

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 7, 2022

KURA SUSHI USA, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other Jurisdiction
of Incorporation)

001-39012
(Commission
File Number)

26-3808434
(IRS Employer
Identification No.)

17461 Derian Avenue, Suite 200
Irvine, California
(Address of Principal Executive Offices)

92614
(Zip Code)

Registrant's telephone number, including area code: (657) 333-4100
(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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, par value \$0.001 per share	KRUS	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). 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.

Item 2.02 Results of Operations and Financial Condition.

On April 7, 2022, Kura Sushi USA, Inc. (the “Company”) issued a press release disclosing earnings and other financial results for its fiscal second quarter ended February 28, 2022, and announcing that its management would review these results in a conference call at 5:00 p.m. (EST) on April 7, 2022. A copy of the Company’s press release is being furnished as Exhibit 99.1.

The information furnished with Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Earnings Press Release dated April 7, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

KURA SUSHI USA, INC.

Date: April 7, 2022

By: /s/ Steven H. Benrubi

Name: Steven H. Benrubi

Title: Chief Financial Officer, Treasurer and Secretary



For Immediate Release

Kura Sushi USA Announces Fiscal Second Quarter 2022 Financial Results

Irvine, CA. April 7, 2022 – Kura Sushi USA, Inc. (“Kura Sushi” or the “Company”) (NASDAQ: KRUS), a technology-enabled Japanese restaurant concept, today reported fiscal second quarter 2022 financial results for the period ended February 28, 2022.

Fiscal Second Quarter 2022 Highlights

- > Total sales were \$31.3 million compared to \$9.1 million in the second quarter of 2021;
- > Comparable restaurant sales increased 183% for the second quarter of 2022 as compared to the second quarter of 2021 and increased 11.3% as compared to the second quarter of 2020;
- > Operating loss was \$1.9 million, compared to an operating loss of \$3.8 million in the second quarter of 2021;
- > Net loss was \$1.9 million, or (\$0.19) per diluted share, compared to net loss of \$3.9 million, or (\$0.46) per diluted share, in the second quarter of 2021;
- > Adjusted net loss* was \$1.9 million, or (\$0.19) per diluted share, compared to an adjusted net loss* of \$6.5 million or (\$0.78) per diluted share, in the second quarter of 2021;
- > Restaurant-level operating profit* was \$5.6 million;
- > Adjusted EBITDA* was \$0.4 million; and
- > Three new restaurants opened during the second quarter of 2022.

* *Adjusted net loss, Restaurant-level operating profit and Adjusted EBITDA are non-GAAP measures and are defined below under “Key Financial Definitions.” Please see the reconciliation of non-GAAP measures accompanying this release. See also “Non-GAAP Financial Measures” below.*

Hajime Uba, President and Chief Executive Officer of Kura Sushi, stated, “The sales momentum of our fiscal first quarter continued through the first half of our fiscal year, as evidenced by our fiscal second quarter comparable sales growth of 11.3% versus pre-Covid fiscal 2020. Our team has done an excellent job of mitigating the omicron-headwinds during the quarter, which were most significant from mid-December through late January, resulting in our fiscal second quarter setting a new company record for quarterly sales.”

Uba added, “We also made progress toward growing our restaurant base, adding three new restaurants during the quarter, plus one additional unit subsequent to the quarter’s end. To date we’ve opened five new restaurants towards our fiscal 2022 plan of eight to ten new restaurants, including the entrance of two new markets. While still early, guest reception for these openings, both in new and existing markets, has exceeded our initial expectations, which continues to give us confidence in the vast white space potential of our brand.”

Review of Fiscal Second Quarter 2022 Financial Results

Total sales were \$31.3 million compared to \$9.1 million in the second quarter of 2021. Comparable restaurant sales increased 183% for the second quarter of 2022 as compared to the second quarter of 2021 and increased 11.3% as compared to the second quarter of 2020.

