality of a full-service restaurant and the speed of service of a limited-service restaurant. We primarily compete with other full-service restaurants.

We face significant competition from a variety of locally owned restaurants and national chain restaurants offering both Asian and non-Asian cuisine, as well as takeaway options from grocery stores. We believe that we compete primarily based on product quality, dining experience, ambiance, location, convenience, value perception, and price. Our competition continues to intensify as competitors increase the breadth and depth of their product offerings and open new restaurants.

Seasonality

Seasonal factors and the timing of holidays cause our sales to fluctuate from quarter to quarter. The seasonality impact may be amplified as we expand by opening more restaurants in cold weather climates. Adverse weather conditions may also affect guest traffic. As a result of these factors, our financial results for any single quarter or for periods less than a year are not necessarily indicative of the results that may be achieved for a full fiscal year.

Human Capital Resources

As of August 31, 2024, we had approximately 3,300 employees, of whom 200 were exempt employees and the remainder were non-exempt employees. None of our employees are unionized or covered by collective bargaining agreements, and we consider our current employee relations to be good. Our human capital objectives include attracting, developing, motivating, rewarding, and retaining our existing and new employees.

We are committed to providing equal opportunities and seek to ensure there is equity in hiring, development, and advancement. We provide inclusive leadership training for our employees and our interview processes focus on enhancing opportunity and development for candidates. We also offer our employees online training courses and on-the-job training. Restaurant management trainees undergo training to understand all aspects of the restaurant operations.

We are committed to conducting pay analyses to help ensure that we are paying fairly and equitably. To help ensure that we are paying fairly and equitably, we are committed to conducting both internal reviews and external third-party audits and verification. We have also trained our recruiters to help enable them to identify and address pay equity issues during the hiring process utilizing internal reporting and partnership with the compensation team. We provide our employees with cash-based performance bonus awards and we also have an equity incentive compensation plan to provide certain management-level or other key employees with stock-based awards. We monitor our progress with metrics such as employee performance measures, turnover rates and restaurant customer surveys.

At the heart of our culture is the belief that our employees are the foundation of our success. We depend on our employees to effectively execute all aspects of our day-to-day operations that differentiate our concept. Our ability to attract highly motivated employees and retain an engaged, experienced team is key to the successful execution of our strategy. While we continue to operate in a competitive labor environment, we believe our people practices contribute significantly to our ability to attract talent and to our historically industry-leading retention rates. Our investment and support, particularly through our culture, fosters retention and engagement of our members. Cultivating and maintaining our culture is a key focus and fosters retention and engagement of our members. Our core values and purpose reflect who we are and how our employees interact with one another, as well as with our guests and other external stakeholders.

Diversity, Equity, Inclusion and Belonging is a key initiative for us. We strive to offer an atmosphere of inclusion and belonging for all. We believe the cultural alignment we cultivate around respect and inclusion builds trust and promotes teamwork to achieve our common goals. Furthermore, when our employees feel valued and respected for their worth as individuals, they are better able to maximize their potential at work and more likely to share their perspectives, opinions and ideas, which contributes to our ability to innovate.

We believe access to healthcare is a compelling benefit for many employees, and we provide benefits and wellness offerings, including free mental health resources, to support our employees, and their families. The health and safety of our employees is our highest priority. In protecting our employees' safety, we have invested in creating a safe work environment. For our office employees, we have work from home flexibility. For our restaurant employees, we continue to maintain our increased cleaning protocols and provided additional personal protective equipment.

Government Regulation and Environmental Matters

We are subject to extensive and varied federal, state, and local government regulations, including regulations relating, among others, to public and occupational health and safety, nutritional menu labeling, healthcare, the environment, sanitation, and fire prevention. We operate each of our restaurants in accordance with standards and procedures designed to comply with applicable codes and regulations. However, an inability to obtain or retain health department or other licenses would adversely affect our operations. Although we have not experienced, and do not anticipate, any significant difficulties, delays or failures in obtaining required licenses, permits or approvals, any such problem could delay or prevent the opening of, or adversely impact the viability of, a particular restaurant or group of restaurants. Additionally, difficulties, delays or failure to retain or renew licenses, permits or approvals, or increased compliance costs due to changed regulations, could adversely affect operations at existing restaurants.

In addition, to develop and construct restaurants, we must comply with applicable zoning, land use and environmental regulations. Federal and state environmental regulations have not had a material effect on our operations to date, but more stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or even prevent construction and increase development costs for new restaurants. We are also required to comply with the accessibility standards mandated by the U.S. Americans with Disabilities Act, which generally prohibits discrimination in accommodation or employment based on disability. We may in the future have to modify restaurants, for example, by adding access ramps or redesigning certain architectural fixtures, to provide service to or make reasonable accommodations for disabled persons. While these expenses could be material, our current expectation is that any such actions will not require us to expend substantial funds.

A small amount of our sales is attributable to the sale of alcoholic beverages. Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county or municipal authorities for a license that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of our restaurants, including minimum age of patrons and employees, hours of operation, advertising, trade practices, wholesale purchasing, other relationships with alcohol manufacturers, wholesalers and distributors, inventory control and handling, storage and dispensing of alcoholic beverages. We require our local store management and service staff to take required responsible beverage service training through applicable state programs along with internal mandatory training providing proper guidance on minimizing risk of over serving or serving someone not of age. We are also subject in certain states to "dram shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. We carry liquor liability coverage as part of our existing comprehensive general liability insurance. We may decide not to obtain liquor licenses in certain jurisdictions due to the high costs associated with obtaining liquor licenses in such jurisdictions.

Further, we are subject to the U.S. Fair Labor Standards Act, the U.S. Immigration Reform and Control Act of 1986, the Occupational Safety and Health Act and various other federal and state laws governing similar matters including minimum wages, overtime, workplace safety and other working conditions. Significant numbers of our food service and preparation personnel are paid at rates related to the applicable minimum wage, and further increases in the minimum wage or other changes in these laws could increase our labor costs. Our ability to respond to minimum wage increases by increasing menu prices will depend on the responses of our competitors and guests. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards, which could result in higher costs of goods and services supplied to us. We may also be subject to lawsuits from our employees, the U.S. Equal Employment Opportunity Commission or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters.

There has been increased regulation of certain food establishments in the United States, such as the requirements to maintain a HACCP system. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Many states have required restaurants to develop and implement HACCP systems and the U.S. government continues to expand the sectors of the food industry that must adopt and implement HACCP programs. Although we have implemented a HACCP system for managing food safety and quality at our restaurants for sushi rice and other foods which require time and temperature control for safety, we cannot provide assurance that we will not have to expend additional time and resources to comply with new food safety requirements either required by current or future federal food safety regulation or legislation. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise harm our business.

A number of states, counties and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose to consumers certain nutritional information, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Many of these requirements are inconsistent or interpreted differently from one jurisdiction to another. These requirements may be different or inconsistent with requirements that we are subject to under the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act (collectively, the "ACA"), which establishes a uniform, federal requirement for

certain restaurants to post nutritional information on their menus. Specifically, the ACA requires chain restaurants with 20 or more locations in the United States operating under the same name and offering substantially the same menus to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. The ACA also requires covered restaurants to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item, and to provide a statement on menus and menu boards about the availability of this information upon request. While our ability to adapt to consumer preferences and spending behavior is a strength of our concepts, the effect of such labeling requirements on consumer choices, if any, is unclear at this time.

We are subject to federal, state and local environmental laws and regulations concerning waste disposal, pollution, protection of the environment, and the presence, discharge, storage, handling, release and disposal of, or exposure to, hazardous or toxic substances ("environmental laws"). These environmental laws can provide for significant fines and penalties for non-compliance and liabilities for remediation, sometimes without regard to whether the owner or operator of the property knew of, or was responsible for, the release or presence of the hazardous or toxic substances. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of, or actual or alleged exposure to, such substances. We are not aware of any environmental laws that will materially affect our earnings or competitive position, or result in material capital expenditures relating to our restaurants. However, we cannot predict what environmental laws will be enacted in the future, how existing or future environmental laws will be administered, interpreted or enforced, or the amount of future expenditures that we may need to make to comply with, or to satisfy claims relating to, environmental laws. It is possible that we will become subject to environmental liabilities at our properties, and any such liabilities could materially affect our business, financial condition or results of operations.

We are also subject to laws and regulations relating to information security, privacy, cashless payments, gift cards and consumer credit, protection and fraud, and any failure or perceived failure to comply with these laws could harm our reputation or lead to litigation, which could adversely affect our business, financial condition or results of operations.

Furthermore, we are subject to import laws and tariffs which could impact our ability to source and secure food products, other supplies and equipment necessary to operate our restaurants.

For a discussion of the various risks we face from regulation and compliance matters, see "Item 1A. Risk Factors."

Intellectual Property and Trademarks

Kura Japan owns several patents, trademarks and service marks registered or pending with the U.S. Patent and Trademark Office ("PTO"), including, but not limited to Food Management System (Patent No.: US 9,193,535 B2), Food Plate Carrier (Patent No.: US 8,550,229 B2), "Kura Sushi" (Trademark Reg. No 5,460,596) and "Kura Revolving Sushi Bar" (Trademark Reg. No. 5,557,000), and "Mr. Fresh" (Trademark App. Ser. No. 98/042,118). The first of the patents is set to expire in August 2032. In addition, we have registered the Internet domain name www.kurasushi.com, which points to our company website. The information on, or that can be accessed through, our website is not part of this report.

We license certain intellectual property critical to our business from Kura Japan, including, but not limited to, the trademarks "Kura Sushi," "Mr. Fresh" and "Kura Revolving Sushi Bar," and patents for a food management system and Mr. Fresh dome. Any termination or limitation of, or loss of exclusivity under, our exclusive license agreement would have a material adverse effect on us and could adversely affect our business, financial condition or results of operations. We have an amended and restated exclusive license agreement with regard to the intellectual property we license from Kura Japan which shall remain in effect unless and until terminated by mutual agreement of the parties.

We believe that the trademarks, service marks and other intellectual property rights that we license from Kura Japan have significant value and are important to the marketing and reputation of our brand. It is our policy to pursue registration of our intellectual property whenever possible and to oppose vigorously any infringement thereof. However, we cannot predict whether steps taken to protect such rights will be adequate or whether Kura

Japan will take steps to enforce such rights with regard to any intellectual property that we license from them. See "Item 1A. Risk Factors—Risks Related to Our Relationships with Kura Japan and Other Key Suppliers—We may become involved in lawsuits involving Kura Japan as the owner of intellectual property, or us as a licensee of intellectual property from Kura Japan, to protect or enforce our intellectual property rights, which could be expensive, time consuming, and unsuccessful." We are aware of third-party restaurants with names similar to our restaurant name in certain limited geographical areas. However, we believe such uses will not adversely affect us.

Available Information

Our website is located at *www.kurasushi.com*, including an investor relations section at ir.kurausa.com in which we routinely post important information, such as webcasts of quarterly calls and other investor events in which we participate or host, and any related materials.

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act") are filed with the U.S. Securities and Exchange Commission ("SEC"). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge on our website at *www.kurasushi.com* when such reports are available on the SEC's website.

The contents of our website referred to above are not incorporated into this report. Further, any references to our website are intended to be inactive textual references only.

Item 1A. Risk Factors

Summary Risk Factors

Our Company is subject to several risks that if realized could materially affect our business, prospects, financial condition, results of operations, cash flows and access to liquidity. Our business is subject to uncertainties and risks including:

- ***Inflationary Conditions***. We have experienced and continue to experience inflationary conditions with respect to the cost for food, ingredients, labor, construction and utilities, and may not be able to increase prices or implement operational improvements sufficient to fully offset inflationary pressures on such costs, which may adversely impact our revenues and results of operations.
- ***Ability to Execute Our Growth Strategy and Grow Sales and Profitability of Our Restaurants***. Our long-term success is highly dependent on our ability to successfully implement our growth strategy and to grow sales and profitability of our restaurants, which is subject to various risks including whether we may be able to identify and secure appropriate sites and timely develop and expand our operations in existing and new markets.
- ***Geographical Concentration***. Our restaurants are concentrated in California and Texas and in retail centers and shopping malls and could be negatively affected by conditions specific to these states and locations.
- ***Reliance on Kura Japan***. We rely on our majority stockholder, Kura Japan, in strategic and operational respects. Such reliance could subject us to risks including difficulty replacing certain services and supplies provided by Kura Japan.
- ***Reliance on Certain Vendors and Suppliers***. We rely significantly on certain vendors and suppliers. Their failure to provide deliveries or services at the quantity, quality or cost level acceptable to us could harm our business, financial position and results of operations.
- ***Competition***. We face significant competition from a variety of restaurants offering both Asian and non-Asian cuisine, as well as takeout offerings from grocery stores and other outlets where Asian food is sold.
- ***Changes in Macro Economic and Societal Conditions***. As ours is a consumer-based business, certain changes in macroeconomic and societal conditions including an economic slowdown, changing consumer preferences and spending behavior, food safety and foodborne illness concerns as well as outbreaks of flu, viruses or other diseases transmitted by human contact could adversely affect our business, financial position and results of operations.
- ***Cybersecurity and Use of Technologies***. We rely significantly on information and cybersecurity systems, as well as use revolving and express conveyor belts, other automated equipment and other technologies including information technology in our operations. Failures of these systems and technologies to operate effectively, or a breach in security of these systems as a result of a cybersecurity incident, phishing attack, ransomware attack or any other failure to maintain a continuous and secure cyber network could result in substantial harm or inconvenience to our Company, our team members or guests.
- ***Marketing and Public Relations***. Our business depends on customer goodwill. If we fail to conduct successful marketing programs and effectively manage our public image, our business will suffer.
- ***Lease Management***. We are subject to all of the risks associated with leasing space subject to long-term non-cancelable leases.
- ***Capital Needs***. We may need capital in the future, and we may not be able to raise that capital on favorable terms.
- ***Human Capital Management***. We depend on our senior management team and other key employees. In addition, we need to recruit and retain sufficient qualified employees for our restaurants at reasonable costs. Loss of management members and key employees, labor shortages, increased labor costs,

unionization activities or labor disputes could adversely affect our business, financial position and results of operations.

- ***Compliance with Laws and Regulations***. Our business is subject to a myriad of laws and regulations at the federal, state, and local levels, including requirements to obtain certain licenses and permits. Our failure to comply with applicable laws could harm our reputation and business and changes in current laws could significantly increase our operational costs.
- ***Litigation***. We could be party to litigation that could adversely affect us by distracting management, increasing our expenses or subjecting us to material money damages and other remedies. Our current insurance may not provide adequate levels of coverage against claims.
- ***Loss Carryforwards***. Our ability to use our net operating loss carryforwards and certain other tax attributes to offset U.S. federal and state taxable income may be subject to limitations.

Your ownership of our Class A common stock is subject to risks including:

- ***Dual-Class Stock Structure***. The disparate voting rights of our Class A common stock and our Class B common stock could adversely affect the value and liquidity of our Class A common stock.
- ***Our Quarterly Operating Results and Broad Market Fluctuations***. Our quarterly operating results may fluctuate significantly and other factors outside our control may cause broad fluctuations in the stock market, which could cause the market price of our common stock to fluctuate.
- ***Future Sales of Our Class A Common Stock***. Future sales of our common stock, or the perception that such sales may occur, could depress our common stock price.
- ***Dividend Policy***. We do not intend to pay dividends for the foreseeable future, which could reduce your chance of receiving any return on an investment in our common stock.
- ***Certain Provisions in Our Charter Documents***. Our charter documents contain certain provisions which make it more difficult for a third party to acquire control of us without Board approval and for a stockholder to bring claims in a judicial forum that it finds favorable for disputes with us.

Your interest as an investor in our Company is also subject to risks relating to our organizational structure including:

- ***Our Status Being a "Controlled Company***." As a "controlled company," we may rely on exemptions from certain corporate governance requirements required under the Nasdaq listing standards and you will not have the same protections afforded to stockholders of companies that are subject to such requirements.
- ***Potential Conflicts of Interest***. We are controlled by Kura Japan whose interests may conflict with ours or yours. Future sales of our shares by Kura Japan could also depress our Class A common stock price.

Risk Factors

The following are the material risk factors that affect our Company and our stock price. Any one or more of these could have a material adverse impact on our business, prospects, financial condition, results of operations, or cash flows, in addition to presenting other possible adverse consequences, many of which are described below. These risk factors and other risks we may face are also discussed further in other sections of this Annual Report on Form 10-K.

Risks Related to Our Operations and Growth Strategy

We have experienced and continue to experience inflationary conditions with respect to the cost for food, ingredients, labor, construction and utilities, and we may not be able to increase prices or implement operational improvements sufficient to fully offset inflationary pressures on such costs, which may adversely impact our revenues and results of operations.

The strength of our revenues and results of operations are dependent upon, among other things, the price and availability of food, ingredients, labor, construction and utilities. In fiscal year 2024, 2023 and 2022, the costs of commodities, labor, energy and other inputs necessary to operate our restaurants significantly increased. Fluctuations in economic conditions, weather, demand and other factors also affect the cost of the ingredients and products that we buy. Our inability to anticipate and respond effectively to one or more adverse changes in any of these factors could have a significant adverse effect on our results of operations. Our attempts to offset cost pressures, such as through menu price increases and operational improvements, may not be successful. We seek to provide a moderately priced product, and, as a result, we may not seek to or be able to pass along price increases to our customers sufficient to completely offset cost increases. Traffic may also be negatively impacted with menu price increases as consumers may be less willing to pay our menu prices and may increasingly visit lower-priced competitors, may reduce the frequency of their visits, or may forgo some purchases altogether. To the extent that price increases are not sufficient to offset higher costs adequately or in a timely manner, and/or if they result in significant decreases in revenue volume, our revenues and results of operations may be adversely affected.

Our long-term success is highly dependent on our ability to successfully identify and secure appropriate sites and timely develop and expand our operations in existing and new markets.

One of the key means of achieving our growth strategies will be through opening and operating new restaurants on a profitable basis for the foreseeable future. We identify target markets where we can enter or expand, taking into account numerous factors such as the locations of our current restaurants, demographics, traffic patterns and information gathered from various sources. We may not be able to open our planned new restaurants within budget or on a timely basis, if at all, given the uncertainty of these factors, which could adversely affect our business, financial condition and results of operations. As we operate more restaurants, our rate of expansion relative to the size of our restaurant base will eventually decline.

The number and timing of new restaurants opened during any given period may be negatively impacted by a number of factors including, without limitation:

- identification and availability of locations with the appropriate size, traffic patterns, local retail and business attractions and infrastructure that will drive high levels of guest traffic and sales per unit;
- competition in existing and new markets, including competition for restaurant sites;
- the ability to negotiate suitable lease terms;
- the lack of development and overall decrease in commercial real estate due to a macroeconomic downturn;
- recruitment and training of qualified personnel in the local market;
- our ability to obtain all required governmental permits, including zoning approvals, on a timely basis;
- our ability to control construction and development costs of new restaurants;
- landlord delays;
- the proximity of potential sites to an existing restaurant, and the impact of cannibalization on future growth;
- anticipated commercial, residential and infrastructure development near our new restaurants; and
- the cost and availability of capital to fund construction costs and pre-opening costs.

Accordingly, we cannot assure you that we will be able to successfully expand as we may not correctly analyze the suitability of a location or anticipate all of the challenges imposed by expanding our operations. Our growth strategy, and the substantial investment associated with the development of each new restaurant, may cause our operating results to fluctuate and be unpredictable or adversely affect our business, financial condition or results

of operations. If we are unable to expand in existing markets or penetrate new markets, our ability to increase our sales and profitability may be materially harmed or we may face losses.

Our expansion into new markets may present increased risks due in part to our unfamiliarity with the areas and also due to consumer unfamiliarity with our revolving sushi bar concept and may make our future results unpredictable and the increases in average restaurant sales and comparable restaurant sales that we have experienced in the past may not be indicative of future results.

We may in the future open restaurants in markets where we have little or no operating experience. This growth strategy and the substantial investment associated with the development of each new restaurant may cause our operating results to fluctuate and be unpredictable or adversely affect our business, financial condition or results of operations. Restaurants we open in new markets may take longer to reach expected sales and profit levels on a consistent basis and may have higher construction, occupancy or operating costs than restaurants we open in existing markets, thereby affecting our overall profitability. New markets may have competitive conditions, consumer tastes and discretionary spending patterns that are more difficult to predict or satisfy than our existing markets. We may need to make greater investments than we originally planned in advertising and promotional activity in new markets to build brand awareness. We also may find it more difficult in new markets to hire, motivate and keep qualified employees who share our vision, passion and business culture. If we do not successfully execute our plans to enter new markets, our business, financial condition or results of operations could be materially adversely affected.

Our new restaurants have historically opened with higher sales, which then decline after the initial sales surge that comes with interest in a new restaurant opening. New restaurants may not be profitable and their sales performance may not follow historical patterns as expected, which could adversely affect our business, financial condition or results of operations. In addition, our average restaurant sales and comparable restaurant sales may not increase at the rates achieved over the past several years. Our ability to operate new restaurants profitably and increase average restaurant sales and comparable restaurant sales will depend on many factors, some of which are beyond our control, including: consumer awareness and understanding of our brand and our revolving sushi bar concept; general economic conditions, which can affect restaurant traffic, local labor costs and prices we pay for the food products and other supplies we use; changes in consumer preferences and discretionary spending; competition, either from our competitors in the restaurant industry or our own restaurants; temporary and permanent site characteristics of new restaurants; and changes in government regulation.

Opening new restaurants in existing markets may negatively affect sales at our existing restaurants.

The opening of a new restaurant in or near markets in which we already have restaurants could adversely affect the sales of these existing restaurants. Existing restaurants could also make it more difficult to build our consumer base for a new restaurant in the same market. Our core business strategy does not entail opening new restaurants that we believe will materially affect sales at our existing restaurants, but we may selectively open new restaurants in and around areas of existing restaurants that are operating at or near capacity to effectively serve our guests. Sales cannibalization between our restaurants may become significant in the future as we continue to expand our operations and could affect our sales growth, which could, in turn, materially adversely affect our business, financial condition or results of operations.

Our sales and profit growth could be adversely affected if comparable restaurant sales are less than we expect.

The level of comparable restaurant sales growth, which represents the change in year-over-year sales for restaurants open for at least 18 full calendar months, could affect our sales growth. Our ability to increase comparable restaurant sales depends in part on our ability to successfully implement our initiatives to build sales. It is possible such initiatives will not be successful, that we will not achieve our target comparable restaurant sales growth or that the change in comparable restaurant sales could be negative, which may cause a decrease in our profitability and would materially adversely affect our business, financial condition or results of operations. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Comparable Restaurant Sales Growth.”

Our failure to manage our growth effectively could harm our business and operating results.

Our growth plan includes opening new restaurants. Our existing restaurant management systems, financial and management controls and information systems may be inadequate to support our planned expansion. Managing our

growth effectively will require us to continue to enhance these systems, procedures and controls and to hire, train and retain managers and team members. We may not respond quickly enough to the changing demands that our expansion will impose on our management, restaurant teams and existing infrastructure, which could harm our business, financial condition or results of operations.

Our limited number of restaurants, the significant expense associated with opening new restaurants, and the unit volumes of our new restaurants makes us susceptible to significant fluctuations in our results of operations.

The capital resources required to develop each new restaurant are significant. On average, our restaurants opened during fiscal year 2024 required a cash build-out cost of approximately $2.4 million per restaurant, net of landlord tenant improvement allowances and assuming that we do not purchase the underlying real estate. Actual costs may vary significantly depending upon a variety of factors, including the site and size of the restaurant and conditions in the local real estate and labor markets. The combination of our relatively small number of existing restaurants, the significant investment associated with each new restaurant, variance in the operating results in any one restaurant, or a delay or cancellation in the planned opening of a restaurant could materially affect our business, financial condition or results of operations.

Our restaurant base is geographically concentrated in California and Texas, and we could be negatively affected by conditions specific to these states.

47% of our restaurants are located in California and Texas. Adverse changes in demographic, unemployment, economic, regulatory or weather conditions in California and Texas have had, and may continue to have, material adverse effects on our business, financial condition or results of operations. As a result of our concentration in these markets, we have been, and in the future may be, disproportionately affected by adverse conditions in either of these markets compared to other chain restaurants with a broader national footprint.

A decline in visitors to any of the retail centers, shopping malls, lifestyle centers, or entertainment centers where our restaurants are located could negatively affect our restaurant sales.

Our restaurants are primarily located in high-activity areas such as retail centers, shopping malls, lifestyle centers, and entertainment centers. We depend on high visitor rates at these centers to attract guests to our restaurants. Factors that may result in declining visitor rates include public health pandemics, economic or political conditions, anchor tenants closing in retail centers or shopping malls in which we operate, changes in consumer preferences or shopping patterns, changes in discretionary consumer spending, increasing petroleum prices, or other factors, which may adversely affect our business, financial condition or results of operations.

Risks Related to Our Relationships with Kura Japan and Other Key Suppliers

We have historically received strategic, operational and financial support from Kura Japan, and as we increase our independence from Kura Japan, we may face difficulties replacing certain services, supplies and financial assistance Kura Japan has provided to us.

We have been a subsidiary of Kura Japan since 2008 and have benefited from our relationship as a consolidated and wholly-owned subsidiary. We are a majority owned subsidiary of Kura Japan and we utilize Kura Japan for certain strategic, operational and financial support. Our future results depend on various factors, including those identified in these risk factors.

Kura Japan provides us from time to time with employees from its operations in Japan to assist us with meeting our workforce requirements and opening new restaurants. We also benefit from the intellectual property that we license from Kura Japan in the operation of our business. Future sales of our shares by Kura Japan could depress our Class A common stock price. If Kura Japan's ownership interest in our company declines significantly in the future, this may affect our ongoing relationship. We have a shared services agreement and an amended and restated exclusive license agreement with Kura Japan, which memorialize our existing business relationship. Although we expect Kura Japan to continue providing services to us, Kura Japan does not have any contractual obligation to provide strategic, operational or other support to us except as required under our shared services agreement and amended and restated exclusive license agreement with them. See "Note 5 — Related Party Transactions" to our audited financial statements included in "Item 8. Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for additional information.

From time to time, we purchase certain supplies, parts and equipment for use in our restaurants from Kura Japan. We believe that Kura Japan obtains these supplies, parts and equipment at a discounted price due to Kura Japan's higher purchasing power with suppliers. If Kura Japan's ownership interest in our company declines significantly in the future, this may also affect their provision of supplies, parts and equipment to us. Kura Japan has no contractual obligation to continue providing us with such supplies, parts and equipment except as required under our shared services agreement with them. See "Note 5 — Related Party Transactions" to our audited financial statements included in "Item 8. Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for additional information.

Our indebtedness to Kura Japan may limit our ability to be acquired by a third party or acquire a third party.

Our Revolving Credit Agreement ("Credit Facility") with Kura Japan dated April 10, 2020 and amended on September 2, 2020 and April 9, 2021, provides for a $45.0 million revolving credit line. As of August 31, 2024 and 2023, we had no outstanding balance and $45.0 million available under our Credit Facility, respectively. In the future, we may, from time to time, incur additional indebtedness under our Credit Facility. Our Credit Facility places certain limitations on, among other items, our ability to merge or consolidate with or into or acquire any other business organization or sell substantially all of our assets. Failure to comply with certain covenants could result in the acceleration of our obligations under the Credit Facility, which would have an adverse effect on our liquidity, capital resources and results of operations.

Any events or circumstances that result in the termination or limitation of our rights under our agreement between us and Kura Japan of our intellectual property could have a material adverse effect on our business, financial condition or results of operations.

The intellectual property that is critical to our business has been licensed to us by Kura Japan. Any termination or limitation of, or loss of exclusivity under, our exclusive license agreement with Kura Japan would have a material adverse effect on our business, financial condition or results of operations. We have entered into an amended and restated exclusive license agreement with regard to the intellectual property we license from Kura Japan. See "Note 5 — Related Party Transactions" to our audited financial statements included in "Item 8. Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for additional information.

We may become involved in lawsuits involving Kura Japan as the owner of intellectual property, or us as a licensee of intellectual property from Kura Japan, to protect or enforce intellectual property rights, which could be expensive, time consuming, and unsuccessful.

Third parties may sue Kura Japan or us for alleged infringement of their proprietary rights. The party claiming infringement might have greater resources than we do to pursue its claims, and we could be forced to incur substantial costs and devote significant management resources to defend against such litigation, even if the claims are meritless and even if we ultimately prevail. If the party claiming infringement were to prevail, we could be forced to pay significant damages, or enter into expensive royalty or licensing arrangements with the prevailing party. In addition, any payments we are required to make, and any injunction we are required to comply with as a result of such infringement, could harm our reputation and our business, financial condition or results of operations.

Infringements on Kura Japan's intellectual property rights, including Kura Japan's service marks and trade secrets, could result in additional expense and could devalue our brand equity, as well as substantially affect our business, financial condition or results of operations.

Other parties may infringe on our intellectual property rights, including those which we develop or otherwise license to use, and may thereby dilute our brand in the marketplace. Any such infringement of our intellectual property rights would also likely result in a commitment of our time and resources to protect these rights through litigation or otherwise.

Our business prospects depend in part on our ability to develop favorable consumer recognition of the Kura Sushi name. Although "Kura Sushi", "Kura Revolving Sushi Bar" and "Mr. Fresh" are federally registered service marks owned by Kura Japan, such marks could be imitated in ways that we or Kura Japan cannot prevent. Alternatively, third parties may attempt to cause us to change our name or not operate in a certain geographic region if our name is confusingly similar to their name. In addition, we rely on trade secrets, proprietary know-how, concepts, and recipes, some of which we license from Kura Japan. Our methods or Kura Japan's methods of protecting this information may not be adequate. Moreover, we or Kura Japan may face claims of misappropriation or infringement of third parties' rights that could interfere with our use of this information. Defending these claims may be costly and, if unsuccessful, may prevent us from continuing to use this proprietary information in the future, and may result in a judgment or monetary damages. We do not maintain confidentiality and non-competition agreements with all of our executives, key personnel, or suppliers. If competitors independently develop or otherwise obtain access to the trade secrets, proprietary know-how, concepts, or recipes we rely upon to operate our restaurants, some of which we license from Kura Japan, the appeal of our restaurants could be significantly reduced and our business, financial condition or results of operations could be adversely affected.

We rely significantly on certain vendors and suppliers, which could adversely affect our business, financial condition or results of operations.

Our ability to maintain consistent price and quality throughout our restaurants depends in part upon our ability to acquire specified food products and supplies in sufficient quantities from third-party vendors and suppliers at a reasonable cost. In addition, we are dependent upon a few suppliers for certain specialized equipment utilized in our restaurants, such as our conveyor belts and other parts of our proprietary system. We rely on JFC as one of our primary suppliers. JFC provided us with food products and supplies equaling 55% and 49%, and 52% of our total food and beverage costs in fiscal years 2024, 2023, and 2022 respectively. We also rely on Mutual which provided us with food products and supplies equaling 34% of our total food and beverage costs in fiscal year 2024, and was not significant in 2023 and 2022. In fiscal year 2025, we expect our two major suppliers to be JFC and Mutual. We do not control the businesses of our vendors and suppliers and our efforts to specify and monitor the standards under which they perform may not be successful. Furthermore, certain food items are perishable, and we have limited control over whether these items will be delivered to us in appropriate condition for use in our restaurants. If any of our vendors or other suppliers are unable to fulfill their obligations to our standards, or if we are unable to find replacement providers in the event of a supply or service disruption, we could encounter supply shortages and incur higher costs to secure adequate supplies, which could materially adversely affect our business, financial condition or results of operations.

In addition, we use various third-party vendors to provide, support and maintain most of our management information systems. We also outsource certain accounting, payroll and human resource functions to business process service providers. The failure of such vendors to fulfill their obligations could disrupt our operations. Additionally, any changes we may make to the services we obtain from our vendors, or new vendors we employ, may disrupt our operations. These disruptions could materially adversely affect our business, financial condition or results of operations.

Changes in food and supply costs and/or availability of products could adversely affect our business, financial condition or results of operations.

Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs and/or the availability of products necessary to operate our business, including, but not limited to, rice vinegar from Kura Japan, which owns the recipe and is our sole supplier of such rice vinegar. Shortages or interruptions in the availability of certain supplies caused by unanticipated demand, problems in production or distribution, food contamination, inclement weather, natural disasters, or other conditions could adversely affect the productivity, availability, quality and cost of our ingredients, which could harm our operations. Any increase in the prices of the food products most critical to our menu, such as rice, fish and other seafood, as well as fresh vegetables, could adversely affect our business, financial condition or results from operations. Although we try to manage the impact that these fluctuations have on our operating results, we remain susceptible to increases in food costs and loss of

supply as a result of factors beyond our control, such as general economic conditions, political instability, inflationary pressures, seasonal fluctuations, the effects of climate change and related weather conditions, demand, food safety concerns, generalized infectious diseases, product recalls and government regulations.

If any of our distributors or suppliers performs inadequately, or our distribution or supply relationships are disrupted for any reason, our business, financial condition, results of operations or cash flows could be adversely affected. If we cannot replace or engage distributors or suppliers who meet our specifications in a short period of time, that could increase our expenses and cause shortages of food and other items at our restaurants, which could cause a restaurant to remove items from its menu. If that were to happen, affected restaurants could experience significant reductions in sales during the shortage or thereafter, if guests change their dining habits as a result. In addition, because we provide moderately priced food, we may choose not to, or may be unable to, pass along commodity price increases to consumers. These potential changes in food and supply costs could materially adversely affect our business, financial condition or results of operations.

Other Commercial, Operational, Financial and Regulatory Risks

Operating results at our restaurants could be significantly affected by competition in the restaurant industry in general and, in particular, within the dining segments of the restaurant industry in which we compete.

We face significant competition from a variety of restaurants offering both Asian and non-Asian cuisine, as well as takeout offerings from grocery stores and other outlets where Asian food is sold. These segments are highly competitive with respect to, among other things, product quality, dining experience, ambience, location, convenience, value perception, and price. Any of these competitive factors may materially adversely affect our business, financial condition or results of operations. Our competition continues to intensify as competitors increase the breadth and depth of their product offerings and open new locations. These competitors may have, among other things, chefs who are widely known to the public that may generate more notoriety for those competitors as compared to our brand. We also compete with many restaurant and retail establishments for site locations and restaurant-level employees.

Changes in economic conditions could materially affect our ability to maintain or increase sales at our restaurants or open new restaurants.

