As filed with the Securities and Exchange Commission on July 16, 2019.

Registration No. 333-232551

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# AMENDMENT NO. 1
# TO
# FORM S-1
# REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

# KURA SUSHI USA, INC.

**(Exact name of registrant as specified in its charter)**

| **Delaware** | **5812** | **26-3808434** |
|---|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(Primary Standard Industrial Classification Code Number)** | **(I.R.S. Employer Identification Number)** |

**17932 Sky Park Circle, Suite H**
**Irvine, California 92614**
**(949) 748-1786**
**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**Koji Shinohara**
**Chief Financial Officer, Treasurer and Secretary**
**Kura Sushi USA, Inc.**
**17932 Sky Park Circle, Suite H**
**Irvine, California 92614**
**(949) 748-1786**
**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

**Copies of all communications, including communications sent to agent for service, should be sent to:**

| | |
|---|---|
| **Hiroki Suyama, Esq.**<br>**Aaron A. Seamon, Esq.**<br>**Squire Patton Boggs (US) LLP**<br>**555 South Flower Street, 31F**<br>**Los Angeles, California 90071**<br>**(213) 624-2500** | **Anna Pinedo, Esq.**<br>**Jennifer Carlson, Esq.**<br>**Mayer Brown LLP**<br>**1221 Avenue of the Americas**<br>**New York, New York 10020**<br>**(212) 506-2500** |

**Approximate date of commencement of proposed sale to the public:**
As soon as practicable after the effective date of this Registration Statement

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act") check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☒

**CALCULATION OF REGISTRATION FEE**

| **Title of Each Class of Securities to be Registered** | **Proposed Maximum Aggregate Offering Price(1)(2)** | **Amount of Registration Fee** |
|---|---|---|
| Class A common stock, par value $0.001 per share | $57,500,000 | $6,969(3) |

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act.
(2) Includes Class A common stock issuable upon exercise of the underwriters' option to purchase additional Class A common stock.
(3) Previously paid.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Preliminary Prospectus *Subject to Completion, dated July 16, 2019*

# Shares


# KURA SUSHI USA, INC.
# CLASS A COMMON STOCK

## $ Per Share

This is the initial public offering of our Class A common stock. We are offering shares of our Class A common stock. We anticipate that the initial public offering price will be between $ and $ per share.

Prior to this offering, there has been no public market for our Class A common stock. We have applied to list our Class A common stock on the Nasdaq Global Market under the symbol "KRUS."

Following this offering, we will have two classes of outstanding common stock, Class A common stock and Class B common stock. 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, and all such holders will vote together as a single class except as otherwise required by applicable law. Each share of Class B common stock is convertible into one share of Class A common stock at the option of the holder, upon transfer or in certain specified circumstances. The beneficial owner of 100% of our Class B common stock is our parent company, Kura Sushi, Inc. Upon completion of this offering, we will be controlled by Kura Sushi, Inc., which will hold approximately % of the combined voting power of our outstanding Class A common stock and Class B common stock.

We are an emerging growth company as that term is used in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and as such, we have elected to take advantage of certain reduced public company reporting requirements for this prospectus and future filings. In addition, following this offering, we will be a "controlled company" within the meaning of the corporate governance rules of the Nasdaq Stock Market.

**Investing in our Class A common stock involves a high degree of risk. See Risk Factors beginning on page 17 of this prospectus.**

| | Per Share | Total |
|---|---|---|
| Initial public offering price | $ | $ |
| Underwriting discount(1) | $ | $ |
| Proceeds, before expenses, to Kura Sushi USA, Inc. | $ | $ |

(1) The underwriters will also be reimbursed for certain expenses incurred in the offering. "Underwriting" contains additional information regarding underwriter compensation.

To the extent that the underwriters sell more than shares of Class A common stock, the underwriters have the option for a period of 30 days to purchase up to an additional shares of Class A common stock from us at the initial public offering price less the underwriting discount.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares of Class A common stock on , 2019.

**BMO Capital Markets** **Stephens Inc.**

**BTIG** **Roth Capital Partners**

**Maxim Group LLC**

Prospectus dated , 2019

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KURA
REVOLVING SUSHI BAR

## CALIFORNIA

- Brea
- Cerritos
- Cupertino
- Cypress
- Irvine
- Los Angeles (Little Tokyo)
- Los Angeles (Sawtelle)
- Pleasanton
- Rancho Cucamonga
- Sacramento
- San Diego
- Torrance

## TEXAS

- Austin
- Carrollton
- Frisco
- Houston (Midtown)
- Houston (Westheimer)
- Plano
- Sugar Land

## GEORGIA

- Doraville

## ILLINOIS

- Schaumburg

## NEVADA

- Las Vegas

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You should rely only on the information contained in this prospectus and any free writing prospectus we may authorize to be delivered or made available to you. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information from that contained in this prospectus and any free writing prospectus we have authorized. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, shares of Class A common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the Class A common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. "Risk Factors" and "Special Note Regarding Forward-Looking Statements" contain additional information regarding these risks.

For investors outside the United States: We have not, and the underwriters have not, done anything that would permit this offering, or possession or distribution of this prospectus, in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of Class A common stock and the distribution of this prospectus outside of the United States. See "Underwriting."

## DEALER PROSPECTUS DELIVERY OBLIGATION

**Through and including , 2019 (the 25th day after the date of the prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.**

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, other third-party sources (including industry publications, surveys and forecasts), and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well data from internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets which we believe to be reasonable. Although we believe the data from these third-party sources are reliable as of their respective dates, neither we nor the underwriters have independently verified the accuracy or completeness of this information. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and "Special Note Regarding Forward-Looking Statements." These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us. In addition, certain market and industry data has been derived from research and "whitespace" modeling prepared for us in January 2019 by Buxton Company, a leading real estate analytics firm, which we refer to herein as "Buxton." We engaged Buxton to prepare a "whitespace" analysis to identify the Company's potential new unit expansion opportunity in the continental United States, which excludes Alaska and Hawaii.

## 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 prospectus 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 prospectus 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 prospectus 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.

## BASIS OF PRESENTATION

Certain monetary amounts, percentages and other figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, as applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

In this prospectus, "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. "Kura Japan," "parent company" and "Parent" refer to Kura Sushi, Inc., our parent company and sole holder of all outstanding Class A common stock and Class B common stock. Kura Sushi, Inc. was formerly known as Kura Corporation prior to effecting a name change to Kura Sushi, Inc. on May 1, 2019. 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. 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. Each share of Class B common stock is convertible into one share of Class A common stock at the option of the holder, upon transfer or in certain specified circumstances. With the exception of voting rights and conversion rights, holders of Class A and Class B common stock will have identical rights. The terms "yen" and "¥" refers to Japanese Yen, the lawful currency of Japan, and the terms "dollar" or "$" refer to U.S. dollars, the lawful currency of the United States. Unless otherwise indicated, U.S. dollar translations of yen amounts presented in this prospectus are translated using the rate of 111.00 yen to $1.00, based on the central rate as reported by the Bank of Japan on August 31, 2018.

The Company's fiscal year begins on September 1 and ends on August 31. We refer to our fiscal years as "fiscal year 2016," "fiscal year 2017" and "fiscal year 2018." Our financial statements are prepared in U.S. dollars and in accordance with accounting principles generally accepted in the United States ("GAAP").

## NON-GAAP FINANCIAL MEASURES

Certain financial measures presented in this prospectus, such as EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin are not recognized under GAAP. We define these terms as follows:

- "EBITDA" is defined as net income before interest, income taxes and depreciation and amortization.
- "Adjusted EBITDA" is defined as EBITDA plus stock-based compensation expense, pre-opening rent expense, pre-opening costs, non-cash rent expense and asset disposals, closure costs and restaurant impairments.
- "Restaurant-level Contribution" is defined as operating income plus depreciation and amortization, stock-based compensation expense, pre-opening rent expense, pre-opening costs, non-cash rent expense, asset disposals, closure costs and restaurant impairments, general and administrative expenses, less corporate-level stock-based compensation expense. "Restaurant-level Contribution margin" is defined as Restaurant-level Contribution divided by sales.

  EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin are intended as supplemental measures of our performance that are neither required by, nor presented in accordance with, GAAP. We are presenting EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin because we believe that they provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results. Additionally, we present Restaurant-level Contribution because it excludes the impact of general and administrative expenses which are not incurred at the restaurant-level. We also use Restaurant-level Contribution to measure operating performance and returns from opening new restaurants.

  We believe that the use of EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin 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 Contribution and Restaurant-level Contribution margin are financial measures which are not indicative of overall results for the Company, and Restaurant-level Contribution and Restaurant-level Contribution 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 EBITDA, Adjusted EBITDA, Restaurant-level Contribution and

Restaurant-level Contribution margin 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 EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin in the same fashion.

Because of these limitations, EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution 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, Restaurant-level Contribution and Restaurant-level Contribution margin on a supplemental basis. For a reconciliation of net income to EBITDA and Adjusted EBITDA and a reconciliation of operating income to Restaurant-level Contribution, see "Summary Historical Financial and Operating Data."

## ADDITIONAL FINANCIAL MEASURES AND OTHER DATA

- "Average Unit Volumes" or "AUVs" consist of the average annual sales of all restaurants that have been open for 18 months or longer at the end of the fiscal year presented. 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 (e.g., a restaurant is closed for renovation) to annualize sales for such period of time. This measurement allows management to assess changes in consumer spending patterns at our restaurants and the overall performance of our restaurant base. The AUVs measure is calculated excluding the Laguna Hills, California restaurant, which closed in fiscal year 2018. Since AUVs are calculated based on annual sales for the fiscal year presented, they are not presented in this prospectus on an interim basis for the nine-months ended May 31, 2018 and 2019.

  Typically, our new restaurants experience a "honeymoon" period of higher sales upon opening. For restaurants that opened in fiscal year 2017, the "honeymoon" period of higher sales upon opening ranged up to six months. In new markets, the length of time before average sales for new restaurants stabilize is less predictable as a result of our limited knowledge of these markets and consumers' limited awareness of our brand. We assess the "honeymoon" period of newly opened restaurants by comparing year-over-year monthly sales to determine when in the prior year (i.e., the first twelve months after a restaurant opens) the "honeymoon" period ended. While the "honeymoon" period for our three restaurant openings in fiscal year 2017 ranged up to six months, our four restaurant openings in fiscal year 2018 have not operated for a sufficient period to allow us to determine the "honeymoon" period for such restaurants.