Food and beverage costs as a percentage of sales were 30.0% compared to 35.0% in the second quarter of 2021. The decrease is primarily due to an increase in menu prices, partially offset by food cost inflation, as well as higher inventory spoilage in the prior year.

Labor and related costs as a percentage of sales increased to 33.1% from 22.7% in the second quarter of 2021. The increase in cost as a percentage of sales was primarily driven by \$2.2 million in employee retention credits recognized under the CARES Act extension during the three months ended February 28, 2021. Excluding the impact of the employee retention credits, the labor and related costs as a percentage of sales for the three months ended February 28, 2021 would have been 46.9%, reflecting minimum staffing required to operate the restaurants at significantly reduced operating capacities in the prior year.

Occupancy and related expenses were \$2.3 million compared to \$1.6 million in the second quarter of 2021. The increase is primarily due to six new restaurants opened since the second quarter of 2021, as well as incremental pre-opening lease expense.

Other costs as a percentage of sales decreased to 13.9% compared to 22.6% in the second quarter of 2021. The decrease was primarily due to higher sales leverage.

General and administrative expenses were \$5.5 million compared to \$2.9 million in the second quarter of 2021. This increase was primarily due to a \$1.6 million increase in compensation-related expenses as we made investments in our team to support our accelerated growth, as well as \$0.4 million in employee retention credits recognized under the CARES Act extension in the second quarter of 2021. As a percentage of sales, general and administrative expenses decreased to 17.4% from 31.6% in the second quarter of 2021, primarily driven by leverage benefits from the increase in sales.

Operating loss was \$1.9 million compared to an operating loss of \$3.8 million in the second quarter of 2021.

Income tax expense was \$3 thousand compared to \$29 thousand in the second quarter of 2021.

Net loss was \$1.9 million, or (\$0.19) per diluted share, compared to net loss of \$3.9 million, or (\$0.46) per diluted share, in the second quarter of 2021.

Adjusted net loss* was \$1.9 million, or (\$0.19) per diluted share, compared to adjusted net loss* of \$6.5 million, or (\$0.78) per diluted share, in the second quarter of 2021.

Restaurant-level operating profit* was \$5.6 million compared to restaurant-level operating loss* of \$1.3 million in the second quarter of 2021.

Adjusted EBITDA* was \$0.4 million compared to (\$4.7) million in the second quarter of 2021.

Restaurant Development

During the fiscal second quarter of 2022, the Company opened three new restaurants in Phoenix, AZ; Chandler AZ; and San Antonio, TX. Subsequent to February 28, 2022, the Company opened one new restaurant in Watertown, MA.

Fiscal Year 2022 Outlook

For the full fiscal year of 2022, the Company reaffirms the following previously provided annual guidance:

- > Total sales between \$130 million and \$140 million;
- > General and administrative expenses as a percentage of sales of approximately 17%; and
- > 8 to 10 new restaurants, with average net capital expenditures per unit of approximately \$2.1 million.

These expectations assume that the Company experiences no further operating restrictions or material downturns resulting from the ongoing COVID-19 pandemic. These expectations are based on the Company's recent results in the second quarter of fiscal 2022, as well as performance to-date in the third quarter of fiscal 2022. While the Company believes these expectations are appropriate given the current operating environment, the Company and the restaurant industry generally remain highly vulnerable to COVID-related volatility.

Conference Call

A conference call and webcast to discuss Kura Sushi's financial results is scheduled for 5:00 p.m. ET today. Hosting the conference call and webcast will be Hajime "Jimmy" Uba, President and Chief Executive Officer, and Benjamin Porten, VP Investor Relations & Business Development.

Interested parties may listen to the conference call via telephone by dialing 201-689-8471. A telephone replay will be available shortly after the call has concluded and can be accessed by dialing 412-317-6671; the passcode is 13728257. The replay will be available until April 14, 2022. The webcast will be available at www.kurasushi.com under the investor relations section and will be archived on the site shortly after the call has concluded.

About Kura Sushi USA, Inc.