The restaurant industry depends on consumer discretionary spending. The United States in general or the specific markets in which we operate may suffer from depressed economic activity, recessionary economic cycles, higher fuel or energy costs, low consumer confidence, high levels of unemployment, reduced home values, increases in home foreclosures, investment losses, personal bankruptcies, reduced access to credit or other economic factors that may affect consumers' discretionary spending. Sales in our restaurants could decline if consumers choose to dine out less frequently or reduce the amount they spend on meals while dining out. Negative economic conditions might cause consumers to make long-term changes to their discretionary spending behavior, including dining out less frequently on a permanent basis. If restaurant sales decrease, our profitability could decline as we spread fixed costs across a lower level of sales. Reductions in staff levels, asset impairment charges and potential restaurant closures could result from prolonged negative restaurant sales, which could materially adversely affect our business, financial condition or results of operations.

Food safety and foodborne illness concerns as well as outbreaks of flu, viruses or other diseases could have an adverse effect on our business, financial condition or results of operations.

We cannot guarantee that our internal controls and training will be fully effective in preventing all food safety issues at our restaurants, including any occurrences of foodborne illnesses such as salmonella, E. coli and hepatitis A. In addition, there is no guarantee that our restaurant locations will maintain the high levels of internal controls and training we require at our restaurants. Furthermore, we rely on third-party vendors, making it difficult to monitor food safety compliance and increasing the risk that foodborne illness would affect multiple locations rather than a single restaurant. Some foodborne illness incidents could be caused by third-party vendors and transporters outside of our control. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of foodborne illness in any of our restaurants or markets or related to food products we sell could negatively affect our restaurant sales nationwide if highly publicized on national media outlets or through social media. This risk exists even if it were later determined that the illness was wrongly attributed to us or one of our

restaurants. A number of other restaurant chains have experienced incidents related to foodborne illnesses that have had a material adverse effect on their operations. The occurrence of a similar incident at one or more of our restaurants, or negative publicity or public speculation about an incident, could materially adversely affect our business, financial condition or results of operations.

If a virus is transmitted by human contact or respiratory transmission, our employees or guests could become infected, or could choose, or be advised, to avoid gathering in public places, any of which could adversely affect our restaurant guest traffic and our ability to adequately staff our restaurants, receive deliveries on a timely basis or perform functions at the corporate level. Additionally, jurisdictions in which we have restaurants may impose mandatory closures, seek voluntary closures or impose restrictions on operations. Even if such measures are not implemented and a virus or other disease does not spread significantly, the perceived risk of infection or significant health risk may cause guests to choose other alternatives to dining out in our restaurants which may adversely affect our business.

New information or attitudes regarding diet and health could result in changes in regulations and consumer consumption habits that could adversely affect our business, financial condition or results of operations.

Changes in attitudes regarding diet and health or new information regarding the adverse health effects of consuming certain foods could result in changes in government regulation and consumer eating habits that may impact our business, financial condition or results of operations. These changes have resulted in, and may continue to result in, laws and regulations requiring us to disclose the nutritional content of our food offerings, and they have resulted in, and may continue to result in, laws and regulations affecting permissible ingredients and menu offerings. For example, a number of jurisdictions have enacted menu labeling laws requiring multi-unit restaurant operators to disclose to consumers certain nutritional information, or have enacted legislation restricting the use of certain types of ingredients in restaurants. These requirements may be different or inconsistent with requirements we are subject to under the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act, collectively, the "ACA," which establishes a uniform, federal requirement for certain restaurants to post nutritional information on their menus. See "Item 1. Business—Government Regulation and Environmental Matters" for additional information. Compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming. We cannot predict the impact of any new nutrition labeling requirements. The risks and costs associated with nutritional disclosures on our menus could also impact our operations, particularly given differences among applicable legal requirements and practices within the restaurant industry with respect to testing and disclosure, ordinary variations in food preparation among our own restaurants, and the need to rely on the accuracy and completeness of nutritional information obtained from third-party suppliers.

Unfavorable publicity about, or guests' reactions to, our menu ingredients, the size of our portions or the nutritional content of our menu items could negatively influence the demand for our offerings, thereby adversely affecting our business, financial condition or results of operations. Additionally, if consumer health regulations or consumer eating habits and health perceptions change significantly, we may be required to modify or discontinue certain menu items, and we may experience higher costs associated with the implementation of those changes, as well as adversely affect the attractiveness of our restaurants to new or returning guests. The imposition of menu labeling laws and an inability to keep up with consumer eating habits could materially adversely affect our business, financial condition or results of operations, as well as our position within the restaurant industry in general.

We rely significantly on the operation of our revolving and express conveyor belts, sushi robots and other automated equipment, and any mechanical failure could prevent us from effectively operating our restaurants.

The operation of our restaurants relies on technology and equipment such as our revolving and express conveyor belts, the Bikkura-Pon rewards machines and touch screen menus. In our kitchens, we use automated equipment and systems such as sushi robots, RFID and QR Code readers, robotic arms, vinegar mixing machines, rice washers and dishwashers. Our ability to safely, efficiently and effectively manage our restaurants depends significantly on the reliability and capacity of these systems. Mechanical failures and our inability to service such equipment in a timely manner could result in delays in customer service and reduce efficiency of our restaurant operations, including a loss of sales. Remediation of such problems could result in significant, unplanned capital investments and any equipment failure may have an adverse effect on our business, financial condition or results of operations due to our reliance on such equipment.

We rely significantly on information technology and cybersecurity, and any material failure, weakness, interruption or breach of security could prevent us from effectively operating our business.

We rely significantly on information and cybersecurity systems, many of which are controlled by third-party providers, including point-of-sale processing in our restaurants for management of our supply chain, payment of obligations, collection of cash, credit and debit card transactions, third-party delivery services and other processes and procedures. We also operate tableside access to touch screen ordering systems to allow guests to place special orders. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems. Failures of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, or a breach in security of these systems as a result of a cybersecurity incident, phishing attack, ransomware attack or any other failure to maintain a continuous and secure cyber network could result in substantial harm or inconvenience to our Company, our team members or guests. Some of these essential business processes that are dependent on technology are outsourced to third parties. While we make efforts to ensure that our providers are observing proper standards and controls, we cannot guarantee that breaches or failures caused by these outsourced providers will not occur. The rapid evolution and increased adoption of artificial intelligence technologies also may intensify our cybersecurity risks.

Any such failures or disruptions may cause delays in customer service and reduce efficiency in our operations. Remediation of such problems could result in significant, unplanned capital investments. We could also be subjected to litigation, regulatory investigations or the imposition of penalties. As information security laws and regulations change and cyber risks evolve, we may incur additional costs to ensure we remain in compliance and protect guest, employee and Company information.

A breach of security of confidential consumer information related to our electronic processing of credit and debit card transactions, as well as a breach of security of our employee information, could substantially affect our reputation, business, financial condition or results of operations.

The majority of our restaurant sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information has been stolen. Improper access to our systems or databases or the systems or databases of outsourced third-party providers could result in the theft, publication, deletion or modification of confidential customer information and/or card data, including theft of funds on the card or counterfeit reproduction of the cards. If the security of such third-party providers is compromised, then we may be subject to unplanned losses, expenses, fines or penalties. We may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and we may also be subject to lawsuits or other proceedings relating to these types of incidents. We may ultimately be held liable for the unauthorized use of a cardholder's card number in an illegal activity and be required by card issuers to pay charge-back fees. In addition, most states have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claim or proceeding could cause us to incur significant unplanned expenses, which could have an adverse impact on our business, financial condition or results of operations. Further, adverse publicity resulting from these allegations may have a material adverse effect on us and could substantially affect our reputation and business, financial condition or results of operations.

In addition, our business requires the collection, transmission and retention of large volumes of guest and employee data, including personally identifiable information, in various information technology systems that we maintain and in those maintained by third parties with whom we contract to provide services. The collection and use of such information is regulated at the federal and state levels, as well as at the international level, in which regulatory requirements have been increasing. As our environment continues to evolve in the digital age and reliance upon new technologies becomes more prevalent, it is imperative we secure the privacy and sensitive information we collect. Failure to do so, whether through fault of our own information systems or those of outsourced third-party providers, could not only cause us to fail to comply with these laws and regulations, but also could cause us to face litigation and penalties that could adversely affect our business, financial condition or results of operations. Our brand's reputation and image as an employer could also be harmed by these types of security breaches or regulatory violations.

Our marketing programs may not be successful, and our new menu items, advertising campaigns and restaurant designs and remodels may not generate increased sales or profits.

We incur costs and expend other resources in our marketing efforts on new menu items, advertising campaigns and restaurant designs and remodels to raise brand awareness and attract and retain guests. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher sales. Additionally, some of our competitors have greater financial resources, which enable them to spend significantly more on marketing and advertising and other initiatives than we are able to. Should our competitors increase spending on marketing and advertising and other initiatives or our marketing funds decrease for any reason, or should our advertising, promotions, new menu items and restaurant designs and remodels be less effective than our competitors, there could be a material adverse effect on our business, financial condition or results of operations.

Our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media and other digital platforms could materially adversely impact our business, financial condition or results of operations.

Our marketing efforts rely heavily on the use of social media. In recent years, there has been a marked increase in the use of social media platforms, including weblogs (blogs), social media platforms, and other forms of Internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. Many of our competitors are expanding their use of social media, and new social media platforms are rapidly being developed, potentially making more traditional social media platforms obsolete. As a result, we need to continuously innovate and develop our social media strategies in order to maintain broad appeal with guests and brand relevance. We also continue to invest in other digital marketing initiatives that allow us to reach our guests across multiple digital channels and build their awareness of, engagement with, and loyalty to our brand. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher sales or increased brand recognition.

As the digital space around us continues to evolve, our technology needs to evolve concurrently to stay competitive with the industry, including the digital and delivery business. We rely on third-party service providers to fulfill delivery orders timely to attract guests to our restaurants. Errors in providing adequate delivery services may result in guest dissatisfaction, which could also result in loss of guest retention, loss in sales and damage to our brand image. Additionally, with such third-parties handling food, delivery services increase the risk of food tampering while in transit. We are also subject to risk if there is a shortage of delivery drivers, which could result in a failure to meet our guests' expectations. Also, if our third-party delivery partners fail to effectively compete with other third-party delivery providers in the sector, our delivery business may suffer resulting in a loss of sales.

Negative publicity relating to one of our restaurants could reduce sales at some or all of our other restaurants.

Our success is dependent in part upon our ability to maintain and enhance the value of our brand and consumers' connection to our brand. We may, from time to time, be faced with negative publicity relating to food quality, restaurant facilities, guest complaints or litigation alleging illness or injury, health inspection scores, integrity of our or our suppliers' food processing, employee relationships or other matters, regardless of whether the allegations are valid or whether we are held to be responsible. The negative impact of adverse publicity relating to one restaurant may extend far beyond the restaurant involved to affect some or all of our other restaurants, thereby causing an adverse effect on our business, financial condition or results of operations. A similar risk exists with respect to unrelated food service businesses, if consumers associate those businesses with our own operations.

The considerable expansion in the use of social media over recent years can further amplify any negative publicity that could be generated by such incidents. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information posted on such platforms may be adverse to our interests and/or may be inaccurate. The dissemination of inaccurate or irresponsible information online could harm our business, reputation, prospects, financial condition, or results of operations, regardless of the information's accuracy. The damage may be immediate without affording us an opportunity for redress or correction.

Additionally, employee claims against us based on, among other things, wage and hour violations, discrimination, harassment or wrongful termination may also create negative publicity that could adversely affect us and divert our financial and management resources that would otherwise be used to benefit the future performance of our operations. A significant increase in the number of these claims or an increase in the number of successful claims could materially adversely affect our business, financial condition or results of operations. Consumer demand for our restaurants and our brand's value could diminish significantly if any such incidents or other matters create negative publicity or otherwise erode consumer confidence in us or our restaurants, which would likely result in lower sales and could materially adversely affect our business, financial condition or results of operations.

We are subject to all of the risks associated with leasing space subject to long-term non-cancelable leases.

We do not own any real property. Payments under our operating leases account for a significant portion of our operating expenses and we expect the new restaurants we open in the future will be similarly leased. The majority of our operating leases have lease terms of twenty years, inclusive of customary extensions which are at the option of the Company. Most of our leases require a fixed annual rent which generally increases each year, and some require the payment of additional rent if restaurant sales exceed a negotiated amount. Generally, our leases are "net" leases, which require us to pay all of the cost of insurance, taxes, maintenance and utilities. We generally cannot cancel these leases. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. If an existing or future restaurant is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to pay increased occupancy costs or to close restaurants in desirable locations. If we fail to negotiate renewals, we may have to dispose of assets at such restaurant locations and incur closure costs and additional costs associated with moving transferable furniture, fixtures and equipment, as well as incur impairment of property and equipment. Such potential increased costs and closures of restaurants could materially adversely affect our business, financial condition or results of operations.

Macroeconomic conditions, including economic downturns, may cause landlords of our leases to be unable to obtain financing or remain in good standing under their existing financing arrangements, resulting in failures to pay required tenant improvement allowances or satisfy other lease covenants to us. In addition, tenants at shopping centers in which we are located or have executed leases, or to which our locations are near, may fail to open or may cease operations. Decreases in total tenant occupancy in shopping centers in which we are located, or to which our locations are near, may affect traffic at our restaurants. All of these factors could have a material adverse impact on our business, financial condition or results of operations.

We may need capital in the future, and we may not be able to raise that capital on favorable terms.

Developing our business will require significant capital in the future. In fiscal year 2021 Kura Japan purchased 126,500 shares of our Class A common stock as part of a secondary underwritten public offering of 1,265,000 shares of our Class A common stock. There is no guarantee that if we need to raise any additional capital, we will receive additional capital contributions from Kura Japan. To meet our capital needs, we expect to rely on our cash flows from operations, borrowings under our existing Credit Facility, future offerings and other third-party financing. Third-party financing in the future may not, however, be available on terms favorable to us, or at all. Our ability to obtain additional funding will be subject to various factors, including market conditions, our operating performance, lender sentiment and our ability to incur additional debt in compliance with other contractual restrictions under our Credit Facility, term loans or other debt documents we may enter into. These factors may make the timing, amount, or terms and conditions of additional financings unattractive. Our inability to raise capital could impede our growth and could materially adversely affect our business, financial condition or results of operations.

We depend on our senior management team and other key employees, and the loss of one or more key personnel or an inability to attract, hire, integrate and retain highly skilled personnel could have an adverse effect on our business, financial condition or results of operations.

Our success depends largely upon the continued services of our key employees. We also rely on our leadership team in setting our strategic direction, operating our business, identifying, recruiting and training key personnel, identifying expansion opportunities, arranging necessary financing, and for general and administrative functions. From time to time, there may be changes in our executive management team resulting from the hiring or

departure of executives, which could disrupt our business. In addition, a small portion of our workforce is Japanese expatriates whose services we have secured from Kura Japan. The loss or replacement of one or more of our executive officers or other key employees could have a material adverse effect on our business, financial condition or results of operations.

As we face labor shortages and increased labor costs, or if we face unionization activities, our growth, business, financial condition and operating results could be adversely affected.

Labor is a primary component in the cost of operating our restaurants. If we face labor shortages or increased labor costs because of increased competition for employees, higher employee turnover rates, increases in federal, state or local minimum wage rates, workers' compensation cost increases or other employee benefits costs (including costs associated with health insurance coverage), our operating expenses could increase and our growth could be adversely affected. In addition, our success depends in part upon our ability to attract, motivate and retain a sufficient number of well-qualified restaurant operators and management personnel, as well as a sufficient number of other qualified employees, to keep pace with our expansion schedule. Qualified individuals needed to fill these positions are in short supply in some geographic areas. In addition, restaurants have traditionally experienced relatively high employee turnover rates. Our failure to recruit and retain such individuals may delay the planned openings of new restaurants or result in higher employee turnover in existing restaurants, which could have a material adverse effect on our business, financial condition or results of operations.

We may be unable to increase our menu prices in order to pass increased labor costs on to consumers, in which case our margins would be negatively affected, which could materially adversely affect our business, financial condition or results of operations.

Although none of our employees are currently covered under collective bargaining agreements, our employees may elect to be represented by labor unions in the future. If a significant number of our employees were to become unionized and collective bargaining agreement terms were significantly different from our current compensation arrangements, it could adversely affect our business, financial condition or results of operations.

Our business could be adversely affected by a failure to obtain visas or work permits or to properly verify the employment eligibility of our employees.

Some of our corporate employees' ability to work in the United States depends on obtaining and maintaining necessary visas and work permits. On certain occasions we have been, and in the future we may be, unable to obtain visas or work permits to bring necessary employees to the United States for any number of reasons including, among others, limits set by the U.S. Department of Homeland Security or the U.S. Department of State.

Although we require all workers to provide us with government-specified documentation evidencing their employment eligibility, some of our employees may, without our knowledge, be unauthorized workers. We currently participate in the "E-Verify" program, an Internet-based, free program run by the U.S. government to verify employment eligibility, in states in which participation is required, and we plan to introduce its use across all our restaurants. However, use of the "E-Verify" program does not guarantee that we will properly identify all applicants who are ineligible for employment. Unauthorized workers are subject to deportation and may subject us to fines or penalties, and if any of our workers are found to be unauthorized, we could experience adverse publicity that may negatively impact our brand and may make it more difficult to hire and keep qualified employees. Termination of a significant number of employees who are unauthorized employees may disrupt our operations, cause temporary increases in our labor costs as we train new employees and result in adverse publicity. We could also become subject to fines, penalties and other costs related to claims that we did not fully comply with all recordkeeping obligations of federal and state immigration compliance laws. These factors could materially adversely affect our business, financial condition or results of operations.

Labor disputes may disrupt our operations and affect our profitability, thereby causing a material adverse effect on our business, financial condition or results of operations.

As an employer, we are presently, and may in the future be, subject to various employment-related claims, such as individual or class actions or government enforcement actions relating to alleged employment discrimination, employee classification and related withholding, wage-hour, labor standards or healthcare and

benefit issues. See "Note 11 — Commitments and Contingencies" to the financial statements included in this Annual Report on Form 10-K. If any current or future actions brought against us, are successful in whole or in part, such actions may affect our ability to compete or could materially adversely affect our business, financial condition or results of operations.

The minimum wage, particularly in California, continues to increase and is subject to factors outside of our control.

We have a substantial number of hourly employees who are paid wage rates based on the applicable federal, state or local minimum wage. Any of federally-mandated, state-mandated or municipality-mandated minimum wages may be raised in the future which would increase our labor costs and could have a materially adverse effect on our business, financial condition or results of operations. If menu prices are increased by us to cover increased labor costs, the higher prices could adversely affect sales and thereby reduce our margins and adversely affect our business, financial condition or results of operations.

Changes in employment laws may adversely affect our business, financial condition, or results of operations.

Various federal and state labor laws govern the relationship with our employees and affect operating costs. These laws include employee classification as exempt/non-exempt for overtime and other purposes, minimum wage requirements, tips and gratuity payments, unemployment tax rates, workers' compensation rates, immigration status and other wage and benefit requirements. Significant additional government-imposed increases in the following areas could materially affect our business, financial condition or operating results: minimum wages; tips and gratuities; mandatory health benefits; vacation accruals; paid leaves of absence, including paid sick leave; and tax reporting. Changes in such areas may require us to implement additional pay increases or provide additional benefits in the future to continue to recruit, reward and retain the most qualified people, which could materially affect our business.

Governmental regulation may adversely affect our ability to open new restaurants or otherwise adversely affect our business, financial condition or results of operations.

We are subject to various federal, state and local regulations. Our restaurants are subject to state and local licensing and regulation by health, alcoholic beverage, sanitation, food and occupational safety and other agencies. We may experience material difficulties or failures in obtaining or renewing the necessary licenses, approvals or permits for our restaurants, which could delay planned restaurant openings or affect the operations at our existing restaurants. In addition, stringent and varied requirements of local regulators with respect to zoning, land use and environmental factors could delay or prevent development of new restaurants in particular locations.

We are subject to the U.S. Americans with Disabilities Act and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas, including our restaurants. We may in the future have to modify restaurants, for example, by adding access ramps or redesigning certain architectural fixtures, to provide service to or make reasonable accommodations for disabled persons. The expenses associated with these modifications could be material.

Our operations are also subject to the U.S. Occupational Safety and Health Act, which governs worker health and safety, the U.S. Fair Labor Standards Act, which governs such matters as minimum wages and overtime, and a variety of similar federal, state and local laws that govern these and other employment law matters. In addition, federal, state and local proposals related to paid sick leave or similar matters could, if implemented, materially adversely affect our business, financial condition or results of operations.

We could be party to litigation that could adversely affect us by distracting management, increasing our expenses or subjecting us to material money damages and other remedies.

Our guests may file complaints or lawsuits against us alleging we caused an illness or injury they suffered at or after a visit to our restaurants, or that we have problems with food quality or operations. We are also subject to a variety of other claims arising in the ordinary course of our business, including personal injury claims, contract claims and claims alleging violations of federal and state law regarding workplace and employment matters, equal opportunity, discrimination and similar matters, and we are presently subject to class action and other lawsuits with regard to certain of these matters and could become subject to additional class action or other lawsuits related to

these or different matters in the future. Regardless of whether any claims against us are valid, or whether we are ultimately held liable, claims may be expensive to defend and may divert time and money away from our operations and hurt our performance. A judgment in excess of our insurance coverage for any claims could materially and adversely affect our business, financial condition or results of operations. Any adverse publicity resulting from these allegations may also materially and adversely affect our reputation or prospects, which in turn could materially adversely affect our business, financial condition or results of operations.

We are subject to state and local "dram shop" statutes, which may subject us to uninsured liabilities. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Because a plaintiff may seek punitive damages, which may not be fully covered by insurance, this type of action could have an adverse impact on our business, financial condition or results of operations. A judgment in such an action significantly in excess of, or not covered by, our insurance coverage could adversely affect our business, financial condition or results of operations. Further, adverse publicity resulting from any such allegations may adversely affect our business, financial condition or results of operations.

Our current insurance may not provide adequate levels of coverage against claims.

There are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure, such as losses due to natural disasters, acts of terrorism or the declaration of war. Such losses could have a material adverse effect on our business, financial condition or results of operations. In addition, our current insurance policies may not be adequate to protect us from liabilities that we incur in our business in areas such as workers' compensation, general liability, auto and property. In the future, our insurance premiums may increase, and we may not be able to obtain similar levels of insurance on reasonable terms, or at all. Any substantial inadequacy of, or inability to obtain, insurance coverage could materially adversely affect our business, financial condition and results of operations. Failure to maintain adequate directors' and officers' insurance would likely adversely affect our ability to attract and retain qualified officers and directors.

Changes to accounting rules or regulations may adversely affect our business, financial condition or results of operations.

Changes to existing accounting rules or regulations may impact our business, financial condition or results of operations. The introduction of new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations could materially adversely affect our business, financial condition or results of operations.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of August 31, 2024, we had federal net operating loss carryforwards of approximately $32.9 million and federal tax credit carryover of approximately $8.0 million. We recorded a full valuation allowance against these current net operating loss carryforwards as the benefit of such net operating loss carryforwards may not be fully utilized. In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in ownership by "5 percent shareholders" over a rolling three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. Similar rules may apply under state tax laws. We may have experienced an ownership change in the past and may experience ownership changes in the future as a result of future transactions in our stock, some of which may be outside our control. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards, or other pre-change tax attributes, to offset U.S. federal and state taxable income may be subject to significant limitations.

Changes in tax laws and unanticipated tax liabilities could adversely affect our financial results.

We are subject to income and other taxes in the United States. Any significant changes in U.S. laws and related authoritative interpretations could affect our tax expense and profitability. We are also impacted by the outcome of tax audits, which could have a material effect on our results of operations and cash flows in the period or periods for which that determination is made. In addition, our effective income tax rate and our results may be impacted by our ability to realize deferred tax benefits and any increases or decreases of our valuation allowance applied to our deferred tax assets.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a publicly traded company, we are required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of internal controls over financial reporting.

To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. In addition, we may identify material weaknesses in our internal control over financial reporting that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404.

If we identify weaknesses in our internal control over financial reporting, are unable to comply with the requirements of Section 404 in a timely manner or to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the SEC or other regulatory authorities, which could require additional financial and management resources.

Risks Related to Ownership of Our Class A Common Stock

There may be an adverse effect on the value and liquidity of our Class A common stock due to the disparate voting rights of our Class A common stock and our Class B common stock.

With the exception of voting rights and certain conversion rights for the Class B common stock, holders of our Class A common stock and Class B common stock have identical rights. On all matters to be voted on by stockholders, holders of our Class A common stock are entitled to one vote per share while holders of our Class B common stock are entitled to 10 votes per share. The difference in the voting rights of our Class A common stock and Class B common stock could adversely affect the value of the Class A common stock to the extent that any investor or potential future purchaser of our Class A common stock ascribes value to the superior voting rights of our Class B common stock. The existence of two separate classes of common stock could result in less liquidity for our Class A common stock than if there were only one class of our common stock. In addition, if we issue additional shares of Class B common stock in the future, there will be further dilution to investors or potential future purchasers of our Class A common stock.

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to seasonality and other factors, some of which are beyond our control, resulting in a decline in our stock price.

Our quarterly operating results may fluctuate significantly because of several factors, including: recent and ongoing inflationary trends impacting our cost of food, labor and other costs: the timing of new restaurant openings and related expense; restaurant operating costs for our newly-opened restaurants, which are often materially greater during the first several months of operation than thereafter; labor availability and costs for hourly and management personnel; profitability of our restaurants, especially in new markets; changes in interest rates; increases and decreases in AUVs and comparable restaurant sales; impairment of long-lived assets and any loss on restaurant closures; macroeconomic conditions, both nationally and locally; negative publicity relating to the consumption of seafood or other food products we serve; changes in consumer preferences, spending behavior and competitive conditions; expansion in existing and new markets; increases in infrastructure costs; and fluctuations in commodity prices.

Seasonal factors and the timing of holidays also cause our sales to fluctuate from quarter to quarter. As a result of these factors, our quarterly and annual operating results and comparable restaurant sales may fluctuate significantly. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease. In addition, as we expand by opening more restaurants in cold weather climates, the seasonality of our business may be

amplified. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock could be adversely impacted.

The price of our common stock may be volatile and you may lose all or part of your investment.

The market price of our common stock could fluctuate significantly, and you may not be able to resell your shares at or above the purchase price. Those fluctuations could be based on various factors in addition to those otherwise described in this report, including those described under "—Risks Related to Our Business and Industry" and the following: our operating performance and the performance of our competitors or restaurant companies in general; the public's reaction to our press releases, our other public announcements and our filings with the SEC; changes in earnings estimates or recommendations by research analysts who follow us or other companies in our industry; global, national or local economic, legal and regulatory factors unrelated to our performance; future sales of our common stock or our equity interests by our officers, directors and significant stockholders; the arrival or departure of key personnel; and other developments affecting us, our industry or our competitors.

For example, the U.S. stock market has experienced significant price and volume fluctuations due to the COVID-19 pandemic and the recessionary cycle affecting the U.S. economy. These broad market fluctuations have affected the market price of our common stock and could adversely impact our common stock price.

Future sales of our common stock, or the perception that such sales may occur, could depress our common stock price.

Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales may occur, could depress the market price of our common stock. This would include sales by Kura Japan, as detailed below under "—Risks Related to Our Organizational Structure—Future sales of our shares by Kura Japan could depress our Class A common stock price."

Our amended and restated certificate of incorporation authorize us to issue up to 50,000,000 shares of Class A common stock and 10,000,100 shares of Class B common stock, of which, as of August 31, 2024, 10,252,907 shares of Class A common stock and 1,000,050 shares of Class B common stock are outstanding, and 610,514 shares of Class A common stock will be issuable upon the exercise of outstanding stock options. The shares of Class A common stock offered are freely tradable without restriction under the Securities Act, except for any shares of our common stock that are held by our directors, executive officers and other affiliates, as that term is defined in the Securities Act, which will be restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

Shares of our Class A common stock and Class B common stock held by our affiliates are subject to the volume and other restrictions of Rule 144 under the Securities Act.

In addition, we filed registration statements on Form S-8 under the Securities Act whereby 1,350,000 shares of Class A common stock are reserved for issuance under our 2018 Incentive Compensation Plan.

In the future, we may also issue common stock or other securities. The number of new shares of our common stock issued in connection with raising additional capital could constitute a material portion of the then outstanding shares of our common stock and dilute our current stockholders.

Additionally, our board of directors is authorized to issue up to 1,000,000 shares of preferred stock in one or more series, without any action on the part of holders of our Class A common stock. Holders of our Class A common stock are subject to the prior dividend and liquidation rights of any holders of our preferred stock or depositary shares representing such preferred stock then outstanding. Any future issuance of our preferred stock could cause the stock price of our common stock to decline.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrades our

common stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our common stock could decrease, which could cause our stock price and trading volume to decline.

We do not intend to pay dividends for the foreseeable future.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. Any future determination to declare and pay cash dividends will be at the discretion of our board of directors and will depend on, among other things, our financial condition, results of operations, cash requirements, contractual restrictions and such other factors as our board of directors deems relevant. Our ability to pay dividends may also be limited by covenants under our Credit Facility, terms loans or of any future outstanding indebtedness we, our subsidiaries or affiliates (including Kura Japan) incur. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

Provisions in our charter documents and Delaware law may delay or prevent our acquisition by a third party.

Our amended and restated certificate of incorporation and amended and restated bylaws, and Delaware law, contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our board of directors. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

Our amended and restated certificate of incorporation authorizes our board of directors to issue new series of preferred stock without stockholder approval. Depending on the rights and terms of any new series created, and the reaction of the market to the series, the rights and value associated with our Class A common stock could be negatively affected. The ability of our board of directors to issue new series of preferred stock could also prevent or delay a third party from acquiring us, even if doing so would be beneficial to our stockholders.

Our amended and restated certificate of incorporation and amended and restated bylaws each contain an exclusive forum provision, which could limit a stockholder's ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated certificate of incorporation and amended and restated bylaws each contain an exclusive forum provision providing that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any of our directors, officers, employees, agents or stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim that is governed by the internal affairs doctrine. However, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. In addition, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. As a result, the exclusive forum provisions will not apply to suits brought to enforce any duty or liability created by the Securities Act or any other claim for which the federal and state courts have concurrent jurisdiction, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to these provisions of our amended and restated certificate of incorporation and our amended and restated bylaws. The exclusive forum provisions, if enforced, may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. Alternatively, if a court were to find the exclusive forum provisions to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could have a material adverse effect on our business, financial condition,

results of operations and growth prospects. For example, the Court of Chancery of the State of Delaware has previously determined that a provision stating that U.S. federal district courts are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act is not enforceable.

Risks Related to Our Organizational Structure

We are controlled by Kura Japan, whose interests may differ from those of our other stockholders.

As of the date of this report, Kura Japan controls 70% of the combined voting power of our equity interests through their ownership of both Class A common stock and Class B common stock, and effectively controls the outcome of matters submitted to stockholders that require a majority vote based on our outstanding equity interests. Kura Japan will, for the foreseeable future, have significant influence over corporate management and affairs, and will be able to control virtually all matters requiring stockholder approval so long as Kura Japan owns a majority of the combined voting power of our outstanding equity interests. Kura Japan is able to, subject to applicable law, elect a majority of the members of our board of directors and control actions to be taken by us and our board of directors, including amendments to our certificate of incorporation and bylaws and approval of significant corporate transactions, including, among other matters, mergers and sales of substantially all of our assets, as well as incurrence of indebtedness by us. The directors so elected will have the authority, subject to the terms of our indebtedness and applicable rules and regulations, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. It is possible that the interests of Kura Japan may in some circumstances conflict with our interests and the interests of our other stockholders, including you. For example, Kura Japan may have different tax positions from us that could influence their decisions regarding the structuring of future transactions, whether and when to dispose of assets, or whether and when to incur new or refinance existing indebtedness. Such indebtedness could contain covenants that prevent us from declaring dividends to stockholders. For additional information about our relationships with Kura Japan, you should read the information under "Note 5 — Related Party Transactions" to our audited financial statements included in "Item 8. Financial Statements and Supplementary Data" in this Annual Report on Form 10-K for additional information.

We are a "controlled company" within the meaning of the Nasdaq listing standards and, as a result, will qualify for, and may rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Because of the voting power of Kura Japan, we are considered a "controlled company" for the purposes of the Nasdaq Stock Market. As such, we are exempt from certain corporate governance requirements of the Nasdaq Stock Market so long as we are considered a "controlled company," including: that we have a majority of independent directors on our board of directors, an entirely independent compensation committee and an independent nominating function. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the Nasdaq Stock Market. We currently have a board composed of a majority of independent directors and our Compensation Committee is composed entirely of independent directors.

The interests of Kura Japan may conflict with ours or yours in the future.

Various conflicts of interest between Kura Japan and us could arise. Ownership interests of directors or officers of Kura Japan in our common stock, or a person's service as either a director or officer of both companies, could create or appear to create potential conflicts of interest when those directors and officers are faced with decisions that could have different implications for Kura Japan and us. These decisions could, for example, relate to: disagreement over corporate opportunities; management stock ownership; employee retention or recruiting; our dividend policy; and the services and arrangements from which we benefit as a result of our relationship with Kura Japan.

Potential conflicts of interest could also arise if we enter into any new commercial arrangements with Kura Japan in the future. Our directors and officers who have interests in both Kura Japan and us may also face conflicts of interest with regard to the allocation of their time between Kura Japan and us.

The corporate opportunity provisions in our amended and restated certificate of incorporation could enable Kura Japan to benefit from corporate opportunities that might otherwise be available to us.

Our amended and restated certificate of incorporation contains provisions related to corporate opportunities that may be of interest to both Kura Japan and us. It provides that if a corporate opportunity is offered to:

- one of our officers or employees who is also a director (but not an officer or employee) of Kura Japan, that opportunity will belong to us unless expressly offered to that person primarily in his or her capacity as a director of Kura Japan, in which case it will belong to Kura Japan;
- one of our directors who is also an officer or employee of Kura Japan, that opportunity will belong to Kura Japan unless expressly offered to that person primarily in his or her capacity as our director, in which case it will belong to us; and
- any person who is either (1) an officer or employee of both us and Kura Japan or (2) a director of both us and Kura Japan (but not an officer or employee of either one), that opportunity will belong to Kura Japan unless expressly offered to that person primarily in his or her capacity as our director, in which case such opportunity shall belong to us.

None of our officers or directors are also an officer, employee or director of Kura Japan. A very small number of our non-officer employees are both employees of our company and Kura Japan. Accordingly, none of our officers fit the description bullets above.

In following these procedures, any person who is offered a corporate opportunity will have satisfied his or her fiduciary duties to our stockholders and us. In addition, our amended and restated certificate of incorporation provides that any corporate opportunity that belongs to Kura Japan or to us, as the case may be, may not be pursued by the other, unless and until the party to whom the opportunity belongs determines not to pursue the opportunity and so informs the other party. Furthermore, so long as the material facts of any transaction between us and Kura Japan have been disclosed to or are known by our board of directors or relevant board committee, and the board or such committee (which may, for quorum purposes, include directors who are directors or officers of Kura Japan) authorizes the transaction by an affirmative vote of a majority of the disinterested directors, then Kura Japan will have satisfied its fiduciary duties and will not be liable to us or our stockholders for any breach of fiduciary duty or duty of loyalty relating to that transaction. These provisions create the possibility that a corporate opportunity that may be pertinent to us may be used for the benefit of Kura Japan.