- "Comparable restaurant sales growth" refers to the change in year-over-year sales for the comparable restaurant base. We include restaurants in the comparable restaurant base that have been in operation for at least 18 months prior to the start of the accounting period presented, 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. Growth in comparable restaurant sales represents the percent change in sales from the same period in the prior year for the comparable restaurant base. For the fiscal years ended August 31, 2017 and August 31, 2018, there were six and eight restaurants, respectively, in our comparable restaurant base. For the nine months ended May 31, 2018 and May 31, 2019, there were seven and ten restaurants, respectively, in our comparable restaurant base. This measure highlights performance of these mature restaurants, as the impact of new restaurant openings is excluded. The small number of restaurants in our comparable restaurant base may cause this measure to fluctuate and be unpredictable. The comparable restaurant sales growth measure is calculated excluding the Laguna Hills, California restaurant, which closed in fiscal year 2018.

- “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.
- “Average check” is defined as (x) dine-in sales, divided by (y) restaurant guest count for a given period of time. This is an indicator which management uses to analyze the dollars spent per guest in our restaurants and aids management in identifying trends in guest preferences and the effectiveness of menu changes and price increases.

## PROSPECTUS SUMMARY

*This summary highlights certain information contained elsewhere in this prospectus and is qualified in its entirety by the more detailed information and financial statements and related notes included elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, especially the matters set forth under the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this prospectus and our financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision. All figures are in U.S. dollars, unless otherwise stated.*

### Overview of Kura Sushi USA

Kura Revolving Sushi Bar is a fast-growing technology-enabled Japanese restaurant concept. We offer a distinctive dining experience which we refer to as the "Kura Experience." Kura Sushi USA was established in 2008 as a subsidiary of Kura Japan, a Japan-based revolving sushi chain with over 400 restaurants. Kura Sushi USA opened its first restaurant in Irvine, California in 2009, and we believe we are the largest revolving sushi chain in the United States. We were ranked #15 based on sales growth in Restaurant Business Online's Future 50 list in 2018.

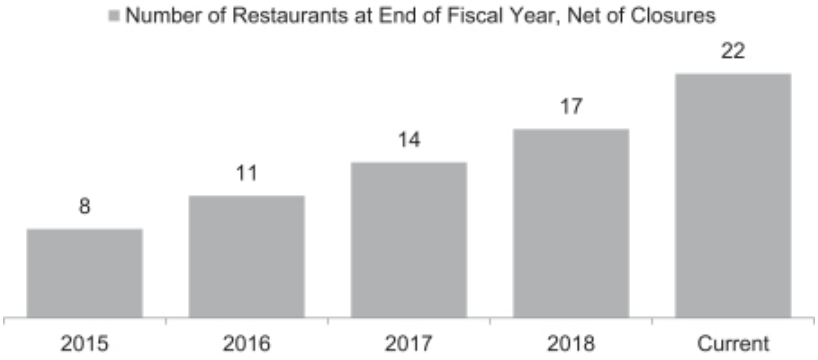
The Kura Experience is built on the combination of our authentic Japanese cuisine and engaging revolving sushi service model. We offer our guests a small plates menu featuring over 140 freshly prepared items rooted in our philosophy of using old-world techniques and ingredients that are free from artificial seasonings, sweeteners, colorings, and preservatives. We believe our revolving sushi service model delights our guests by creating an exciting atmosphere where guests feel a sense of discovery and by allowing them to control the variety, portioning, check size and pace of their dining experience.

Our guest booths and bar seats share common elements that help deliver the Kura Experience: access to the revolving and express conveyor belts, on-demand ordering screen, plate slot, and the Bikkura-Pon rewards machine. Guests can begin their dining experience as soon as they are seated by selecting plates, which feature a spiral green design, from the revolving conveyor belt. The revolving conveyor belt carries a curated selection of beautifully crafted plates that include sushi rolls, nigiri, and desserts. To deliver a fresh and safe experience for our guests, all of the food on the revolving conveyor belt is protected by the proprietary Mr. Fresh dome, which pops open when a guest lifts the plate. To simplify the guest experience, all plates on the revolving conveyor belt are the same price within a restaurant and are priced below $3.00. Guests can also place orders through the tableside on-demand ordering screen which provides guests access to our full food menu, including items such as gyoza, tempura, soups, ramen, ojyu boxes, and desserts. On-demand orders are delivered directly from our kitchen to the guests' table via the express belt. Items on the on-demand ordering menu range from $2.25 to $6.90. For every five spiral green 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 to reward our guests' dining achievement. We believe the Kura Experience delivers a highly differentiated dining experience to our guests.

In addition to the guest-facing technology, we employ technology throughout our restaurants to drive efficiencies in operations and costs. Our use of conveyor belts to serve our guests allows us to minimize the number of servers in our restaurants. In our kitchens, we use automated equipment and systems such as sushi robots, RFID readers, robotic arms, and food replenishment algorithms to reduce labor and food costs. The technology in our kitchens has been honed over the course of our parent company's 35-year history of operating revolving sushi restaurants.

The success of our restaurants demonstrates that the Kura Experience resonates with our guests. Based on our initial success, we have expanded to new markets and, as of July 15, 2019, we operate 22 high-volume

restaurants in California, Texas, Georgia, Illinois, and Nevada. Based on a whitespace analysis prepared for us by Buxton, we believe we have a long-term total restaurant potential in the United States for over 290 restaurants, and we aim to achieve a 20% average annual restaurant growth rate over the next five years. See "Business—Our Growth Strategies" and "Business—Site Development and Expansion" for additional information regarding our growth strategies.




Our success has resulted in strong financial results as illustrated by the following:

- From fiscal year 2017 to fiscal year 2018, our sales grew 38.9% to $51.7 million, operating income grew 81.5% to $1.9 million, and net income grew 146.4% to $1.7 million. Comparing the nine months ended May 31, 2018 to the nine months ended May 31, 2019, our sales grew 22.6% to $45.5 million, operating income decreased 9.1% to $0.7 million, and net income decreased 29.0% to $0.5 million;
- From fiscal year 2017 to fiscal year 2018, our Restaurant-level Contribution grew 60.4% to $10.4 million and Adjusted EBITDA grew 45.0% to $4.5 million. Comparing the nine months ended May 31, 2018 to the nine months ended May 31, 2019, our Restaurant-level Contribution grew 23.7% to $8.7 million and Adjusted EBITDA grew 31.6% to $3.4 million. For a reconciliation of net income to Adjusted EBITDA and a reconciliation of operating income to Restaurant-level Contribution, see "Summary Historical Financial and Operating Data";
- In fiscal year 2018, we generated AUVs of approximately $3.5 million, operating profit margin of 3.6%, and Restaurant-level Contribution margin of 20.1%. For the nine months ended May 31, 2019, we generated operating profit margin of 1.5% and Restaurant-level Contribution margin of 19.2%; and
- We have achieved positive comparable restaurant sales growth in ten out of the last eleven quarters ending in the third fiscal quarter of 2019.

**Our Corporate Mission**

Our corporate mission is to encourage healthy lifestyles by serving freshly prepared authentic Japanese cuisine using high-quality ingredients that are free from artificial seasonings, sweeteners, colorings, and preservatives. Our commitment to our mission extends beyond our main ingredients of seafood and vegetables, and includes soy sauce, wasabi, and all other food ingredients. We aim to make quality Japanese cuisine accessible to our guests across the United States through affordable prices and an inviting atmosphere.

**Our Strengths**

*Authentic Japanese Cuisine—A Tribute to Our Roots*. We provide our guests with an experience that is uniquely Japanese and is based on the legacy built by our Japanese parent company, Kura Japan. Kura Japan

opened its first revolving sushi restaurant in 1984 and was among the pioneers of the revolving sushi restaurant model, transforming what was previously a luxury item into an accessible everyday option. To this day, all plates at Kura Japan's Japan-based restaurants are priced at ¥100 (approximately $0.90). Kura Japan's commitment to traditional recipes, high-quality ingredients, consistent innovation, and putting the guest at the core of its mission allowed it to successfully expand to over 400 restaurants.

At Kura Sushi USA, we are proud to continue our parent company's tradition by bringing the Kura Experience to the United States, which we believe distinguishes us within the marketplace. Our various sushi items are made fresh using high-quality fish and certified 100% organic 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, ojyu boxes, 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. We believe the sight of our beautifully crafted cuisine weaving through our restaurants, the motion of dishes zipping by tables on the express belt, 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 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. 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 also 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 over 140 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. We have signed licensing agreements with VIZ Media, LLC (*Naruto Shippuden*) and *tokidoki* to use their popular characters and brands in our Bikkura-Pon rewards machines and will continue to seek licensing agreements with other iconic brands in the future. 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 over 140 high-quality dishes at affordable prices as a result of our efficient kitchen operations and low front-of-house labor needs. The majority of our menu items is priced below $3.00, which appeals to guests with appetites and budgets both large and small, and our average check was $18.37 in fiscal year 2018 and $19.14 for the nine months ended May 31, 2019. 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 USA, we leverage the disciplined operational expertise honed over the 35-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 5,600 square feet. We believe this allows us to maximize our sales per square foot.

For fiscal year 2018, our operating income was $1.9 million and our net income was $1.7 million. For the nine months ended May 31, 2019, our operating income was $0.7 million and our net income was $0.5 million. In the same period, we had an operating profit margin of 1.5% and Restaurant-level Contribution margin of 19.2% of sales. On average, we estimate that our restaurants require a cash build-out cost of approximately $1.5 million per restaurant.