Kura Sushi USA, Inc. is a technology-enabled Japanese restaurant concept with 37 locations across 11 states and Washington DC. The Company offers guests a distinctive dining experience built on authentic Japanese cuisine and an engaging revolving sushi service model. Kura Sushi USA, Inc. was established in 2008 as a subsidiary of Kura Sushi, Inc., a Japan-based revolving sushi chain with over 480 restaurants and more than 35 years of brand history. For more information, please visit www.kurasushi.com.

Key Financial Definitions

Adjusted Net Income (Loss), a non-GAAP measure, is defined as net income (loss) before certain items, such as employee retention credits, litigation accrual and certain executive transition costs, that the Company believes are not indicative of its core operating results. Adjusted net income (loss) per diluted share represents adjusted net income (loss) divided by the number of diluted shares.

EBITDA, a non-GAAP measure, is defined as net income (loss) before interest, income taxes and depreciation and amortization expenses.

Adjusted EBITDA, a non-GAAP measure, 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 employee retention credits, litigation accrual and certain executive transition costs, that the Company believes are not indicative of its core operating results. Adjusted EBITDA margin is defined as adjusted EBITDA divided by sales.

Restaurant-level Operating Profit (Loss), a non-GAAP measure, is defined as operating income (loss) plus depreciation and amortization expenses; stock-based compensation expense; employee retention credits; pre-opening costs and general and administrative expenses which are considered normal, recurring, cash operating expenses and are essential to supporting the development and operations of restaurants; non-cash lease expense; and asset disposals, closure costs and restaurant impairments; less corporate-level stock-based compensation expense and employee retention credits recognized within general and administrative expenses. Restaurant-level operating profit (loss) margin is defined as restaurant-level operating profit (loss) divided by sales.

Comparable Restaurant Sales Performance refers to the change in year-over-year sales for the comparable restaurant base. The Company includes restaurants in the comparable restaurant base that have been in operation for at least 18 months prior to the start of the accounting period presented due to new restaurants experiencing a period of higher sales upon opening, including those temporarily closed for renovations during the year. For restaurants that were temporarily closed for renovations during the year, the Company makes fractional adjustments to sales such that sales are annualized in the associated period. Performance in comparable restaurant sales represents the percent change in sales from the same period in the prior year for the comparable restaurant base.

Non-GAAP Financial Measures

To supplement the condensed financial statements presented in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company presents certain financial measures, such as adjusted net income (loss), EBITDA, adjusted EBITDA, adjusted EBITDA margin, restaurant-level operating profit (loss) and restaurant-level operating profit (loss) margin ("non-GAAP measures") that are not recognized under GAAP. These non-GAAP measures are intended as supplemental measures of its performance that are neither required by, nor presented in accordance with, GAAP. The Company is presenting these non-GAAP measures because the Company believes that they provide useful information to management and investors regarding certain financial and business trends relating to its financial condition and operating results. These measures also 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 its GAAP financial results. Additionally, the Company presents restaurant-level operating profit (loss) because it excludes the impact of general and administrative expenses which are not incurred at the restaurant-level. The Company also uses restaurant-level operating profit (loss) to measure operating performance and returns from opening new restaurants.

The Company believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. 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, you should be aware when evaluating these non-GAAP financial measures that in the future the Company may incur expenses similar to those excluded when calculating these measures. The Company's presentation of these measures should not be construed as an inference that its future results will be unaffected by unusual or non-recurring items. The Company's computation of these non-GAAP financial measures may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate these non-GAAP financial measures in the same fashion. Because of these limitations, these non-GAAP financial measures should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. The Company compensates for these limitations by relying primarily on its GAAP results and using these non-GAAP financial measures on a supplemental basis.