Future sales of our shares by Kura Japan could depress our Class A common stock price.

Kura Japan may sell all or a portion of the shares of our Class A common stock and Class B common stock that it owns (which shares of Class B common stock would be converted automatically into Class A shares in connection with any sale). Sales by Kura Japan in the public market could depress our Class A common stock price. Kura Japan is not subject to any contractual obligation to maintain its ownership position in our shares.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

Our cybersecurity program is designed to monitor and control cybersecurity risk exposure, response, mitigation and protect the confidentiality and integrity of our critical systems and information. Our cybersecurity policies and processes are fully integrated into the Company's Enterprise Risk Management program. Our cybersecurity program is based on industry recognized best practices, including the ISO 27001 Information Security, Cybersecurity and Privacy protection international best practice standard.

Our cybersecurity risk management program includes:

- Ongoing risk assessments to help identify material cybersecurity risks to our critical systems and information by performing regular scans of our environment, assessing incident trends and engaging third parties to assess the effectiveness of our cybersecurity practices;
- The use of external service providers, where appropriate, to monitor, identify, assess, test and remediate, or otherwise assist with aspects of our security controls;
- Mandatory cybersecurity awareness training for employees and simulated phishing attacks;
- A disaster recovery and business-continuity plan and controls designed to protect against business interruption, including the backing up of our critical systems;
- A cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents, internal reporting to management and the board of directors;
- Cybersecurity insurance which is assessed annually; and
- Risk management process for service providers, suppliers, and vendors.

Cybersecurity risks are monitored on an ongoing basis, and the security program and practices are adjusted as necessary. We are not currently aware of risks from known cybersecurity threats that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition.

Cybersecurity Governance

Our board of directors considers cybersecurity risk as part of its risk oversight function and oversees management's implementation of our cybersecurity risk management program, including the steps taken to monitor, minimize or control such risks or exposures.

The board of directors receives quarterly reports from management regarding the status of the cybersecurity program, current activities and planned projects. In addition, management will update the board of directors, as necessary, regarding any significant cybersecurity incidents that we may experience.

Our management team is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our external cybersecurity consultants. Our management team's cybersecurity risk management is led by our Vice President of IT, who has over 20 years of experience in both restaurant and technology sectors and has held technology leadership roles at major national restaurant companies.

Additional information on cybersecurity risks is discussed in Part I, Item 1A, "Risk Factors," under the heading "We rely significantly on information technology and cybersecurity, and any material failure, weakness, interruption or breach of security could prevent us from effectively operating our business."

Item 2. Properties

As of August 31, 2024, we operate 64 restaurants in seventeen states and Washington, D.C. We operate a variety of restaurant formats, including in-line and end-cap restaurants located in retail centers of varying sizes. Our restaurants range in size from 1,600 to 7,920 square feet, with an average of approximately 3,400 square feet. We lease the property for our corporate office located in Irvine, California and all of the properties on which we operate our restaurants.

The table below shows the locations of our restaurants as of August 31, 2024:

City	State	Opened	City	State	Opened
Irvine	California	Sep-2009	San Francisco (Stonestown)	California	Oct-2021
Los Angeles (Little Tokyo)	California	Jan-2012	Camelback	Arizona	Dec-2021
Torrance	California	Apr-2012	Chandler	Arizona	Dec-2021
Brea	California	May-2012	San Antonio	Texas	Feb-2022
Rancho Cucamonga	California	Aug-2012	Watertown	Massachusetts	Mar-2022
Los Angeles (Sawtelle)	California	Aug-2013	Novi	Michigan	Jul-2022
San Diego	California	Mar-2015	Orlando	Florida	Aug-2022
Cupertino	California	Feb-2016	Tysons	Virginia	Aug-2022
Plano	Texas	May-2016	Bloomington	Minnesota	Nov-2022
Carrollton	Texas	Jul-2016	Jersey City	New Jersey	Nov-2022
Austin	Texas	May-2017	Philadelphia	Pennsylvania	Dec-2022
Doraville	Georgia	Jul-2017	Edison	New Jersey	Feb-2023
Houston (Westchase)	Texas	Aug-2017	Oakbrook Terrace	Illinois	Feb-2023
Sugar Land	Texas	Jan-2018	Buford	Georgia	May-2023
Houston (Midtown)	Texas	Mar-2018	Framingham	Massachusetts	Jun-2023
Pleasanton	California	Apr-2018	Carle Place	New York	Jul-2023
Frisco	Texas	May-2018	San Jose	California	Jul-2023
Cerritos	California	Oct-2018	Dorchester	Massachusetts	Aug-2023
Schaumburg	Illinois	Nov-2018	Pittsburgh	Pennsylvania	Oct-2023
Cypress	California	Jan-2019	Flushing	New York	Oct-2023
Sacramento	California	Mar-2019	Tampa	Florida	Oct-2023
Las Vegas	Nevada	Jul-2019	Naperville	Illinois	Nov-2023
Garden Grove	California	Aug-2019	Kansas City	Missouri	Dec-2023
Katy	Texas	Dec-2019	Skokie	Illinois	Jan-2024
Glendale	California	Feb-2020	Colombus	Ohio	Jan-2024
Fort Lee	New Jersey	Sep-2020	Euless	Texas	Feb-2024
Washington, D.C.	Washington, D.C.	Nov-2020	Webster	Texas	Feb-2024
Los Angeles (Koreatown)	California	Nov-2020	Orlando	Florida	Mar-2024
Aventura	Florida	Jan-2021	Atlanta	Georgia	Apr-2024
Troy	Michigan	Feb-2021	Scarsdale	New York	Apr-2024
Sherman Oaks	California	Apr-2021	Roseville	California	May-2024
Bellevue	Washington	Jun-2021	Lake Grove	New York	Jun-2024

We are obligated under non-cancelable leases for the majority of our restaurants, as well as our corporate offices. The majority of our restaurant leases have lease terms of twenty years, inclusive of customary extensions which are at our option. Our restaurant leases generally require us to pay a proportionate share of real estate taxes, insurance, common area maintenance charges, and other operating costs. Some restaurant leases provide for contingent rental payments based on sales thresholds, although we generally do not expect to pay significant rent on these properties based on the thresholds in those leases.

Item 3. Legal Proceedings

For a description of our legal proceedings, see Part II, Item 8, Note 11 — Commitments and Contingencies, of the Notes to Financial Statements of this Annual Report on Form 10-K, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock has traded on the Nasdaq Global Market under the symbol "KRUS" since it began trading on August 1, 2019. Before then, there was no public market for our common stock.

Holders of Record

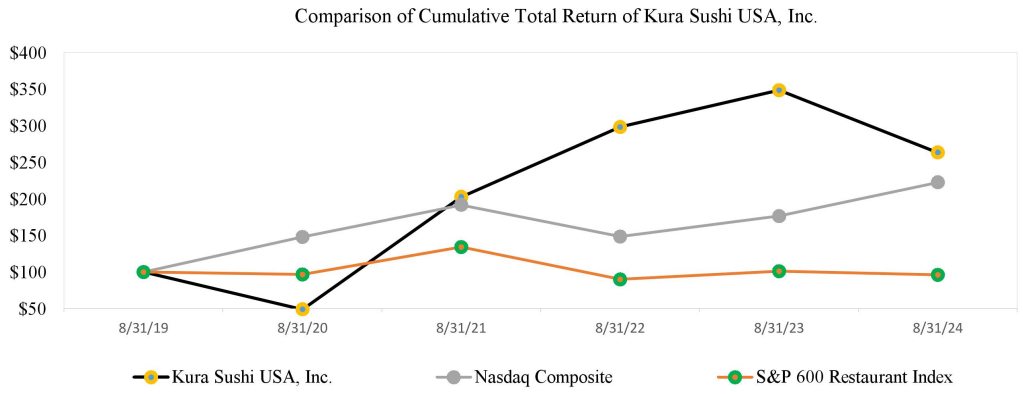
As of November 1, 2024, we had four holders of record of our Class A common stock and one holder of our Class B common stock. The number of holders of record is based upon the actual number of holders registered as of such date and does not include holders of shares in "street name" accounts through brokers, or persons, partnerships, associates, corporations or other entities in security position listings maintained by depositories.

Dividends

We have not declared, and currently do not plan to declare in the foreseeable future, dividends on our common stock. Instead, we anticipate that all our earnings in the foreseeable future, if any, will be used for the operation and growth of our business. Any future determination to pay dividends on our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, our results of operations, our liquidity, legal requirements, restrictions that may be imposed by the terms of current and future financing instruments and other factors deemed relevant by our board of directors.

Stock Performance Graph

The following graph presents a comparison from August 31, 2019 through August 31, 2024 of the cumulative return of our common stock, the Nasdaq Composite Index and the S&P 600 Restaurants Index. The graph assumes investment of $100 on August 31, 2019 in our common stock and in each of the two indices and the reinvestment of dividends. This graph is furnished and not "filed" with the SEC or "soliciting material" under the Exchange Act and shall not be incorporated by reference into any such filings, irrespective of any general incorporation contained in such filing.



Total Return Analysis

	8/31/2019	8/31/2020	8/31/2021	8/31/2022	8/31/2023	8/31/2024
Kura Sushi USA, Inc.	$ 100.00	$ 48.74	$ 202.67	$ 298.21	$ 348.50	$ 263.22
Nasdaq Composite	$ 100.00	$ 147.88	$ 191.63	$ 148.39	$ 176.25	$ 222.45
S&P 600 Restaurants Index	$ 100.00	$ 96.51	$ 133.93	$ 89.74	$ 100.94	$ 96.10

Recent Sales of Unregistered Securities

During fiscal year 2024, we did not sell any securities without registration under the Securities Act of 1933.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during fiscal year 2024.

Equity Compensation Plan Information

For equity compensation plan information, refer to "Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report on Form 10-K.

Item 6. [Reserved]

Item 7. 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 the "Selected Financial Data" and our financial statements and the related notes and other financial information included elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

The following MD&A includes a discussion comparing our results in fiscal year 2024 to fiscal year 2023. For a discussion of our results of operations comparing fiscal year 2023 to fiscal year 2022 and a discussion of our cash flows for fiscal year 2022, refer to Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2023, filed with the SEC on November 9, 2023.

Overview

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 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

During fiscal year 2024, we opened fourteen restaurants and expanded our restaurant base to 64 restaurants in seventeen states and Washington, DC as of the end of fiscal year 2024. We expect to open 14 new restaurants in fiscal year 2025 and therefore, we expect our revenue and restaurant operating costs to increase in fiscal year 2025. We also expect our general and administrative expenses to increase on a dollar basis in fiscal year 2025 to support the growth of the company.

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 growth.

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 utilities, repairs and maintenance, credit card fees, royalty payments to Kura Japan, stock-based compensation expenses for restaurant-level employees 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 the development of new restaurants, including compensation and benefits, travel expenses, stock-based compensation expenses 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.

Impairment of long-lived assets. Impairment of long-lived assets include the resulting charges when facts and circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an indicator of impairment exists, an estimate of the aggregate undiscounted cash flows is compared to the carrying value of the asset. If an asset is determined to be impaired, the loss is recorded as the excess of the carrying amount of the asset over its fair value.

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 investments.

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

Results of Operations

The following table presents selected comparative results of operations from our audited financial statements for the fiscal year ended August 31, 2024 compared to the fiscal year ended August 31, 2023. Our financial results for these periods are not necessarily indicative of the financial results that we will achieve in future periods. Certain percentage totals for the table below may not sum due to rounding.

	Fiscal Years Ended August 31,			
	2024	2023	$ Change	% Change
	(dollar amounts in thousands)			
Sales	$ 237,860	$ 187,429	$ 50,431	26.9 %
Restaurant operating costs:				
Food and beverage costs	69,509	56,631	12,878	22.7
Labor and related costs	75,926	56,547	19,379	34.3
Occupancy and related expenses	16,792	13,141	3,651	27.8
Depreciation and amortization expenses	11,362	7,422	3,940	53.1
Other costs	34,748	24,911	9,837	39.5
Total restaurant operating costs	208,337	158,652	49,685	31.3
General and administrative expenses	39,050	28,035	11,015	39.3
Depreciation and amortization expenses	425	410	15	3.7
Impairment of long-lived assets	1,553	—	1,553	—
Total operating expenses	249,365	187,097	62,268	74
Operating income (loss)	(11,505)	332	(11,837)	(3,565.4)
Other expense (income):				
Interest expense	47	69	(22)	(31.9)
Interest income, net	(2,915)	(1,472)	(1,443)	98.0
Income (loss) before income taxes	(8,637)	1,735	(10,372)	(597.8)
Income tax expense	167	233	(66)	(28.3)
Net income (loss)	$ (8,804)	$ 1,502	$ (10,306)	(686.2) %

	Fiscal Years Ended August 31,	
	2024	2023
	(as a percentage of sales)	
Sales	100.0 %	100.0 %
Restaurant operating costs		
Food and beverage costs	29.2	30.2
Labor and related costs	31.9	30.2
Occupancy and related expenses	7.1	7.0
Depreciation and amortization expenses	4.8	4.0
Other costs	14.6	13.3
Total restaurant operating costs	87.6	84.6
General and administrative expenses	16.4	15.0
Depreciation and amortization expenses	0.2	0.2
Impairment of long-lived assets	0.7	—
Total operating expenses	104.8	99.8
Operating income (loss)	(4.8)	0.2
Other expense (income):		
Interest expense	0.0	0.0
Interest income	(1.2)	(0.8)
Income (loss) before income taxes	(3.6)	0.9
Income tax expense	0.1	0.1
Net income (loss)	(3.7) %	0.8 %

Fiscal Year Ended August 31, 2024 Compared to Fiscal Year Ended August 31, 2023

Sales. Sales were $237.9 million for fiscal year 2024 compared to $187.4 million for fiscal year 2023, representing an increase of $50.5 million, or 26.9%. Comparable restaurant sales increased 0.7% for fiscal year 2024 as compared to fiscal year 2023. AUV was $4.2 million for fiscal year 2024 compared to $4.3 million for fiscal year 2023. The increase in sales was primarily driven by the sales resulting from fourteen new restaurants opened during fiscal year 2024, as well as increases in menu prices during the same period.

Food and beverage costs. Food and beverage costs were $69.5 million for fiscal year 2024 compared to $56.6 million for fiscal year 2023, representing an increase of $12.9 million, or 22.7%. This increase was primarily driven by costs associated with sales from fourteen new restaurants opened during fiscal year 2024. As a percentage of sales, food and beverage costs decreased to 29.2% in fiscal year 2024, as compared to 30.2% in fiscal year 2023, primarily due to increases in menu prices and supply chain initiatives.

Labor and related costs. Labor and related costs were $75.9 million for fiscal year 2024 compared to $56.5 million for fiscal year 2023, representing an increase of $19.4 million, or 34.3%. This increase in labor and related costs was primarily driven by additional labor costs incurred from fourteen new restaurants opened during fiscal year 2024 coupled with wage rate increases during the same period. As a percentage of sales, labor and related costs increased to 31.9% in fiscal year 2024, compared to 30.2% in fiscal year 2023. The increase in cost as a percentage of sales was primarily due to increases in wage rates and higher pre-opening labor costs.

Occupancy and related expenses. Occupancy and related expenses were $16.8 million for fiscal year 2024 compared to $13.1 million for fiscal year 2023, representing an increase of $3.7 million, or 27.8%. This increase was primarily a result of additional lease expense incurred with respect to fourteen new restaurants that opened during fiscal year 2024. As a percentage of sales, occupancy and other operating expenses remained consistent at 7.1% in fiscal year 2024 and 7.0% in fiscal year 2023.

Depreciation and amortization expenses. Depreciation and amortization expenses incurred as part of restaurant operating costs were $11.4 million for fiscal year 2024 compared to $7.4 million for fiscal year 2023, representing an increase of $4.0 million or 53.1%. This increase was primarily due to the depreciation of property and equipment related to the opening of fourteen new restaurants in fiscal year 2024 as well as accelerated depreciation on planned restaurant remodels. As a percentage of sales, depreciation and amortization expenses at the restaurant-level increased to 4.8% in fiscal year 2024 as compared to 4.0% in fiscal year 2023. Depreciation and amortization expenses incurred at the corporate level were $0.4 million for fiscal year 2024 and fiscal year 2023, and as a percentage of sales were 0.2%, respectively.

Other costs. Other costs were $34.7 million for the fiscal year 2024 compared to $24.9 million for fiscal year 2023, representing an increase of $9.8 million, or 39.5%. The increase was primarily driven by an increase in costs related to fourteen new restaurants opened in fiscal year 2024. As a percentage of sales, other costs increased to 14.6% in fiscal year 2024 from 13.3% in fiscal year 2023, primarily driven by increases in advertising and promotion, software licenses, repairs and maintenance, utilities, operating supplies and travel expenses.

General and administrative expenses. General and administrative expenses were $39.1 million for fiscal year 2024 compared to $28.0 million for fiscal year 2023, representing an increase of $11.1 million, or 39.3%. This increase was primarily due to $5.5 million in litigation costs, an increase in compensation-related costs of $3.2 million due to additional headcount, $2.0 million in professional fees, and $0.4 million in travel expenses. As a percentage of sales, general and administrative expenses increased to 16.4% in fiscal year 2024 from 15.0% in fiscal year 2023, primarily driven by litigation costs.

Impairment of long-lived assets. Impairment of long-lived assets was $1.6 million for fiscal year 2024 due to impairment charges related to the property and equipment on one underperforming restaurant location.

Interest expense. Interest expense was $47 thousand for fiscal year 2024 and $69 thousand for fiscal year 2023.

Interest income. Interest income was $2.9 million for fiscal year 2024 and $1.5 million for fiscal year 2023. 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 $0.2 million for both fiscal years 2024 and 2023. For further discussion of our income taxes, see "Note 12 — Income Taxes."

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, as well as certain items, such as litigation, 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 (loss) income 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 income (loss) to EBITDA, Adjusted EBITDA and Adjusted EBITDA margin for the fiscal years ended August 31, 2024 and August 31, 2023:

	Fiscal Years Ended August 31,	
	2024	2023
	(amounts in thousands)	
Net income (loss)	$ (8,804)	$ 1,502
Interest income, net	(2,868)	(1,403)
Taxes	167	233
Depreciation and amortization	11,787	7,832
EBITDA	282	8,164
Stock-based compensation expense[(a)]	4,314	3,550
Non-cash lease expense[(b)]	2,965	2,628
Impairment of long-lived assets[(c)]	1,553	—
Litigation[(d)]	5,450	—
Adjusted EBITDA	$ 14,564	$ 14,342
Adjusted EBITDA margin	6.1%	7.7%

(a) Stock-based compensation expense includes non-cash stock-based compensation, which is comprised of restaurant-level stock-based compensation included in other costs in the statements of operations and comprehensive income (loss) and of corporate-level stock-based compensation included in general and administrative expenses in the statements of operations and comprehensive income (loss), see "Note 6 — Stock-based Compensation" to the financial statements in this Annual Report on Form 10-K.

(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.

(c) Impairment of long-lived assets include losses incurred due to the impairment of property and equipment on one underperforming restaurant location.

(d) Litigation includes expenses related to legal claims or settlements.

Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) 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 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 income (loss) to Restaurant-level Operating Profit (Loss) and Restaurant-level Operating Profit (Loss) margin for the fiscal years ended August 31, 2024 and August 31, 2023:

	Fiscal Years Ended August 31,	
	2024	2023
	(amounts in thousands)	
Operating income (loss)	$ (11,505)	$ 332
Depreciation and amortization	11,787	7,832
Stock-based compensation expense[(a)]	4,314	3,550
Pre-opening costs[(b)]	3,165	1,730
Non-cash lease expense[(c)]	2,965	2,628
Impairment of long-lived assets[(d)]	1,553	—
General and administrative expenses	39,050	28,035
Corporate-level stock-based compensation included in general and administrative expenses	(3,626)	(3,044)
Restaurant-level operating profit	$ 47,703	$ 41,063
Operating income (loss) margin	(4.8)%	0.2%
Restaurant-level operating profit margin	20.1%	21.9%

(a) Stock-based compensation expense includes non-cash stock-based compensation, which is comprised of restaurant-level stock-based compensation included in other costs in the statements of operations and comprehensive income (loss) and of corporate-level stock-based compensation included in general and administrative expenses in the statements of operations and comprehensive income (loss), see "Note 6 — Stock-based Compensation" to the financial statements in this Annual Report on Form 10-K.

(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.

(d) Impairment of long-lived assets include losses incurred due to the impairment of property and equipment on one underperforming restaurant location.

Average Unit Volumes ("AUVs")

"Average Unit Volumes" or "AUVs" consist of the average annual sales of all restaurants that have been open for 18 full calendar months or longer at the end of the fiscal year presented due to new restaurants experiencing a period of higher sales upon opening. AUVs are calculated by dividing (x) annual sales for the fiscal year presented for all such restaurants by (y) the total number of restaurants in that base. We make fractional adjustments to sales for restaurants that were not open for the entire fiscal year presented (such as a restaurant closed for renovation) to

annualize sales for such associated period. This measurement allows management to assess changes in consumer spending patterns at our restaurants and the overall performance of our restaurant base.

The following table shows the AUVs for the fiscal years ended August 31, 2024 and August 31, 2023:

	Fiscal Years Ended August 31,	
	2024	2023
	(amounts in thousands)	
Average Unit Volumes	$ 4,228	$ 4,281

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 full calendar 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 and spending behavior;
- 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 for the fiscal years ended August 31, 2024 and August 31, 2023:

	Fiscal Years Ended August 31,	
	2024	2023
Comparable restaurant sales performance (%)	0.7%	9.5%
Comparable restaurant base	43	30

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 for the fiscal years ended August 31, 2024 and August 31, 2023:

	Fiscal Years Ended August 31,	
	2024	2023
Restaurant activity:		
Beginning of period	50	40
Openings	14	10
End of period	64	50

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 and equipment.

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.

As of August 31, 2024, we had no outstanding borrowings under the Revolving Credit Agreement and have $45.0 million of availability remaining. As of August 31, 2024, 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, and receivables 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 and cash equivalents on hand and availability under our existing line of credit 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:

	Fiscal Years Ended August 31,	
	2024	2023
	(amounts in thousands)	
Statement of Cash Flow Data:		
Net cash provided by operating activities	$ 15,612	$ 18,064
Net cash used in investing activities	(36,460)	(49,903)
Net cash provided by financing activities	2,137	65,754

Cash Flows Provided by Operating Activities

Net cash provided by operating activities during the fiscal year 2024 was $15.6 million, which primarily results from net loss of $8.8 million, non-cash charges of $11.8 million for depreciation and amortization, $4.3 million for stock-based compensation, $4.6 million in noncash lease expense, $1.6 million in impairment of long-lived assets, and net cash inflows of $2.1 million from changes in operating assets and liabilities.

Net cash provided by operating activities during the fiscal year 2023 was $18.1 million, which primarily results from net income of $1.5 million, non-cash charges of $7.8 million for depreciation and amortization, $3.6 million for stock-based compensation, $3.7 million in noncash lease expense, and net cash inflows of $1.3 million from changes in operating assets and liabilities.

Cash Flows Used in Investing Activities

Net cash used in investing activities during the fiscal year 2024 was $36.5 million, primarily due to $44.3 million in purchases of property and equipment $3.5 million in purchases of short-term investments, and $0.4 million for payments of initial direct costs, $0.3 million in purchases of liquor licenses offset by $12.0 million of redemption of short-term investments. The increase in purchases of property and equipment in fiscal year 2024 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 fiscal year 2023 was $49.9 million, primarily due to $9.3 million in purchases of short-term investments, $39.1 million in purchases of property and equipment and $1.7 million in purchases of liquor licenses offset by $0.8 million of redemption of short-term investments. The increase in purchases of property and equipment in fiscal year 2023 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 Financing Activities

Net cash provided by financing activities during fiscal year 2024 was $2.1 million, primarily due to $2.5 million of proceeds from exercise of stock options offset by $0.3 million in tax payments in relation to vested restricted stock awards.

Net cash provided by financing activities during fiscal year 2023 was $65.8 million, primarily due to aggregate net proceeds of $64.3 million after deducting the underwriting discounts and commissions and offering expenses payable, and $2.0 million of proceeds from exercise of stock options offset by $0.5 million in repayments of principal on finance leases.

Material Cash Requirements

As of August 31, 2024, we had $11.1 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 4 — Leases" to the financial statements included in this Annual Report on Form 10-K.

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 estimates that are made in accordance with GAAP, involve subjective or complex judgments by management, and are reasonably likely to have a material impact on our financial statements or results of operations. 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 following impairment of long-lived assets estimate is affected by significant judgments and estimates used in the preparation of our financial statements and that the judgments and estimates are reasonable.

Operating Leases

We currently lease all of our restaurant locations and our corporate office. At the commencement of a lease, we determine the appropriate classification as an operating lease or a finance lease. All of our restaurant and office leases are classified as operating leases.

Our office leases provide for fixed minimum rent payments. Most of our restaurants provide for fixed minimum rent payments and some require additional contingent rent payments based upon sales in excess of specified thresholds. When such sales thresholds are deemed probable, contingent rent is accrued in proportion to the sales recognized in the period. We recognize rent expense based on the straight-line method for operating leases that include free-rent periods and rent escalation clauses. For the purpose of calculating rent expenses under the straight-line method, the lease term commences on the date we obtain control of the property. Lease incentives used to fund leasehold improvements are recognized when probable of being earned upon signing the lease and reduce the operating right-of-use asset related to the lease. These incentives are amortized through the operating right-of-use asset as reductions of expense over the lease term. Restaurant lease expense is included in the occupancy and related expenses financial statement line item, while office lease expense is included in general and administrative expenses financial statement line item, on the accompanying financial statements.

Impairment of Long-Lived Assets

We assess potential impairments of our long-lived assets, which includes property and equipment and operating lease right-of-use assets, in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360—Property, Plant and Equipment. An impairment test is performed on an annual basis or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level. Assets are grouped at the individual restaurant level for purposes of the impairment assessment because a restaurant represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated undiscounted forecasted restaurant cash flows expected to be generated by the asset group. Factors considered by us in estimating future cash flows include but are not limited to: significant underperformance relative to expected historical or projected future operating results; significant changes

in the manner of use of the acquired assets; and significant negative industry or economic trends. The estimated undiscounted forecasted cash flows include assumptions made by management regarding certain items such as revenue, food and beverage costs, labor costs, occupancy costs, and other restaurant operating costs and therefore are subject to uncertainty as our actual results may differ from our estimates. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset, which is determined by the cost approach method.

As of fiscal year-end August 31, 2024, the Company performed an impairment assessment and determined that the carrying value of an asset group at one individual restaurant may not be recoverable due to underperforming historical and projected future operating results. Based on the impairment testing, the Company recorded impairment charges of $1.6 million related to property and equipment. There was no impairment test performed for the fiscal year ended August 31, 2023, and no impairment loss was recognized during fiscal years ended August 31, 2023 and August 31, 2022.

Item 7A. Quantitative and Qualitative Disclosure of Market Risks

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 menu prices increase or operational adjustments cannot offset such increases.

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 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. 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 increased menu prices can offset future cost increases or that our guests will fully absorb increased menu prices 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 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Kura Sushi USA, Inc.:

Opinions on the Financial Statements and Internal Control Over Financial Reporting
We have audited the accompanying balance sheets of Kura Sushi USA, Inc. (the Company) as of August 31, 2024 and 2023, the related statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended August 31, 2024, and the related notes (collectively, the financial statements). We also have audited the Company's internal control over financial reporting as of August 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of August 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended August 31, 2024, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2024 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions
The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made

only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of incremental borrowing rates for new operating leases

As discussed in Note 2 to the financial statements, the Company recognizes right-of-use (ROU) assets and lease liabilities for operating leases. The measurement of the ROU assets and lease liabilities requires the Company to estimate an incremental borrowing rate corresponding to the maturities of the leases. The Company's estimate of an incremental borrowing rate is based on prevailing financial market conditions, a synthetic credit rating, credit analysis, and management judgment.

We identified the evaluation of incremental borrowing rates for new operating leases in the current fiscal year as a critical audit matter. Subjective auditor judgment and the need to involve valuation professionals with specialized skills and knowledge was required to evaluate the incremental borrowing rate because the Company has no outstanding debt and does not have a directly observable company specific credit rating.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and operating effectiveness of certain internal controls related to the Company's process for determining the incremental borrowing rates. We involved valuation professionals with specialized skills and knowledge, who assisted in:

- developing an independent estimate of the synthetic credit rating and comparing it with the synthetic credit rating used by the Company in developing its incremental borrowing rates, and
- obtaining market yield curves associated with the estimated synthetic credit rating used to derive incremental borrowing rates associated with the new operating lease terms and comparing them to the estimated incremental borrowing rates developed by the Company for the same lease terms.

/s/ KPMG LLP

We have served as the Company's auditor since 2020.

Irvine, California
November 8, 2024

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

	As of August 31,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 50,986	$ 69,697
Short-term investments	—	8,542
Accounts and other receivables	4,573	5,048
Inventories	2,219	1,747
Due from affiliate	166	104
Prepaid expenses and other current assets	3,391	4,233
Total current assets	61,335	89,371
Non-current assets:		
Property and equipment – net	138,589	106,427
Operating lease right-of-use assets	123,682	103,884
Deposits and other assets	4,916	4,977
Total assets	$ 328,522	$ 304,659
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 8,977	$ 7,248
Accrued expenses and other current liabilities	4,261	2,821
Salaries and wages payable	8,310	7,595
Operating lease liabilities – current	10,674	9,225
Due to affiliate	373	555
Sales tax payable	1,904	1,694
Total current liabilities	34,499	29,138
Non-current liabilities:		
Operating lease liabilities – non-current	130,677	110,234
Other liabilities	808	646
Total liabilities	165,984	140,018
Commitments and contingencies (Note 11)		
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 authorized, 10,253 and 10,147 issued and outstanding as of August 31, 2024 and August 31, 2023, respectively	10	10
Class B common stock, $0.001 par value; 10,000 authorized, 1,000 issued and outstanding as of August 31, 2024 and August 31, 2023	1	1
Additional paid-in capital	195,515	188,771
Accumulated deficit	(32,988)	(24,184)
Accumulated other comprehensive income	—	43
Total stockholders' equity	162,538	164,641
Total liabilities and stockholders' equity	$ 328,522	$ 304,659

See accompanying notes to financial statements

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

	Fiscal Years Ended August 31,		
	2024	2023	2022
Sales	$ 237,860	$ 187,429	$ 141,089
Restaurant operating costs:			
Food and beverage costs	69,509	56,631	42,510
Labor and related costs	75,926	56,547	43,997
Occupancy and related expenses	16,792	13,141	9,917
Depreciation and amortization expenses	11,362	7,422	5,258
Other costs	34,748	24,911	17,517
Total restaurant operating costs	208,337	158,652	119,199
General and administrative expenses	39,050	28,035	22,289
Depreciation and amortization expenses	425	410	355
Impairment of long-lived assets	1,553	—	—
Total operating expenses	249,365	187,097	141,843
Operating income (loss)	(11,505)	332	(754)
Other expense (income):			
Interest expense	47	69	87
Interest income	(2,915)	(1,472)	(151)
Income (loss) before income taxes	(8,637)	1,735	(690)
Income tax expense	167	233	74
Net income (loss)	$ (8,804)	$ 1,502	$ (764)
Net income (loss) per Class A and Class B shares			
Basic	$ (0.79)	$ 0.15	$ (0.08)
Diluted	$ (0.79)	$ 0.14	$ (0.08)
Weighted average Class A and Class B shares			
Basic	11,204	10,305	9,719
Diluted	11,204	10,640	9,719
Other comprehensive income:			
Unrealized gain (loss) on short-term investments	$ (43)	$ 43	$ —
Comprehensive income (loss)	$ (8,847)	$ 1,545	$ (764)

See accompanying notes to financial statements

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

	Common Stock				Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Class A		Class B					
	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					2,409		—	2,409
Employee stock plan	88	—	—	—	959	—	—	959
Taxes paid on vested restricted stock awards	—	—	—	—	(154)	—	—	(154)
Net loss	—	—	—	—	—	(764)	—	(764)
Balances as of August 31, 2022	8,788	$ 9	1,000	$ 1	$ 118,970	$ (25,686)	$ —	$ 93,294
Stock-based compensation	—	—	—	—	3,550	—	—	3,550
Employee stock plan	94		—	—	1,957	—	—	1,957
Issuance of common stock in connection with follow-on public offering, net of underwriter discounts and issuance costs	1,265	1	—	—	64,294	—	—	64,295
Net income	—	—	—	—	—	1,502	—	1,502
Other comprehensive income	—	—	—	—	—	—	43	43
Balances as of August 31, 2023	10,147	$ 10	1,000	$ 1	$ 188,771	$ (24,184)	$ 43	$ 164,641
Stock-based compensation	—	—	—	—	4,532	—	—	4,532
Employee stock plan	106	—	—	—	2,212	—	—	2,212
Net loss	—	—	—	—	—	(8,804)	—	(8,804)
Other comprehensive loss	—	—	—	—	—	—	(43)	(43)
Balances as of August 31, 2024	10,253	$ 10	1,000	$ 1	$ 195,515	$ (32,988)	$ —	$ 162,538

See accompanying notes to financial statements

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

	Fiscal Years Ended August 31,		
	2024	**2023**	**2022**
Cash flows from operating activities			
Net income (loss)	$ (8,804)	$ 1,502	$ (764)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	11,787	7,832	5,613
Stock-based compensation	4,314	3,550	2,409
Gain on short-term investments	—	43	—
Loss on disposal of property and equipment	22	53	12
Noncash lease expense	4,591	3,748	3,192
Impairment of long-lived assets	1,553	—	—
Changes in operating assets and liabilities:			
Accounts and other receivables	(1,798)	(353)	(131)
Inventories	(472)	(627)	(387)
Due from affiliate	(62)	52	173
Prepaid expenses and other current assets	1,087	(1,151)	11,496
Deposits and other assets	336	146	(326)
Accounts payable	623	1,678	(172)
Accrued expenses and other current liabilities	1,198	(336)	912
Salary and wages payable	715	1,640	1,343
Operating lease liabilities	206	(113)	(61)
Due to affiliate	2	65	14
Sales tax payable	314	335	371
Net cash provided by operating activities	15,612	18,064	23,694
Cash flows from investing activities			
Payments for property and equipment	(44,251)	(39,068)	(26,766)
Payments for initial direct costs	(432)	(550)	(510)
Payments for purchases of liquor licenses	(275)	(1,743)	(896)
Purchases of short-term investments	(3,501)	(9,292)	—
Redemption of short- term investments	11,999	750	—
Net cash used in investing activities	(36,460)	(49,903)	(28,172)
Cash flows from financing activities			
Repayment of principal on finance leases	(75)	(498)	(975)
Taxes paid on vested restricted stock awards	(280)	—	(154)
Proceeds from stock option exercises	2,492	1,957	959
Proceeds from follow-on public offering, net of discounts and commissions	—	64,895	—
Payments of costs related to the follow-on offering	—	(600)	—
Net cash provided by (used in) financing activities	2,137	65,754	(170)
(Decrease) increase in cash and cash equivalents	(18,711)	33,915	(4,648)
Cash and cash equivalents, beginning of year	69,697	35,782	40,430
Cash and cash equivalents, end of year	$ 50,986	$ 69,697	$ 35,782
Supplemental disclosures of cash flow information			
Cash paid for interest	$ —	$ —	$ —
Cash paid for income taxes (net of refunds)	$ 265	$ 108	$ 206
Noncash investing activities			
Acquisition of finance leases	$ 34	$ 61	$ 34
Amounts unpaid for purchases of property and equipment	$ 2,758	$ 1,621	$ 1,933
Stock-based compensation capitalized to property and equipment, net	$ 218	$ —	$ —

See accompanying notes to financial statements

Kura Sushi USA, Inc.
Notes to Financial Statements

Note 1—Organization and Description of Business

Kura Sushi USA, Inc. (the "Company") 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.