*Experienced Management Team Dedicated to Kura's Values and Growth*. Our team is led by experienced and passionate senior management who are committed to our mission. Our President and Chief Executive Officer and our operational leaders have an average tenure of 18 years in the restaurant industry and with our parent company. We are led by our President and Chief Executive Officer, Hajime "Jimmy" Uba. Mr. Uba joined Kura Japan in 2000 as a store manager candidate. He was promoted to Kura Japan's corporate headquarters and helped grow the business from approximately 30 restaurants to 180 restaurants in Japan. During his tenure with our parent company, Mr. Uba led various strategic initiatives including concept development, real estate selection, and menu development and pricing. Mr. Uba was selected by Kura Japan to lead the business' expansion into the United States. Our Chief Operating Officer, Manabu Kamei, has been with the Kura brand for 21 years, including his time at Kura Japan where he is also currently a Board Member. Mr. Kamei played an instrumental role in establishing processes at Kura Japan to accelerate the pace of new restaurant development and streamline restaurant operations. Mssrs. Uba and Kamei lead a team of talented professionals with deep financial, operational, culinary, and real estate experience.

**Our Growth Strategies**

*Pursue New Restaurant Development.* We have pursued a disciplined new unit growth strategy during our 11 years of operation in the United States. 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. The overall Asian restaurant landscape in the United States is highly fragmented, with the top five concepts estimated to have a market share of approximately 7.0% in 2017 according to Technomic, Inc. ("Technomic"), a national consulting and market research firm. Based on an analysis by Buxton, we estimate that we have the potential to become a national Japanese restaurant brand, with a long-term total restaurant potential in the United States for over 290 restaurants, and we aim to achieve a 20% average annual restaurant growth rate over the next five years. We opened three new restaurants in fiscal year 2017 and four new restaurants in fiscal year 2018. As

of July 15, 2019, we have opened all five planned new restaurants in fiscal year 2019 and plan to open six to seven new restaurants in fiscal year 2020. While we currently aim to achieve 20% average annual unit growth rate over the next five years, we cannot predict the time period of 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 under the caption "Risk Factors." In particular, see "Risk Factors—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" for specific risks that could impede our ability to achieve new restaurant growth in the future.

Our current real estate strategy focuses on high-traffic retail centers in markets with a diverse population and above-average household income. Our flexible physical footprint, which has allowed us to open restaurants ranging in size from 1,600 to 5,600 square feet, provides us the ability to open in-line and end-cap restaurants at strip malls and shopping centers. We believe there is a significant opportunity to employ this strategy to open additional restaurants in our existing markets and in new markets with similar demographics and retail environments.

*Deliver Consistent Comparable Restaurant Sales Growth.* We have achieved positive comparable restaurant sales growth in ten out of the last eleven quarters ending in the third fiscal quarter of 2019. We believe we will be able to generate future 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 are also exploring initiatives to grow sales of alcoholic beverages at our restaurants. Sales of alcoholic beverages accounted for approximately 2.3% of sales in fiscal year 2018 and approximately 2.2% of sales for the nine months ended May 31, 2019. In addition to the strategies stated above, we are currently evaluating additional growth initiatives including increasing off-premises sales, piloting a rewards program, and improving our mobile application. We are piloting a rewards program at selected restaurants that tracks participants' spending and provides a discount voucher if a spending threshold is achieved. To participate, guests sign up with their email addresses, download a virtual rewards card which is stored on their phones, and display the rewards card in the restaurant when paying the bill. Based on the performance of the pilot program, we may roll out the program across our entire restaurant base.

*Increase Profitability.* During our U.S. 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 both at a restaurant-level and corporate-level by taking advantage of our increasing buying power with suppliers and leveraging our existing support infrastructure. Additionally, we believe we will be able to optimize labor costs at existing restaurants as our restaurant base matures and AUVs increase. We believe that as our restaurant base grows, our general and administrative costs 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 while managing margins. We intend to continue to promote limited time offerings through our monthly "Japan Fair" to build guest loyalty and brand awareness. See "Business—Marketing and Advertising—Japan Fair" for more information on our Japan Fair.

**Corporate Overview**

In November 2008, our parent company, Kura Japan, organized our predecessor, Kula West Irvine, Inc., a California corporation, or "Kula West," as a wholly-owned subsidiary of Kura Japan, through which Kura Japan conducted its U.S. operations. Kura Japan owned all 10,000 shares of Kula West common stock. In June 2011, Kula West changed its name to Kula Sushi USA, Inc., or "Kula Sushi."

*Corporate Reorganization*. In October 2017, Kura Japan reorganized its U.S. operations in order to effect the reincorporation of its U.S. subsidiary in Delaware and to change its name. Kura Japan effected this reorganization by forming Kura Sushi USA, Inc. on October 4, 2017 as a wholly-owned Delaware subsidiary with a dual class structure and issuing to Kura Japan 100 shares of our Class B common stock. Thereafter, on October 10, 2017, Kula Sushi merged with us, with Kura Sushi USA, Inc. as the surviving corporation (the "Merger"). By virtue of the Merger, each share of common stock of Kula Sushi held by Kura Japan was automatically cancelled and converted into 1,000 shares of Class B common stock of Kura Sushi USA, resulting in Kura Japan holding a total of 10,000,100 shares of our Class B common stock immediately following the Merger. As of August 31, 2018, there were 20,000,000 authorized shares of Class A common stock, with zero shares issued and outstanding and 10,000,100 authorized shares of Class B common stock, all of which were issued and outstanding and held by Kura Japan, representing 100% of our issued and outstanding capital stock.

On January 25, 2019, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Kura Japan to exchange 8,000,000 shares of the Company's Class B common stock for 8,000,000 shares of the Company's Class A common stock on a pre-reverse split basis. For the purposes of presenting our historical financial data in this prospectus, we have given retroactive effect to the Merger and the share exchange provided for in the Share Exchange Agreement by reflecting Kura Japan as having held 8,000,000 shares of our Class A common stock and 2,000,000 shares of our Class B common stock as of September 1, 2016 on a pre-reverse split basis, notwithstanding that the Merger and Share Exchange Agreement did not occur until October 10, 2017 and January 25, 2019, respectively. See Note 1 to our audited financial statements included in this prospectus.

*Relationship with Kura Japan*. Following the closing of this offering and after giving effect to the reverse stock split of 1-for of our shares of Class A common stock and Class B common stock that will occur immediately prior to this offering, Kura Japan will own all of our Class B common stock and shares of our Class A common stock, representing approximately % of the combined voting power of our outstanding capital stock or % if the underwriters exercise their option to purchase additional shares of our Class A common stock. See "Principal Stockholders." As a result, we will be a "controlled company" within the meaning of the corporate governance rules of the Nasdaq Stock Market, and Kura Japan will be able to exert significant voting influence over fundamental and significant corporate matters and transactions and may have interests that differ from yours. See "Risk Factors—Risks Related to Our Organizational Structure."

In connection with this offering, we and Kura Japan will enter into an amended and restated exclusive license agreement with respect to our use of certain intellectual property owned by Kura Japan, as well as a shared services agreement to provide a framework for our continuing relationship. For a description of such agreements, see "Certain Relationships and Related Party Transactions—Relationship with Kura Japan."

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. Each share of Class B common stock is convertible into one share of Class A common stock at the option of the holder, upon transfer or in certain specified circumstances. With the exception of voting rights and conversion rights, holders of Class A and Class B common stock will have identical rights. We do not intend to list Class B common stock on any stock exchange.

*Corporate and other information*. Our principal executive offices are located at 17932 Sky Park Circle, Suite H, Irvine, California 92614, and our telephone number at that address is (949) 748-1786. Our website is located at www.kurausa.com. We expect to make our periodic reports and other information filed with or furnished to the Securities and Exchange Commission, or the SEC, available free of charge through our website as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on, or otherwise accessible through, our website or any other website is not incorporated by reference herein and does not constitute a part of this prospectus.

**Risk Factors Summary**

Investing in our Class A common stock involves significant risks. You should carefully consider the risks described in "Risk Factors" before making a decision to invest in our Class A common stock. If any of these risks actually occur, our business, financial condition and results of operations would likely be materially adversely affected. In such case, the trading price of our Class A common stock would likely decline, and you may lose all or part of your investment. In reviewing this prospectus, we stress that past experience is no indication of future performance, and "Special Note Regarding Forward-Looking Statements" contains a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this prospectus. Below is a summary of some of the significant risks we face:

- We may not be able to successfully implement our growth strategy if we are unable to identify appropriate sites for restaurant locations, expand in existing and new markets, obtain favorable lease terms, attract guests to our restaurants or hire and retain personnel;
- We may not be able to maintain or improve our comparable restaurant sales growth;
- We may no longer receive strategic, operational and financial support from Kura Japan at the same levels as in the past, and we may face difficulties replacing certain services, supplies and financial assistance that Kura Japan has historically provided to us;
- The restaurant industry is a highly competitive industry with many competitors;
- We may face negative publicity or damage to our reputation, which could arise from concerns regarding food safety and foodborne illness or other matters;
- Minimum wage increases and mandated employee benefits could cause a significant increase in our labor costs;
- Events or circumstances could cause the termination or limitation of our rights to certain intellectual property critical to our business that is licensed from Kura Japan, or we could face infringements on our intellectual property rights and be unable to protect our brand name, trademarks and other intellectual property rights;
- Challenging economic conditions may affect our business by adversely impacting numerous items that include, but are not limited to: consumer confidence and discretionary spending, the availability of credit presently arranged from our existing non-revolving line of credit, inclusive of any amounts converted to be payable on a term loan basis, under that certain Business Loan Agreement, dated January 31, 2019 (the "Credit Facility"), the future cost and availability of credit and the operations of our third-party vendors and other service providers;
- We may fail to secure guests' confidential, personally identifiable, debit card or credit card information or other private data relating to our employees or us;
- Our information technology or automated equipment, including our revolving and express conveyor belts, may fail or be unreliable;
- We will face increased costs as a result of being a public company; and
- We have previously identified a material weakness in our internal control over financial reporting, and if we fail to develop and maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results in a timely manner.

**Emerging Growth Company Status**

We are an "emerging growth company" as defined in the JOBS Act. For as long as we are an emerging growth company, unlike other public companies that do not meet those qualifications, we are not required to:

- provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act;
- provide more than two years of audited financial statements and related management's discussion and analysis of financial condition and results of operations in a registration statement on Form S-1;
- comply with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer;
- provide certain disclosure regarding executive compensation required of larger public companies or hold shareholder advisory votes on executive compensation required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act; or
- obtain shareholder approval of any golden parachute payments not previously approved.