Forward-Looking Statements

Except for historical information contained herein, the statements in this press release or otherwise made by our management in connection with the subject matter of this press release are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and involve risks and uncertainties and are subject to change based on various important factors. This press release includes forward-looking statements that are based on management's current estimates or expectations of future events or future results. These statements are not historical in nature and can generally be identified by such words 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. Management's expectations and assumptions regarding future results are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements included in this press release. These risks and uncertainties include but are not limited to: risks related to the COVID-19 pandemic and its continued impact on the Company's ability to operate; our ability to successfully maintain increases in our comparable restaurant sales; 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 parent company Kura Sushi, Inc.; concerns regarding food safety and foodborne illness; changes in consumer preferences 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; 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 other risks and uncertainties as described in our filings with the Securities and Exchange Commission ("SEC"). These and other factors that could cause results to differ materially from those described in the forward-looking statements contained in this press release can be found in the Company's other filings with the SEC. Undue reliance should not be placed on forward-looking statements, which are only current as of the date they are made. The Company assumes no obligation to update or revise its forward-looking statements, except as may be required by applicable law.

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Investor Relations Contact:
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Kura Sushi USA, Inc.
Condensed Statements of Operations
(in thousands, except per share amounts; unaudited)

	Three Months Ended February 28,		Six Months Ended February 28,	
	2022	2021	2022	2021
Sales	\$ 31,290	\$ 9,082	\$ 61,122	\$ 18,496
Restaurant operating costs:				
Food and beverage costs	9,376	3,175	18,333	6,228
Labor and related costs	10,342	2,061	20,052	6,421
Occupancy and related expenses	2,302	1,627	4,502	3,317
Depreciation and amortization expenses	1,267	1,002	2,438	1,929
Other costs	4,344	2,051	7,954	4,130
Total restaurant operating costs	27,631	9,916	53,279	22,025
General and administrative expenses	5,454	2,874	10,814	6,395
Depreciation and amortization expenses	83	94	171	169
Total operating expenses	33,168	12,884	64,264	28,589
Operating loss	(1,878)	(3,802)	(3,142)	(10,093)
Other expense (income):				
Interest expense	22	53	47	87
Interest income	(24)	(3)	(50)	(7)
Loss before income taxes	(1,876)	(3,852)	(3,139)	(10,173)
Income tax expense	3	29	15	58
Net loss	\$ (1,879)	\$ (3,881)	\$ (3,154)	\$ (10,231)
Net loss per Class A and Class B shares				
Basic	\$ (0.19)	\$ (0.46)	\$ (0.32)	\$ (1.22)
Diluted	\$ (0.19)	\$ (0.46)	\$ (0.32)	\$ (1.22)
Weighted average Class A and Class B shares outstanding				
Basic	9,712	8,379	9,711	8,363
Diluted	9,712	8,379	9,711	8,363

Kura Sushi USA, Inc.
Selected Balance Sheet Data and Selected Operating Data
(in thousands; except restaurants and percentages; unaudited)

	February 28, 2022		August 31, 2021	
Selected Balance Sheet Data:				
Cash and cash equivalents	\$	36,350	\$	40,430
Total assets	\$	184,048	\$	177,669
Total liabilities	\$	95,425	\$	86,825
Total stockholders' equity	\$	88,623	\$	90,844

	Three Months Ended February 28,		Six Months Ended February 28,	
	2022	2021	2022	2021
Selected Operating Data:				
Restaurants at the end of period	36	30	36	30
Comparable restaurant sales performance	182.9%	(60.2)%	167.8%	(55.2)%
EBITDA	\$ (528)	\$ (2,706)	\$ (533)	\$ (7,995)
Adjusted EBITDA	\$ 386	\$ (4,696)	\$ 1,178	\$ (8,961)
Adjusted EBITDA margin	1.2%	(51.7)%	1.9%	(48.4)%
Operating loss	\$ (1,878)	\$ (3,802)	\$ (3,142)	\$ (10,093)
Operating loss margin	(6.0)%	(41.9)%	(5.1)%	(54.6)%
Restaurant-level operating profit (loss)	\$ 5,559	\$ (1,345)	\$ 11,376	\$ (2,487)
Restaurant-level operating profit (loss) margin	17.8%	(14.8)%	18.6%	(13.4)%