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—Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The Company's fiscal year begins on September 1 and ends on August 31 and references made to "fiscal year 2024", "fiscal year 2023" and "fiscal year 2022" refer to the Company's fiscal years ended August 31, 2024, August 31, 2023 and 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, short-term investments, 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents. The Company maintains its cash and cash equivalents with financial institutions and, at times, the balance may exceed the Federal Deposit Insurance Corporation federally insured limits. The Company has never experienced any losses related to these balances.

Concentration of Significant Suppliers

The Company relies on third parties for specified food products and supplies. In instances where these parties fail to perform their obligations, the Company may be unable to find alternative suppliers. The Company is subject to supplier concentration risk as JFC International Inc., a subsidiary of Kikkoman Corporation and the Company's largest supplier, accounted for 55%, 49%, and 52% of total food and beverage costs for fiscal years 2024, 2023 and 2022, respectively. The Company's purchases from Mutual Trading Co., Inc were 34% of our total food and beverage for fiscal year 2024 and were not significant in 2023 and 2022.

Segment Information

Management has determined that the Company has one operating segment and therefore one reportable segment. The Company's chief operating decision maker, its Chief Executive Officer, reviews financial performance and allocates resources. All of the Company's sales are derived in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on hand, deposits with banks, money market funds, certificates of deposits and term deposits. As of August 31, 2024 and August 31, 2023, cash and cash equivalents were $51.0 million and $69.7 million, respectively. Due to the short-term maturities and their relatively low interest rates, the carrying value of the money market funds approximates their fair value. Cash and cash equivalents are maintained at financial institutions with strong credit ratings. The Company considers all highly liquid investments with an original maturity at the date of purchase of three months or less to be cash equivalents.

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 August 31, 2024, all of the Company's short-term investments had reached full maturity. As of August 31, 2023, short-term investments were $8.5 million. The certificates of deposits were deposited at Federal Deposit Insurance Corporation ("FDIC") insured banks. The certificates of deposits were 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 were classified as available-for-sale debt securities which are measured at fair value with unrealized gains or losses recorded in other comprehensive income (loss). During the year ended August 31, 2024, the Company reclassified $43 thousand out of accumulated other comprehensive income and into earnings for the period related to maturities of certificates of deposits and treasury bills. As of August 31, 2023, the Company recorded $43 thousand in unrealized gains on short-term investments in comprehensive loss, which consisted of $48 thousand in unrealized gains on Treasury bills and $5 thousand in unrealized losses on certificates of deposits. During the year ended August 31, 2023, the Company reclassified $16 thousand out of accumulated other comprehensive income into earnings for the period related to maturities of certificates of deposits. The Company determines realized gains or losses on the available-for-sale debt securities on a specific identification method. Based on the evaluation of credit risk factors, the Company has concluded that an allowance for credit losses was unnecessary for its short-term investments.

Accounts and Other Receivables

Accounts and other receivables consist primarily of receivables from landlords for tenant allowances and credit card receivables. The Company does not extend credit to guests and thus does not have credit risk from guests. Accounts and other receivables balances are stated at the amounts management expects to collect from balances outstanding at fiscal year-end, and no allowance for doubtful accounts is recorded as of August 31, 2024 and August 31, 2023.

Inventories

Inventories consist of food and beverages and are stated at the lower of cost or net realizable value, with cost determined on an average cost basis.

Property and Equipment

Property and equipment consists of computer equipment, vehicles, software, furniture and fixtures, equipment, leasehold improvements and leased assets. Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization on property and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining lease term or estimated life of the improvements. The following table represents the various types of property and equipment and their respective useful lives:

Property and Equipment	Useful Life
Computer equipment	3 – 5 years
Vehicles	5 years
Software	5 years
Furniture, fixtures and equipment	5 - 10 years
Leasehold improvements	Shorter of useful life or remaining lease term
Lease assets	Fixed lease term

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may be impaired. If an impairment loss has occurred, a charge is recorded to reduce the carrying amount of the asset to its estimated fair value.

Liquor Licenses

Liquor licenses are deemed to have indefinite useful lives and are subject to annual impairment testing. Liquor licenses are included in deposits and other assets in the accompanying balance sheets.

Asset Retirement Obligations

Asset retirement obligations (“ARO”) represents the estimated present value of future expenses the Company expects to incur at the end of a lease to restore the location to its original condition. The ARO is recorded as a liability at its estimated present value at inception with an offsetting increase in the carrying amount of the related property and equipment in the accompanying balance sheet. Periodic accretion of the discount of the estimated liability is recorded as interest expense in the accompanying statements of operations and comprehensive income (loss). Asset retirement obligations are amortized on a straight-line basis over the shorter of the remaining lease term or estimated life of the leasehold improvements. The Company’s ARO liability is $0.8 million and $0.6 million as of August 31, 2024 and August 31, 2023, respectively and is included in other liabilities in the accompanying balance sheets.

Impairment of Long-lived Assets

The Company assesses potential impairments of its long-lived assets, which includes property and equipment and operating lease right-of-use assets, in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 360—Property, Plant and Equipment. An impairment test is performed on an annual basis or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. In determining the recoverability of the asset value, an analysis is performed at the individual restaurant level. Assets are grouped at the individual restaurant level for purposes of the impairment assessment because a restaurant represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated undiscounted forecasted restaurant cash flows expected to be generated by the asset group. Factors considered by the Company in estimating future cash flows include but are not limited to: significant underperformance relative to expected historical or projected future operating results;

significant changes in the manner of use of the acquired assets; and significant negative industry or economic trends. The estimated undiscounted forecasted cash flows include assumptions made by management regarding certain items such as revenue, food and beverage costs, labor costs, occupancy costs, and other restaurant operating costs and therefore are subject to uncertainty as the Company's actual results may differ from its estimates. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset, which is determined by the cost approach method.

As of fiscal-year end August 31, 2024, the Company performed an impairment assessment and determined that the carrying value of an asset group at one individual restaurant may not be recoverable due to underperforming historical and projected future operating results. Based on impairment testing, the Company recorded impairment charges of $1.6 million related to the property and equipment. There was no impairment test performed for the fiscal year ended August 31, 2023, and no impairment loss was recognized during the fiscal years ended August 31, 2023, and August 31, 2022.

Income Taxes

The provision for income taxes, income taxes payable, and deferred income taxes are determined using the asset and liability method. Deferred income tax assets and liabilities are determined based on temporary differences between the financial carrying amounts and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to reverse. The Company establishes a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be recoverable against future taxable income. Income tax expense or benefit is the income tax payable or refundable for the period, plus or minus the change during the period to deferred income tax assets and liabilities.

The Company regularly evaluates the likelihood of realizing the benefit for income tax positions it has taken in federal and state filings by considering all facts, circumstances, and information available. For those benefits that the Company believes it is more likely than not will be sustained, it recognizes the largest amount it believes is cumulatively greater than 50% likely to be realized.

Revenue Recognition

Revenue from sales is recognized when food and beverages are sold to customers. Sales are presented net of discounts and sales taxes collected from customers.

Sales Taxes

Sales taxes are imposed by state, county, and city governmental authorities, collected from customers and remitted to the appropriate governmental agency. The Company's policy is to record the sales taxes collected as a liability on the books and then remove the liability when the sales tax is remitted. There is no impact on the statements of operations and comprehensive income (loss) as restaurant sales are recorded net of sales tax.

Operating and Finance Leases

At inception of a contract, the Company assesses whether the contract is a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease classification, measurement, and recognition are determined at lease commencement, which is the date the underlying asset is available for use by the Company. The accounting classification of a lease is based on whether the arrangement is effectively a financed purchase of the underlying asset (finance lease) or not (operating lease). The Company has operating and finance leases for its corporate office, restaurant locations, office equipment, kitchen equipment and automobiles. The leases have remaining lease terms of less than 1 year to 20 years, some of which include options to extend the leases. For leases with renewal periods at the Company's option, the Company determines the expected lease period based on whether the renewal of any options is reasonably assured at the inception of the lease.

Operating leases are accounted for on the balance sheet with the right-of-use ("ROU") assets and lease liabilities recognized in "Operating lease right-of-use assets," "Operating lease liabilities - current" and "Operating lease liabilities - noncurrent" on the balance sheet, respectively. Finance leases are accounted for on the balance

sheet with ROU assets and lease liabilities recognized in “Property and equipment, net,” “Other current liabilities” and “Other liabilities” on the balance sheet, respectively.

Lease assets and liabilities are recognized at the lease commencement date. All lease liabilities are measured at the present value of the lease payments not yet paid. To determine the present value of lease payments not yet paid, the Company estimates incremental borrowing rates corresponding to the maturities of the leases. As the Company has no outstanding debt, it estimates this rate based on prevailing financial market conditions, a synthetic credit rating, credit analysis, and management judgment. ROU assets, for both operating and finance leases, are initially measured based on the lease liability, adjusted for initial direct costs, prepaid or deferred rent, and lease incentives. The operating lease ROU assets are subsequently measured at the carrying amount of the lease liability adjusted for initial direct costs, prepaid or accrued lease payments, and lease incentives. Depreciation of the finance lease ROU assets are subsequently calculated using the straight-line method over the shorter of the estimated useful lives or the expected lease terms and recorded in “Depreciation and amortization expense” on the statement of operations.

The Company accounts for lease and non-lease components as a single component for its entire population of operating lease assets. The Company recognizes the short-term lease exemption for all applicable classes of underlying assets. Short-term disclosures include only those leases with a term greater than one month and twelve months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of twelve months or less, that do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise, are not recorded on the balance sheet.

The Company recognizes expense for these leases on a straight-line basis over the lease term. In addition to the fixed minimum payments required under the lease arrangements, certain leases require variable lease payments, such as common area maintenance, insurance and real estate taxes, which are recognized when the associated activity occurs. Additionally, contingent rental payments based on sales thresholds for certain of its restaurants are accrued based on estimated sales.

Other Costs

Other costs in restaurant operating costs in the accompanying statements of operations and comprehensive income (loss) include utilities, repairs and maintenance, credit card fees, royalty payments, stock-based compensation for restaurant-level employees, advertising costs and other restaurant-level expenses. The Company incurred $34.7 million, $24.9 million and $17.5 million in other costs for the fiscal years ended August 31, 2024, August 31, 2023 and August 31, 2022, respectively.

Advertising Costs

Advertising costs are expensed as incurred and are included in other costs in the accompanying statements of operations and comprehensive income (loss). The Company incurred $3.0 million, $2.7 million and $1.3 million in advertising expenses for the fiscal years ended August 31, 2024, August 31, 2023 and August 31, 2022, respectively.

Fair Value Measurements

The Company defines fair value as the exchange price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value measurement accounting guidance creates a fair value hierarchy to prioritize the inputs used to measure fair value into three categories. A financial instrument’s level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where Level 1 is the highest and Level 3 is the lowest. The three levels are defined as follows:

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs other than Level 1 prices, such as unadjusted quoted prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These inputs are based on the Company's own assumptions used to measure assets and liabilities at fair value and require significant management judgment or estimation.

The Company's financial statements include cash and cash equivalents, accounts and other receivables, accounts payable, accrued expenses and other current liabilities, and salaries and wages payable for which the carrying amounts approximate fair value due to their short-term maturity. The fair value of our short-term investments, specifically certificates of deposits are considered Level 2 inputs of the fair value hierarchy. The fair value of payments due to or from Kura Japan is not determinable due to its related-party nature.

Stock-based Compensation

Stock-based compensation consists of stock options and restricted stock units ("RSUs") issued to employees and non-employees. The Company measures and recognizes stock-based compensation based on the grant date fair value of the award. The fair value of stock options is estimated using the Black-Scholes option-pricing model and is impacted by the fair value of the Company's common stock, as well as changes in assumptions regarding certain subjective variables. These variables include, but are not limited to, the expected common stock price volatility over the term of the stock option awards, the expected term of the awards, risk-free interest rates and the expected dividend yield. The fair value of restricted stock awards is based on the closing market price of the Company's stock on the date of grant. Forfeitures are recognized as they occur.

For stock options that are based on a service requirement, the cost is recognized on a straight-line basis over the requisite service period, which is typically the vesting period. Stock options and RSUs granted in fiscal years 2024, 2023 and 2022 have vesting periods ranging from 12 months to 48 months. Each award expires on such date as shall be determined at the date of grant; however, the maximum contractual term of options to acquire common stock is ten years after the initial date of the award. Vested RSUs do not expire. For RSUs, all unvested awards shall be forfeited immediately upon termination.

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).

Income (Loss) Per Share

Income (loss) per share is calculated by dividing net income (loss) by the weighted average shares outstanding during the period, without consideration of common stock equivalents. Diluted income (loss) per share assumes the conversion, exercise or issuance of all potential dilutive common stock equivalents outstanding for the period. For the purposes of this calculation, options and restricted stock units are considered to be common stock equivalents and are only included in the calculation of diluted earnings per share when their effect is dilutive. Diluted income (loss) per share is calculated by adjusting weighted average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method.

Recently Issued Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures", which requires greater disaggregation of income tax disclosures related to the income tax rate reconciliation and income taxes paid and effective for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued. The amendments should be applied on a prospective basis although

retrospective application is permitted. The Company is currently evaluating the effects of this pronouncement on its financial statements and expects the update to result in additional disclosures.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The guidance in this update is effective for all public entities for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the effects of this pronouncement on its financial statements and expects the update to result in additional disclosures.

Note 3—Balance Sheet Components

Accounts and Other Receivables

Accounts and other receivables as of August 31, 2024 and August 31, 2023 consists of the following:

	As of August 31,	
	2024	2023
	(amounts in thousands)	
Lease receivables	$ 1,701	$ 3,973
Credit card and other receivables	2,872	1,075
Total accounts and other receivables	$ 4,573	$ 5,048

Inventories

Inventories as of August 31, 2024 and August 31, 2023 consists of the following:

	As of August 31,	
	2024	2023
	(amounts in thousands)	
Food	$ 2,013	$ 1,575
Beverages	206	172
Total inventories	$ 2,219	$ 1,747

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets as of August 31, 2024 and August 31, 2023 consists of the following:

	As of August 31,	
	2024	2023
	(amounts in thousands)	
Prepaid expenses	$ 3,013	$ 3,697
Other current assets	378	536
Total prepaid expenses and other current assets	$ 3,391	$ 4,233

Property and Equipment - net

Property and equipment - net as of August 31, 2024 and August 31, 2023 consists of the following:

	As of August 31,	
	2024	2023
	(amounts in thousands)	
Leasehold improvements	$ 100,345	$ 75,472
Lease assets	6,108	6,247
Furniture, fixtures and equipment	50,951	34,213
Computer equipment	3,714	2,792
Vehicles	243	220
Software	1,017	1,016
Construction in progress	15,080	14,369
Property and equipment – gross	177,458	134,329
Less: accumulated depreciation and amortization	(38,869)	(27,902)
Total property and equipment – net	$ 138,589	$ 106,427

Depreciation and amortization expense for property and equipment was $11.8 million, $7.8 million and $5.6 million for the fiscal years ended August 31, 2024, August 31, 2023, and August 31, 2022, respectively.

Deposits and Other Assets

Deposits and other assets, as of August 31, 2024 and August 31, 2023 consists of the following:

	As of August 31,	
	2024	2023
	(amounts in thousands)	
Deposits	$ 1,150	$ 1,486
Liquor licenses	3,766	3,491
Total deposits and other assets	$ 4,916	$ 4,977

Note 4—Leases

The Company has operating and finance leases for its corporate office, restaurant locations, kitchen equipment and automobiles. The Company's finance leases are immaterial. 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) for fiscal years 2024, 2023 and 2022 are as follows:

		Fiscal Years Ended August 31,		
		2024	2023	2022
		(amounts in thousands)		
Operating lease cost	**Classification**			
Operating lease cost	Occupancy and related expenses, other costs and general and administrative expenses	$ 13,319	$ 10,203	$ 7,859
Variable lease cost	Occupancy and related expenses, and general and administrative expenses	3,574	3,176	2,181
Total operating lease cost		$ 16,893	$ 13,379	$ 10,040

Supplemental balance sheet information related to leases is as follows:

Operating Leases

	As of August 31,	
	2024	2023
	(amounts in thousands)	
Right-of-use assets	$ 123,682	$ 103,884
Lease liabilities – current	$ 10,674	$ 9,225
Lease liabilities – non-current	130,677	110,234
Total lease liabilities	$ 141,351	$ 119,459

	As of August 31,	
	2024	2023
Weighted Average Remaining Lease Term (Years)		
Operating leases	16.5	16.1
Weighted Average Discount Rate		
Operating leases	7.1%	7.0%

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

	Fiscal Years Ended August 31,	
	2024	2023
	(amounts in thousands)	
Operating cash flows paid for operating lease liabilities	$ 10,723	$ 7,935
Operating right-of-use assets obtained in exchange for new operating lease liabilities	$ 25,475	$ 27,062

As of August 31, 2024, the Company had an additional $51.4 million of operating leases related to restaurants for which the Company had not yet taken possession. Subsequent to August 31, 2024, the Company entered into four additional operating leases related to restaurants for which the Company has not yet taken possession. The lease liabilities associated with the leases after August 31, 2024 are $17.8 million. The operating leases are expected to commence in fiscal year 2025, with lease terms of up to 20 years.

Maturities of lease liabilities are as follows as of August 31, 2024:

	Operating Leases
	(amounts in thousands)
2024	$ 9,327
2025	13,859
2026	13,556
2027	13,902
2028	14,277
Thereafter	186,490
Total lease payments	251,411
Less: imputed interest	(110,060)
Present value of lease liabilities	$ 141,351

Note 5—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 statement 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, which was subsequently amended on September 2, 2020 and April 9, 2021, to provide the Company a line of credit of $45.0 million. For additional information, see "Note 9 — Debt."

Balances with Kura Japan as of August 31, 2024 and August 31, 2023 are as follows:

	As of August 31,	
	2024	2023
	(amounts in thousands)	
Due from affiliate	$ 166	$ 104
Due to affiliate	$ 373	$ 555

Reimbursements and other payments by the Company to Kura Japan for fiscal years ended August 31, 2024, August 31, 2023, and August 31, 2022 are as follows:

	Fiscal Years Ended August 31,		
	2024	2023	2022
	(amounts in thousands)		
Related party transactions:			
Expatriate salaries expense	$ 153	$ 120	$ 151
Royalty payments	1,189	938	708
Travel and other administrative expenses	26	35	9
Purchases of equipment	2,664	3,327	1,449
Total related party transactions	$ 4,032	$ 4,420	$ 2,317

Reimbursements by Kura Japan to the Company were $0.3 million, $0.2 million and $0.2 million for fiscal years ended August 31, 2024, August 31, 2023, and August 31, 2022, respectively. The reimbursements were primarily for professional fees, travel and other administrative expenses.

Note 6—Stock-based Compensation

The Company has a 2018 Incentive Compensation Plan (the "Stock Incentive Plan"), as amended. Under the Stock Incentive Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, and performance awards in the form of shares and cash. Stock options granted under the Stock Incentive Plan include both incentive stock options and non-qualified stock options. This plan authorizes 1,350,000 shares to be granted.

Stock option activity under the Stock Incentive Plan is as follows:

	Options Outstanding			
	Number of shares underlying outstanding options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (amounts in thousands)
Outstanding—August 31, 2021	625,378	$ 17.13	4.9	$ 21,060
Granted	227,596	51.24		
Exercised	(81,742)	11.74		
Canceled/forfeited	(95,290)	32.41		
Outstanding—August 31, 2022	675,942	$ 27.12	7.7	$ 32,290
Granted	141,202	68.19		
Exercised	(93,915)	20.84		
Canceled/forfeited	(69,834)	51.90		
Outstanding—August 31, 2023	653,395	$ 34.25	7.2	$ 34,766
Granted	76,581	87.51		
Exercised	(96,748)	25.76		
Canceled/forfeited	(22,714)	65.42		
Outstanding—August 31, 2024	610,514	$ 41.11	6.6	$ 17,484
Options exercisable	422,432	$ 27.39	5.8	$ 16,549

The total intrinsic value of stock options exercised during fiscal year 2024 was $6.3 million.

The total fair value of options vested was $3.7 million, $3.1 million, and $1.7 million for the fiscal years ended August 31, 2024, August 31, 2023, and August 31, 2022, respectively. As of August 31, 2024, unrecognized stock-based compensation of $7.2 million related to unvested stock options is expected to be recognized on a straight-line basis over a weighted average period of 2.6 years.

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

	RSUs Outstanding	
	Number of Shares Underlying Outstanding RSU	Weighted Average Grant Date Fair Value
Outstanding — August 31, 2022	—	—
Granted	32,733	$ 69.49
Canceled/forfeited	(1,628)	62.14
Outstanding — August 31, 2023	31,105	$ 69.88
Granted	20,409	97.30
Vested	(12,477)	72.42
Canceled/forfeited	(2,917)	75.87
Outstanding — August 31, 2024	36,120	$ 84.01

The total fair value of RSUs vested was $0.9 million for the fiscal year ended August 31, 2024. No RSUs vested during the fiscal years ended August 31, 2023, and August 31, 2022. As of August 31, 2024, unrecognized stock-based compensation of $2.5 million related to unvested RSUs is expected to be recognized on a straight-line basis over a weighted average period of 2.7 years.

Stock-based Compensation Expense

Stock-based compensation for restaurant-level employees is included in other costs and stock-based compensation for corporate-level employees is included in general and administrative expenses in the statements of operations and comprehensive income (loss). The total stock-based compensation recognized under the Stock Incentive Plan in the statements of operations and comprehensive income (loss) is as follows:

	Fiscal Years Ended August 31,		
	2024	2023	2022
	(amounts in thousands)		
Other costs	$ 688	$ 506	$ 297
General and administrative expenses	3,626	3,044	2,112
Stock-based compensation, net of amounts capitalized	$ 4,314	$ 3,550	$ 2,409
Amount capitalized to Property and equipment - net	218	—	—
Total stock-based compensation	$ 4,532	$ 3,550	$ 2,409

Determination of Fair Value

For the fiscal years ended August 31, 2024, August 31, 2023, and August 31, 2022, the fair value of stock options was estimated on the grant date using the Black-Scholes valuation model with the following assumptions:

	Fiscal Years Ended August 31,		
	2024	2023	2022
Expected term (in years)	6.11	6.11	5.50 - 6.11
Expected volatility	60.6% - 67.3%	58.6 - 64.0%	62.3% - 63.7%
Risk-free interest rate	3.84% - 4.84%	2.96% - 4.15%	1.23% - 3.19%
Dividend rate	—	—	—
Weighted average grant date fair value	$ 53.09	$ 45.79	$ 29.54

Expected Term - The expected term represents the period that the Company's stock-based awards are expected to be outstanding. For option grants that are considered to be "plain vanilla," the Company determines the expected term using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

Expected Volatility - Since the Company does not have a trading history of its common stock equivalent to the expected term of the stock option grants, the expected volatility is derived from the average historical stock volatilities of several unrelated public companies within the Company's industry that the Company considers to be comparable to its business over a period equivalent to the expected term of the stock option grants.

Risk-Free Interest Rate - The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Dividend Rate - The expected dividend is assumed to be zero as the Company has never paid dividends and has no current plans to do so.

Fair Value of Common Stock - The fair value of common stock is based on the closing price of the Company's common stock, as reported on The Nasdaq Stock Market LLC.

Note 7—Fair Value Measurements

The following table sets forth the Company's assets measured at fair value on a recurring basis as of August 31, 2023. The Company did not have any assets and liabilities measured at fair value on a recurring basis as of August 31, 2024 or August 31, 2022.

	August 31, 2023			
	Level 1	Level 2	Level 3	Total
	(amounts in thousands)			
Assets:				
Certificates of deposits	$ —	$ 4,495	$ —	$ 4,495
Treasury bills	4,047	—	—	4,047
Total assets at fair value	$ 4,047	$ 4,495	$ —	$ 8,542

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 considered using Level 2 inputs 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. The Company determines realized gains or losses on the available-for-sale debt securities on a specific identification method.

Note 8—Kura Sushi USA, Inc. 401(k) Plan

The Company maintains the Kura Sushi USA, Inc. 401(k) Plan (the "Plan"). The Plan covers all employees, subject to certain eligibility requirements. Starting in fiscal year 2022, the Company makes safe harbor matching contributions which vest immediately, equal to 100% of each eligible participant's salary deferrals that do not exceed 3% of compensation, plus 50% of each eligible participant's salary deferrals between 3% and 5% of compensation. The Company made matching Plan contributions of $0.5 million, $0.4 million and $0.2 million during the fiscal years ended August 31, 2024, August 31, 2023 and August 31, 2022, respectively.

Note 9—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 August 31, 2024 and August 31, 2023, the Company had no outstanding balance on the revolving credit line and had $45.0 million of availability remaining under the Revolving Credit Agreement.

Note 10—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:

	Fiscal Years Ended August 31,					
	2024		2023		2022	
	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	$ (8,018)	$ (786)	$ 1,356	$ 146	$ (685)	$ (79)
Net income (loss) attributable to common stockholders – diluted	$ (8,018)	$ (786)	$ 1,361	$ 141	$ (685)	$ (79)
Weighted average common shares outstanding – basic	10,204	1,000	9,305	1,000	8,719	1,000
Dilutive effect of stock-based awards	—	—	335	—	—	—
Weighted average common shares outstanding – diluted	10,204	1,000	9,640	1,000	8,719	1,000
Net income (loss) per share attributable to common stockholders – basic	$ (0.79)	$ (0.79)	$ 0.15	$ 0.15	$ (0.08)	$ (0.08)
Net income (loss) per share attributable to common stockholders – diluted	$ (0.79)	$ (0.79)	$ 0.14	$ 0.14	$ (0.08)	$ (0.08)

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 fiscal years ended August 31, 2024, August 31, 2023 and August 31, 2022, there were 647 thousand, 685 thousand and 677 thousand shares of common stock, respectively, subject to outstanding employee stock options and RSUs that were excluded from the calculation of diluted income per share because their inclusion would have been anti-dilutive.

Note 11—Commitments and Contingencies

On January 19, 2024, two former employees initiated arbitration against the Company. Subsequently, on February 26, 2024, three additional former employees initiated a separate arbitration against the Company. Both sets of claimants alleged violations of the Fair Labor Standards Act ("FLSA") and violations of certain Washington, D.C. wage laws. In both arbitrations, claimants purported to raise collective claims on behalf of other similarly situated employees and former employees. In August 2024, the Company settled the claims with these five former employees, as well as 58 other current and former employees asserting similar claims (some under the laws of Pennsylvania, Virginia and Massachusetts), for approximately $3.9 million. Since that time, other current and former employees have asserted claims under the FLSA and applicable state laws (including Pennsylvania, New Jersey and Massachusetts) through counsel. In October 2024, the Company has agreed to settle those claims for approximately $1.2 million.

The Company expensed $5.1 million related to these matters within general and administrative expenses in the statements of operations and comprehensive income (loss) during the fiscal year ended August 31, 2024. The Company has an accrued liability of $1.2 million related to these matters as of August 31, 2024, which was subsequently paid in October 2024.

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 12—Income Taxes

The components of loss before provision for income taxes are as follows:

	Fiscal Years Ended August 31,		
	2024	2023	2022
	(amounts in thousands)		
US	$ (8,637)	$ 1,735	$ (690)
Total	$ (8,637)	$ 1,735	$ (690)

The components of the provision for income taxes are as follows:

	Fiscal Years Ended August 31,		
	2024	2023	2022
	(amounts in thousands)		
Current:			
Federal	$ —	$ —	$ —
State	167	233	74
Total current	167	233	74
Deferred:			
Federal	—	—	—
State	—	—	—
Total deferred	—	—	—
Total	$ 167	$ 233	$ 74

The Company had an effective tax rate of (1.9)%, 13.4%, and (10.7)% for the fiscal years ended August 31, 2024, August 31, 2023, and August 31, 2022, respectively. The reconciliation of the statutory federal income tax rate to the Company's effective tax rate was as follows:

	Fiscal Years Ended August 31,		
	2024	2023	2022
Tax at federal statutory rate	21.0%	21.0%	21.0%
Employer tip credit	16.9	(121.3)	125.8
Stock-based compensation	4.3	2.6	29.7
Change in valuation allowance	(42.4)	96.8	(186.1)
Other items	(0.7)	3.6	3.7
State tax, net of federal benefit	(1.0)	10.7	(4.8)
Effective tax rate	(1.9)%	13.4%	(10.7)%

The Company recorded an income tax provision for the years ended August 31, 2024, 2023 and 2022 of $167 thousand, $233 thousand, and $74 thousand, respectively. The primary difference between the effective rate and the federal statutory tax rate relates to recognition of valuation allowance against deferred tax assets, employer tip credits, and non-deductible stock compensation.

The deferred income taxes reflect the tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities are as follows:

	As of August 31,	
	2024	2023
	(amounts in thousands)	
Deferred tax assets:		
NOL carryover	$ 8,430	$ 7,394
General business credit	7,983	6,087
Lease liabilities	39,080	32,080
State tax deduction	41	—
Other	2,530	1,751
Gross deferred tax assets	58,064	47,312
Deferred tax liabilities:		
Basis difference on fixed assets	(8,711)	(7,911)
Right-of-use assets	(33,737)	(27,885)
Gross deferred tax liabilities	(42,448)	(35,796)
Valuation allowance	(15,616)	(11,516)
Net deferred tax	$ —	$ —

As of August 31, 2024, the Company has U.S. federal net operating loss ("NOL") carryover of approximately $32.9 million, various state NOL carryover of approximately $18.4 million, and federal tax credit carryover of approximately $8.0 million. If not utilized, $30.8 million of the federal NOL can be carried forward indefinitely, and the remainder will begin to expire in the fiscal year ending August 31, 2036. The federal tax credit will begin to expire in the fiscal year ending August 31, 2032. Utilization of the Company's NOL and federal tax credit carryover may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Sections 382 and 383 of the Internal Revenue Code of 1986, as amended.

The Company has not recorded any unrecognized tax benefits as of August 31, 2024. Tax benefits of uncertain tax positions are recognized only if it is more likely than not that the Company will be able to sustain a position taken on an income tax return. The Company has no liability for uncertain positions. Interest and penalties, if any, related to unrecognized tax benefits would be recognized as income tax expense.

The Company evaluates the realizability of its deferred tax assets on a quarterly basis and establishes a valuation allowance when it is more likely than not that all or a portion of a deferred tax asset may not be realized. The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended August 31, 2024, as well as significant deferred tax assets in excess of deferred tax liabilities. As a result, the Company determined that it is not more likely than not that it will generate sufficient future U.S. taxable income to realize its deferred tax assets and, therefore, recorded valuation allowances against the net deferred tax assets. The total amount of the valuation allowance was approximately $15.6 million. The net change for the valuation allowance was $4.1 million as of August 31, 2024.

On August 16, 2022, Congress passed, and the President signed into law, the Inflation Reduction Act (the "IRA"), which includes certain business tax provisions. The IRA did not have a material impact on the Company's effective tax rate or income tax expense for the fiscal year ended August 31, 2022.

Item 9. Changes in and Disagreements with Accountant on Accounting and Financial Disclosure

None.

Item 9A. 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 report.

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 report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed 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. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework (2013). Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the period covered by this report. Our independent registered public accounting firm, KPMG LLP, has audited our internal control over financial reporting and its report is included herein.

Changes in Internal Control over Financial Reporting

In the current quarter, we performed an impairment assessment and determined the carrying amount of an asset group at one individual restaurant exceeded its estimated undiscounted cash flows. As a result, for that asset group, an impairment charge of $1.6 million was recorded for the amount by which the carrying amount of the assets exceeded the fair value of the assets. In connection with the determination of the fair values of the assets, we implemented additional controls. There were no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended August 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

During the quarter ended August 31, 2024, no director or officer of the Company, adopted or terminated a

Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

The information required by Items 10, 11, 12, 13 and 14 will be furnished (and are hereby incorporated by reference) by an amendment hereto or pursuant to the Company's definitive proxy statement pursuant to Regulation 14A for the 2025 annual meeting of stockholders that will contain such information.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1). *Financial Statements.* See "Table of Contents" on page 52.

(a)(2). *Financial Statement Schedules.*

All schedules are omitted because they are not required or applicable, or the required information is included in the Company's financial statements or related notes.

(a)(3). *Exhibits.* See "Index to Exhibits."