We will cease to be an "emerging growth company" upon the earliest of:

- the last day of the fiscal year in which we have $1.07 billion or more in annual gross revenues;
- the date on which we become a "large accelerated filer" (which means the year-end at which the total market value of our common equity securities held by non-affiliates is $700 million or more as of the last business day of our most recently completed second fiscal quarter);
- the date on which we have issued more than $1 billion of non-convertible debt securities over a three-year period; and
- the last day of the fiscal year following the fifth anniversary of our initial public offering.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act"), for complying with new or revised accounting standards, but we have irrevocably opted out of the extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates in which adoption of such standards is required for other public companies.

**THE OFFERING**

| | |
|---|---|
| **Class A common stock offered by Kura Sushi USA, Inc.** | shares (or shares, if the underwriters exercise in full their option to purchase additional shares). |
| **Class A common stock outstanding after the offering** | shares (or shares, if the underwriters exercise in full their option to purchase additional shares). |
| **Class B common stock outstanding after the offering(1)** | shares. |
| **Over-allotment option** | We have granted the underwriters a 30 day option to purchase up to an aggregate of additional shares of our Class A common stock. |
| **Use of proceeds** | We expect to receive approximately $ million of the net proceeds from this offering (assuming an initial public offering price of $ , which is the midpoint of the price range set forth on the cover of this prospectus) from the sale of the Class A common stock offered by us (or approximately $ million if the underwriters exercise in full their option to purchase additional shares) after deducting underwriter discounts and commissions and estimated offering expenses payable by us. Each $1.00 change in the assumed initial public offering price would change our net proceeds by approximately $ million after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.<br><br>We intend to use the net proceeds from this offering for working capital, to fund new unit growth and for other general corporate purposes, including a portion to repay all outstanding indebtedness, which is approximately $ million under our line of credit under the Credit Facility and approximately $3.1 million in term loan indebtedness with the same financial institution. See “Use of Proceeds” for additional information regarding our intended use of proceeds from this offering. |
| **Voting rights** | Each share of Class A common stock will entitle its holder to one vote on all matters to be voted on by stockholders generally.<br><br>Kura Japan, our parent company, will hold all of the outstanding shares of our Class B common stock and will also hold shares of our Class A common stock on a post-reverse split basis. Each share of Class B common stock will entitle its holder to 10 votes on all matters to be voted on by stockholders generally. Upon completion of this offering, we will be controlled by Kura Japan, which will hold |

(1) Following this offering, we will have two classes of outstanding common stock, Class A common stock and Class B common stock. With the exception of voting rights and conversion rights, the rights of the holders of Class A common stock and Class B common stock are identical.

| | |
|---|---|
| | approximately % of the combined voting power of our outstanding Class A common stock and Class B common stock, or approximately % if the underwriters exercise their option to purchase additional shares of our Class A common stock.<br><br>Holders of our Class A common stock and Class B common stock will generally vote together as a single class, unless otherwise required by applicable law or our amended and restated certificate of incorporation. See "Description of Capital Stock" for more information. |
| **Conversion rights** | Our Class B common stock is convertible as follows:<br>• at such time as any shares of Class B common stock cease to be beneficially owned by Kura Japan, such shares of Class B common stock will be automatically converted into shares of Class A common stock on a one-for-one basis;<br>• all of the Class B common stock will automatically convert into Class A common stock on a one-for-one basis on such date when the number of shares of Class A and Class B common stock beneficially owned by Kura Japan represents less than 20.0% of the total number of shares of Class A and Class B common stock outstanding; and<br>• at the election of the holder of Class B common stock, any share of Class B common stock may be converted into one share of Class A common stock. |
| **Controlled company** | Following this offering we will be a "controlled company" within the meaning of the corporate governance rules of the Nasdaq Stock Market. See "Risk Factors—Risks Related to Our Organizational Structure" and "Management—Controlled Company." |
| **Dividend policy** | We do not anticipate paying any cash dividends to holders of our Class A common stock or Class B common stock in the foreseeable future. See "Dividend Policy" for additional information. |
| **Risk factors** | See "Risk Factors" for a discussion of factors that you should consider carefully before deciding whether to purchase shares of our Class A common stock. |
| **Proposed Nasdaq Global Market symbol** | We have applied to list our Class A common stock on the Nasdaq Global Market under the symbol "KRUS." |

The number of Class A common stock and Class B common stock to be outstanding after this offering is based on shares of Class A common stock and shares of Class B common stock outstanding as of , 2019.

Except as otherwise indicated, the number of Class A common stock and Class B common stock to be outstanding after this offering referred to above and all other information in this prospectus:

- gives effect to a reverse stock split of 1-for- of our shares of Class A common stock and our shares of Class B common stock, effective immediately prior to the completion of this offering;
- assumes the effectiveness of our amended and restated certificate of incorporation and amended and restated bylaws included as exhibits to the registration statement of which this prospectus forms a part, which we will adopt prior to the completion of this offering;
- excludes (i) 818,501 shares of our Class A common stock issuable on a pre-reverse split basis upon the exercise of stock options outstanding as of May 31, 2019 at a weighted average exercise price of $2.23 and (ii) 581,499 shares of our common stock reserved for future grants under the 2018 Incentive Compensation Plan. See “Executive Compensation”; and
- assumes (i) no exercise by the underwriters of their option to purchase up to additional shares of Class A common stock from us, (ii) no exercise of the outstanding stock options described above, and (iii) an initial public offering price of $ per share, which represents the midpoint of the price range set forth on the cover of this prospectus.

## SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The following table summarizes our historical financial and operating data for the periods and as of the dates indicated. The statements of income data for the fiscal years ended August 31, 2017 and August 31, 2018 and the balance sheet data as of August 31, 2017 and August 31, 2018 have been derived from our audited financial statements included elsewhere in this prospectus and reflects the effects of the immaterial correction of errors to the fiscal year ended August 31, 2017, as discussed in Note 9, *Immaterial Correction of Previously Reported Expenses*, to the audited financial statements included in this prospectus. The statements of income data for the nine months ended May 31, 2018 and May 31, 2019 and the balance sheet data as of May 31, 2019 have been derived from our unaudited interim financial statements included elsewhere in this prospectus. The financial data presented includes all normal and recurring adjustments that we consider necessary for a fair presentation of the financial position and results of operations for such periods.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. This information should be read in conjunction with "Risk Factors," "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited financial statements and unaudited interim financial statements and the related notes included elsewhere in this prospectus.

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands, except share and per share data) | | | |
| **Statements of Income Data:** | | | | |
| **Sales** | $37,251 | $51,744 | $37,099 | $45,492 |
| **Restaurant operating costs:** | | | | |
| Food and beverage costs | 13,389 | 17,594 | 12,772 | 14,880 |
| Labor and related costs | 12,117 | 15,994 | 11,711 | 14,286 |
| Occupancy and related expenses | 2,077 | 3,013 | 2,330 | 3,292 |
| Depreciation and amortization expenses | 1,345 | 1,624 | 1,133 | 1,457 |
| Other costs | 3,907 | 5,404 | 3,911 | 5,102 |
| Total restaurant operating costs | 32,835 | 43,629 | 31,857 | 39,017 |
| General and administrative expenses | 3,364 | 5,965 | 4,437 | 5,699 |
| Depreciation and amortization expenses | 25 | 51 | 38 | 80 |
| Impairment of long-lived asset | — | 236 | — | — |
| Total operating expenses | 36,224 | 49,881 | 36,332 | 44,796 |
| Operating income | 1,027 | 1,863 | 767 | 696 |
| **Other expense (income):** | | | | |
| Interest expense | 85 | 128 | 97 | 126 |
| Interest income | (5) | (12) | (6) | (11) |
| Income before income taxes | 947 | 1,747 | 676 | 581 |
| Income tax expense (benefit) | 240 | 5 | (86) | 41 |
| Net income | $ 707 | $ 1,742 | $ 762 | $ 540 |
| Net income attributable to Class A and Class B common stockholder - basic and diluted | $ 707 | $ 1,742 | $ 762 | $ 540 |
| Net income per share attributable to Class A and Class B common stockholder | | | | |
| Basic | $ 0.07 | $ 0.17 | $ 0.08 | $ 0.05 |
| Diluted | $ 0.07 | $ 0.17 | $ 0.08 | $ 0.05 |

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands, except share and per share data) | | | |
| Weighted average shares used to compute net income per share attributable to Class A and Class B common stockholder | | | | |
| Basic | 10,000,000 | 10,000,091 | 10,000,088 | 10,000,100 |
| Diluted | 10,000,000 | 10,100,568 | 10,000,088 | 10,302,308 |

| | As of August 31, | | As of May 31, |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | (amounts in thousands) | | |
| **Balance Sheet Data:** | | | |
| Cash and cash equivalents | $ 2,882 | $ 5,711 | $ 1,265 |
| Total assets | 23,160 | 32,069 | 37,638 |
| Total liabilities | 8,502 | 10,564 | 15,117 |
| Total stockholder's equity | 14,658 | 21,505 | 22,521 |

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (dollar amounts in thousands) | | | |
| **Key Financial and Operational Metrics:** | | | | |
| Restaurants at the end of period | 14 | 17 | 18 | 21 |
| Average unit volumes(1) | $ 3,358 | $ 3,457 | N/A | N/A |
| Comparable restaurant sales growth(2) | 34.8% | 2.9% | 9.5% | 4.9% |
| EBITDA(3) | $ 2,397 | $ 3,538 | $ 1,938 | $ 2,233 |
| Adjusted EBITDA(3) | $ 3,107 | $ 4,506 | $ 2,608 | $ 3,431 |
| as a percentage of sales | 8.3% | 8.7% | 7.0% | 7.5% |
| Operating income | $ 1,027 | $ 1,863 | $ 767 | $ 696 |
| Operating profit margin | 2.8% | 3.6% | 2.1% | 1.5% |
| Restaurant-level Contribution(3) | $ 6,471 | $ 10,380 | $ 7,045 | $ 8,716 |
| Restaurant-level Contribution margin(3) | 17.4% | 20.1% | 19.0% | 19.2% |

(1) Average Unit Volumes (AUVs) consist of the average annual sales of all restaurants that have been open for 18 months or longer at the end of the fiscal year presented. The AUVs measure is calculated excluding the Laguna Hills, California restaurant, which closed in fiscal year 2018, and has also been adjusted for restaurants that were not open for the entire fiscal year presented (such as a restaurant closed for renovation) to annualize sales for such period of time. Since AUVs are calculated based on annual sales for the fiscal year presented, they are not shown on an interim basis for the nine-months ended May 31, 2018 and 2019. See "Additional Financial Measures and Other Data" for the definition of AUVs.