Kura Sushi USA, Inc.
Reconciliation of Net Loss and Net Loss Per Diluted Share to
Adjusted Net Loss and Adjusted Net Loss Per Diluted Share
(in thousands, except loss per share amounts; unaudited)

	Three Months Ended February 28,		Six Months Ended February 28,	
	2022	2021	2022	2021
Net loss	\$ (1,879)	\$ (3,881)	\$ (3,154)	\$ (10,231)
Executive transition costs ⁽⁴⁾	—	—	—	390
Employee retention credits ⁽⁵⁾	—	(2,635)	—	(2,635)
Adjusted net loss	<u>\$ (1,879)</u>	<u>\$ (6,516)</u>	<u>\$ (3,154)</u>	<u>\$ (12,476)</u>
Net loss per Class A and Class B diluted share	\$ (0.19)	\$ (0.46)	\$ (0.32)	\$ (1.22)
Executive transition costs ⁽⁴⁾	—	—	—	0.05
Employee retention credits ⁽⁵⁾	—	(0.32)	—	(0.32)
Adjusted net loss per Class A and Class B diluted share	<u>\$ (0.19)</u>	<u>\$ (0.78)</u>	<u>\$ (0.32)</u>	<u>\$ (1.49)</u>
Weighted average Class A and Class B shares outstanding				
Diluted shares	9,712	8,379	9,711	8,363
Adjusted diluted shares	<u>9,712</u>	<u>8,379</u>	<u>9,711</u>	<u>8,363</u>

Kura Sushi USA, Inc.
Reconciliation of Net Loss to EBITDA and Adjusted EBITDA
(in thousands; unaudited)

	<u>Three Months Ended February 28,</u>		<u>Six Months Ended February 28,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net loss	\$ (1,879)	\$ (3,881)	\$ (3,154)	\$ (10,231)
Interest (income) expense, net	(2)	50	(3)	80
Income tax expense	3	29	15	58
Depreciation and amortization expenses	1,350	1,096	2,609	2,098
EBITDA	(528)	(2,706)	(533)	(7,995)
Stock-based compensation expense ⁽¹⁾	596	309	1,039	575
Non-cash lease expense ⁽²⁾	318	336	672	704
Executive transition costs ⁽⁴⁾	—	—	—	390
Employee retention credits ⁽⁵⁾	—	(2,635)	—	(2,635)
Adjusted EBITDA	<u>\$ 386</u>	<u>\$ (4,696)</u>	<u>\$ 1,178</u>	<u>\$ (8,961)</u>

Kura Sushi USA, Inc.
Reconciliation of Operating Loss to Restaurant-level Operating Profit (Loss)
(in thousands; unaudited)

	Three Months Ended February 28,		Six Months Ended February 28,	
	2022	2021	2022	2021
Operating loss	\$ (1,878)	\$ (3,802)	\$ (3,142)	\$ (10,093)
Depreciation and amortization expenses	1,350	1,096	2,609	2,098
Stock-based compensation expense ⁽¹⁾	596	309	1,039	575
Pre-opening costs ⁽³⁾	243	326	316	561
Non-cash lease expense ⁽²⁾	318	336	672	704
Employee retention credits ⁽⁵⁾	—	(2,635)	—	(2,635)
General and administrative expenses	5,454	2,874	10,814	6,395
Corporate-level stock-based compensation and employee retention credits included in general and administrative expenses	(524)	151	(932)	(92)
Restaurant-level operating profit (loss)	\$ 5,559	\$ (1,345)	\$ 11,376	\$ (2,487)

(1) Stock-based compensation expense includes non-cash stock-based compensation, which is comprised of restaurant-level stock-based compensation included in other costs and corporate-level stock-based compensation included in general and administrative expenses in the statements of operations.

(2) 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.

(3) 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.

(4) Executive transition costs include severance and search fees associated with the transition of our Chief Financial Officer. The income tax impact of this adjustment was immaterial.

(5) Employee retention credits includes refundable credits recognized under the CARES Act extension. The income tax impact of this adjustment was immaterial.