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to our current report on Form 8-K filed with the SEC on August 5, 2019 as Exhibit 3.1)
3.2	Amended and Restated Bylaws (incorporated by reference to our current report on Form 8-K filed with the SEC on August 5, 2019 as Exhibit 3.2)
4.1	Specimen Stock Certificate (incorporated by reference to our registration statement on Form S-1/A (File No. 333-232551) filed with the SEC on July 22, 2019 as Exhibit 4.1)
4.2	Description of the Registrant's Capital Stock (incorporated by reference to our annual report on Form 10-K filed with the SEC on November 18, 2020 as Exhibit 4.2)
10.1†#	Kura Sushi USA, Inc. 2018 Incentive Compensation Plan (as amended and restated as of January 29, 2021)
10.2†	Employment Agreement between Kura Sushi USA, Inc. and Hajime Uba (incorporated by reference to our current report on Form 8-K filed with the SEC on August 5, 2019 as Exhibit 10.3)
10.3†	Employment Agreement between Kura Sushi USA, Inc. and Steven H. Benrubi (incorporated by reference to our current report on Form 8-K filed with the SEC on November 30, 2020 as Exhibit 10.1)
10.4†	Employment Agreement between Kura Sushi USA, Inc. and Shahin Allameh (incorporated by reference to our current report on Form 8-K filed with the SEC on July 13, 2021 as Exhibit 10.1)
10.5†	Employment Agreement, dated August 1, 2022, between Kura Sushi USA, Inc. and Brent Takao (incorporated by reference to our current report on Form 8-K filed with the SEC on August 1, 2022 as Exhibit 10.1)
10.6†	Employment Agreement, dated September 30, 2022, between Kura Sushi USA, Inc. and Jeffrey J. Uttz (incorporated by reference to our current report on Form 8-K filed with the SEC on October 3, 2022 as Exhibit 10.1)
10.7†	Form of Restricted Stock Award Notice and Award Agreement (incorporated by reference to our current report on Form 8-K filed with the SEC on November 30, 2020 as Exhibit 10.2)
10.8†	Form of Restricted Stock Unit Award Notice and Award Agreement (incorporated by reference to our current report on Form 8-K filed with the SEC on October 3, 2022 as Exhibit 10.2)
10.9	Form of Indemnification Agreement between Kura Sushi USA, Inc. and each of its directors and executive officers (incorporated by reference to our registration statement on Form S-1/A (File No. 333-232551) filed with the SEC on July 16, 2019 as Exhibit 10.5)
10.10	Amended and Restated Exclusive License Agreement between Kura Sushi USA, Inc. and Kura Sushi, Inc. (incorporated by reference to our current report on Form 8-K filed with the SEC on August 5, 2019 as Exhibit 10.2)
10.11	Shared Services Agreement between Kura Sushi USA, Inc. and Kura Sushi, Inc. (incorporated by reference to our current report on Form 8-K filed with the SEC on August 5, 2019 as Exhibit 10.1)
10.12	Revolving Credit Agreement, dated April 10, 2020, between Kura Sushi USA, Inc. and Kura Sushi, Inc. (incorporated by reference to our current report on Form 8-K filed with the SEC on April 14, 2020 as Exhibit 10.1)
10.13	First Amendment to Revolving Credit Agreement, dated September 2, 2020, between Kura Sushi USA, Inc. and Kura Sushi, Inc. (incorporated by reference to our current report on Form 8-K filed with the SEC on September 3, 2020 as Exhibit 10.1)

10.14	Second Amendment to Revolving Credit Agreement, dated April 9, 2021, between Kura Sushi USA, Inc. and Kura Sushi, Inc. (incorporated by reference to our current report on Form 8-K filed with the SEC on April 13, 2021 as Exhibit 10.1)
10.15†	Form of Incentive Stock Option Agreement (incorporated by reference to our annual report on Form 10-K filed with the SEC on November 26, 2019 as Exhibit 10.17)
10.16†	Form of Nonqualified Stock Option Agreement (incorporated by reference to our annual report on Form 10-K filed with the SEC on November 26, 2019 as Exhibit 10.18)
10.17†#	Employment Agreement, dated October 15, 2021, between Kura Sushi USA, Inc. and Arlene Estrada Petokas
10.18†#	Employment Agreement, dated April 1, 2020, between Kura Sushi USA, Inc. and Robert Kluger
19.1#	Kura Sushi USA, Inc. Policy Regarding Insider Trading, Tipping and Other Wrongful Disclosures and Guidelines with Respect to Certain Transactions in Securities of Kura Sushi USA, Inc.
23.1#	Consent of KPMG LLP
24.1#	Power of Attorney (included on signature page of this report)
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 Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2#	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1#	Kura Sushi USA, Inc. Policy Regarding Recoupment of Incentive Compensation Upon Restatement or Misstatement of Financial Results, or as Required by Law
101.INS#	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its 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)

† Management contract or compensatory plan.

Filed herewith.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: November 8, 2024

KURA SUSHI USA, INC.

By: /s/ Jeffrey Uttz

Name: Jeffrey Uttz

Title: Chief Financial Officer
(Principal Financial Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Hajime Uba and Jeffrey Uttz, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Hajime Uba Hajime Uba	Chairman, President, Chief Executive Officer and Director (*Principal Executive Officer*)	November 8, 2024
/s/ Jeffrey Uttz Jeffrey Uttz	Chief Financial Officer and Treasurer (*Principal Financial Officer*)	November 8, 2024
/s/ Brent Takao Brent Takao	Chief Accounting Officer and Secretary *(Principal Accounting Officer)*	November 8, 2024
/s/ Shintaro Asako Shintaro Asako	Director	November 8, 2024
/s/ Treasa Bowers Treasa Bowers	Director	November 8, 2024
/s/ Kim Ellis Kim Ellis	Director	November 8, 2024
/s/ Seitaro Ishii Seitaro Ishii	Director	November 8, 2024
/s/ Carin Stutz Carin Stutz	Director	November 8, 2024

Exhibit 10.1

KURA SUSHI USA, INC.
2018 INCENTIVE COMPENSATION PLAN

(AS AMENDED AND RESTATED AS OF JANUARY 29, 2021)

KURA SUSHI USA, INC.
2018 INCENTIVE COMPENSATION PLAN

(AS AMENDED AND RESTATED AS OF JANUARY 29, 2021)

TABLE OF CONTENTS

KURA SUSHI USA, INC.
2018 INCENTIVE COMPENSATION PLAN

(AS AMENDED AND RESTATED AS OF JANUARY 29, 2021)

1. Purpose. The purpose of this KURA SUSHI USA, INC. 2018 INCENTIVE COMPENSATION PLAN (As Amended And Restated As Of January 29, 2021) (the "***Plan***") is effective as of January 29, 2021 (the "***Amendment Effective Date***") to assist KURA SUSHI USA, INC., a Delaware corporation (the "***Company***") and its Related Entities (as hereinafter defined) in attracting, motivating, retaining and rewarding high-quality executives and other employees, officers, directors, consultants and other persons who provide services to the Company or its Related Entities by enabling such persons to acquire or increase a proprietary interest in the Company in order to strengthen the mutuality of interests between such persons and the Company's stockholders, and providing such persons with performance incentives to expend their maximum efforts in the creation of stockholder value.

2. Definitions. For purposes of the Plan, the following terms shall be defined as set forth below, in addition to such terms defined in Section 1 hereof and elsewhere herein.

(a) "***Award***" means any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Share granted as a bonus or in lieu of another Award, Dividend Equivalent, Other Stock-Based Award or Performance Award, together with any other right or interest relating to Shares or other property (including cash), granted to a Participant under the Plan.

(b) "***Award Agreement***" means any written agreement, contract or other instrument or document evidencing any Award granted by the Committee hereunder.

(c) "***Beneficiary***" means the person, persons, trust or trusts that have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits specified under the Plan upon such Participant's death or to which Awards or other rights are transferred if and to the extent permitted under Section 9(b) hereof. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the person, persons, trust or trusts entitled by will or the laws of descent and distribution to receive such benefits.

(d) "***Beneficial Owner*** ***and "Beneficial Ownership"*** shall have the meaning ascribed to such term in Rule 13d-3 under the Exchange Act and any successor to such Rule.

(e) "***Board***" means the Company's Board of Directors.

(f) "***Cause***" shall, with respect to any Participant, have the meaning specified in the Award Agreement. In the absence of any definition in the Award Agreement, "Cause" shall have the equivalent meaning or the same meaning as "cause" or "for cause" set forth in any employment, consulting, or other agreement for the performance of services between the Participant and the Company or a Related Entity or, in the absence of any such agreement or any such definition in such agreement, such term shall mean **(i)** the failure or refusal by the Participant to perform his or

her duties as reasonably assigned by the Company (or a Related Entity) and such failure or refusal is not cured to the reasonable satisfaction of the Company within fifteen (15) days after written notice thereof is delivered to the Participant by the Company (or a Related Entity), **(ii)** any material violation or breach by the Participant of any rules, regulations, policies, procedures or guidelines established by the Company (or a Related Entity) from time to time and such violation or breach is not cured to the reasonable satisfaction of the Company within fifteen (15) days after written notice thereof is delivered to the Participant by the Company (or a Related Entity), **(iii)** any material violation or breach by the Participant of any agreement entered into by and between the Participant and the Company (or a Related Entity) (including, without limitation, an employment agreement, nondisclosure and confidentiality agreement, non-competition agreement and/or non-solicitation agreement), and such violation or breach is not cured to the reasonable satisfaction of the Company within the time period, if any, set forth in such agreement for the cure thereof, provided that such time period shall in no case be less than fifteen (15) days, **(iv)** any act of the Participant which could be expected to materially injure the business, business relationships or reputation of the Company (or a Related Entity), **(v)** any material violation by the Participant of any legal duty owed to the Company (or a Related Entity) and such violation is not cured to the reasonable satisfaction of the Company within fifteen (15) days after written notice thereof is delivered to the Participant by the Company (or a Related Entity), **(vi)** any act by the Participant of dishonesty or bad faith with respect to the Company (or a Related Entity), **(vii)** chronic addiction to alcohol, drugs or other similar substances, or **(viii)** the commission by the Participant of any felony. The good faith determination by the Committee of whether the Participant's services were terminated by the Company (or a Related Entity) for "Cause" (whether under this Plan or any other applicable agreement to which the Participant is a party) shall be final and binding for all purposes hereunder.

(g) "***Change in Control***" means a Change in Control as defined in Section 8(b) of the Plan.

(h) "***Code***" means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

(i) "***Committee***" means a committee designated by the Board to administer the Plan; provided, however, that if the Board fails to designate a committee or if there are no longer any members on the committee so designated by the Board, or for any other reason determined by the Board, then the Board shall serve as the Committee. In the event that the Company becomes a Publicly Held Corporation (as hereinafter defined), then the Committee shall consist of at least two directors, each of whom shall be **(i)** a "non-employee director" within the meaning of Rule 16b-3 (or any successor rule) under the Exchange Act, unless administration of the Plan by "non-employee directors" is not then required in order for exemptions under Rule 16b-3 to apply to transactions under the Plan, and **(ii)** "Independent", the failure of the Committee to be so comprised shall not invalidate any Award that otherwise satisfies the terms of the Plan.

(j) "*Common Stock"* means the Class A Common Stock, par value $0.001 per share, of the Company.

(k) "***Consultant***" means any consultant or advisor who is a natural person and who provides services to the Company or any Subsidiary, so long as such person **(i)** renders bona fide

services that are not in connection with the offer and sale of the Company's securities in a capital-raising transaction, **(ii)** does not directly or indirectly promote or maintain a market for the Company's securities and **(iii)** otherwise qualifies as a de facto employee or consultant under the applicable rules of the Securities and Exchange Commission for registration of shares of stock on a Form S-8 registration statement.

(l) "***Continuous Service***" means the uninterrupted provision of services to the Company or any Related Entity in any capacity of Employee, Director, Consultant or other service provider. Continuous Service shall not be considered to be interrupted in the case of **(i)** any approved leave of absence, **(ii)** transfers among the Company, any Related Entities, or any successor entities, in any capacity of Employee, Director, Consultant or other service provider, or **(iii)** any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director, Consultant or other service provider (except as otherwise provided in the Award Agreement). An approved leave of absence shall include furlough, sick leave, military leave, or any other authorized personal leave.

(m) "***Director***" means a member of the Board or the board of directors of any Related Entity.

(n) "***Disability***" means a permanent and total disability (within the meaning of Section 22(e) of the Code), as determined by a medical doctor satisfactory to the Committee.

(o) "***Dividend Equivalent***" means a right, granted to a Participant under Section 6(g) hereof, to receive cash, Shares, other Awards or other property equal in value to dividends paid with respect to a specified number of Shares, or other periodic payments.

(p) "***Effective Date***" means June 16, 2018, the effective date of the Plan, which was the date the Plan, prior to its amendment effective as of January 29, 2021, was approved and adopted by the Board.

(q) "***Eligible Person***" means each officer, Director, Employee, Consultant and other person who provides services to the Company or any Related Entity. The foregoing notwithstanding, only Employees of the Company, or any parent corporation or subsidiary corporation of the Company (as those terms are defined in Sections 424(e) and (f) of the Code, respectively), shall be Eligible Persons for purposes of receiving any Incentive Stock Options. An Employee on leave of absence, including furlough, may, in the discretion of the Committee, be considered as still in the employ of the Company or a Related Entity for purposes of eligibility for participation in the Plan.

(r) "***Employee***" means any person, including an officer or Director, who is an employee of the Company or any Subsidiary, or is a prospective employee of the Company or any Subsidiary (conditioned upon and effective not earlier than, such person becoming an employee of the Company or any Subsidiary). The payment of a director's fee by the Company or a Subsidiary shall not be sufficient to constitute "employment" by the Company.

(s) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

(t) "***Fair Market Value***" means the fair market value of Shares, Awards or other property as determined by the Committee, or under procedures established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of a Share as of any given date after which the Company is a Publicly Held Corporation shall be the closing sale price per Share reported on a consolidated basis for stock listed on the principal stock exchange or market on which Shares are traded on the date immediately preceding the date as of which such value is being determined (or as of such later measurement date as determined by the Committee on the date the Award is authorized by the Committee), or, if there is no sale on that date, then on the last previous day on which a sale was reported.

(u) "***Good Reason***" shall, with respect to any Participant, have the meaning specified in the Award Agreement. In the absence of any definition in the Award Agreement, "Good Reason" shall have the equivalent meaning or the same meaning as "good reason" or "for good reason" set forth in any employment, consulting or other agreement for the performance of services between the Participant and the Company or a Related Entity or, in the absence of any such agreement or any such definition in such agreement, such term shall mean **(i)** a material breach by the Company (or a Related Entity) of its obligations to the Participant under his or her written employment, consulting or other agreement for the performance of services with the Company (or a Related Entity) (excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith); **(ii)** any material reduction of the Participant's base salary or consulting fees during the term of the Participant's services with the Company (or a Related Entity) other than as agreed to by the Participant or in connection with an across the Board salary reduction for the Company's management team; or **(iii)** the Company's or Related Entity's requiring the Participant to be based at any office or location outside of a fifty (50) mile radius from the location(s) of the Participant's employment or service as identified and set forth in the Participant's employment, consulting or other similar agreement with the Company or a Related Entity without the consent of the Participant. Notwithstanding the foregoing, Good Reason shall not be deemed to exist unless the Participant shall provide notice of the existence of an event constituting Good Reason within ninety (90) days of Participant's knowledge of the existence such event and afford the Company thirty (30) days to cure such event, if curable.

(v) "***Incentive Stock Option***" means any Option intended to be designated as an incentive stock option within the meaning of Section 422 of the Code or any successor provision thereto.

(w) "***Independent***" when referring to either the Board or members of the Committee, shall have the same meaning as used in the rules of the Listing Market.

(x) ***"Listing Market"*** means the national securities exchange on which any securities of the Company are listed for trading, and if not listed for trading, by the rules of the Nasdaq Stock Market.

(y) "***Option***" means a right granted to a Participant under Section 6(b) hereof, to purchase Shares or other Awards at a specified price during specified time periods.

(z) "***Optionee***" means a person to whom an Option is granted under this Plan or any person who succeeds to the rights of such person under this Plan.

(aa) "***Other Stock-Based Awards***" means Awards granted to a Participant under Section 56(i) hereof.

(bb) "***Participant***" means a person who has been granted an Award under the Plan which remains outstanding, including a person who is no longer an Eligible Person.

(cc) "***Performance Award***" means any Award of Performance Shares or Performance Units granted pursuant to Section 6(h) hereof.

(dd) "***Performance Period***" means that period established by the Committee at the time any Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

(ee) "***Performance Share***" means any grant pursuant to Section 6(h) hereof of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including cash, Shares, other property, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(ff) "***Performance Unit***" means any grant pursuant to Section 6(h) hereof of a unit valued by reference to a designated amount of property (including cash) other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including cash, Shares, other property, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(gg) "***Person***" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, and shall include a "group" as defined in Section 13(d) thereof.

(hh) "***Publicly Held Corporation***" shall mean a company that has issued securities under an initial public offering under the Exchange Act and is traded on at least one Listing Market.

(ii) "***Related Entity***" means any Subsidiary, and any business, corporation, partnership, limited liability company or other entity designated by the Board, in which the Company or a Subsidiary holds a substantial ownership interest, directly or indirectly.

(jj) "***Restricted Stock***" means any Share issued with such risks of forfeiture and other restrictions as the Committee, in its sole discretion, may impose (including any restriction on the right to vote such Share and the right to receive any dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

(kk) "***Restricted Stock Award***" means an Award granted to a Participant under Section 6(d) hereof.

(ll) "***Restricted Stock Unit***" means a right to receive Shares, including Restricted Stock, cash measured based upon the value of Shares or a combination thereof, at the end of a specified deferral period.

(mm) "***Restricted Stock Unit Award***" means an Award of Restricted Stock Unit granted to a Participant under Section 6(e) hereof.

(nn) ***"Restriction Period"*** means the period of time specified by the Committee that Restricted Stock Awards shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose.

(oo) "***Rule 16b-3***" means Rule 16b-3, as from time to time in effect and applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act.

(pp) "***Shares***" means the shares of Common Stock, and such other securities as may be substituted (or resubstituted) for Shares pursuant to Section 9(c) hereof.

(qq) "***Stock Appreciation Right***" means a right granted to a Participant under Section 6(c) hereof.

(rr) "***Subsidiary***" means any corporation or other entity in which the Company has a direct or indirect ownership interest of fifty percent (50%) or more of the total combined voting power of the then outstanding securities or interests of such corporation or other entity entitled to vote generally in the election of directors or in which the Company has the right to receive fifty percent (50%) or more of the distribution of profits or fifty percent (50%) or more of the assets on liquidation or dissolution, or any other corporation or other entity that is an affiliate, as that term is defined in Rule 405 of under the Securities Act of 1933, controlled by the Company directly, or indirectly, through one or more intermediaries.

(ss) "***Substitute Awards***" means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, Awards previously granted, or the right or obligation to make future Awards, by a company **(i)** acquired by the Company or any Related Entity, **(ii)** which becomes a Related Entity after the date hereof, or **(iii)** with which the Company or any Related Entity combines.

3. Administration.

(a) ***Authority of the Committee***. The Plan shall be administered by the Committee; provided, however, that except as otherwise expressly provided in this Plan, the Board may exercise any power or authority granted to the Committee under this Plan and in that case, references herein shall be deemed to include references to the Board. The Committee shall have full and final authority, subject to and consistent with the provisions of the Plan, to select Eligible Persons to become Participants, grant Awards, determine the type, number and other terms and conditions of, and all other matters relating to, Awards, prescribe Award Agreements (which need not be identical for each Participant) and rules and regulations for the administration of the Plan, construe and interpret the Plan and Award Agreements and correct defects, supply omissions or reconcile inconsistencies therein, and to make all other decisions and determinations as the

Committee may deem necessary or advisable for the administration of the Plan. In exercising any discretion granted to the Committee under the Plan or pursuant to any Award, the Committee shall not be required to follow past practices, act in a manner consistent with past practices, or treat any Eligible Person or Participant in a manner consistent with the treatment of any other Eligible Persons or Participants. Decisions of the Committee shall be final, conclusive and binding on all persons or entities, including the Company, any Subsidiary or any Participant or Beneficiary, or any transferee under Section 9(b) hereof or any other person claiming rights from or through any of the foregoing persons or entities.

(b) ***Manner of Exercise of Committee Authority***. In the event that the Company becomes a Publicly Held Corporation, the Committee, and not the Board, shall exercise sole and exclusive discretion **(i)** on any matter relating to a Participant then subject to Section 16 of the Exchange Act with respect to the Company to the extent necessary in order that transactions by such Participant shall be exempt under Rule 16b-3 under the Exchange Act, and **(ii)** with respect to any Award to an Independent Director. Any action of the Committee shall be final, conclusive and binding on all persons, including the Company, its Related Entities, Eligible Persons, Participants, Beneficiaries, transferees under Section 9(b) hereof or other persons claiming rights from or through a Participant, and stockholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to members of the Board, or officers or managers (including, without limitation, human resources managers and/or directors) of the Company or any Related Entity, or committees thereof, the authority, subject to such terms and limitations as the Committee shall determine, to perform such functions, including administrative functions as the Committee may determine to the extent that such delegation will not result in the loss of an exemption under Rule 16b-3(d)(1) for Awards granted to Participants subject to Section 16 of the Exchange Act in respect of the Company. The Committee may appoint agents to assist it in administering the Plan.

(c) ***Limitation of Liability***. The Committee and the Board, and each member thereof, shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or Employee, the Company's independent auditors, Consultants or any other agents assisting in the administration of the Plan. Members of the Committee and the Board, and any officer or Employee acting at the direction or on behalf of the Committee or the Board, shall not be personally liable for any action or determination taken or made in good faith with respect to the Plan, and shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action or determination.

4. <u>Shares Subject to Plan</u>.

(a) ***Limitation on Overall Number of Shares Available for Delivery Under Plan***. Subject to adjustment as provided in Section 9(c) hereof, the total number of Shares reserved and available for delivery under the Plan shall be 1,350,000 shares of Common Stock. Any Shares delivered under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares.

(b) ***Application of Limitation to Grants of Awards.*** No Award may be granted if the number of Shares to be delivered in connection with such an Award exceeds the number of Shares remaining available for delivery under the Plan, *minus* the number of Shares deliverable in settlement of or relating to then outstanding Awards. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of Shares actually delivered differs from the number of Shares previously counted in connection with an Award.

(c) ***Availability of Shares Not Delivered under Awards and Adjustments to Limits.***

(i) If any Shares subject to an Award are forfeited, expire or otherwise terminate without issuance of such Shares, or any Award is settled for cash or otherwise does not result in the issuance of all or a portion of the Shares subject to such Award, the Shares to which those Awards were subject, shall, to the extent of such forfeiture, expiration, termination, non-issuance or cash settlement, again be available for delivery with respect to Awards under the Plan, subject to Section 4(c)(iv) below.

(ii) Notwithstanding the foregoing, the following Shares shall *not* be available for future grant: **(A)** Shares tendered or withheld in payment of the exercise price of an Option or other Award, and **(B)** Shares withheld by the Company or otherwise received by the Company to satisfy tax withholding obligations in connection with an Award. In addition, all Shares covered by a Stock Appreciation Right (including Shares subject to a stock-settled Stock Appreciation Right that were issued upon the net settlement or net exercise of such Stock Appreciation Right) shall be counted against the number of Shares available for issuance under the Plan.

(iii) Substitute Awards shall not reduce the Shares authorized for delivery under the Plan or authorized for delivery to a Participant in any period. Additionally, in the event that an entity acquired by the Company or any Related Entity or with which the Company or any Related Entity combines has shares available under a pre-existing plan approved by its stockholders and not adopted in contemplation of such acquisition or combination, the shares available for delivery pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for delivery under the Plan if and to the extent that the use of such Shares would not require approval of the Company's stockholders under the rules of the Listing Market. Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Directors prior to such acquisition or combination.

(iv) Any Share that again becomes available for delivery pursuant to this Section 4(c)~~4~~(iv) shall be added back as one (1) Share.

(v) Notwithstanding anything in this Section 4(c) to the contrary but subject to adjustment as provided in Section 9(c) hereof, the maximum aggregate number of Shares that may be delivered under the Plan as a result of the exercise of the Incentive Stock Options shall be 1,350,000 Shares. In no event shall any Incentive Stock Options be granted under the Plan after the tenth anniversary of the Effective Date.

(vi) Notwithstanding anything in this Section 4 to the contrary, but subject to adjustment as provided in Section 9(c) hereof, in any fiscal year of the Company during any part of which the Plan is in effect, no Participant who is a Director but is not also an Employee or Consultant may be granted any Awards that have a "fair value" as of the date of grant, as determined in accordance with FASB ASC Topic 718 (or any other applicable accounting guidance), that exceeds $100,000 in the aggregate.

5. Eligibility. Awards may be granted under the Plan only to Eligible Persons.

6. Specific Terms of Awards. Awards may be granted on the terms and conditions set forth in this Section 6.

(a) ***General***. **(i)** The Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Section 9(e)), such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of the Participant's Continuous Service and terms permitting a Participant to make elections relating to his or her Award. Except as otherwise expressly provided herein, the Committee shall retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of an Award that is not mandatory under the Plan. Except in cases in which the Committee is authorized to require other forms of consideration under the Plan, or to the extent other forms of consideration must be paid to satisfy the requirements of Delaware law, no consideration other than services may be required for the grant (as opposed to the exercise) of any Award.

(ii) As specified in Section 9(f) and except as provided in Section 9(c), the Committee may not, without the prior approval of the Company's stockholders, re-price any previously granted "underwater" Option or Stock Appreciation Right by **(aa)** amending or modifying the terms of the Option or Stock Appreciation Right to lower the exercise price; **(bb)** canceling the Option or Stock Appreciation Right and granting *either* **(A)** replacement Options or Stock Appreciation Rights having a lower exercise price, *or* **(B)** Restricted Stock, Restricted Stock Units, or Other Stock-Based Award in exchanges; or **(cc)** cancelling or repurchasing the Options or Stock appreciation Rights for cash or other securities. An Option or Stock Appreciation Right shall be deemed "underwater" at any time when the Fair Market Value of the Shares covered by such Award is less than the exercise price of the Award.

(iii) Except as otherwise provided in this Section 6(a)(iii), no Award shall be granted with terms providing for any right of vesting, exercise or lapse of vesting requirements earlier than a date that is at least one (1) year following the date of grant (or, in the case of vesting based upon performance objectives, exercise and vesting restrictions cannot lapse earlier than the one (1) year anniversary measured from the date of the commencement of the period over which performance is measured). Notwithstanding the foregoing, the following Awards that do not

comply with the one (1) year minimum vesting and exercise requirements may be granted: **(aa)** Substitute Awards; **(bb)** any Awards the Committee may grant up to a maximum of five percent (5%) of the aggregate number of Shares available for issuance under the Plan (for purposes of counting Shares against the five percent (5%) limitation, the Share counting rules under Section 4 shall apply); and **(cc)** Awards granted to Directors who are not Employees so long as the Awards provide for a right of exercise or lapse of any vesting obligations no earlier than the next annual stockholder meeting date following the grant date, so long as the next annual stockholder meeting date is at least fifty (50) weeks after the immediately preceding annual stockholder meeting date.

(b) ***Options***. The Committee is authorized to grant Options to any Eligible Person on the following terms and conditions:

(i) ***Exercise Price***. Other than in connection with Substitute Awards, the exercise price per Share purchasable under an Option shall be determined by the Committee, provided that such exercise price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of the Option and shall not, in any event, be less than the par value of a Share on the date of grant of the Option. If an Employee owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, respectively) and an Incentive Stock Option is granted to such Employee, the exercise price of such Incentive Stock Option (to the extent required by the Code at the time of grant) shall be no less than 110% of the Fair Market Value of a Share on the date such Incentive Stock Option is granted.

(ii) ***Time and Method of Exercise***. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method by which notice of exercise is to be given and the form of exercise notice to be used, the time or times at which Options shall cease to be or become exercisable following termination of Continuous Service or upon other conditions, the methods by which the exercise price may be paid or deemed to be paid (including in the discretion of the Committee a cashless exercise procedure), the form of such payment, including, without limitation, cash, Shares (including without limitation the withholding of Shares otherwise deliverable pursuant to the Award), other Awards or awards granted under other plans of the Company or a Related Entity, or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis provided that such deferred payments are not in violation of Section 13(k) of the Exchange Act, or any rule or regulation adopted thereunder or any other applicable law), and the methods by or forms in which Shares will be delivered or deemed to be delivered to Participants.

(iii) ***Form of Settlement.*** The Committee may, in its sole discretion, provide that the Shares to be issued upon exercise of an Option shall be in the form of Restricted Stock or other similar securities.

(iv) ***Incentive Stock Options***. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive

Stock Options (including any Stock Appreciation Right issued in tandem therewith) shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify either the Plan or any Incentive Stock Option under Section 422 of the Code, unless the Participant has first requested, or consents to, the change that will result in such disqualification. Thus, if and to the extent required to comply with Section 422 of the Code, Options granted as Incentive Stock Options shall be subject to the following special terms and conditions:

(A) the Option shall not be exercisable for more than ten years after the date such Incentive Stock Option is granted; provided, however, that if a Participant owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than 10% of the combined voting power of all classes of stock of the Company (or any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, respectively) and the Incentive Stock Option is granted to such Participant, the term of the Incentive Stock Option shall be (to the extent required by the Code at the time of the grant) for no more than five (5) years from the date of grant;

(B) the aggregate Fair Market Value (determined as of the date the Incentive Stock Option is granted) of the Shares with respect to which Incentive Stock Options granted under the Plan and all other option plans of the Company (and any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f) of the Code, respectively) that become exercisable for the first time by the Participant during any calendar year shall not (to the extent required by the Code at the time of the grant) exceed $100,000; and

(C) if Shares acquired by exercise of an Incentive Stock Option are disposed of within two (2) years following the date the Incentive Stock Option is granted or one year following the transfer of such Shares to the Participant upon exercise, the Participant shall, promptly following such disposition, notify the Company in writing of the date and terms of such disposition and provide such other information regarding the disposition as the Committee may reasonably require.

(c) ***Stock Appreciation Rights***. The Committee may grant Stock Appreciation Rights to any Eligible Person in conjunction with all or part of any Option granted under the Plan or at any subsequent time during the term of such Option (a "***Tandem Stock Appreciation Right***"), or without regard to any Option (a "***Freestanding Stock Appreciation Right***"), in each case upon such terms and conditions as the Committee may establish in its sole discretion, not inconsistent with the provisions of the Plan, including the following:

(i) ***Right to Payment***. A Stock Appreciation Right shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the *excess of* **(A)** the Fair Market Value of one Share on the date of exercise *over* **(B)** the grant price of the Stock Appreciation Right as determined by the Committee. The grant price of a Stock Appreciation

Right shall not be less than 100% of the Fair Market Value of a Share on the date of grant, in the case of a Freestanding Stock Appreciation Right, or less than the associated Option exercise price, in the case of a Tandem Stock Appreciation Right.

(ii) ***Other Terms***. The Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which a Stock Appreciation Right may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which Stock Appreciation Rights shall cease to be or become exercisable following termination of Continuous Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Shares will be delivered or deemed to be delivered to Participants, whether or not a Stock Appreciation Right shall be in tandem or in combination with any other Award, and any other terms and conditions of any Stock Appreciation Right.

(iii) ***Tandem Stock Appreciation Rights***. Any Tandem Stock Appreciation Right may be granted at the same time as the related Option is granted or, for Options that are not Incentive Stock Options, at any time thereafter before exercise or expiration of such Option. Any Tandem Stock Appreciation Right related to an Option may be exercised only when the related Option would be exercisable and the Fair Market Value of the Shares subject to the related Option exceeds the exercise price at which Shares can be acquired pursuant to the Option. In addition, if a Tandem Stock Appreciation Right exists with respect to less than the full number of Shares covered by a related Option, then an exercise or termination of such Option shall not reduce the number of Shares to which the Tandem Stock Appreciation Right applies until the number of Shares then exercisable under such Option equals the number of Shares to which the Tandem Stock Appreciation Right applies. Any Option related to a Tandem Stock Appreciation Right shall no longer be exercisable to the extent the Tandem Stock Appreciation Right has been exercised, and any Tandem Stock Appreciation Right shall no longer be exercisable to the extent the related Option has been exercised.

(d) ***Restricted Stock Awards***. The Committee is authorized to grant Restricted Stock Awards to any Eligible Person on the following terms and conditions:

(i) ***Grant and Restrictions***. Restricted Stock Awards shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, or as otherwise provided in this Plan during the Restriction Period. The terms of any Restricted Stock Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan. The restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee may determine at the date of grant or thereafter. Except to the extent restricted under the terms of the Plan and any Award Agreement relating to a Restricted Stock Award, a Participant granted Restricted Stock shall have all of the rights of a stockholder, including the right to receive dividends thereon (subject to any mandatory reinvestment or other requirement imposed by the Committee). During the period that the Restricted Stock Award is subject to a risk of forfeiture, subject to Section 9(b) below and except as otherwise provided in the Award Agreement, the Restricted Stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the Participant or Beneficiary.

(ii) ***Forfeiture***. Except as otherwise determined by the Committee, upon termination of a Participant's Continuous Service during the applicable Restriction Period, the Participant's Restricted Stock that is at that time subject to a risk of forfeiture that has not lapsed or otherwise been satisfied shall be forfeited and reacquired by the Company; provided that the Committee may provide, by resolution or other action or in any Award Agreement, or may determine in any individual case, that forfeiture conditions relating to Restricted Stock Awards shall be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of Restricted Stock.

(iii) ***Certificates for Stock***. Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

(iv) ***Dividends and Splits***. As a condition to the grant of a Restricted Stock Award, the Committee may require or permit a Participant to elect that any cash dividends paid on a Share of Restricted Stock be automatically reinvested in additional Shares of Restricted Stock or applied to the purchase of additional Awards under the Plan, or except as otherwise provided in the last sentence of Section 6(h) hereof, may require that payment be delayed (with or without interest at such rate, if any, as the Committee shall determine) and remain subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such cash dividend is payable, in each case in a manner that does not violate the requirements of Section 409A of the Code. Unless otherwise determined by the Committee, Shares distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Shares or other property have been distributed. Notwithstanding the foregoing, dividend amounts with respect to any Shares of Restricted Stock shall be accrued and not paid to a Participant until all conditions or restrictions relating to such Shares of Restricted Stock have been satisfied.

(e) ***Restricted Stock Unit Award***. The Committee is authorized to grant Restricted Stock Unit Awards to any Eligible Person on the following terms and conditions:

(i) ***Award and Restrictions***. Satisfaction of a Restricted Stock Unit Award shall occur upon expiration of the deferral period specified for such Restricted Stock Unit Award by the Committee (or, if permitted by the Committee, as elected by the Participant in a manner that does not violate the requirements of Section 409A of the Code). In addition, a Restricted Stock Unit Award shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at other specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee may determine. A Restricted Stock Unit Award may be satisfied by delivery of Shares, cash equal to the Fair Market Value of the specified number of Shares covered by the Restricted Stock Units, or a combination thereof, as determined by the Committee at the

date of grant or thereafter. Prior to satisfaction of a Restricted Stock Unit Award, a Restricted Stock Unit Award carries no voting or dividend or other rights associated with Share ownership. Prior to satisfaction of a Restricted Stock Unit Award, except as otherwise provided in an Award Agreement and as permitted under Section 409A of the Code, a Restricted Stock Unit Award may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the Participant or any Beneficiary.