(2) Comparable restaurant sales growth represents the change in year-over-year sales for restaurants open for at least 18 months prior to the start of the accounting period presented, including those temporarily closed for renovations during the year. The comparable restaurant sales growth measure is calculated excluding the Laguna Hills, California restaurant, which closed in fiscal year 2018.

(3) EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin are intended as supplemental measures of our performance that are neither required by, nor presented in accordance with, GAAP. We are presenting EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin because we believe that they provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results. Additionally, we present Restaurant-level Contribution because it excludes the impact of general and administrative expenses which are not incurred at the restaurant-level. We also use Restaurant-level Contribution to measure operating performance and returns from opening new restaurants.

EBITDA is calculated as net income before interest expense, provision (benefit) for income taxes and depreciation and amortization. Adjusted EBITDA further adjusts EBITDA to reflect the additions and eliminations described in the table below. Restaurant-level Contribution represents operating income plus depreciation and amortization, stock-based compensation expense, pre-opening rent expense, pre-opening costs, non-cash rent expense, asset disposals, closure costs and restaurant impairments, general and administrative expenses, less corporate-level stock-based compensation expense. Restaurant-level Contribution margin is defined as Restaurant-level Contribution divided by sales.

We believe that the use of EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin 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 Contribution and Restaurant-level Contribution margin are financial measures which are not indicative of overall results for the Company, and Restaurant-level Contribution and Restaurant-level Contribution 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 EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin 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 EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin in the same fashion.

Because of these limitations, EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution 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, Restaurant-level Contribution and Restaurant-level Contribution margin on a supplemental basis. Our management recognizes that EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin have limitations as analytical financial measures, including the following:

- EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect our capital expenditures or future requirements for capital expenditures;
- EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect interest expense or the cash requirements necessary to service interest or principal payments associated with our indebtedness;
- EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, and do not reflect cash requirements for such replacements;
- Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect the costs of stock-based compensation expense, pre-opening rent expense, pre-opening costs, non-cash rent expense, and asset disposals, closure costs and restaurant impairments;
- Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect changes in, or cash requirements for, our working capital needs; and
- other companies in our industry may calculate these measures differently, limiting their usefulness as comparative measures.

The following table presents a reconciliation of net income to EBITDA and Adjusted EBITDA:

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands) | | | |
| Net income, as reported | $ 707 | $ 1,742 | $ 762 | $ 540 |
| Interest, net | 80 | 116 | 91 | 115 |
| Taxes | 240 | 5 | (86) | 41 |
| Depreciation and amortization | 1,370 | 1,675 | 1,171 | 1,537 |
| EBITDA | 2,397 | 3,538 | 1,938 | 2,233 |
| Stock-based compensation expense[a] | — | 105 | — | 476 |
| Pre-opening rent expense[b] | 203 | 197 | 288 | 219 |
| Pre-opening costs[c] | 341 | 77 | 77 | 152 |
| Non-cash rent expense[d] | 166 | 353 | 305 | 351 |
| Asset disposals, closure costs and restaurant impairments[e] | — | 236 | — | — |
| Adjusted EBITDA | $ 3,107 | $ 4,506 | $ 2,608 | $ 3,431 |

(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 income and of corporate-level stock-based compensation included in general and administrative expenses in the statements of income. In fiscal year 2018, restaurant-level stock-based compensation was $13,884 and corporate-level stock-based compensation was $91,435. For the nine months ended May 31, 2019, restaurant-level stock-based compensation was $62,568 and corporate-level stock-based compensation was $413,649.

(b) Pre-opening rent expense includes rent expenses incurred between date of possession and opening month of our restaurants.

(c) Pre-opening costs represent labor costs for new employees (trainees) and includes hourly wages, payroll taxes and benefits, travel expenses for trainees and trainers and recruitment fees.

(d) Non-cash rent expense includes rent expense after the opening month of our restaurants that did not require cash outlay in the respective periods.

(e) Asset disposals, closure costs and restaurant impairments include losses incurred due to impairment of property and equipment.

The following table presents a reconciliation of operating income to Restaurant-level Contribution:

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands) | | | |
| Operating income, as reported | $ 1,027 | $ 1,863 | $ 767 | $ 696 |
| Depreciation and amortization | 1,370 | 1,675 | 1,171 | 1,537 |
| Stock-based compensation expense[a] | — | 105 | — | 476 |
| Pre-opening rent expense[b] | 203 | 197 | 288 | 219 |
| Pre-opening costs[c] | 341 | 77 | 77 | 152 |
| Non-cash rent expense[d] | 166 | 353 | 305 | 351 |
| Asset disposals, closure costs and restaurant impairments[e] | — | 236 | — | — |
| General and administrative expenses | 3,364 | 5,965 | 4,437 | 5,699 |
| Corporate-level stock-based compensation included in General and administrative expenses | — | (91) | — | (414) |
| Restaurant-level Contribution | $ 6,471 | $ 10,380 | $ 7,045 | $ 8,716 |

(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 income and of corporate-level stock-based compensation included in general and administrative expenses in the statements of income. In fiscal year 2018, restaurant-level stock-based compensation was $13,884 and corporate-level stock-based compensation was $91,435. For the nine months ended May 31, 2019, restaurant-level stock-based compensation was $62,568 and corporate-level stock-based compensation was $413,649.
(b) Pre-opening rent expense includes rent expenses incurred between date of possession and opening month of our restaurants.
(c) Pre-opening costs represent labor costs for new employees (trainees) and includes hourly wages, payroll taxes and benefits, travel expenses for trainees and trainers and recruitment fees.
(d) Non-cash rent expense includes rent expense after the opening month of our restaurants that did not require cash outlay in the respective periods.
(e) Asset disposals, closure costs and restaurant impairments include losses incurred due to impairment of property and equipment.

## RISK FACTORS

*An investment in our Class A common stock, which we refer to in this prospectus as our "common stock," involves a high degree of risk. You should carefully consider the risks and uncertainties described below before deciding whether to purchase shares of our Class A common stock. In assessing these risks, you should also refer to the other information contained in this prospectus, including our financial statements and related notes. If any of the risks described below actually occur, our business, financial condition or results of operations could be materially adversely affected. In any such case, the trading price of our Class A common stock could decline and you could lose all or part of your investment. The risks below are not the only risks we face. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial also may materially and adversely affect our business, properties, operating results or financial condition.*

### Risks Related to Our Business and Industry

***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 opened three new restaurants in fiscal year 2017 and four new restaurants in fiscal year 2018. We have opened all five planned new restaurants in fiscal year 2019 and plan to open six to seven new restaurants in fiscal year 2020. 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 zonal 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.

In addition, our restaurant count potential based on our current whitespace analysis by Buxton may change in the future, or we may conduct future analyses that yield results inconsistent with our earlier analysis.

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

Approximately 90% 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 national footprint.

***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.***

As of July 15, 2019, we operate our restaurants in five states: California, Texas, Georgia, Illinois, and Nevada. As of July 15, 2019, we have opened all five planned new restaurants in fiscal year 2019, and we plan to continue to increase the number of our restaurants in the next several years as part of our expansion strategy. 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 and there may be little or no market awareness of our brand or revolving sushi bar concept in these new 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.

***New restaurants, once opened, may not be profitable, 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.***

Our new restaurants have historically opened with above-average volumes, which then decline after the initial sales surge that comes with interest in a new restaurant opening. For restaurants that opened in fiscal year 2017, the “honeymoon” period of higher sales upon opening ranged up to six months. In new markets, the length of time before average sales for new restaurants stabilize is less predictable as a result of our limited knowledge of these markets and consumers’ limited awareness of our brand. We assess the “honeymoon” period of newly opened restaurants by comparing year-over-year monthly sales to determine when in the prior year (i.e., the first twelve months after a restaurant opens) the “honeymoon” period ended. While the “honeymoon” period for our three restaurant openings in fiscal year 2017 ranged up to six months, our four restaurant openings in fiscal year 2018 have not operated for a sufficient period to allow us to determine the “honeymoon” period for such restaurants. New restaurants may not be profitable and their sales performance may not follow historical patterns. 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.

If our new restaurants do not perform as planned, our business and future prospects could be harmed. In addition, if we are unable to achieve our expected average restaurant sales, our business, financial condition or results of operations could be adversely affected.

***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 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 “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.***

As of July 15, 2019, we operate 22 restaurants. We opened three new restaurants in fiscal year 2017 and four new restaurants in fiscal year 2018. As of July 15, 2019, we have opened all five planned new restaurants in fiscal year 2019 and plan to open six to seven new restaurants in fiscal year 2020. The capital resources required to develop each new restaurant are significant. On average, we estimate that our restaurants require a cash build-out cost of approximately $1.5 million per restaurant, net of landlord tenant improvement allowances and pre-opening costs 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.

***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 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.

***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. Being a wholly-owned subsidiary of Kura Japan has affected the way we operate and manage our business and we are dependent on Kura Japan for certain strategic, operational and financial support. Because we have no independent operating history, our historical results may not be indicative of our future performance. Our future results depend on various factors, including those identified in these risk factors.

For example, 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. Our President and Chief Executive Officer was previously employed by Kura Japan, our Chief Operating Officer is currently employed by Kura Japan and both were appointed to their respective positions by Kura Japan to lead the operation of our business in the United States. We also benefit from our relationship with Kura Japan and the intellectual property that we license from Kura Japan in the operation of our business. Following this offering, we expect that Kura Japan will own approximately % of the combined voting power of our equity interests. Kura Japan is not subject to any contractual obligation to maintain its ownership position in our shares, except that it has agreed not to sell or otherwise dispose of any of our equity interests for a period ending 180 days after the date of the final prospectus without the prior written consent of the representatives of the underwriters as described in "—Risks Related to Our Organizational Structure—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. In connection with this offering, we intend to enter into one or more agreements with Kura Japan, including a shared services agreement and an amended and restated exclusive license agreement, to clarify and 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 "Certain Relationships and Related Party Transactions—Relationship with Kura Japan" for additional information.