(ii) ***Forfeiture***. Except as otherwise determined by the Committee, upon termination of a Participant's Continuous Service during the applicable deferral period or portion thereof to which forfeiture conditions apply (as provided in the Award Agreement evidencing the Restricted Stock Unit Award), the Participant's Restricted Stock Unit Award that is at that time subject to a risk of forfeiture that has not lapsed or otherwise been satisfied shall be forfeited; provided that the Committee may provide, by resolution or other action or in any Award Agreement, or may determine in any individual case, that forfeiture conditions relating to a Restricted Stock Unit Award shall be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part the forfeiture of any Restricted Stock Unit Award.

(iii) ***Dividend Equivalents***. Except as otherwise provided in the last sentence of Section 6(h) hereof, any Dividend Equivalents that are granted with respect to any Restricted Stock Unit Award shall be deferred with respect to such Restricted Stock Unit Award and the amount or value thereof automatically deemed reinvested in additional Restricted Stock Units, other Awards or other investment vehicles, as the Committee shall determine, and paid and settled upon settlement of the Restricted Stock Unit Award as provided in Section 6(g)(i) hereof.

(f) ***Bonus Stock and Awards in Lieu of Obligations***. The Committee is authorized to grant Shares to any Eligible Persons as a bonus, or to grant Shares or other Awards in lieu of obligations to pay cash or deliver other property under the Plan or under other plans or compensatory arrangements, provided that, in the case of Eligible Persons subject to Section 16 of the Exchange Act, the amount of such grants remains within the discretion of the Committee to the extent necessary to ensure that acquisitions of Shares or other Awards are exempt from liability under Section 16(b) of the Exchange Act. Shares or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee.

(g) ***Dividend Equivalents***. The Committee is authorized to grant Dividend Equivalents to any Eligible Person entitling the Eligible Person to receive cash, Shares, other Awards, or other property equal in value to the dividends paid with respect to a specified number of Shares, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. Section 6(g)(ii) shall apply to Dividend Equivalents on Awards Restricted Stock Units. Except as otherwise provided in the last sentence of Section 6(h) hereof, the Committee shall provide that Dividend Equivalents shall be paid or distributed to the Participant when the restrictions applicable thereto have been satisfied, or whether such Dividend Equivalents shall be deemed to have been reinvested in additional Shares, Awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify. Any such determination by the Committee shall be made at the grant date of the applicable Award. Notwithstanding the foregoing, **(i)** Dividend Equivalents credited in connection with an Award that vests based on the achievement of performance goals

shall be subject to restrictions and risk of forfeiture to the same extent as the Award with respect to which such Dividend Equivalents have been credited, and **(ii)** Dividend Equivalents with respect to any Shares underlying any Award shall be accrued but not paid to a Participant until all conditions or restrictions relating to such Award have been satisfied.

(h) ***Performance Awards***. The Committee is authorized to grant Performance Awards to any Eligible Person payable in cash, Shares, or other Awards, on terms and conditions established by the Committee. The performance criteria to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award; provided, however, that a Performance Period shall not be shorter than twelve (12) months nor longer than five (5) years. Except as provided in Section 8 or as may be provided in an Award Agreement, Performance Awards will be distributed only after the end of the relevant Performance Period. The performance goals to be achieved for each Performance Period shall be conclusively determined by the Committee and may be based upon any other criteria that the Committee, in its sole discretion, shall determine should be used for that purpose. The amount of the Award to be distributed shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis in a manner that does not violate the requirements of Section 409A of the Code.

(i) ***Other Stock-Based Awards***. The Committee is authorized, subject to limitations under applicable law, to grant to any Eligible Person such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares, as deemed by the Committee to be consistent with the purposes of the Plan. Other Stock-Based Awards may be granted to Participants either alone or in addition to other Awards granted under the Plan, and such Other Stock-Based Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan. Except as otherwise provided in the last sentence of Section 6(h) hereof, the Committee shall determine the terms and conditions of such Awards. Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 6(i) shall be purchased for such consideration, (including without limitation loans from the Company or a Related Entity provided that such loans are not in violation of the Sarbanes Oxley Act of 2002, as amended, or any rule or regulation adopted thereunder or any other applicable law) paid for at such times, by such methods, and in such forms, including, without limitation, cash, Shares, other Awards or other property, as the Committee shall determine.

7. <u>Certain Provisions Applicable to Awards.</u>

(a) ***Stand-Alone, Additional, Tandem, and Substitute Awards***. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Related Entity, or any business entity to be acquired by the Company or a Related Entity, or any other right of a Participant to receive payment from the Company or any Related Entity. Such additional, tandem, and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award or award, the Committee shall require the surrender of such other Award or award in consideration for the grant of the new Award. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Related Entity,

in which the value of Shares subject to the Award is equivalent in value to the cash compensation (for example, Restricted Stock or Restricted Stock Units), provided that any such determination to grant an Award in lieu of cash compensation must be made in a manner intended to be exempt from or comply with Section 409A of the Code.

(b) ***Term of Awards***. The term of each Award shall be for such period as may be determined by the Committee; provided that in no event shall the term of any Option or Stock Appreciation Right exceed a period of ten (10) years (or in the case of an Incentive Stock Option such shorter term as may be required under Section 422 of the Code).

(c) ***Form and Timing of Payment Under Awards; Deferrals***. Subject to the terms of the Plan and any applicable Award Agreement, payments to be made by the Company or a Related Entity upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Shares, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis, provided that any determination to pay in installments or on a deferred basis shall be made by the Committee at the date of grant. Any installment or deferral provided for in the preceding sentence shall, however, subject to the terms of the Plan, be subject to the Company's compliance with the provisions of the Sarbanes-Oxley Act of 2002, as amended, the rules and regulations adopted by the Securities and Exchange Commission thereunder, and all applicable rules of the Listing Market, and in a manner intended to be exempt from or otherwise satisfy the requirements of Section 409A of the Code. Subject to Section 7(e) of this Plan, the settlement of any Award may be accelerated, and cash paid in lieu of Shares in connection with such settlement, in the sole discretion of the Committee or upon occurrence of one or more specified events (in addition to a Change in Control). Any such settlement shall be at a value determined by the Committee in its sole discretion, which, without limitation, may in the case of an Option or Stock Appreciation Right be limited to the amount if any by which the Fair Market Value of a Share on the settlement date exceeds the exercise or grant price. Installment or deferred payments may be required by the Committee (subject to Section 7(e) of this Plan, including the consent provisions thereof in the case of any deferral of an outstanding Award not provided for in the original Award Agreement) or permitted at the election of the Participant on terms and conditions established by the Committee. The acceleration of the settlement of any Award, and the payment of any Award in installments or on a deferred basis, all shall be done all in a manner that is intended to be exempt from or otherwise satisfy the requirements of Section 409A of the Code. The Committee may, without limitation, make provision for the payment or crediting of a reasonable interest rate on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Shares.

(d) ***Exemptions from Section 16(b) Liability.*** If the Company becomes a Publicly Held Corporation, it is the intent of the Company that the grant of any Awards to or other transaction by a Participant who is subject to Section 16 of the Exchange Act shall be exempt from Section 16 pursuant to an applicable exemption (except for transactions acknowledged in writing to be non-exempt by such Participant). Accordingly, if any provision of this Plan or any Award Agreement does not comply with the requirements of Rule 16b-3 then applicable to any such transaction, such provision shall be construed or deemed amended to the extent necessary to conform to the applicable requirements of Rule 16b-3 so that such Participant shall avoid liability under Section 16(b).

(e) ***Code Section 409A.***

(i) The Award Agreement for any Award that the Committee reasonably determines to constitute a "nonqualified deferred compensation plan" under Section 409A of the Code (a "***Section 409A Plan***"), and the provisions of the Section 409A Plan applicable to that Award, shall be construed in a manner consistent with the applicable requirements of Section 409A of the Code, and the Committee, in its sole discretion and without the consent of any Participant, may amend any Award Agreement (and the provisions of the Plan applicable thereto) if and to the extent that the Committee determines that such amendment is necessary or appropriate to comply with the requirements of Section 409A of the Code.

(ii) If any Award constitutes a Section 409A Plan, then the Award shall be subject to the following additional requirements, if and to the extent required to comply with Section 409A of the Code:

(A) Payments under the Section 409A Plan may be made only upon **(aa)** the Participant's "separation from service", **(bb)** the date the Participant becomes "disabled", **(cc)** the Participant's death, **(dd)** a "specified time (or pursuant to a fixed schedule)" specified in the Award Agreement at the date of the deferral of such compensation, **(ee)** a "change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets" of the Company, or **(ff)** the occurrence of an "unforeseeable emergency";

(B) The time or schedule for any payment of the deferred compensation may not be accelerated, except to the extent provided in applicable Treasury Regulations or other applicable guidance issued by the Internal Revenue Service;

(C) Any elections with respect to the deferral of such compensation or the time and form of distribution of such deferred compensation shall comply with the requirements of Section 409A(a)(4) of the Code; and

(D) In the case of any Participant who is "specified employee", a distribution on account of a "separation from service" may not be made before the date which is six (6) months after the date of the Participant's "separation from service" (or, if earlier, the date of the Participant's death).

For purposes of the foregoing, the terms in quotations shall have the same meanings as those terms have for purposes of Section 409A of the Code, and the limitations set forth herein shall be applied in such manner (and only to the extent) as shall be necessary to comply with any requirements of Section 409A of the Code that are applicable to the Award.

(iii) Notwithstanding the foregoing, or any provision of this Plan or any Award Agreement, the Company does not make any representation to any Participant or Beneficiary that any Awards made pursuant to this Plan are exempt from, or satisfy, the requirements of, Section 409A of the Code, and the Company shall have no liability or other

obligation to indemnify or hold harmless the Participant or any Beneficiary for any tax, additional tax, interest or penalties that the Participant or any Beneficiary may incur in the event that any provision of this Plan, or any Award Agreement, or any amendment or modification thereof, or any other action taken with respect thereto, is deemed to violate any of the requirements of Section 409A of the Code.

8. Change in Control.

(a) ***Effect of "Change in Control."*** If and only to the extent provided in any employment or other agreement between the Participant and the Company or any Related Entity, or in any Award Agreement, or to the extent otherwise determined by the Committee in its sole discretion and without any requirement that each Participant be treated consistently, upon the occurrence of a "Change in Control," as defined in Section 8(b):

(i) Any Option or Stock Appreciation Right that was not previously vested and exercisable as of the time of the Change in Control shall **(aa)** if not assumed or substituted in connection with the Change in Control, become immediately vested and exercisable, subject to applicable restrictions set forth in Section 9(a) hereof, and **(bb)** if assumed and substituted in connection with a Change in Control, shall become (to the extent not previously vested pursuant to the terms of the Award Agreement) fully vested and exercisable, subject to applicable restrictions set forth in Section 9(a) hereof, upon the date of the Participant's termination of employment without Cause or for Good Reason during the twenty-four (24) month period following the date of the Change in Control.

(ii) Any restrictions, deferral of settlement, and forfeiture conditions applicable to a Restricted Stock Award, Restricted Stock Unit Award or an Other Stock-Based Award subject only to future service requirements granted under the Plan shall **(aa)** if not assumed or substituted in connection with the Change in Control, lapse and such Awards shall be deemed fully vested as of the time of the Change in Control, and **(bb)** if assumed and substituted in connection with the Change in Control, lapse and such Awards shall become (to the extent not previously vested pursuant to the terms of the Award Agreement) fully vested on the date of the Participant's termination of employment without Cause or for Good Reason during the twenty-four (24) month period following the date of the Change in Control, in each case except to the extent of any waiver by the Participant and subject to applicable restrictions set forth in Section 9(a) hereof.

(iii) With respect to any outstanding Award subject to achievement of performance goals and conditions under the Plan, the Committee may, in its discretion, consider such Awards to have been earned and payable based on achievement of performance goals or based upon target performance (either in full or pro-rata based on the portion of the Performance Period completed as of the Change in Control).

(b) ***Definition of "Change in Control"***. Unless otherwise specified in any employment or other agreement for services between the Participant and the Company or any Subsidiary, or in an Award Agreement, a "***Change in Control***" shall mean the occurrence of any of the following:

(i) Approval by the Board of a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation or other transaction do not, immediately thereafter, own more than fifty percent (50%) of the capital stock in the Company, in substantially the same proportions as their ownership immediately prior to such reorganization, merger, consolidation or other transaction, or a liquidation or dissolution of the Company or the sale of all or substantially all of the assets of the Company (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned);

(ii) The acquisition (other than from the Company) by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act, of more than fifty percent (50%) of either the then outstanding capital stock of the Company (hereinafter referred to as the ownership of a "***Controlling Interest***") excluding, for this purpose, any acquisitions by **(A)** the Company, **(B)** any person, entity or "group" that as of the date on which the Awards are granted owns beneficial ownership (within the meaning of Rule 13(d)(3) promulgated under the Securities Exchange Act) of a Controlling Interest, or **(C)** any employee benefit plan of the Company; or

(iii) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by the person or persons), outside of the ordinary course of business, substantially all of the assets of the Company immediately prior to such acquisition or acquisitions.

9. General Provisions.

(a) ***Compliance With Legal and Other Requirements***. The Company may, to the extent deemed necessary or advisable by the Committee, postpone the issuance or delivery of Shares or payment of other benefits under any Award until completion of such registration or qualification of such Shares or other required action under any federal or state law, rule or regulation, listing or other required action with respect to the Listing Market, or compliance with any other obligation of the Company, as the Committee, may consider appropriate, and may require any Participant to make such representations, furnish such information and comply with or be subject to such other conditions as it may consider appropriate in connection with the issuance or delivery of Shares or payment of other benefits in compliance with applicable laws, rules, and regulations, listing requirements, or other obligations.

(b) ***Limits on Transferability; Beneficiaries***. No Award or other right or interest granted under the Plan shall be pledged, hypothecated or otherwise encumbered or subject to any lien, obligation or liability of such Participant to any party, or assigned or transferred by such Participant otherwise than by will or the laws of descent and distribution or to a Beneficiary upon the death of a Participant, and such Awards or rights that may be exercisable shall be exercised

during the lifetime of the Participant only by the Participant or his or her guardian or legal representative, except that Awards and other rights (other than Incentive Stock Options and Stock Appreciation Rights in tandem therewith) may be transferred to one or more Beneficiaries or other transferees during the lifetime of the Participant, and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent such transfers are permitted by the Committee pursuant to the express terms of an Award Agreement (subject to any terms and conditions which the Committee may impose thereon), are by gift or pursuant to a domestic relations order, and are to a "Permitted Assignee" that is a permissible transferee under the applicable rules of the Securities and Exchange Commission for registration of shares of stock on a Form S-8 registration statement. For this purpose, a ***"Permitted Assignee"*** shall mean **(i)** the Participant's spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings, **(ii)** a trust for the benefit of one or more of the Participant or the persons referred to in clause (i), **(iii)** a partnership, limited liability company or corporation in which the Participant or the persons referred to in clause (i) are the only partners, members or stockholders, or **(iv)** a foundation in which any person or entity designated in clauses (i), (ii) or (iii) above control the management of assets. A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award Agreement applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

(c) ***Adjustments***.

(i) ***Adjustments to Awards***. In the event that any extraordinary dividend or other distribution (whether in the form of cash, Shares, or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, share exchange, liquidation, dissolution or other similar corporate transaction or event affects the Shares and/or such other securities of the Company or any other issuer, then the Committee shall, in such manner as it may deem appropriate and equitable, substitute, exchange or adjust any or all of **(A)** the number and kind of Shares which may be delivered in connection with Awards granted thereafter, **(B)** the number and kind of Shares subject to or deliverable in respect of outstanding Awards, **(C)** the exercise price, grant price or purchase price relating to any Award and/or make provision for payment of cash or other property in respect of any outstanding Award, and **(D)** any other aspect of any Award that the Committee determines to be appropriate.

(ii) ***Other Adjustments***. The Committee and/or the Board is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including Awards subject to satisfaction of performance goals, or performance goals and conditions relating thereto) in recognition of unusual or nonrecurring events (including, without limitation, acquisitions and dispositions of businesses and assets) affecting the Company, any Related Entity or any business unit, or the financial statements of the Company or any Related Entity, or in response to changes in applicable laws, regulations, accounting principles, tax rates and regulations or business conditions or in view of the Committee's assessment of the business strategy of the Company, any Related Entity or business unit thereof, performance of comparable organizations, economic and business conditions, personal performance of a Participant, and any other circumstances deemed relevant.

(d) ***Award Agreements.*** Each Award Agreement shall either be **(i)** in writing in a form approved by the Committee and executed by the Company by an officer duly authorized to act on its behalf, or **(ii)** an electronic notice in a form approved by the Committee and recorded by the Company (or its designee) in an electronic recordkeeping system used for the purpose of tracking one or more types of Awards as the Committee may provide; in each case and if required by the Committee, the Award Agreement shall be executed or otherwise electronically accepted by the recipient of the Award in such form and manner as the Committee may require. The Committee may authorize any officer of the Company to execute any or all Award Agreements on behalf of the Company. The Award Agreement shall set forth the material terms and conditions of the Award as established by the Committee consistent with the provisions of the Plan.

(e) ***Taxes***. The Company and any Related Entity are authorized to withhold from any Award granted, any payment relating to an Award under the Plan, including from a distribution of Shares, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company or any Related Entity and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations, either on a mandatory or elective basis in the discretion of the Committee. The amount of withholding tax paid with respect to an Award by the withholding of Shares otherwise deliverable pursuant to the Award or by delivering Shares already owned shall not exceed the minimum statutory withholding required with respect to that Award.

(f) ***Changes to the Plan and Awards***. The Board may amend, alter, suspend, discontinue or terminate the Plan, or the Committee's authority to grant Awards under the Plan, without the consent of stockholders or Participants, except that any amendment or alteration to the Plan shall be subject to the approval of the Company's stockholders not later than the annual meeting next following such Board action if such stockholder approval is required by any federal or state law or regulation (including, without limitation, Rule 16b-3) or the rules of the Listing Market, and the Board may otherwise, in its discretion, determine to submit other such changes to the Plan to stockholders for approval; provided that, except as otherwise permitted by the Plan or Award Agreement, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under the terms of any previously granted and outstanding Award. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award theretofore granted and any Award Agreement relating thereto, except as otherwise provided in the Plan; provided that, except as otherwise permitted by the Plan or Award Agreement, without the consent of an affected Participant, no such Committee or the Board action may materially and adversely affect the rights of such Participant under terms of such Award. Notwithstanding anything to the contrary, the Committee shall not be authorized to amend any outstanding Option and/or Stock Appreciation Right to reduce the exercise price or grant price without the prior approval of the stockholders of the Company. In addition, the Committee shall not be authorized to cancel outstanding Options and/or Stock Appreciation Rights replaced with Awards having a lower exercise price without the prior approval of the stockholders of the Company.

(g) ***Limitation on Rights Conferred Under Plan***. Neither the Plan nor any action taken hereunder or under any Award shall be construed as **(i)** giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a Related Entity; **(ii)** interfering in any way with the right of the Company or a Related Entity to terminate any Eligible Person's or Participant's Continuous Service at any time, **(iii)** giving an Eligible Person or Participant any claim to be granted any Award under the Plan or to be treated uniformly with other Participants and Employees, or **(iv)** conferring on a Participant any of the rights of a stockholder of the Company or any Related Entity including, without limitation, any right to receive dividends or distributions, any right to vote or act by written consent, any right to attend meetings of stockholders or any right to receive any information concerning the Company's or any Related Entity's business, financial condition, results of operation or prospects, unless and until such time as the Participant is duly issued Shares on the stock books of the Company or any Related Entity in accordance with the terms of an Award. None of the Company, its officers or its directors shall have any fiduciary obligation to the Participant with respect to any Awards unless and until the Participant is duly issued Shares pursuant to the Award on the stock books of the Company in accordance with the terms of an Award. Neither the Company, nor any Related Entity, nor any of their respective officers, directors, representatives or agents is granting any rights under the Plan to the Participant whatsoever, oral or written, express or implied, other than those rights expressly set forth in this Plan or the Award Agreement.

(h) ***Unfunded Status of Awards; Creation of Trusts***. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant or obligation to deliver Shares pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give any such Participant any rights that are greater than those of a general creditor of the Company or Related Entity that issues the Award; provided that the Committee may authorize the creation of trusts and deposit therein cash, Shares, other Awards or other property, or make other arrangements to meet the obligations of the Company or Related Entity under the Plan. Such trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines with the consent of each affected Participant. The trustee of such trusts may be authorized to dispose of trust assets and reinvest the proceeds in alternative investments, subject to such terms and conditions as the Committee may specify and in accordance with applicable law.

(i) ***Nonexclusivity of the Plan***. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements as it may deem.

(j) ***Payments in the Event of Forfeitures; Fractional Shares***. Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash or other consideration, the Participant shall be repaid the amount of such cash or other consideration. Fractional Shares may be issued or delivered pursuant to the Plan or any Award.

(k) ***Clawback and Recapture.*** Awards under the Plan will be subject to any clawback or recapture policy that the Company may adopt from time to time in response Section 10D of the Exchange Act or otherwise, whether or not based on an incorrect determination that financial or other criteria were met, and shall include the requirement that Awards be repaid to the Company after they have been paid or distributed.

(l) ***Governing Law***. Except as otherwise provided in any Award Agreement, the validity, construction and effect of the Plan, any rules and regulations under the Plan, and any Award Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to principles of conflict of laws, and applicable federal law.

(m) ***Non-U.S. Laws***. The Committee shall have the authority to adopt such modifications, procedures, and subplans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which the Company or its Related Entities may operate to assure the viability of the benefits from Awards granted to Participants performing services in such countries and to meet the objectives of the Plan.

(n) ***Construction and Interpretation.*** Whenever used herein, nouns in the singular shall include the plural, and the masculine pronoun shall include the feminine gender. Headings of Articles and Sections hereof are inserted for convenience and reference and constitute no part of the Plan.

(o) ***Severability***. If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

(p) ***Plan Effective Date and Stockholder Approval; Termination of Plan***. The Plan shall become effective on the Effective Date, subject to subsequent approval, within twelve (12) months of its adoption by the Board, by stockholders of the Company eligible to vote in the election of directors, by a vote sufficient to meet the requirements of Code Section 422, Rule 16b-3 under the Exchange Act (if applicable), applicable requirements under the rules of any stock exchange or automated quotation system on which the Shares may be listed or quoted, and other laws, regulations, and obligations of the Company applicable to the Plan. The Plan shall terminate at the earliest of **(i)** such time as no Shares remain available for issuance under the Plan, **(ii)** termination of this Plan by the Board, or **(iii)** the tenth anniversary of the Effective Date. Awards outstanding upon expiration of the Plan shall remain in effect until they have been exercised or terminated, or have expired.

* * *

EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Agreement**") is made and entered into as of October 18, 2021, by and between Arlene Estrada Petokas (the "**Executive**") and Kura Sushi USA, Inc., a Delaware corporation (the "**Company**").

WHEREAS, the Company desires to employ the Executive on the terms and conditions set forth in this Agreement; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and obligations set forth herein, the parties agree as follows:

1. Term. The Executive's employment hereunder shall be effective as of October 18, 2021 (the "**Effective Date**") and shall continue until October 18, 2024, unless terminated earlier pursuant to Section 5 of this Agreement; provided that, on October 18, 2024 and each annual anniversary thereafter (such date and each annual anniversary thereof, a "**Renewal Date**"), the Agreement shall be deemed to be automatically extended, upon the same terms and conditions, for successive periods of one (1) year, unless either party provides written notice of its intention not to extend the term of the Agreement at least 120 days prior to the applicable Renewal Date. The period during which the Executive is employed by the Company hereunder is hereinafter referred to as the "**Employment Term**."

2. Position and Duties.

2.1 Position. During the Employment Term, the Executive shall serve as the Chief People Officer of the Company, reporting to the President of the Company. In such position, the Executive shall have such duties, authority, and responsibilities as shall be determined from time to time by the President and the board of directors of the Company (the "**Board**").

2.2 Duties. During the Employment Term, the Executive shall devote substantially all of her business time and attention to the performance of the Executive's duties hereunder and will not engage in any other business, profession, or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the President. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior written consent of the President act or serve as a director, trustee, committee member, or principal of any type of business, civic, or charitable organization, and (b) purchase or own less than five percent (5%) of the publicly traded securities of any corporation; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation; provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder, including, but not limited to, the obligations set forth in Section 2 hereof.

3. Place of Performance. The principal place of Executive's employment shall be the Company's principal executive office currently located at 17461 Derian Ave, Suite 200, Irvine, California 92614.

4. Compensation.

4.1 Base Salary. The Company shall pay the Executive an annual rate of base salary of $260,000 in periodic installments in accordance with the Company's customary payroll practices and applicable wage payment laws. The Executive's base salary may be reviewed from time to time by the Company, and the Company may, but shall not be required to, increase the base salary during the Employment Term. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**."

4.2 Annual Bonus.

(a) For each fiscal year of the Employment Term, the Executive shall be eligible to participate in the Company's annual short-term incentive plan (the "**Annual Bonus**"). However, the decision to provide any Annual Bonus and the amount and terms of any Annual Bonus shall be in the sole and absolute discretion of the Compensation Committee of the Board (the "**Compensation Committee**").

(b) The Annual Bonus, if any, will be paid within two and a half (2 1/2) months after the end of the applicable fiscal year.

(c) Except as otherwise provided in Section 5, (i) the Annual Bonus will be subject to the terms of the Company's annual bonus plan under which it is granted and (ii) in order to be eligible to receive an Annual Bonus, the Executive must be employed by the Company on the date that Annual Bonuses are paid.

4.3 Long-Term Incentive Compensation. During the Employment Term, Executive shall be eligible to participate in the Amended and Restated 2018 Incentive Compensation Plan established by the Company ("**Equity Incentive Plan**"). The terms of such incentive stock options shall be as set forth in the applicable Equity Incentive Plan and applicable award agreements, which shall control in the event of a conflict with this Agreement.

4.4 Employee Benefits. During the Employment Term, the Executive shall be entitled to participate in all employee benefit plans, practices, and programs maintained by the Company, as in effect from time to time (collectively, "**Employee Benefit Plans**"), to the extent consistent with applicable law and the terms of the applicable Employee Benefit Plans. The Company reserves the right to amend or terminate any Employee Benefit Plans at any time in its sole discretion, subject to the terms of such Employee Benefit Plan and applicable law.

4.5 Vacation; Paid Time-Off. During the Employment Term, the Executive shall be entitled to paid vacation in accordance with the Company's vacation policies, as in effect from time to time, as well as an additional 10 days of paid time off at the commencement of

employment. The Executive shall receive other paid time-off in accordance with applicable law and the Company's policies for executive officers as such policies may exist from time to time.

4.6 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment, and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures.

4.7 Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, any Annual Bonus, Equity Incentive Plan compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation, or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

5. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by either the Company or the Executive at any time and for any reason. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this Section 5 and shall have no further rights to any compensation or any other benefits from the Company or any of its affiliates.

5.1 Early Termination, Expiration of the Term, For Cause or Without Good Reason.

(a) If the Executive's employment is terminated for any reason on or before January 18, 2022, or upon the Executive's failure to renew the Agreement in accordance with Section 1, or by the Company for Cause or by Executive without Good Reason, the Executive shall be entitled to receive:

(i) any accrued but unpaid Base Salary and accrued but unused vacation which shall be paid on the Termination Date (as defined below) in accordance with the Company's customary payroll procedures;

(ii) any earned but unpaid Annual Bonus in accordance with Section 4.2 herein;

(iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy and Section 4.6 herein; and

(iv) such employee benefits, including such equity awards granted under the Equity Incentive Plan, if any, to which the Executive may be entitled as of the

Termination Date; provided that, in no event shall the Executive be entitled to any payments in the nature of severance or termination payments except as specifically provided herein.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**."

(b) For purposes of this Agreement, "**Cause**" shall mean:

(i) the Executive's willful failure to perform her duties (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) the Executive's willful failure to comply with any valid and legal directive of the President or the Board;

(iii) the Executive's willful engagement in dishonesty, illegal conduct, or misconduct, which is, in each case, injurious to the Company or its affiliates;

(iv) the Executive's embezzlement, misappropriation, or fraud, whether or not related to the Executive's employment with the Company;

(v) the Executive's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude;

(vi) the Executive's violation of a material policy of the Company;

(vii) the Executive's willful unauthorized disclosure of Confidential Information (as defined below);

(viii) the Executive's material breach of any material obligation under this Agreement or any other written agreement between the Executive and the Company; or

(ix) any material failure by the Executive to comply with the Company's written policies or rules, as they may be in effect from time to time during the Employment Term.

For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:

(i) a material reduction in the Executive's Base Salary other than a general reduction in Base Salary that affects all similarly situated executives in substantially the same proportions;

(ii) any material breach by the Company of any material provision of this Agreement;

(iii) a material, adverse change in the Executive's authority, duties, or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law) taking into account the Company's size, status as a public company, and capitalization as of the date of this Agreement;

(iv) a material adverse change in the reporting structure applicable to the Executive; or

(v) the Company's principal executive office set forth in Section 3 of this Agreement is moved by 50 miles or more.

The Executive cannot terminate her employment for Good Reason unless she has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the Company has had at least 30 days from the date on which such notice is provided to cure such circumstances. If the Executive does not terminate her employment for Good Reason within 30 days after the expiration of the Company's cure period, then the Executive will be deemed to have waived her right to terminate for Good Reason with respect to such grounds.

5.2 Non-Renewal by the Company, Without Cause or for Good Reason. If the Executive's employment is terminated after January 18, 2022, either by the Executive for Good Reason or by the Company without Cause, or on account of the Company's failure to renew the Agreement in accordance with Section 1, the Executive shall be entitled to receive the Accrued Amounts and subject to the Executive's compliance with Section 6, Section 7 and Section 8 of this Agreement and her execution of a release of claims in favor of the Company, its affiliates and their respective officers and directors in a form provided by the Company (the "**Release**") and such Release becoming effective within 60 days following the Termination Date (such 60-day period, the "**Release Execution Period**"), the Executive shall be entitled to receive the following:

(a) a lump sum payment equal to one-half of the Executive's Base Salary for the year in which the Termination Date occurs;

(b) reimbursement for the payments Executive makes for COBRA coverage for a period of six (6) months, or until Executive has secured other employment,

whichever occurs first, provided Executive timely elects and pays for COBRA coverage. COBRA reimbursements shall be made by the Company to Executive consistent with the Company's normal expense reimbursement policy, provided that Executive submits documentation to the Company substantiating her payments for COBRA coverage; and

(c) The treatment of any outstanding stock options shall be determined in accordance with the terms of the Equity Incentive Plan; provided, however, that in the event of a termination pursuant to Section 5.2 of this Agreement, the vesting of any portion of the Option (as defined in the Equity Incentive Plan) scheduled to vest between the Termination Date and August 31 of that same fiscal year shall be accelerated and treated as being vested as of the Termination Date.

5.3 Death or Disability.

(a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the Accrued Amounts. Notwithstanding any other provision contained herein, all payments made in connection with the Executive's Disability shall be provided in a manner which is consistent with federal and state law.

(c) For purposes of this Agreement, "**Disability**" shall mean the Executive's inability, due to physical or mental incapacity, to perform the essential functions of her job, with or without reasonable accommodation, for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days. Any question as to the existence of the Executive's Disability as to which the Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Company. If the Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Executive shall be final and conclusive for all purposes of this Agreement.

5.4 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination pursuant to Section 5.3(a) on account of the Executive's death) shall be communicated by written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with Section 23. The Notice of Termination shall specify:

(a) The termination provision of this Agreement relied upon;

(b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and

(c) The applicable Termination Date.

5.5 Termination Date. The Executive's "**Termination Date**" shall be:

(a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;

(b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;

(c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;

(d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination;

(e) If the Executive terminates her employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered; provided that, the Company may waive all or any part of the 30 day notice period for no consideration by giving written notice to the Executive and for all purposes of this Agreement, the Executive's Termination Date shall be the date determined by the Company; and

(f) If the Executive's employment hereunder terminates because either party provides notice of non-renewal pursuant to Section 1, the Renewal Date immediately following the date on which the applicable party delivers notice of non-renewal.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "separation from service" within the meaning of Code Section 409A.

5.6 Section 280G.

(a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement, or agreement, or otherwise) (all such payments collectively referred to herein as the "**280G Payments**") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code (the "**Code**") and will be subject to the excise tax imposed under Section 4999 of the Code (the "**Excise Tax**"), then prior to making 280G Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) payment made to the Executive of the 280G Payments after payment of the Excise Tax to (ii) the Net Benefit to the

Executive if the 280G Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the 280G Payments be reduced to the minimum extent necessary to ensure that no portion of the 280G Payments are subject to the Excise Tax. "**Net Benefit**" shall mean the present value of the 280G Payments net of all federal, state, local, foreign income, employment, and excise taxes. Any reduction made pursuant to this Section 5.6(a) shall be made in a manner determined by the Company that is consistent with the requirements of Code Section 409A.

(b) All calculations and determinations under this Section 5.6 shall be made by an independent accounting firm or independent tax counsel appointed by the Company (the "**Tax Counsel**") whose determinations shall be conclusive and binding on the Company and the Executive for all purposes. For purposes of making the calculations and determinations required by this Section 5.6, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 5.6. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Company, the Executive shall cooperate with the Company in connection with matters arising out of the Executive's service to the Company; provided that, the Company shall make reasonable efforts to minimize disruption of the Executive's other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that the Executive is required to spend substantial time on such matters, the Company shall compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, she will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, practices, methods, policies, plans, publications, documents, research, operations, services, strategies, techniques, agreements, contracts, terms of agreements, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, computer programs, computer software, applications, operating systems, software design, web design, work-in-process, databases, manuals, records, articles, systems, material, sources of material, supplier information, vendor

information, financial information, results, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, credit information, design information, payroll information, staffing information, personnel information, employee lists, supplier lists, vendor lists, developments, reports, internal controls, security procedures, graphics, drawings, sketches, market studies, sales information, revenue, costs, formulae, notes, communications, algorithms, product plans, designs, styles, models, ideas, audiovisual programs, inventions, unpublished patent applications, original works of authorship, discoveries, experimental processes, experimental results, specifications, customer information, customer lists, client information, client lists, manufacturing information, factory lists, distributor lists, and buyer lists of the Company or any of its affiliates or businesses or any existing or prospective customer, supplier, investor or other associated third party, or of any other person or entity that has entrusted information to the Company in confidence.

The Executive understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

The Executive understands and agrees that Confidential Information includes information developed by her in the course of her employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

(b) Company Creation and Use of Confidential Information.

The Executive understands and acknowledges that the Company has invested, and continues to invest, substantial time, money, and specialized knowledge into developing its resources, creating a customer base, generating customer and potential customer lists, training its employees, and improving its offerings in the Company's revolving sushi restaurants. The Executive understands and acknowledges that as a result of these efforts, the Company has created, and continues to use and create Confidential Information. This Confidential Information provides the Company with a competitive advantage over others in the marketplace.

(c) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) to not use Confidential Information except for the benefit of the Company; (iii) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any entity or person whatsoever (including other employees of the Company) not having a need to know and authority to know and use the Confidential Information in connection with the business of the Company and, in any event, not to anyone outside of the direct employ of the Company except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Company (and then, such

disclosure shall be made only within the limits and to the extent of such duties or consent); and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of the Company, except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Company (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent). Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. The Executive shall promptly provide written notice of any such order to the Company.

(d) Notice of Immunity Under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 ("DTSA"). Notwithstanding any other provision of this Agreement:

(i) The Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that:

(A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or

(B) is made in a complaint or other document filed under seal in a lawsuit or other proceeding.

(ii) If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive:

(A) files any document containing trade secrets under seal; and

(B) does not disclose trade secrets, except pursuant to court order.

The Executive understands and acknowledges that her obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information and shall continue during and after her employment by the Company until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf.

(e) Former Employer Information. Executive agrees that during her employment with the Company she will not improperly use, disclose, or induce the Company to use, any proprietary information or trade secrets of any former or concurrent employer or other person or entity. Executive further agrees that she will not bring onto the premises of the Company or transfer onto the Company's technology systems any unpublished document, proprietary information or trade secrets belonging to any such employer, person or entity unless consented to in writing by both the Company and such employer, person or entity.

(f) Third Party Information. Executive recognizes that the Company may have received and in the future may receive from third parties associated with the Company, e.g., the Company's customers, suppliers, licensors, licensees, partners, or collaborators ("**Associated Third Parties**") their confidential or proprietary information ("**Associated Third Party Confidential Information**"). By way of example, Associated Third Party Confidential Information may include the habits or practices, technology or requirements of Associated Third Parties, and/or information related to the business conducted between the Company and such Associated Third Parties. Executive agrees at all times during her employment with the Company and thereafter to hold any Associated Third Party Confidential Information in the strictest confidence, and not to use or to disclose it to any person, firm or corporation, except as necessary in carrying out her work for the Company consistent with the Company's agreement with such Associated Third Parties. Executive understands that unauthorized use or disclosure of Associated Third Party Confidential Information during her employment will lead to disciplinary action, up to and including immediate termination of her employment and legal action by the Company.

8. Non-Disparagement. The Executive agrees and covenants that she will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments, or statements concerning the Company or its businesses, or any of its employees, directors, officers, customers, suppliers, investors and other associated third parties.

This Section 8 does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation, or order. The Executive shall promptly provide written notice of any such order to the Company.

9. Remedies. In the event of a breach or threatened breach by the Executive of Section 7 or Section 8 of this Agreement, the Executive hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages, or other available forms of relief.

10. Arbitration. Any dispute, controversy, or claim arising out of or related to this Agreement or any breach of this Agreement shall be submitted to and decided by binding arbitration conducted before a single arbitrator in Irvine, California. Arbitration shall be administered exclusively by JAMS pursuant to its Employment Arbitration Rules & Procedures, which can be found at http://www.jamsadr.com/rules-employment-arbitration/ and shall be conducted consistent with the rules, regulations, and requirements thereof as well as any requirements imposed by state law. Any arbitral award determination shall be final and binding upon the parties.

11. Proprietary Rights.

11.1 Inventions Retained and Licensed. Executive has attached as Exhibit A a list describing all inventions, discoveries, original works of authorship, developments, improvements, and trade secrets that (i) Executive conceived in whole or in part before commencing employment with the Company, and (ii) do not relate to the Company's current or proposed business, products, or research and development ("Prior Inventions"). If no such list is attached, Executive represents and warrants that no such Prior Inventions exist. Executive further represents and warrants that the inclusion of any Prior Inventions on Exhibit A to this Agreement will not materially affect Executive's ability to perform all obligations under this Agreement. If, in the course of her employment with the Company, Executive incorporates into or use any fully developed Prior Invention in connection with any product, process, service, technology or other work by or on behalf of Company, Executive hereby grants to the Company a nonexclusive, royalty-free, fully paid-up, irrevocable, perpetual, worldwide license, with the right to grant and authorize sublicenses, to make, have made, modify, use, import, offer for sale, and sell such Prior Invention as part of or in connection with such product, process, service, technology or other work and to practice any method related thereto.

11.2 Assignment of Inventions. "Inventions" means all inventions, discoveries, original works of authorship, developments, improvements, and trade secrets, whether or not patentable or registrable under patent, copyright or similar laws, that Executive may solely or jointly conceive, develop or reduce to practice, or cause to be conceived, developed or reduced to practice, (i) during the period of time that the Company employs Executive (including during off-duty hours), or (ii) in connection with the use of the Company's equipment, supplies, facilities, personnel, or Company Confidential Information, except as provided in Section 11.5 below. Executive will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby now assigns to the Company or to its designee(s) all of Executive's right, title, and interest in and to any and all Inventions. Executive further acknowledges that all original works of authorship that Executive may make (solely or jointly with others) within the scope of and during the period of her employment with the Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. Executive understands and agrees that any decision whether or not to commercialize or market any Inventions is within the Company's sole discretion and for the Company's sole benefit and that no royalty or other consideration will be due to her as a result of the Company's efforts to commercialize or market any such Inventions.

11.3 Maintenance of Records. Executive agrees to keep and maintain adequate, current, accurate, and authentic written records of all Inventions that Executive creates (solely or jointly with others) during the term of her employment with the Company. The records will be in the form of notes, sketches, drawings, electronic files, reports, or any other format that may be specified by the Company. The records are and will be available to, and remain the sole property of, the Company at all times.

11.4 Patent and Copyright Registrations. Executive agrees to assist the Company or its designee(s), at the Company's reasonable expense, in every proper way to secure the Company's rights in any Inventions and in any rights relating to such Inventions in any and all countries. Such assistance regarding any Inventions and/or related rights includes, without limitation, full disclosure to the Company of all pertinent information and data; the execution of all applications, specifications, oaths, assignments and all other instruments that the Company might deem proper or reasonably necessary to apply for, register, obtain, maintain, defend, and enforce such rights, and/or to assign and convey to the Company, its successors, assigns, and/or nominees the sole and exclusive rights, title and interest in and to such Inventions and any rights relating to them; and testifying in a lawsuit or other proceeding relating to such Inventions and any rights relating to them. Executive expressly agrees that her obligation to execute or cause to be executed, when it is in her power to do so, any such instrument or papers continues after the termination of this Agreement, at the Company's reasonable expense. If the Company is unable because of Executive's mental or physical incapacity or for any other reason to secure Executive's signature with respect to any Inventions including, without limitation, to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering such Inventions, then Executive hereby irrevocably designates and appoints the Company and/or its duly authorized officers and agents as her agent and attorney-in-fact, to act for and on her behalf and stead to execute and file any papers, oaths and to do all other lawfully permitted acts with respect to such Inventions with the same legal force and effect as if Executive executed them.

11.5 Exception to Assignments. Executive understands that the provisions of this Agreement requiring assignment of Inventions to the Company do not apply to any invention that qualifies fully under the provisions of California Labor Code Section 2870 (the full text of which is in the attached Exhibit B). Executive will advise the Company immediately in writing of any inventions that (i) Executive might create (solely or jointly with others) after today, (ii) Executive believes meet the criteria in California Labor Code Section 2870, and (iii) are not otherwise disclosed on Exhibit A.

12. Security.

12.1 Security and Access. The Executive acknowledges that she has no reasonable expectation of privacy in any computer, technology system, email, handheld device, telephone, or documents that are used to conduct the business of the Company whether such device is personally owned or provided by the Company. As such, the Company has the right to audit and search all such items and systems, without further notice to Executive, to ensure that the Company is licensed to use the software on the Company's devices in compliance with the Company's software licensing policies, to ensure compliance with the Company's policies, and

for any other business-related purposes in the Company's sole discretion. Executive agrees and covenants (a) to comply with all Company security policies and procedures as in force from time to time including without limitation those regarding computer equipment, telephone systems, voicemail systems, facilities access, monitoring, key cards, access codes, Company intranet, internet, social media and instant messaging systems, computer systems, email systems, computer networks, document storage systems, software, data security, encryption, firewalls, passwords and any and all other Company facilities, IT resources and communication technologies ("**Facilities and Information Technology Resources**"); (b) not to access or use any Facilities and Information Technology Resources except as authorized by the Company; and (iii) not to access or use any Facilities and Information Technology Resources in any manner after the termination of the Executive's employment by the Company, whether termination is voluntary or involuntary. The Executive agrees to notify the Company promptly in the event she learns of any violation of the foregoing by others, or of any other misappropriation or unauthorized access, use, reproduction, or reverse engineering of, or tampering with any Facilities and Information Technology Resources or other Company property or materials by others.

12.2 Exit Obligations. Upon (a) voluntary or involuntary termination of the Executive's employment or (b) the Company's request at any time during the Executive's employment, the Executive shall (i) provide or return to the Company any and all Company property, including keys, key cards, access cards, identification cards, security devices, employer credit cards, network access devices, computers, cell phones, equipment, speakers, webcams, manuals, reports, files, books, compilations, work product, email messages, recordings, tapes, disks, thumb drives or other removable information storage devices, hard drives, and data and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or work product, that are in the possession or control of the Executive, whether they were provided to the Executive by the Company or any of its business associates or created by the Executive in connection with her employment by the Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in the Executive's possession or control, including those stored on any non-Company devices, networks, storage locations, and media in the Executive's possession or control.

13. Publicity. The Executive hereby irrevocably consents to any and all uses and displays, by the Company and its agents, representatives and licensees, of the Executive's name, voice, likeness, image, appearance, and biographical information in, on or in connection with any pictures, photographs, audio and video recordings, digital images, websites, television programs and advertising, other advertising and publicity, sales and marketing brochures, books, magazines, other publications, CDs, DVDs, tapes, and all other printed and electronic forms and media throughout the world, at any time during or after the period of her employment by the Company, for all legitimate commercial and business purposes of the Company ("**Permitted Uses**") without further consent from or royalty, payment, or other compensation to the Executive. The Executive hereby forever waives and releases the Company and its directors, officers, employees, and agents from any and all claims, actions, damages, losses, costs, expenses, and liability of any kind, arising under any legal or equitable theory whatsoever at any time during or after the period of her employment by the Company, arising directly or indirectly

from the Company's and its agents', representatives', and licensees' exercise of their rights in connection with any Permitted Uses.

14. Governing Law, Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of California without regard to conflicts of law principles. Subject to Section 10 of this Agreement, any action or proceeding by either of the parties to enforce this Agreement shall be brought only in a state or federal court located in the State of California, County of Orange. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

15. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

16. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the President of the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power, or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power, or privilege.

17. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement, or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and if such

provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions had not been set forth herein.

18. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

19. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20. Section 409A.

20.1 General Compliance. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Payments made under this Agreement with respect to a termination from employment, shall be considered made only upon a "separation from service" as defined in Internal Revenue Code Section 409A ("**Code Section 409A**"). It is further intended that such payments are not deferred compensation subject to Code Section 409A to the extent that such payments are covered by (a) the "short-term deferral exception" set forth in Treas. Reg. Section 1.409A-1(b)(4), (b) the "two times severance exception" set forth in Treas. Reg. Section 1.409A-1(b)(9)(iii), or (c) the "limited payments exception" set forth in Treas. Reg. Section 1.409A-1(b)(9)(v)(D). The short-term deferral exception, the two times severance exception and the limited payments exception shall be applied to the payments hereunder, as applicable, in order of payment in such a manner as results in the maximum exclusion of such payments from treatment as deferred compensation under Code Section 409A. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

20.2 Specified Employees. Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with her termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and the Executive is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date or, if earlier, on the Executive's death (the "**Specified Employee Payment Date**"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date and interest on such amounts calculated based on the applicable federal rate published by the Internal Revenue Service for the month in which the Executive's separation from service occurs shall be paid to the Executive in a lump sum on the Specified Employee

Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

20.3 Reimbursements. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(a) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;

(b) any reimbursement of an eligible expense shall be paid to the Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(c) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

21. Notification to Subsequent Employer. When the Executive's employment with the Company terminates, the Executive agrees to notify any subsequent employer of Executive's continuing obligations under this Agreement. The Executive will also deliver a copy of such notice to the Company before the Executive commences employment with any subsequent employer.

22. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

23. Notice. All notices and other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given, if delivered personally or sent by nationally recognized courier, or registered or certified mail (in each case, return receipt requested, postage prepaid) addressed, if to the Executive, at the most recent address on record in the Company's human resources information system, and if to the Company, at:

Kura Sushi USA, Inc.
17461 Derian Ave, Suite 200
Irvine, CA 92614
Attention: President

with a copy to:

Squire Patton Boggs (US) LLP
555 S. Flower Street, 31st Floor

Los Angeles, CA 90071
Attention: Hiroki Suyama

24. Representations of the Executive. The Executive represents and warrants to the Company that:

(a) The Executive's acceptance of employment with the Company and the performance of her duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement, or understanding to which she is a party or is otherwise bound.

(b) The Executive's acceptance of employment with the Company and the performance of her duties hereunder will not violate any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer.

25. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state, and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

26. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

27. Acknowledgement of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT SHE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT SHE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HER CHOICE BEFORE SIGNING THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

KURA SUSHI USA, INC, a Delaware corporation	EXECUTIVE
By: /s/ Hajime Uba	Signature: /s/ Arlene Estrada Petokas
Name: Hajime Uba	Name: Arlene Estrada Petokas
Title: President and CEO	Date: September 30, 2021

EXHIBIT A

LIST OF PRIOR INVENTIONS
AND ORIGINAL WORKS OF AUTHORSHIP

Title	Date	Identifying Number or Brief Description
_____	_____	_____

_X_ No inventions or improvements

___ Additional sheets attached

Signature: /s/ Arlene Estrada Petokas

Name: Arlene Estrada Petokas

Date: September 30, 2021

EXHIBIT B

CALIFORNIA LABOR CODE SECTION 2870
INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Agreement**") is made and entered into as of May 1, 2020, by and between Robert Kluger (the "**Executive**") and Kura Sushi USA, Inc., a Delaware corporation (the "**Company**").

WHEREAS, the Company desires to employ the Executive on the terms and conditions set forth in this Agreement; and

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and obligations set forth herein, the parties agree as follows:

1. Term. The Executive's employment hereunder shall be effective as of May 1, 2020 (the "**Effective Date**") and shall continue until the third anniversary thereof, unless terminated earlier pursuant to Section 5 of this Agreement; provided that, on such third anniversary of the Effective Date and each annual anniversary thereafter (such date and each annual anniversary thereof, a "**Renewal Date**"), the Agreement shall be deemed to be automatically extended, upon the same terms and conditions, for successive periods of one (1) year, unless either party provides written notice of its intention not to extend the term of the Agreement at least 120 days prior to the applicable Renewal Date. The period during which the Executive is employed by the Company hereunder is hereinafter referred to as the "**Employment Term**."

2. Position and Duties.

2.1 Position. During the Employment Term, the Executive shall serve as the Chief Development Officer of the Company, reporting to the President of the Company. In such position, the Executive shall have such duties, authority, and responsibilities as shall be determined from time to time by the President and the board of directors of the Company (the "**Board**").

2.2 Duties. During the Employment Term, the Executive shall devote substantially all of his business time and attention to the performance of the Executive's duties hereunder and will not engage in any other business, profession, or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the President. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior written consent of the President act or serve as a director, trustee, committee member, or principal of any type of business, civic, or charitable organization, and (b) purchase or own less than five percent (5%) of the publicly traded securities of any corporation; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation; provided further that, the activities described in clauses (a) and (b) do

not interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder, including, but not limited to, the obligations set forth in Section 2 hereof.

3. Place of Performance. The principal place of Executive's employment shall be the Company's principal executive office currently located at 17932 Sky Park Circle, Suite G, Irvine, California; provided that, the Executive may be required to travel on Company business during the Employment Term.

4. Compensation.

4.1 Base Salary. The Company shall pay the Executive an annual rate of base salary of $260,000 in periodic installments in accordance with the Company's customary payroll practices and applicable wage payment laws. The Executive's base salary may be reviewed from time to time by the Company, and the Company may, but shall not be required to, increase the base salary during the Employment Term. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as "**Base Salary**."

4.2 Annual Bonus.

(a) For each fiscal year of the Employment Term, the Executive shall be eligible to participate in the Company's annual short-term incentive plan (the "**Annual Bonus**"). However, the decision to provide any Annual Bonus and the amount and terms of any Annual Bonus shall be in the sole and absolute discretion of the Compensation Committee of the Board (the "**Compensation Committee**").

(b) The Annual Bonus, if any, will be paid within two and a half (2 1/2) months after the end of the applicable fiscal year.

(c) Except as otherwise provided in Section 5, (i) the Annual Bonus will be subject to the terms of the Company annual bonus plan under which it is granted and (ii) in order to be eligible to receive an Annual Bonus, the Executive must be employed by the Company on the date that Annual Bonuses are paid.

4.3 Long-Term Incentive Compensation. During the Employment Term, Executive shall be eligible to participate in the 2018 Incentive Compensation Plan established by the Company ("**Equity Incentive Plan**"). The terms of such incentive stock options shall be as set forth in the applicable Equity Incentive Plan and applicable award agreements, which shall control in the event of a conflict with this Agreement.

4.4 Employee Benefits. During the Employment Term, the Executive shall be entitled to participate in all employee benefit plans, practices, and programs maintained by the Company, as in effect from time to time (collectively, "**Employee Benefit Plans**"), to the extent consistent with applicable law and the terms of the applicable Employee Benefit Plans. The Company reserves the right to amend or terminate any Employee Benefit Plans at any time in its sole discretion, subject to the terms of such Employee Benefit Plan and applicable law.

4.5 Vacation; Paid Time-Off. During the Employment Term, the Executive shall be entitled to paid vacation in accordance with the Company's vacation policies, as in effect from time to time. The Executive shall receive other paid time-off in accordance with applicable law and the Company's policies for executive officers as such policies may exist from time to time.

4.6 Business Expenses. The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment, and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures.

4.7 Clawback Provisions. Notwithstanding any other provision in this Agreement to the contrary, any Annual Bonus, Equity Incentive Plan compensation, or any other compensation, paid to the Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation, or stock exchange listing requirement, will be subject to such deductions and clawback as may be required to be made pursuant to such law, government regulation, or stock exchange listing requirement (or any policy adopted by the Company pursuant to any such law, government regulation or stock exchange listing requirement).

5. Termination of Employment. The Employment Term and the Executive's employment hereunder may be terminated by either the Company or the Executive at any time and for any reason. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to the compensation and benefits described in this Section 5 and shall have no further rights to any compensation or any other benefits from the Company or any of its affiliates.

5.1 Expiration of the Term, For Cause or Without Good Reason.

(a) If the Executive's employment is terminated upon the Executive's failure to renew the Agreement in accordance with Section 1, by the Company for Cause or by Executive without Good Reason, the Executive shall be entitled to receive:

(i) any accrued but unpaid Base Salary and accrued but unused vacation which shall be paid on the Termination Date (as defined below) in accordance with the Company's customary payroll procedures;

(ii) any earned but unpaid Annual Bonus in accordance with Section 4.2 herein;

(iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy and Section 4.7 herein; and

(iv) such employee benefits, including such equity awards granted under the Equity Incentive Plan, if any, to which the Executive may be entitled as of the

Termination Date; provided that, in no event shall the Executive be entitled to any payments in the nature of severance or termination payments except as specifically provided herein.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "**Accrued Amounts**."

(b) For purposes of this Agreement, "**Cause**" shall mean:

(i) the Executive's willful failure to perform his duties (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) the Executive's willful failure to comply with any valid and legal directive of the President;

(iii) the Executive's willful engagement in dishonesty, illegal conduct, or misconduct, which is, in each case, injurious to the Company or its affiliates;

(iv) the Executive's embezzlement, misappropriation, or fraud, whether or not related to the Executive's employment with the Company;

(v) the Executive's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude;

(vi) the Executive's violation of a material policy of the Company;

(vii) the Executive's willful unauthorized disclosure of Confidential Information (as defined below);

(viii) the Executive's material breach of any material obligation under this Agreement or any other written agreement between the Executive and the Company; or

(ix) any material failure by the Executive to comply with the Company's written policies or rules, as they may be in effect from time to time during the Employment Term.

For purposes of this provision, no act or failure to act on the part of the Executive shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(c) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term without the Executive's written consent:

(i) a material reduction in the Executive's Base Salary other than a general reduction in Base Salary that affects all similarly situated executives in substantially the same proportions;

(ii) any material breach by the Company of any material provision of this Agreement;

(iii) a material, adverse change in the Executive's authority, duties, or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law) taking into account the Company's size, status as a public company, and capitalization as of the date of this Agreement;

(iv) a material adverse change in the reporting structure applicable to the Executive; or

(v) the Company's principal executive office set forth in Section 3 of this Agreement is moved by 50 miles or more.

The Executive cannot terminate his employment for Good Reason unless he has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within 30 days of the initial existence of such grounds and the Company has had at least 30 days from the date on which such notice is provided to cure such circumstances. If the Executive does not terminate his employment for Good Reason within 30 days after the expiration of the Company's cure period, then the Executive will be deemed to have waived his right to terminate for Good Reason with respect to such grounds.

5.2 Non-Renewal by the Company, Without Cause or for Good Reason. If the Executive's employment is terminated by the Executive for Good Reason or by the Company without Cause or on account of the Company's failure to renew the Agreement in accordance with Section 1, the Executive shall be entitled to receive the Accrued Amounts and subject to the Executive's compliance with Section 6, Section 7, Section 8, and Section 9 of this Agreement and his execution of a release of claims in favor of the Company, its affiliates and their respective officers and directors in a form provided by the Company (the "**Release**") and such Release becoming effective within 60 days following the Termination Date (such 60-day period, the "**Release Execution Period**"), the Executive shall be entitled to receive the following:

(a) a lump sum payment equal to the Executive's Base Salary for the year in which the Termination Date occurs, provided, however, that in the event the Termination Date occurs before May 1, 2023, the lump sum payment shall only be one-half of the Executive's Base Salary for the year in which the Termination Date occurs;

(b) reimbursement for the payments Executive makes for COBRA coverage for a period of twelve (12) months (which shall be reduced to six (6) months in the event the Termination Date occurs before May 1, 2023), or until Executive has secured other employment, whichever occurs first, provided Executive timely elects and pays for COBRA coverage. COBRA reimbursements shall be made by the Company to Executive consistent with the Company's normal expense reimbursement policy, provided that Executive submits documentation to the Company substantiating his payments for COBRA coverage; and

(c) The treatment of any outstanding stock options shall be determined in accordance with the terms of the Equity Incentive Plan; provided, however, that in the event of a termination pursuant to Section 5.2 of this Agreement, the vesting of any portion of the Option (as defined in the Equity Incentive Plan) scheduled to vest between the Termination Date and August 31 of that same fiscal year shall be accelerated and treated as being vested as of the Termination Date.

5.3 Death or Disability.

(a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the Accrued Amounts. Notwithstanding any other provision contained herein, all payments made in connection with the Executive's Disability shall be provided in a manner which is consistent with federal and state law.

(c) For purposes of this Agreement, "**Disability**" shall mean the Executive's inability, due to physical or mental incapacity, to perform the essential functions of his job, with or without reasonable accommodation, for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days. Any question as to the existence of the Executive's Disability as to which the Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Company. If the Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Executive shall be final and conclusive for all purposes of this Agreement.

5.4 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination pursuant to Section 5.3(a) on account of the Executive's death) shall be communicated by written notice of termination ("**Notice of Termination**") to the other party hereto in accordance with Section 24. The Notice of Termination shall specify:

(a) The termination provision of this Agreement relied upon;

(b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and

(c) The applicable Termination Date.

5.5 Termination Date. The Executive's "**Termination Date**" shall be:

(a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;

(b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is determined that the Executive has a Disability;

(c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;

(d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination;

(e) If the Executive terminates his employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than 30 days following the date on which the Notice of Termination is delivered; provided that, the Company may waive all or any part of the 30 day notice period for no consideration by giving written notice to the Executive and for all purposes of this Agreement, the Executive's Termination Date shall be the date determined by the Company; and

(f) If the Executive's employment hereunder terminates because either party provides notice of non-renewal pursuant to Section 1, the Renewal Date immediately following the date on which the applicable party delivers notice of non-renewal.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "separation from service" within the meaning of Code Section 409A.

5.6 Section 280G.

(a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement, or agreement, or otherwise) (all such payments collectively referred to herein as the "**280G Payments**") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code (the "**Code**") and will be subject to the excise tax imposed under Section 4999 of the Code (the "**Excise Tax**"), then prior to making 280G Payments, a

calculation shall be made comparing (i) the Net Benefit (as defined below) payment made to the Executive of the 280G Payments after payment of the Excise Tax to (ii) the Net Benefit to the Executive if the 280G Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the 280G Payments be reduced to the minimum extent necessary to ensure that no portion of the 280G Payments are subject to the Excise Tax. "**Net Benefit**" shall mean the present value of the 280G Payments net of all federal, state, local, foreign income, employment, and excise taxes. Any reduction made pursuant to this Section 5.6(a) shall be made in a manner determined by the Company that is consistent with the requirements of Code Section 409A.

(b) All calculations and determinations under this Section 5.6 shall be made by an independent accounting firm or independent tax counsel appointed by the Company (the "**Tax Counsel**") whose determinations shall be conclusive and binding on the Company and the Executive for all purposes. For purposes of making the calculations and determinations required by this Section 5.6, the Tax Counsel may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and the Executive shall furnish the Tax Counsel with such information and documents as the Tax Counsel may reasonably request in order to make its determinations under this Section 5.6. The Company shall bear all costs the Tax Counsel may reasonably incur in connection with its services.

6. Cooperation. The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Company, the Executive shall cooperate with the Company in connection with matters arising out of the Executive's service to the Company; provided that, the Company shall make reasonable efforts to minimize disruption of the Executive's other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that the Executive is required to spend substantial time on such matters, the Company shall compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. Confidential Information. The Executive understands and acknowledges that during the Employment Term, he will have access to and learn about Confidential Information, as defined below.

7.1 Confidential Information Defined.

(a) Definition.

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, practices, methods, policies, plans, publications, documents, research, operations, services, strategies, techniques, agreements, contracts, terms of agreements, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, computer programs, computer software,

applications, operating systems, software design, web design, work-in-process, databases, manuals, records, articles, systems, material, sources of material, supplier information, vendor information, financial information, results, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, credit information, design information, payroll information, staffing information, personnel information, employee lists, supplier lists, vendor lists, developments, reports, internal controls, security procedures, graphics, drawings, sketches, market studies, sales information, revenue, costs, formulae, notes, communications, algorithms, product plans, designs, styles, models, ideas, audiovisual programs, inventions, unpublished patent applications, original works of authorship, discoveries, experimental processes, experimental results, specifications, customer information, customer lists, client information, client lists, manufacturing information, factory lists, distributor lists, and buyer lists of the Company or any of its affiliates or businesses or any existing or prospective customer, supplier, investor or other associated third party, or of any other person or entity that has entrusted information to the Company in confidence.

The Executive understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

The Executive understands and agrees that Confidential Information includes information developed by him in the course of his employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive; provided that, such disclosure is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

(b) Company Creation and Use of Confidential Information.

The Executive understands and acknowledges that the Company has invested, and continues to invest, substantial time, money, and specialized knowledge into developing its resources, creating a customer base, generating customer and potential customer lists, training its employees, and improving its offerings in the Company's revolving sushi restaurants. The Executive understands and acknowledges that as a result of these efforts, the Company has created, and continues to use and create Confidential Information. This Confidential Information provides the Company with a competitive advantage over others in the marketplace.

(c) Disclosure and Use Restrictions.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) to not use Confidential Information except for the benefit of the Company; (iii) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any entity or person whatsoever (including other employees of the Company) not having a need to know and authority to know and use the Confidential Information in connection with the business of the Company and, in any event, not to anyone outside of the direct employ

of the Company except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Company (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of the Company, except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Company (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent). Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. The Executive shall promptly provide written notice of any such order to the Company.

(d) Notice of Immunity Under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 ("DTSA"). Notwithstanding any other provision of this Agreement:

(i) The Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that:

(A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or

(B) is made in a complaint or other document filed under seal in a lawsuit or other proceeding.

(ii) If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive:

(A) files any document containing trade secrets under seal; and

(B) does not disclose trade secrets, except pursuant to court order.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information and shall continue during and after his employment by the Company until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf.

(e) Former Employer Information. Executive agrees that during his employment with the Company he will not improperly use, disclose, or induce the Company to use, any proprietary information or trade secrets of any former or concurrent employer or other person or entity. Executive further agrees that he will not bring onto the premises of the Company or transfer onto the Company's technology systems any unpublished document, proprietary information or trade secrets belonging to any such employer, person or entity unless consented to in writing by both the Company and such employer, person or entity.

(f) Third Party Information. Executive recognizes that the Company may have received and in the future may receive from third parties associated with the Company, e.g., the Company's customers, suppliers, licensors, licensees, partners, or collaborators ("**Associated Third Parties**") their confidential or proprietary information ("**Associated Third Party Confidential Information**"). By way of example, Associated Third Party Confidential Information may include the habits or practices, technology or requirements of Associated Third Parties, and/or information related to the business conducted between the Company and such Associated Third Parties. Executive agrees at all times during his employment with the Company and thereafter to hold any Associated Third Party Confidential Information in the strictest confidence, and not to use or to disclose it to any person, firm or corporation, except as necessary in carrying out his work for the Company consistent with the Company's agreement with such Associated Third Parties. Executive understands that unauthorized use or disclosure of Associated Third Party Confidential Information during his employment will lead to disciplinary action, up to and including immediate termination of his employment and legal action by the Company.

8. Non-Disparagement. The Executive agrees and covenants that he will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments, or statements concerning the Company or its businesses, or any of its employees, directors, officers, customers, suppliers, investors and other associated third parties.

This Section 8 does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation, or order. The Executive shall promptly provide written notice of any such order to the Company.

9. Solicitation of Employees. Executive agrees that for a period of twelve (12) months immediately following the termination of his relationship with the Company for any reason, whether voluntary or involuntary, with or without cause, Executive shall not either directly or indirectly solicit any of the Company's employees to leave their employment, or attempt to solicit employees of the Company, either for Executive or for any other person or entity.

10. Remedies. In the event of a breach or threatened breach by the Executive of Section 7, Section 8, or Section 9 of this Agreement, the Executive hereby consents and agrees

that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages, or other available forms of relief.

11. Arbitration. Any dispute, controversy, or claim arising out of or related to this Agreement or any breach of this Agreement shall be submitted to and decided by binding arbitration conducted before a single arbitrator in Irvine, California. Arbitration shall be administered exclusively by JAMS pursuant to its Employment Arbitration Rules & Procedures, which can be found at http://www.jamsadr.com/rules-employment-arbitration/ and shall be conducted consistent with the rules, regulations, and requirements thereof as well as any requirements imposed by state law. Any arbitral award determination shall be final and binding upon the parties.

12. Proprietary Rights.

12.1 Inventions Retained and Licensed. Executive has attached as Exhibit A a list describing all inventions, discoveries, original works of authorship, developments, improvements, and trade secrets that (i) Executive conceived in whole or in part before commencing employment with the Company, and (ii) do not relate to the Company's current or proposed business, products, or research and development ("**Prior Inventions**"). If no such list is attached, Executive represents and warrants that no such Prior Inventions exist. Executive further represents and warrants that the inclusion of any Prior Inventions on Exhibit A to this Agreement will not materially affect Executive's ability to perform all obligations under this Agreement. If, in the course of his employment with the Company, Executive incorporates into or use any fully developed Prior Invention in connection with any product, process, service, technology or other work by or on behalf of Company, Executive hereby grants to the Company a nonexclusive, royalty-free, fully paid-up, irrevocable, perpetual, worldwide license, with the right to grant and authorize sublicenses, to make, have made, modify, use, import, offer for sale, and sell such Prior Invention as part of or in connection with such product, process, service, technology or other work and to practice any method related thereto.

12.2 Assignment of Inventions. "**Inventions**" means all inventions, discoveries, original works of authorship, developments, improvements, and trade secrets, whether or not patentable or registrable under patent, copyright or similar laws, that Executive may solely or jointly conceive, develop or reduce to practice, or cause to be conceived, developed or reduced to practice, (i) during the period of time that the Company employs Executive (including during off-duty hours), or (ii) in connection with the use of the Company's equipment, supplies, facilities, personnel, or Company Confidential Information, except as provided in Section 12.5 below. Executive will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby now assigns to the Company or to its designee(s) all of Executive's right, title, and interest in and to any and all Inventions. Executive further acknowledges that all original works of authorship that Executive may make (solely or jointly with others) within the scope of and during the period of his employment with the

Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. Executive understands and agrees that any decision whether or not to commercialize or market any Inventions is within the Company's sole discretion and for the Company's sole benefit and that no royalty or other consideration will be due to him as a result of the Company's efforts to commercialize or market any such Inventions.

12.3 Maintenance of Records. Executive agrees to keep and maintain adequate, current, accurate, and authentic written records of all Inventions that Executive creates (solely or jointly with others) during the term of his employment with the Company. The records will be in the form of notes, sketches, drawings, electronic files, reports, or any other format that may be specified by the Company. The records are and will be available to, and remain the sole property of, the Company at all times.

12.4 Patent and Copyright Registrations. Executive agrees to assist the Company or its designee(s), at the Company's reasonable expense, in every proper way to secure the Company's rights in any Inventions and in any rights relating to such Inventions in any and all countries. Such assistance regarding any Inventions and/or related rights includes, without limitation, full disclosure to the Company of all pertinent information and data; the execution of all applications, specifications, oaths, assignments and all other instruments that the Company might deem proper or reasonably necessary to apply for, register, obtain, maintain, defend, and enforce such rights, and/or to assign and convey to the Company, its successors, assigns, and/or nominees the sole and exclusive rights, title and interest in and to such Inventions and any rights relating to them; and testifying in a lawsuit or other proceeding relating to such Inventions and any rights relating to them. Executive expressly agrees that his obligation to execute or cause to be executed, when it is in his power to do so, any such instrument or papers continues after the termination of this Agreement, at the Company's reasonable expense. If the Company is unable because of Executive's mental or physical incapacity or for any other reason to secure Executive's signature with respect to any Inventions including, without limitation, to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering such Inventions, then Executive hereby irrevocably designates and appoints the Company and/or its duly authorized officers and agents as his agent and attorney-in-fact, to act for and on his behalf and stead to execute and file any papers, oaths and to do all other lawfully permitted acts with respect to such Inventions with the same legal force and effect as if Executive executed them.