As an additional example, we from time to time purchase certain supplies, parts and equipment for use in our restaurants from Kura Japan. While we are not certain, 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 "Certain Relationships and Related Party Transactions—Relationship with Kura Japan" for additional information.

As a final example, historically, we have relied on financial support from Kura Japan, including capital contributions by Kura Japan of $5.0 million to the Company in each of fiscal years 2017 and 2018. After the completion of this offering, we do not expect to receive any additional capital contributions from Kura Japan.

***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 executives. 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 as our parent company, including our Chief Operating Officer, who is currently employed by Kura Japan and who was appointed to his position by Kura Japan to assist in the operation of our business in the United States. Our Chief Operating Officer may be recalled to Kura Japan at any time at Kura Japan's option. The loss or replacement of one or more of our executive officers or other key employees could have a serious adverse effect on our business, financial condition or results of operations.

To continue to execute our growth strategy, we also must identify, hire and retain highly skilled personnel, which may include the services of personnel who are Japanese expatriates whose services we secure due to our relationship with Kura Japan. We might not be successful in continuing to attract and retain qualified personnel. Failure to identify, hire and retain necessary key personnel could have a material adverse effect on our business, financial condition or results of operations.

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

The consumer target area of our restaurants varies by location, depending on a number of factors, including population density, other local retail and business attractions, area demographics and geography. As a result, 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 and thereby adversely affect our business, financial condition or results of operations. 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.

***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. 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.

Several of our competitors offering Asian and related choices may look to compete with us on price, quality and service. Any of these competitive factors may materially adversely affect our business, financial condition or results of operations.

***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.

***Food safety and foodborne illness concerns 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.

***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 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 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 International Inc. (“JFC”), a subsidiary of Kikkoman Corporation, as one of our primary suppliers. JFC provided us with food products and supplies equaling approximately 29.0% and 47.4% of our total food and beverage costs in fiscal years 2017 and 2018, respectively, and approximately 54.5% of our total food and beverage costs for the nine months ended May 31, 2019. We also rely on Wismettac Asian Foods, Inc. (formerly Nishimoto Trading Co., Ltd.) (“Wismettac”), a subsidiary of Nishimoto Co., Ltd., which provided us with food products and supplies equaling approximately 15.1% and 28.0% of our total food and beverage costs for fiscal years 2017 and 2018, respectively, and 27.9% of our total food and beverage costs for the nine months ended May 31, 2019. 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 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. Shortages or interruptions in the availability of certain supplies caused by unanticipated demand, problems in production or distribution, food contamination, inclement weather or other conditions could adversely affect the 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 as a result of factors beyond our control, such as general economic conditions, seasonal fluctuations, 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.

***Failure to receive frequent deliveries of fresh food ingredients and other supplies could harm our business, financial condition or results of operations.***

Our ability to maintain our menu depends in part on our ability to acquire ingredients that meet our specifications from reliable suppliers, including, but not limited to, rice vinegar from our parent company, Kura Japan, which owns the recipe of such rice vinegar and is our sole supplier of rice vinegar. Shortages or interruptions in the supply of ingredients caused by unanticipated demand, problems in production or distribution, food contamination, inclement weather or other conditions could adversely affect the availability, quality and cost of our ingredients, which could harm our business, financial condition or results of operations. If any of our distributors or suppliers performs inadequately, or our distribution or supply relationships are disrupted for any reason, our business, financial condition or results of operations 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. This reduction in sales could materially adversely affect our business, financial condition or results of operations.

In addition, our approach to competing in the restaurant industry depends in large part on our continued ability to provide authentic and traditional Japanese cuisine that is free from artificial ingredients. As we increase our use of these ingredients, the ability of our suppliers to expand output or otherwise increase their supplies to meet our needs may be constrained. We could face difficulties to obtain a sufficient and consistent supply of these ingredients on a cost-effective basis.

***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. On May 31, 2019, a putative class action complaint was filed in Los Angeles County Superior Court, alleging violations of California wage and hour laws. This action, or any future actions if brought against us and successful in whole or in part, 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 or state minimum wage. Since January 1, 2019, the State of California has a minimum wage of $12.00 per hour.

Moreover, municipalities may set minimum wages above the applicable state standards. The federal minimum wage has been $7.25 per hour since July 24, 2009. Any of federally-mandated, state-mandated or municipality-mandated minimum wages may be raised in the future which 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, results of operations or cash flow.***

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, operating results or cash flow:

- minimum wages;
- tips and gratuities;
- mandatory health benefits;
- vacation accruals;
- paid leaves of absence, including paid sick leave; and
- tax reporting.

***If we face labor shortages, increased labor costs or 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 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. Although we have not yet experienced significant problems in recruiting or retaining employees, our ability 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.

If we are unable to continue to recruit and retain sufficiently qualified individuals, our business and our growth could be adversely affected, thereby adversely affecting or business, financial condition or results of operations. Competition for these employees could require us to pay higher wages, which could result in higher labor costs. In addition, increases in the minimum wage would increase our labor costs. Additionally, costs associated with workers' compensation are rising, and these costs may continue to rise in the future. We may be unable to increase our menu prices in order to pass these 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.

***Compliance with environmental laws may negatively affect our business.***

We are subject to federal, state and local laws and regulations concerning waste disposal, pollution, protection of the environment, and the presence, discharge, storage, handling, release and disposal of, and exposure to, hazardous or toxic substances. These environmental laws provide for significant fines and penalties for noncompliance 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 hazardous 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 hazardous or toxic substances at, on or from our restaurants. Environmental conditions relating to releases of hazardous substances at prior, existing or future restaurant sites could materially adversely affect our business, financial condition or results of operations. Further, environmental laws, and the administration, interpretation and enforcement thereof, are subject to change and may become more stringent in the future, each of which could materially adversely affect our business, financial condition or results of operations.

***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.

***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. Specifically, the ACA requires chain restaurants with 20 or more locations 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. 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.

Compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming. Additionally, if consumer health regulations or consumer eating habits 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. 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.

We may not be able to effectively respond to changes in consumer health perceptions or successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. 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.

***Failure to comply with antibribery or anticorruption laws could adversely affect our reputation, business, financial condition or results of operations.***

The U.S. Foreign Corrupt Practices Act and other similar applicable laws prohibiting bribery of government officials and other corrupt practices are the subject of increasing emphasis and enforcement around the world. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, agents, or other third parties will not take actions in

violation of our policies or applicable law. Any such violations or suspected violations could subject us to civil or criminal penalties, including substantial fines and significant investigation costs, and could also materially damage our reputation, brands, international expansion efforts and growth prospects, business, financial condition and results of operations. Publicity relating to any noncompliance or alleged noncompliance could also harm our reputation and 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, 2018, we had federal net operating loss carryforwards of $4.1 million and federal tax credit carryover of $1.4 million. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), if a corporation undergoes an "ownership change," 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. In general, an "ownership change" generally occurs if there is a cumulative change in our ownership by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. We do not believe that we will experience an ownership change as a result of this issuance. However, we may have experienced an ownership change in the past and may experience ownership changes in the future as a result of this issuance and 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. Those net operating loss carryforwards and general business tax credits resulted in a tax effected deferred tax asset of $2.2 million at August 31, 2018.

***Our indebtedness may limit our ability to invest in the ongoing needs of our business and if we are unable to comply with our financial covenants, our liquidity and results of operations could be adversely affected.***

Our existing Credit Facility is comprised of an equipment purchase facility and a tenant improvements subfacility, on a non-revolving basis, in the aggregate principal amount of up to $5.0 million and is collateralized by a first-priority interest in, among other things, our inventory, equipment, accounts, general intangibles and fixtures. As of May 31, 2019, we had $1.1 million available under our Credit Facility. During May and June of 2019, we converted a portion of the outstanding indebtedness under our Credit Facility into term loan indebtedness with the same financial institution, and memorialized that indebtedness in the form of promissory notes with associated commercial security agreements. As of May 31, 2019, we had approximately $1.0 million of outstanding indebtedness under the line of credit under our Credit Facility and $2.1 million of outstanding indebtedness payable on a term loan basis. We intend to use a portion of the net proceeds from this offering to repay the entire amount of the outstanding borrowings under our line of credit under the Credit Facility and the term loans. In the future, we may, from time to time, incur additional indebtedness under our Credit Facility, up to the aggregate principal amount of $5.0 million (of which $1.1 million was available as of May 31, 2019), and any amounts exceeding $300,000 under the Credit Facility will be converted into term loans upon such terms as established between us and our Credit Facility bank.

Our Credit Facility places certain limitations on our ability to incur additional senior indebtedness. The Credit Facility also places certain limitations on, among other things, our ability to create any encumbrance other than permitted encumbrances, make capital expenditures not in the ordinary course of business or transfer or sell certain assets or merge or consolidate with or into or acquire any other business organization. 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. Our Credit Facility also requires us to comply with certain financial covenants regarding our liquidity, fixed charge coverage ratio and tangible net worth ratio. Our failure to comply with or perform any term, obligation or covenant under our Credit Facility is also a default under our term loans. Changes in our financial condition causing a breach of any of these financial covenants could result in a default and an acceleration of our obligations under the Credit Facility or term loans, which could have an adverse effect on our liquidity, capital resources and 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. Historically, we have relied on financial support from Kura Japan, including capital contributions by Kura Japan of $5.0 million to the Company in each of fiscal years 2017 and 2018. After the completion of this offering, we do not expect to receive any additional capital contributions from Kura Japan. To meet our capital needs, we expect to rely on our borrowings under our existing Credit Facility for equipment financing and facility improvements, cash flows from operations, the proceeds from this offering, 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 such as financial covenants under our Credit Facility, term loans or other debt documents. 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 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 similarly be 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 expires, 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 as well as impairment of property and equipment. Furthermore, if we fail to negotiate renewals, we may incur additional costs associated with moving transferable furniture, fixtures and equipment. These potential increased occupancy and moving costs, as well as 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 have licensed certain intellectual property critical to our business from our parent company, Kura Japan. 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 our parent company, Kura Japan, which following this offering we expect will own approximately % of the combined voting power of our equity interests. 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. In connection with this offering, we intend to enter into an amended and restated exclusive license agreement with regard to the intellectual property we license from Kura Japan. See "Certain Relationships and Related Party Transactions—Relationship with Kura Japan" 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" and "Kura Revolving Sushi Bar" 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.

***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 of 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. 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.

***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 machine and touch screen menus. In our kitchens, we use automated equipment and systems such as sushi robots, RFID 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 any material failure, weakness, interruption or breach of security could prevent us from effectively operating our business.***

We rely significantly on information systems, 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 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 could result in delays in customer service and reduce efficiency in our operations. Remediation of such problems could result in significant, unplanned capital investments.

***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 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), mini-blogs, chat platforms, social media websites, 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.

***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 occasionally 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 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. As a public company, we intend to adjust our existing directors’ and officers’ insurance. While we expect to obtain such

coverage, we may not be able to obtain such coverage at all or at a reasonable cost now or in the future. Failure to obtain and maintain adequate directors' and officers' insurance would likely adversely affect our ability to attract and retain qualified officers and directors.

***Failure to obtain and maintain required licenses and permits or to comply with alcoholic beverage or food control regulations could lead to the loss of our liquor and food service licenses and, thereby, harm our business, financial condition or results of operations.***

The restaurant industry is subject to various federal, state and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain licenses, permits and approvals relating to such regulations could adversely affect our business, financial condition or results of operations. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that our conduct violates applicable regulations. Difficulties or failure to maintain or obtain the required licenses and approvals could adversely affect our existing restaurants and delay or result in our decision to cancel the opening of new restaurants, which would adversely affect our business, financial condition or results of operations.

Alcoholic beverage control regulations generally require 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. Any future failure to comply with these regulations and obtain or retain liquor licenses could adversely affect our business, financial condition or results of operations.

***We have identified a material weakness in our internal control over financial reporting for fiscal year 2017. If we fail to develop and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in our company.***

In connection with the audit of our financial statements for fiscal year 2017, our management identified a material weakness in our internal control over financial reporting, as defined in the standards established by the PCAOB, but a material weakness in our internal controls over financial reporting was not identified for fiscal year 2018. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified for fiscal year 2017 resulted from a lack of sufficient segregation of duties within the Company's financial recording and reporting IT systems.

In addition, in fiscal year 2019, the Company identified an error related to the classification of labor and related costs, occupancy and related expenses, other costs, and general and administrative expenses that impacted the Company's previously issued financial statements, including interim periods during fiscal year 2017. As a result, the Company adjusted the fiscal year 2017 financial data presented in this prospectus to correctly reclassify such costs and expenses. See Note 9 to our audited financial statements included in this prospectus.

Although we have initiated remedial measures, we cannot be certain that any such measures are sufficient to address the material weakness or that other material weaknesses and control deficiencies will not be discovered in the future. If our remediation efforts are not successful or other material weaknesses or control deficiencies occur in the future, we may be unable to report our financial results accurately on a timely basis, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence or delisting and cause the market price of our common stock to decline.

We have not performed an evaluation of our internal control over financial reporting, such as required by Section 404 of the Sarbanes-Oxley Act, nor have we engaged our independent registered public accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date or for any period reported in our financial statements.

***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. Other new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. For instance, accounting regulatory authorities have recently issued new accounting rules which require lessees to capitalize operating leases in their financial statements in the next few years. When adopted, such change would require us to record significant operating lease obligations on our balance sheet and make other changes to our financial statements. This and other future changes to accounting rules or regulations could materially adversely affect our business, financial condition or results of operations.

***We will incur increased costs as a result of being a public company.***

As a public company, we expect to incur significant legal, accounting and other expenses that we did not incur as a private company, particularly after we are no longer an "emerging growth company" as defined under the JOBS Act. In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Act and the rules and regulations promulgated and to be promulgated thereunder, as well as under the Sarbanes-Oxley Act and the JOBS Act, have created uncertainty for public companies and increased costs and time that boards of directors and management must devote to complying with these rules and regulations. The Sarbanes-Oxley Act and related rules of the SEC and the Nasdaq Stock Market regulate corporate governance practices of public companies. We expect compliance with these rules and regulations to increase our legal and financial compliance costs and lead to a diversion of management time and attention from sales-generating activities. For example, we will be required to adopt new internal controls and disclosure controls and procedures. In addition, we will incur additional expenses associated with our SEC reporting requirements and increased compensation for our management team. We cannot predict or estimate the amount of additional costs we will incur as a public company or the specific timing of such costs.

***We are an "emerging growth company," and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

For as long as we remain an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." These exceptions provide for, but are not limited to, relief from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, less extensive disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements to hold a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved and an extended transition period for complying with new or revised accounting standards. We may take advantage of these reporting exemptions until we are no longer an "emerging growth company." We will remain an "emerging growth company" until the earliest of: (i) the last day of the fiscal year in which we have $1.07 billion or more in annual gross revenues; (ii) the date on which we become a "large accelerated filer" (which means the year-end at which the total market value of our common equity securities held by non-affiliates is $700 million or more as of the last business day of our most recently completed second fiscal quarter); (iii) the date on which we have issued more than $1 billion of non-convertible debt securities over a three-year period; and (iv) the last day of the fiscal year following the fifth anniversary of our initial public offering. We cannot predict if investors will find our common stock less attractive because we

may rely on these exemptions. If some investors find our common stock to be less attractive as a result, there may be a less active trading market for our common stock and the market price of our common stock may be more volatile.

***Our management does not have experience managing a U.S. public company and our current resources may not be sufficient to fulfill our public company obligations.***

Following the closing of this offering, we will be subject to various regulatory requirements, including those of the SEC and Nasdaq Stock Market. These requirements include recordkeeping, financial reporting and corporate governance rules and regulations. Our management team does not have experience in managing a U.S. public company and, historically, has not had the resources typically found in a public company. Our internal infrastructure may not be adequate to support our increased reporting obligations and we may be unable to hire, train or retain necessary staff and may be reliant on engaging outside consultants or professionals to overcome our lack of experience or employees. Our business, financial condition or results of operations could be adversely affected if our internal infrastructure is inadequate, including if we are unable to engage outside consultants or are otherwise unable to fulfill our public company obligations.

***Pursuant to the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act for so long as we are an "emerging growth company."***

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting, starting with the second annual report that we file with the SEC as a public company, and generally requires in the same report a report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. However, under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act until we are no longer an "emerging growth company." We will be an "emerging growth company" until the earliest of: (i) the last day of the fiscal year in which we have $1.07 billion or more in annual gross revenues; (ii) the date on which we become a "large accelerated filer" (which means the year-end at which the total market value of our common equity securities held by non-affiliates is $700 million or more as of the last business day of our most recently completed second fiscal quarter); (iii) the date on which we have issued more than $1 billion of non-convertible debt securities over a three-year period; and (iv) the last day of the fiscal year following the fifth anniversary of our initial public offering.

In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. An "emerging growth company" can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to "opt out" of such extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

**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. See "Description of Capital Stock" for a description of our Class A common stock and Class B common stock and the rights associated with them.

***There is no existing market for our common stock and we do not know if one will develop. Even if a market does develop, the stock prices in the market may not exceed the offering price.***

Prior to this offering, there has not been a public market for our common stock or any of our equity interests. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on the Nasdaq Global Market, or how liquid that market may become. An active public market for our common stock may not develop or be sustained after the offering. If an active trading market does not develop or is not sustained, you may have difficulty selling any shares that you buy.

The initial public offering price for the common stock will be determined by negotiations among us, Kura Japan and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price you pay in this offering.

***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:

- 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 Average Unit Volumes 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 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 offering price. Those fluctuations could be based on various factors in addition to those otherwise described in this prospectus, 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;
- the number of shares to be publicly traded after this offering;
- 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.

In addition, in recent years the stock market has experienced significant price and volume fluctuations. These fluctuations may be unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our common stock. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our business, financial condition or results of operations, and those fluctuations 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, following this offering 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 executive officers and directors and holders of all of our options and equity interests, including Kura Japan, have agreed with the underwriters not to offer, sell, dispose of or hedge any shares of common stock or securities convertible into or exchangeable for shares of common stock (including shares of our Class B common stock), subject to specified limited exceptions and extensions described elsewhere in this prospectus, during the period ending 180 days after the date of the final prospectus, except with the prior written consent of the representatives of the underwriters. See "Underwriting."

Our amended and restated certificate of incorporation will authorize us to issue up to shares of Class A common stock and shares of Class B common stock, of which, as of the date of this prospectus, shares of Class A common stock and shares of Class B common stock are outstanding, and shares of Class A common stock will be issuable upon the exercise of outstanding

stock options. The shares of Class A common stock offered in this offering will be freely tradable without restriction under the Securities Act, except for any shares of our common stock that may be held or acquired 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.

After the expiration of the lock-up agreements, shares of our Class A common stock and Class B common stock held by our affiliates will continue to be subject to the volume and other restrictions of Rule 144 under the Securities Act. The representatives of the underwriters may, in its sole discretion and at any time without notice, release all or any portion of the shares subject to the lock-up. See "Underwriting."

In addition, immediately following this offering, we intend to file a registration statement registering under the Securities Act the shares of Class A common stock reserved for issuance under our 2018 Incentive Compensation Plan. See the information under the heading "Shares Eligible for Future Sale" for a more detailed description of the shares that will be available for future sales upon completion of this offering.

***If you purchase shares of our common stock sold in this offering, you will incur immediate and substantial dilution.***

If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the amount of $ per share because the initial public offering price of $ per share is substantially higher than the pro forma net tangible book value per share of our outstanding common stock. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased their shares. In addition, you may also experience additional dilution upon future equity issuances or the exercise of stock options to purchase common stock granted to our employees and non-employees, including directors, under our 2018 Incentive Compensation Plan. See "Dilution."