12.5 Exception to Assignments. Executive understands that the provisions of this Agreement requiring assignment of Inventions to the Company do not apply to any invention that qualifies fully under the provisions of California Labor Code Section 2870 (the full text of which is in the attached Exhibit B). Executive will advise the Company immediately in writing of any inventions that (i) Executive might create (solely or jointly with others) after today, (ii) Executive believes meet the criteria in California Labor Code Section 2870, and (iii) are not otherwise disclosed on Exhibit A.

13. Security.

13.1 Security and Access. The Executive acknowledges that he has no reasonable expectation of privacy in any computer, technology system, email, handheld device, telephone, or documents that are used to conduct the business of the Company whether such device is personally owned or provided by the Company. As such, the Company has the right to audit and search all such items and systems, without further notice to Executive, to ensure that the Company is licensed to use the software on the Company's devices in compliance with the Company's software licensing policies, to ensure compliance with the Company's policies, and for any other business-related purposes in the Company's sole discretion. Executive agrees and covenants (a) to comply with all Company security policies and procedures as in force from time to time including without limitation those regarding computer equipment, telephone systems, voicemail systems, facilities access, monitoring, key cards, access codes, Company intranet, internet, social media and instant messaging systems, computer systems, email systems, computer networks, document storage systems, software, data security, encryption, firewalls, passwords and any and all other Company facilities, IT resources and communication technologies ("**Facilities and Information Technology Resources**"); (b) not to access or use any Facilities and Information Technology Resources except as authorized by the Company; and (iii) not to access or use any Facilities and Information Technology Resources in any manner after the termination of the Executive's employment by the Company, whether termination is voluntary or involuntary. The Executive agrees to notify the Company promptly in the event he learns of any violation of the foregoing by others, or of any other misappropriation or unauthorized access, use, reproduction, or reverse engineering of, or tampering with any Facilities and Information Technology Resources or other Company property or materials by others.

13.2 Exit Obligations. Upon (a) voluntary or involuntary termination of the Executive's employment or (b) the Company's request at any time during the Executive's employment, the Executive shall (i) provide or return to the Company any and all Company property, including keys, key cards, access cards, identification cards, security devices, employer credit cards, network access devices, computers, cell phones, equipment, speakers, webcams, manuals, reports, files, books, compilations, work product, email messages, recordings, tapes, disks, thumb drives or other removable information storage devices, hard drives, and data and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or work product, that are in the possession or control of the Executive, whether they were provided to the Executive by the Company or any of its business associates or created by the Executive in connection with his employment by the Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in the Executive's possession or control, including those stored on any non-Company devices, networks, storage locations, and media in the Executive's possession or control.

14. Publicity. The Executive hereby irrevocably consents to any and all uses and displays, by the Company and its agents, representatives and licensees, of the Executive's name, voice, likeness, image, appearance, and biographical information in, on or in connection with any pictures, photographs, audio and video recordings, digital images, websites, television programs

and advertising, other advertising and publicity, sales and marketing brochures, books, magazines, other publications, CDs, DVDs, tapes, and all other printed and electronic forms and media throughout the world, at any time during or after the period of his employment by the Company, for all legitimate commercial and business purposes of the Company ("**Permitted Uses**") without further consent from or royalty, payment, or other compensation to the Executive. The Executive hereby forever waives and releases the Company and its directors, officers, employees, and agents from any and all claims, actions, damages, losses, costs, expenses, and liability of any kind, arising under any legal or equitable theory whatsoever at any time during or after the period of his employment by the Company, arising directly or indirectly from the Company's and its agents', representatives', and licensees' exercise of their rights in connection with any Permitted Uses.

15. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of California without regard to conflicts of law principles. Subject to Section 11 of this Agreement, any action or proceeding by either of the parties to enforce this Agreement shall be brought only in a state or federal court located in the State of California, County of Orange. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

16. Entire Agreement. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

17. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by a director of the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power, or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power, or privilege.

18. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all

of the offending provision, adding additional language to this Agreement, or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions had not been set forth herein.

19. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

20. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

21. Section 409A.

21.1 General Compliance. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Payments made under this Agreement with respect to a termination from employment, shall be considered made only upon a "separation from service" as defined in Internal Revenue Code Section 409A ("**Code Section 409A**"). It is further intended that such payments are not deferred compensation subject to Code Section 409A to the extent that such payments are covered by (a) the "short-term deferral exception" set forth in Treas. Reg. Section 1.409A-1(b)(4), (b) the "two times severance exception" set forth in Treas. Reg. Section 1.409A-1(b)(9)(iii), or (c) the "limited payments exception" set forth in Treas. Reg. Section 1.409A-1(b)(9)(v)(D). The short-term deferral exception, the two times severance exception and the limited payments exception shall be applied to the payments hereunder, as applicable, in order of payment in such a manner as results in the maximum exclusion of such payments from treatment as deferred compensation under Code Section 409A. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

21.2 Specified Employees. Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with his termination of employment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A and the Executive is determined to be a "specified

employee" as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date or, if earlier, on the Executive's death (the "**Specified Employee Payment Date**"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date and interest on such amounts calculated based on the applicable federal rate published by the Internal Revenue Service for the month in which the Executive's separation from service occurs shall be paid to the Executive in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

21.3 Reimbursements. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(a) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;

(b) any reimbursement of an eligible expense shall be paid to the Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(c) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

22. Notification to Subsequent Employer. When the Executive's employment with the Company terminates, the Executive agrees to notify any subsequent employer of Executive's continuing obligations under this Agreement. The Executive will also deliver a copy of such notice to the Company before the Executive commences employment with any subsequent employer.

23. Successors and Assigns. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

24. Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the Company at:

Kura Sushi USA, Inc.
17932 Sky Park Circle, Suite H
Irvine, CA 92614
Attention:

with a copy to:

Squire Patton Boggs (US) LLP
555 S. Flower Street, 31st Floor
Los Angeles, CA 90071
Attention: Hiroki Suyama, Esq.

If to the Executive at:

Robert Kluger
333 E. Viewcrest Dr.
Azusa, CA 91702

25. Representations of the Executive. The Executive represents and warrants to the Company that:

(a) The Executive's acceptance of employment with the Company and the performance of his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement, or understanding to which he is a party or is otherwise bound.

(b) The Executive's acceptance of employment with the Company and the performance of his duties hereunder will not violate any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer.

26. Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state, and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

27. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

28. Acknowledgement of Full Understanding. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK

QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

KURA SUSHI USA, INC, a Delaware corporation	EXECUTIVE
By: /s/ Hajime Uba	Signature: /s/ Robert Kluger
Name: Hajime Uba	Print Name: Robert Kluger
Title: President and CEO	

EXHIBIT A

LIST OF PRIOR INVENTIONS
AND ORIGINAL WORKS OF AUTHORSHIP

Title	Date	Identifying Number or Brief Description
_____	_____	_____

_X_ No inventions or improvements

___ Additional sheets attached

Signature: /s/ Robert Kluger

Name: Robert Kluger

Date: March 16, 2020

EXHIBIT B

CALIFORNIA LABOR CODE SECTION 2870
INVENTION ON OWN TIME-EXEMPTION FROM AGREEMENT

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

Exhibit 19.1

KURA SUSHI USA, INC.

POLICY REGARDING INSIDER TRADING, TIPPING AND OTHER WRONGFUL DISCLOSURES

and

GUIDELINES WITH RESPECT TO CERTAIN TRANSACTIONS IN SECURITIES OF KURA SUSHI USA, INC.

Introduction

Federal and state securities laws prohibit the purchase or sale of a public company's securities by persons who possess material information about that company that is not generally known or available to the public. These laws also prohibit persons who possess Material Non-Public Information (as defined in Section E below) from disclosing this information to others who may trade. This Policy Regarding Insider Trading, Tipping and Other Wrongful Disclosures (this "***Policy***"), provides guidelines to employees, officers, directors, consultants and contractors of Kura Sushi USA, Inc., a Delaware corporation ("***Kura***") and its subsidiaries with respect to transactions in securities issued by Kura and also contains restrictions on the communication of information they may learn during the course of employment with, or other services performed on behalf of, Kura or its subsidiaries.

Violations of laws relating to insider trading may be punished by criminal penalties (including prison sentences) and civil penalties. In addition, officers, directors and employees of Kura or its subsidiaries who violate this Policy shall be subject to disciplinary action, which may include termination of employment or services or result in ineligibility for future participation in any equity incentive plans. The Securities and Exchange Commission (the "***SEC***"), and stock exchanges use sophisticated electronic surveillance techniques to uncover insider trading. The SEC and the Department of Justice pursue insider trading violations vigorously. Cases have been successfully prosecuted against trading through foreign accounts, trading by family members and friends and trading involving only a small number of shares.

In addition, Kura Sushi, Inc. ("***Kura Japan***") continues to hold a majority of the combined voting power of the Company's outstanding Class A common stock and Class B common stock. As a result, you must also adhere to all of the policies and guidelines of Kura Japan regarding insider trading, tipping and wrongful disclosures and with respect to transactions in securities of Kura Japan. A violation by you of the policies and guidelines of Kura Japan will be considered to be a violation by you of this Policy.

Please note that other policy statements applicable to you, including those of Kura Japan, also require you to protect proprietary information and contain restrictions on unauthorized disclosure of information.

Applicability of This Policy

In this Policy, we refer to securities issued by Kura as "***Covered Securities***." In addition, we use the term the "***Company***" when we want to refer to Kura and its subsidiaries. We sometimes refer to employees (including part-time and temporary employees), officers, directors, consultants and contractors of the Company as "***Covered Persons***." This group of people, members of their immediate families, other members of their households, and Controlled Entities (as defined below) are sometimes referred to in this Policy as "***insiders***."

"Controlled Entities" are defined herein as any entities that a person covered by this Policy influences or controls, including any corporations, limited liability companies, partnerships or trusts.

This Policy applies to:

- transactions in all types of Covered Securities by Covered Persons and other insiders, including transactions in common stock, preferred stock, convertible debentures and notes, options, warrants and any other securities Kura may issue from time to time; and
- transactions in derivative securities relating to Covered Securities, whether or not issued by Kura, such as exchange-traded put or call options or swaps.

Under this Policy, an insider may, from time to time, have to forego a proposed transaction in Covered Securities even if he, she or it planned to make the transaction before learning of the Material Non-Public Information and even though the insider believes he, she or it may suffer an economic loss or forego anticipated profit by refraining from trading. Please note that this Policy applies to transactions by insiders in all of the Covered Securities issued by Kura.

The principles described in this Policy also apply to Material Non-Public Information relating to other companies, including the customers and business partners of the Company, when that information is obtained in the course of employment with, or other services performed on behalf of, the Company.

Civil and criminal penalties, and termination of employment or service, may result from trading on inside information regarding the customers or business partners of the Company.

Statement of Policy

- ***General Policy***

It is the policy of the Company to oppose the unauthorized disclosure of any non-public information acquired in the course of employment with, or other services performed on behalf of, the Company and the misuse of Material Non-Public Information in securities trading.

- ***Specific Policies***

- **Trading on Material Non-Public Information.** No Covered Person, and no member of the immediate family or household or Controlled Entity of any Covered Person, shall engage in any transaction in Covered Securities, including any offer to purchase or offer to sell, during any period:
  - commencing with the date that he, she or it possesses Material Non-Public Information concerning the Company; and
  - ending at the close of the first Full Trading Session (defined below) following the date and time of public disclosure of that information, or at such time as such nonpublic information is no longer material.

The only exceptions to this are (a) those specified below in Section F of this Policy: (i) trading pursuant to a pre-arranged trading plan that complies with SEC Rule 10b5-1 and approved by the Compliance Officer (identified at the end of this Policy), and (ii) certain non-market transactions where Kura is the only other party to the transaction; and (b) such other exceptions as may be approved by the Compliance Officer after review and consultation with the appropriate parties as determined by the Compliance Officer in accordance with the law. As used in this Policy, the term "***Full Trading Session***" means the period during any day commencing when the Nasdaq Stock Market opens for pre-market trading and ending when it closes for after-market trading.

- **Tipping.** No Covered Person shall disclose ("***tip***") Material Non-Public Information to any other person (including family members and Controlled Entities) where such information could be used by such person to profit by trading in Covered Securities or the securities of other companies to which such information relates, nor shall any Covered Person make recommendations or express opinions based on Material Non-Public Information as to trading in Covered Securities or the securities of other companies. **Tipping may subject the tipper to criminal and civil penalties, even when the tipper does not profit by the prohibited disclosure.**

- ***Pre-Clearance; Blackout Periods and Other Responsibilities***

To promote compliance with applicable federal and state securities laws, the Company requires compliance with the following procedures in connection with trading in Covered Securities:

- **Pre-Clearance Persons.** "***Pre-Clearance Persons***" include: (a) all members of the Board of Directors of the Company, (b) all executive officers of the Company and (c) other specifically designated employees of the Company. The list of Pre-Clearance Persons is intended to include those individuals having regular access to Material Non-Public Information. Pre-Clearance Persons must refrain at all times from conducting transactions in Covered Securities without first complying with the "pre- clearance" process. Specifically, for each transaction in Covered Securities that a Pre-Clearance Person wishes to make, the Pre-Clearance Person must, prior to engaging in the proposed transaction:

    - provide the Compliance Officer with a written request, in advance, regarding the proposed transaction, in substantially the form attached as Exhibit A hereto; and

    - receive pre-clearance to engage in the proposed transaction from the Compliance Officer, in substantially the form attached as Exhibit B hereto.

Any such pre-clearance received from the Compliance Officer is valid only for one week or such lesser time period as may be prescribed at the time pre-clearance is given. To avoid the appearance of any impropriety, Pre-Clearance Persons should seek pre-clearance for any transactions conducted by their immediate family members or other members of their household, as well as any of their Controlled Entities. A pre-clearance checklist that the Compliance Officer may use to consider whether to provide pre-clearance is attached as Exhibit C hereto. Exhibits A through C may be revised at any time, as appropriate, by the Compliance Officer.

The Company may also find it necessary, from time to time, to require compliance with the pre- clearance process from certain employees, consultants and contractors other than the designated Pre- Clearance Persons. You must follow the above pre-clearance process if, for any specific period, you are

directed to do so by the Compliance Officer.

- **Quarterly Blackout Periods.** The period directly before public disclosure and dissemination of the financial results for a quarter is a particularly sensitive period of time for transactions by Covered Persons in Covered Securities from the perspective of compliance with applicable insider trading laws. Accordingly, a specified group of Covered Persons are subject to "***Quarterly Blackout Periods***" and must refrain from conducting transactions in Covered Securities during the period:

    - commencing on the 16th day of the last month of each fiscal quarter; and
    - ending at the close of the second Full Trading Session following the date and time of public disclosure of Kura's financial results for the particular fiscal quarter or year.

The specified group consists of: (a) all members of the Boards of Directors of the Company, (b) all employees who have a title or currently assume the responsibilities of Vice President or greater of the Company, and (c) all persons (regardless of position or title) who are employed in the Finance Department of the Company, regardless of whether they are Pre-Clearance Persons. The Compliance Officer may add additional categories of employees to the specified group at any time. The specified group's immediate family members and other members of their household, as well as their Controlled Entities, are also subject to Quarterly Blackout Periods.

The Compliance Officer may initiate a Quarterly Blackout Period prior to the 16th day of the last month of each fiscal quarter by announcing the start date by electronic mail or other written notification to the specified group of Covered Persons.

- **Special Blackout Periods.** The Compliance Officer may, at any time, require that specific Covered Persons suspend trading because of developments not yet disclosed to the public. A Covered Person may be subject to a "***Special Blackout Period***" regardless of whether he or she does, in fact, have knowledge of the specific developments at the time the Special Blackout Period is imposed. The Compliance Officer may announce the beginning of any such Special Blackout Period by electronic mail or other written notification to the specific Covered Persons. In such event, Covered Persons so notified may not engage in any transaction in Covered Securities during such period and may not disclose to others the fact that a Special Blackout Period has been imposed.

In addition, directors and executive officers, to the extent and during the periods required by Section 306 of the Sarbanes-Oxley Act of 2002 and its implementing regulations pertaining to blackout periods applicable to 401(k) and other individual account retirement plans of Kura, if applicable, may not purchase or sell any Covered Securities or otherwise enter into a SEC Rule 10b5-1 pre-arranged trading program to do so.

- **Nature of Blackout Periods.** The purpose behind having the above referenced blackout periods is to help Covered Persons avoid any improper transaction or the appearance of any impropriety. However, even outside of these blackout periods, no person possessing Material Non-Public Information concerning the Company may engage in any transactions in Covered Securities for which the information is relevant until such information has been known publicly for at least one Full Trading Session. Except as otherwise provided in Section F of this Policy, trading outside of blackout periods is **not** exempted or excepted from regulation by enforcement authorities and must comply with all applicable laws and the other provisions of this Policy.

- **Individual Responsibility.** Every Covered Person has the individual responsibility to comply with this Policy and applicable law, regardless of whether a blackout period exists or whether the Company has notified that person to suspend trading, and every Covered Person is responsible for

making sure that their immediate family members and other members of their household, as well as their Controlled Entities, also comply with this Policy. The guidelines set forth in this Policy are not intended to identify all possible situations relating to potential misuse of Material Non-Public Information, and appropriate judgment should be exercised in connection with any trade in Covered Securities. Remember, any enforcement authorities scrutinizing your transactions will be doing so after the fact and with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities might view the transaction. If you have any questions about the application of this Policy in general or regarding specific trading activity, you should contact the Compliance Officer.

- **Post-Termination Transactions.** If a Covered Person possesses Material Non-Public Information when his or her employment or services are terminated, he or she may not trade in Covered Securities until that information has become public or is no longer material.

- ***Other Prohibited Transactions***

- **Short-Term or Speculative Transactions.** Kura considers it improper and inappropriate for any Covered Person to engage in short-term or speculative transactions in Covered Securities. Such activities may put the personal gain of the Covered Person in conflict with the best interests of Kura and its security holders or may create an appearance of such a conflict of interest or the appearance of use of Material Non-Public Information, any of which could negatively affect investors' perceptions of Kura. Accordingly, it is the policy of Kura that Covered Persons not engage in any of the following transactions in Covered Securities:

    - **Short Sales** – Short selling is the act of borrowing securities to sell with the expectation of the price dropping and the intent of buying the securities back at a lower price to replace the borrowed securities. Short sales evidence an expectation on the part of the seller that the securities sold will decline in value and may create the appearance that a Covered Person is trading while possessing Material Non- Public Information. In addition, short sales create an inherent conflict of interest with investors in Covered Securities and reduce a Covered Person's incentive to improve the applicable public company's performance. For these reasons, short sales of Covered Securities by Covered Persons are prohibited by this Policy. In addition, Section 16(c) of the Securities Exchange Act, as amended (the "***Exchange Act***"), prohibits directors and executive officers from engaging in short sales;

    - **Hedging Transactions** – Hedging transactions allow a holder to continue to own securities, but without the full risks and rewards of that ownership. As a result, hedging transactions involve potential conflicts of interest with investors in Covered Securities and may reduce (or appear to reduce) a Covered Person's incentive to improve the applicable public company's performance. Hedging transactions may also create the appearance that a Covered Person is trading while possessing Material Non-Public Information. Accordingly, Covered Persons are prohibited from engaging in any hedging transactions with respect to Covered Securities;
    - **Short-Term Trading** – Short-term trading of Covered Securities may create the appearance that a Covered Person is trading based on Material Non-Public Information or that a Covered Person's attention is focused on short-term performance at the expense of long-term objectives. Accordingly, Covered Persons may not sell any Covered Securities that he or she chooses to purchase for a period of six months following such purchase; provided, however, that this prohibition does not apply to shares acquired as a result of stock option exercises or other employee benefit plan acquisitions;
    - **Publicly Traded Options** – A transaction in publicly traded options is, in effect, a

wager on the short-term movement of a company's stock. This type of transaction in a Covered Security may create the appearance that a Covered Person is trading based on Material Non-Public Information or that a Covered Person's attention is focused on short-term performance at the expense of long-term objectives. Accordingly, transactions by Covered Persons in put options or call options (or any derivative security that has similar characteristics to those options) on an exchange or in any other organized market are prohibited by this Policy; and

- **Standing and Limit Orders** – Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans, as described below) created heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a Covered Person is in possession of Material Non-Public Information.

- **Margin Accounts and Pledges.** Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Accordingly, Covered Persons are required to obtain prior written approval from the Compliance Officer before holding Covered Securities in a margin account or pledging Covered Securities as collateral for a loan.

- ***Definition of "Material Non-Public Information"***

It is not possible to define all categories of material information. The materiality of a fact depends upon the circumstances. Generally speaking, a fact regarding Covered Securities will be considered "***material***" if (a) there is a substantial likelihood that a reasonable investor would consider the fact important in making a decision to buy, sell or hold Covered Securities, (b) the fact is likely to have a significant effect on the market price of Covered Securities, or (c) the disclosure of the fact is required to make other material facts regarding Covered Securities not misleading. Either positive or negative information may be material.

While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are often material, including:

- financial results;
- projections of future earnings or losses, or other earnings guidance;
- changes to previously announced earnings guidance, or the decision to suspend earnings guidance;
- news of a pending or proposed merger, acquisition or tender offer;
- news of a pending or proposed disposition of a subsidiary, significant asset(s) or business;
- news of a pending or proposed joint venture;
- impending bankruptcy or financial liquidity problems;
- significant related party transactions;
- new equity or debt offerings, or proposed repurchases of significant amounts of shares or securities;
- development of a significant new product, process, technology or service;
- pending or threatened litigation or major governmental investigations, and resolution of such litigation or investigation;
- a significant cybersecurity incident, such as a data breach;
- major changes in senior management;
- change in auditors or notification that the auditor's report may no longer be relied upon;

- company restructuring;
- bank borrowings or other financing transactions out of the ordinary course;
- regulatory actions;
- the imposition of a Special Blackout Period for trading in Covered Securities or the securities of another company or the extension or termination of such restriction; and
- any other events regarding the Covered Securities (e.g., default on a security, call of securities for redemption, stock split, dividend decision, change in the terms of a security, or a significant increase or decrease in the amount of outstanding securities).

When in doubt, information is to be presumed "material" unless facts and circumstances support a determination of immateriality. Please contact the Compliance Officer with any questions.

"***Non-Public***" information is information that has not been previously disclosed to the general public and is otherwise not available to the general public. In order for information to be considered public, it must be widely disseminated in a manner making it generally available in a widely available newspaper, magazine or news website, a Regulated FD-compliant conference call, or public disclosure documents filed with the SEC that are available on the SEC's website.

Please note that this Policy provides that Covered Persons may **not** trade immediately after disclosure of Material Non-Public Information – there is a waiting period to allow the public to receive and absorb the information. Unless you are notified otherwise by the Compliance Officer listed at the end of this Policy, that waiting period ends at the close of the first Full Trading Session following the date and time of public disclosure of the Material Non-Public Information. If, for example, Kura were to make an announcement on a Monday, you should not trade in Covered Securities until Wednesday. Depending on the particular circumstances, Kura may determine that a longer period should apply to the release of specific Material Non-Public Information.

- ***Certain Exceptions***

- **Certain Transactions with the Company.** For purposes of this Policy, the receipt of shares, share units, restricted share units, restricted stock or other awards under any Kura equity-based incentive plan and any related stock withholding or vesting of awards under any such plan are exempt from this Policy. Likewise, the exercise of stock options under any Kura equity-based incentive plan and the purchase of shares under any Kura employee stock purchase plan are exempt from this Policy, since the other party to the transaction is the issuer itself. However, a subsequent sale in the securities markets of the shares received upon exercise of the options (including sales pursuant to a so-called "cashless exercise" arranged by your broker) or purchased under the employee stock purchase plan is subject to this Policy. Delivery of shares to Kura, where permitted under applicable equity award plans or similar arrangements, is not subject to this Policy.

- **SEC Rule 10b5-1 Pre-Arranged Trading Programs.** SEC Rule 10b5-1 ("Rule 10b5- 1") protects insiders from insider trading liability for transactions under pre-arranged trading programs meeting certain requirements:

  - The program must be entered into at a time that is outside of a blackout period;
  - The program must be entered into at a time when the insider has no Material Non-Public Information;
  - The program must do one of the following, in a manner permitted by Rule 10b5-1:

- specify the amount, date and price for the future transactions; or
- provide a written formula for determining the amount, date and price for the future transactions; or
- delegate to a third-party discretion for determining the amount, price and dates for the future transactions.

- The program provides that no trades may occur thereunder until expiration of the applicable cooling-off period specified in Rule 10b5-1(c)(ii)(B), and no trades occur until after that time. The appropriate cooling-off period will vary based on the status of the Covered Person. For directors and officers, the cooling-off period ends on the later of (x) ninety days after adoption or certain modifications of the 10b5-1 pre-arranged trading program; or (y) two business days following disclosure of the Company's financial results in a Form 10-Q or Form 10-K for the quarter in which the 10b5-1 pre- arranged trading program was adopted. For all other Covered Persons, the cooling-off period ends 30 days after the adoption or modification of the 10b5-1 pre-arranged trading program. This required cooling-off period will apply to the entry into a new 10b5-1 pre-arranged trading program and any revision or modification of a 10b5-1 pre- arranged trading program;

- The program is entered into in good faith by the Covered Person, and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1; and, if the Covered Person is a director or officer, the 10b5-1 pre-arranged trading program must include representations by the Covered Person certifying to that effect; and

- The program is the only outstanding approved 10b5-1 pre-arranged trading program entered into by the Covered Person (subject to the exceptions set out in Rule 10b5- 1(c)(ii)(D)).

Transactions in Covered Securities pursuant to the terms of a Rule 10b5-1 pre-arranged trading program, including any modification or termination of such programs, shall be exempt from the pre- clearance and blackout provisions of this Policy if that pre-arranged program has received the prior written approval of the Compliance Officer. Each pre-arranged trading program entered into by any insider who is or may be subject to pre-clearance or blackouts must receive the prior written approval of the Compliance Officer.

In order to have an SEC Rule 10b5-1 pre-arranged trading program considered by the Compliance Officer for approval, the person seeking to enter into the program should submit the program’s description and documentation to the Compliance Officer before entering into the program. Each such program must allow for the cessation of sales under the program upon notice and request by Kura to the extent Kura enters a transaction that results in the imposition of trading restrictions on the seller. In considering whether to approve particular programs, the Compliance Officer shall consider, among other things, whether the program meets the requirements of Rule 10b5-1, whether there exists Material Non-Public Information with respect to the Company, and whether arrangements are in place for complying with SEC reporting requirements. The Compliance Officer may refuse to approve any proposed pre-arranged trading program, including if he or she determines that any such program does not satisfy all applicable legal requirements. Please note that the Compliance Officer represents Kura and will be reviewing trading programs in that capacity, and not for the purpose of providing legal advice to those who enter into such programs. Accordingly, the review by the Compliance Officer is not a substitute for seeking advice from your own attorney prior to entering into such a program.

Additional Information - Directors and Executive Officers

Members of the Board of Directors and executive officers of Kura must also comply with the reporting obligations and limitations on short-swing transactions set forth in Section 16 of the Exchange Act. The practical effect of these provisions is that directors and executive officers who purchase and sell Covered Securities in certain transactions within a six-month period are required to disgorge all profits to Kura whether or not they had knowledge of any Material Non-Public Information. Under these provisions, and so long as certain other criteria are met, neither the receipt of an option under an option plan, nor the exercise of that option, nor the receipt of stock under an employee stock purchase plan will be deemed to be a purchase under Section 16; however, the sale of any such shares will be deemed to be a sale under Section 16. Moreover, no director or executive officer may ever make a short sale of Covered Securities. In addition, sales of Covered Securities by directors and executive officers may be required to be made in accordance with Rule 144 under the Securities Act of 1933, as amended.

Interpretation and Amendments

The Compliance Officer is authorized to interpret this Policy on behalf of Kura and to apply its terms to specific situations in which questions arise. The Compliance Officer is further authorized to take all such actions he or she may consider necessary or advisable to administer this Policy. The prior exercise of discretionary authority by the Compliance Officer shall not obligate him, her or any other Compliance Officer to exercise such discretionary authority in a like fashion thereafter. In addition, Kura is authorized to amend this Policy from time to time.

In the event of (a) the Compliance Officer's absence, or (b) the Compliance Officer desires to engage in trading of the Covered Securities, the Chief Executive Officer of Kura shall be responsible for administration of this Policy and any determinations as set forth in and interpretations of this Policy shall be made instead by the Chief Executive Officer.

Inquiries

Please direct your questions as to any of the matters discussed in this Policy to the following person, who is the Compliance Officer under this Policy:

Jeffrey Uttz
Chief Financial Officer Phone: 949-773-9216
Email: j.uttz@kurausa.com

Adopted: August 5, 2019
Updated: November 1, 2023

EXHIBIT A

REQUEST FOR CLEARANCE APPROVAL TO ENGAGE IN TRADES IN SECURITIES OF KURA SUSHI USA, INC.

To:

From: _____
Print Name

_____
Signature

Date: _____

Time: _____

Pursuant to Kura Sushi USA, Inc.'s Policy Regarding Insider Trading, Tipping and Wrongful Disclosures, I am requesting clearance for the following proposed transactions in the Company securities:

Type of Transaction (circle one): PURCHASE
SALE OTHER

Securities Involved in Transaction:
Number of shares: _____
Number of registered shares represented by option:
Other (please explain):_____

Beneficial Ownership *(if not applicable, please write "N/A")*:

Name of beneficial owner if other than yourself: _____

Relationship of beneficial owner to yourself:

EXHIBIT B

PERMISSION TO TRADE

_____ is hereby permitted to ___ buy / ___ sell [check one]
_____ shares of _____ common stock and [if applicable] _____ shares of preferred stock of Kura Sushi USA, Inc., a Delaware corporation.

[*Include the following if sales to be made pursuant to Rule 144.]* [The securities must be sold in a broker's transaction, and you may not solicit or arrange for the solicitation of an order to buy the securities you are selling, or make any payment in connection with the offer and sale to any person other than the broker who executes an order to sell the securities.]

The permission to trade will expire on the close of trading on _____, 20___, unless the addressee is notified that an earlier expiration will apply.

Very truly yours,

_____
Signature of Compliance Officer

EXHIBIT C

INSIDER TRADING COMPLIANCE PROGRAM – PRE-CLEARANCE CHECKLIST

Person Proposing To Trade: _____
Proposed Trade: _____
Date: _____

Trading Window. Confirm that the trade will be made during a "Trading Window."

Section 16 Compliance. Confirm, if the individual is an officer or director subject to Section 16, that the proposed trade will not give rise to any potential liability under Section 16 as a result of matched past (or intended future) transactions. Also, ensure that a Form 4 has been or will be completed and will be filed within two (2) business days of the trade.

Prohibited Trades. Confirm that the proposed transaction is not a short sale, put, call or other prohibited transaction.

Rule 144 Compliance. To the extent applicable, confirm that:

Current public information requirement has been met.

Shares are not restricted or, if restricted, the holding period has been met.

Volume limitations are not exceeded (confirm the individual is not part of an aggregated group).

The manner of sale requirements have been met.

Rule 10b-5 Concerns. Confirm that:

The individual has been reminded that trading is prohibited when in possession of any Material Non-Public Information (as defined in the Company's Policy Regarding Insider Trading, Tipping and Wrongful Disclosures) regarding the Company that has not been adequately disclosed to the public.

The Compliance Officer has discussed with the insider any information known to the individual or the Compliance Officer which might be considered Material Non-Public Information, so that the individual has made an informed judgment as to the presence of Material Non-Public Information.

_____
Signature of Compliance Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-233437, 333-254541, 333-255928, 333-269040) on Forms S-3 and S-8 of our report dated November 8, 2024, with respect to the financial statements of Kura Sushi USA, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Irvine, California
November 8, 2024

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 Annual Report on Form 10-K 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: November 8, 2024

/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 Annual Report on Form 10-K 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: November 8, 2024

/s/ Jeffrey Uttz
Jeffrey Uttz
Chief Financial Officer

Exhibit 32.1

(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 Annual Report of Kura Sushi USA, Inc. (the "Company") on Form 10-K for the period ending August 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hajime Uba, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 results of operations of the Company.

Dated: November 8, 2024

/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 Annual Report of Kura Sushi USA, Inc. (the "Company") on Form 10-K for the period ending August 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey Uttz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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 results of operations of the Company.

Dated: November 8, 2024

/s/ Jeffrey Uttz
Jeffrey Uttz
Chief Financial Officer

Exhibit 97.1

KURA SUSHI USA, INC.
POLICY REGARDING RECOUPMENT OF INCENTIVE COMPENSATION UPON RESTATEMENT OR MISSTATEMENT OF FINANCIAL RESULTS, OR AS REQUIRED BY LAW

The Board of Directors (the "Board") of Kura Sushi USA, Inc. (the "Company") has adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the "Policy"). This Policy is designed to comply with Section 10D-1 ("Rule 10D-1") of the Securities Exchange Act of 1934 (the "Exchange Act") and the applicable rules of The Nasdaq Stock Market LLC ("Nasdaq"), including Nasdaq Rule 5608, and amends and supersedes any previous policy of the Board with regard to recoupment of incentive compensation.

Administration

This Policy shall be administered by the Compensation Committee or a majority of the independent directors of the Board, in which case references herein to the Board shall be deemed references to the Compensation Committee or a majority of the independent directors of the Board, as so designated by the Board. Any determinations made by the Board shall be final and binding on all affected individuals.

Covered Executives

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with Rule 10D-1 and the applicable Nasdaq rules (the "Covered Executives"). This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Recoupment; Accounting Restatement

The Board shall only be entitled to exercise remedies pursuant to this Policy in the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws. The Board shall require reimbursement or forfeiture of any excess Incentive-Based Compensation received by any Covered Executive during the three (3) completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement based on the erroneous data over the Incentive-Based Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board. The Board shall recover any excess Incentive-Based Compensation by a method determined in its sole discretion, unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 or the applicable Nasdaq rules.

Incentive-Based Compensation

"Incentive-Based Compensation" shall mean any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure.

No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive-Based Compensation.

Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy, provided that, the recovery of any recoverable amount of Incentive-Based Compensation shall be mandatory, except to the extent that one of the limited exemptions set forth in Rule 10D-1(b)(1)(iv) applies. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Rule 10D-1 and any other applicable rules or standards of the Securities and Exchange Commission or Nasdaq.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Rule 10D-1 and to comply with any Nasdaq rules. The Board may terminate this Policy at any time. Notwithstanding anything in this Section to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, Securities Exchange Commission rule or the rules of Nasdaq.

Other Recoupment Rights

The Board's power to determine the appropriate punishment for the executive officer(s) is in addition to, and not in replacement of, remedies enforcement entities shall have (i) against the Company's Section 16 officers under Section 954 of the Dodd-Frank Act (adding Section 10D to the Exchange Act), or (ii) against the CEO or CFO under Section 304 of the Sarbanes-Oxley Act of 2002.

Adopted: August 5, 2019
Updated: November 1, 2023