***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. We do not currently have and may never obtain research coverage by securities and industry analysts. If no securities or industry analysts commence coverage of our company, the trading price for our common stock would be negatively impacted. If we obtain securities or industry analyst coverage and 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 prices 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. See "Dividend Policy."

***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 may make it more difficult or expensive for a third party to acquire a majority of our outstanding equity interests. 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. See "Description of Capital Stock."

**Risks Related to Our Organizational Structure**

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

Immediately following this offering and the application of net proceeds from this offering, Kura Japan will control approximately % of the combined voting power of our equity interests through their ownership of both Class A common stock and Class B common stock. 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. Following this offering, if Kura Japan continues to own shares of Class B common stock on a post-split basis, Kura Japan will own a majority of the combined voting power of our outstanding equity interests, and effectively control the outcome of matters submitted to stockholders that require a majority vote, so long as Kura Japan holds % of the issued and outstanding shares of Class A common stock, and further assuming shares of our Class A common stock and shares of our Class B common stock are outstanding as of , 2019. 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 whether and when to dispose of assets and whether and when to incur new or refinance existing indebtedness. Such indebtedness could contain covenants that prevent us from declaring dividends to stockholders. In addition, the determination of future tax reporting positions and the structuring of future transactions may take into consideration Kura Japan's tax or other considerations, which may differ from our considerations or our other stockholders. For additional information about our relationships with Kura Japan, you should read the information under the headings "Principal Stockholders" and "Certain Relationships and Related Party Transactions—Relationship with Kura Japan."

***We are a "controlled company" within the meaning of the Nasdaq listing standards and, as a result, will qualify for, and intend to 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.***

Immediately following this offering and the application of net proceeds from this offering, Kura Japan will control approximately % of the combined voting power of our equity interests through their ownership of both Class A common stock and Class B common stock. 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, including (i) the requirement that a majority of the board of directors consist of independent directors, (ii) the requirement that we have a Nominating and Corporate Governance Committee that is composed entirely of independent directors and (iii) the requirement that we have a Compensation Committee that is composed entirely of independent directors. Following this offering, we intend to rely on some or all of these exemptions. As a result, we will not have a majority of independent directors, we will not have a Nominating and Corporate Governance Committee and our Compensation Committee may not consist entirely of independent directors so long as we are considered a

"controlled company" under the Nasdaq Stock Market requirements. 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.

***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 Kura Sushi USA. 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 its 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 Kura Sushi USA.

***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 Kura Sushi USA.***

Our amended and restated certificate of incorporation will contain provisions related to corporate opportunities that may be of interest to both Kura Japan and us. It will provide 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.

Upon the completion of this offering, Manabu Kamei, our Chief Operating Officer and a member of our board of directors, will also be a member of the board of directors and an employee of Kura Japan, but none of our other officers, employees or directors will also be an officer, employee or director of Kura Japan. Accordingly, upon the completion of this offering, there will be no officers or employees of the Company who would fit the description of the first bullet above, and only Mr. Kamei would fit the description of personnel described in the second and third bullets above given his roles at our company and Kura Japan.

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 will provide 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.***

After this offering, and subject to the lock-up period described below, 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, except that it has agreed not to sell or otherwise dispose of any of our equity interests for a period ending 180 days after the date of the final prospectus without the prior written consent of the representatives of the underwriters, subject to specified limited exceptions and extensions described in “Underwriting.” Consequently, Kura Japan may decide not to maintain its ownership of our equity interests once the lock-up period expires.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are contained principally in "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." In some cases, you can identify forward-looking statements by 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 intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these assumptions, risks and uncertainties, you should not place undue reliance on these forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- our ability to successfully maintain increases in our comparable restaurant sales and 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 Kura Japan;
- 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; and
- volatility in the price of our common stock.

We discuss many of these risks in this prospectus in greater detail under the heading "Risk Factors." Also, these forward-looking statements represent our estimates and assumptions only as of the date of this prospectus. Unless required by United States federal securities laws, we do not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made.

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, governmental publications, reports by market research firms or other independent sources. Some data are also based on our good faith estimates. Although we believe these third-party sources are reliable, we have not independently verified the information attributed to these third-party sources and cannot guarantee its accuracy and completeness. Similarly, our estimates have not been verified by any independent source.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

## USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering will be approximately $ million based on an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares in this offering from us is exercised in full, our net proceeds will be approximately $ million after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds we receive from this offering for working capital, to fund new unit growth and for other general corporate purposes, including a portion to repay all outstanding indebtedness under our Credit Facility, comprised of approximately $ million under our line of credit under the Credit Facility and approximately $3.1 million under our term loans.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share of Class A common stock, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, would increase (decrease) net proceeds to us from this offering by approximately $ million, assuming that the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same. We may also increase or decrease the number of shares of Class A common stock we are offering. Each increase (decrease) in the number of shares of Class A common stock we are offering would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming no change in the assumed initial public offering price per share.

We intend to use approximately $ million of the net proceeds we receive from this offering to repay the entire amount of the outstanding borrowings under our line of credit under the Credit Facility and the amounts outstanding under our term loans. The line of credit under the Credit Facility is scheduled to mature on July 31, 2020 and had an outstanding balance of approximately $ million as of , 2019. The term loans have scheduled maturities in May 2022 for approximately $2.1 million of indebtedness and June 2022 for approximately $1.0 million of indebtedness. Borrowings under our line of credit under the Credit Facility bear interest at our option at either (i) the lender's prime lending rate less one-half of one percent (0.5%) or (ii) one-month LIBOR plus one and one-half percent (1.5%). Borrowings under our term loans are pursuant to promissory notes entered into for the foregoing referenced amounts, and bear interest at a variable interest rate based on one-month LIBOR, plus one and one-half percent (1.5%).

Our expected use of net proceeds from this offering represents our current intentions based upon our present plans and business condition. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering or the amounts that we will actually spend. The amounts and timing of our actual use of net proceeds will vary depending on numerous factors. As a result, our management will have broad discretion in the application of the net proceeds of this offering, and investors will be relying on our judgment regarding the application of the net proceeds.

Pending use of the net proceeds from this offering as described above, we may invest the net proceeds in short-and intermediate-term interest-bearing obligations, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of the United States government.

## DIVIDEND POLICY

No dividends have been declared or paid on our shares of equity interests. We do not anticipate paying any cash dividends on shares of our Class A common stock or Class B common stock in the foreseeable future. We currently intend to retain any earnings to finance the development and expansion of our business. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then-existing conditions, including our earnings, capital requirements, results of operations, financial condition, business prospects and other factors that our board of directors considers relevant. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Certain Relationships and Related Party Transactions” for additional information regarding our financial condition.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of May 31, 2019:

- on an actual basis, except to the extent it has been adjusted to give effect to a reverse stock split of 1-for- of our shares of Class A common stock and our shares of Class B common stock, effective immediately prior to the completion of this offering; and
- on an as adjusted basis to give effect to the sale of shares of Class A common stock in this offering at an assumed initial public offering price of $ (the midpoint of the price range set forth on the cover page of this prospectus) after deducting estimated underwriting discounts and estimated offering expenses payable by us, and the application of the net proceeds thereof.

You should read the following table in conjunction with the sections entitled "Use of Proceeds," "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included in this prospectus.

| | As of May 31, 2019 | |
|---|---|---|
| | Actual | As Adjusted[1][2] |
| | (in thousands, except share and per share data) | |
| Cash and cash equivalents | $ 1,265 | $ |
| Debt (current and non-current): | | |
| Credit Facility[3] | 3,055 | |
| Stockholder's Equity: | | |
| Class A common stock, $0.001 par value per share ( shares authorized, shares issued and outstanding, actual; shares authorized, shares issued and outstanding, as adjusted) | 8 | |
| Class B common stock, $0.001 par value per share ( shares authorized, shares issued and outstanding, actual; shares authorized, shares issued and outstanding, as adjusted)[4] | 2 | |
| Additional paid-in capital | 20,696 | |
| Retained earnings | 1,815 | |
| Total stockholder's equity | 22,521 | |
| Total capitalization | $25,576 | |

(1) Excludes (i) 818,501 shares of our Class A common stock issuable on a pre-reverse split basis upon the exercise of stock options outstanding as of May 31, 2019 at a weighted average exercise price of $2.23 and (ii) 581,499 shares of our common stock reserved for future grants under the 2018 Incentive Compensation Plan. See "Executive Compensation." Also assumes no exercise by the underwriters of their option to purchase up to additional shares of Class A common stock from us.

(2) Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover of this prospectus, would increase (decrease) our as adjusted cash and cash equivalents, additional paid-in capital, total stockholder's equity and total capitalization by approximately $ million, assuming that the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares of Class A common stock we are offering. Each increase (decrease) of in the number of shares of Class A common stock we are offering would increase (decrease) our as adjusted cash and cash equivalents, additional paid-in capital, total stockholder's equity and total capitalization by approximately $ million, assuming no change in the assumed initial public offering price per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) We intend to use approximately $ million of the net proceeds we receive from this offering to repay the entire amount of the outstanding borrowings under the line of credit under our Credit Facility and the term loans, which was originally drawn down under the line of credit under the Credit Facility but converted to be payable on a term loan basis. The Credit Facility is scheduled to mature on July 31, 2020 and had an outstanding balance of approximately $ million as of , 2019. The term loans have scheduled maturities in May 2022 for approximately $2.1 million of indebtedness and June 2022 for approximately $1.0 million of indebtedness. See "Use of Proceeds."

(4) 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. Upon completion of this offering and the adoption of our amended and restated certificate of incorporation, the Class B common stock will be convertible as follows: (i) at such time as any shares of Class B common stock cease to be beneficially owned by Kura Japan; such shares of Class B common stock will be automatically converted into shares of Class A common stock on a one-for-one basis, (ii) all of the Class B common stock will automatically convert into Class A common stock on a one-for-one basis on such date when the number of shares of Class A and Class B common stock beneficially owned by Kura Japan represents less than 20.0% of the total number of shares of Class A and Class B common stock outstanding, and (iii) at the election of the holder of Class B common stock, any share of Class B common stock may be converted into one share of Class A common stock. With the exception of voting rights and conversion rights, holders of Class A and Class B common stock will have identical rights. See "Description of Capital Stock."

## DILUTION

Currently we have, and upon completion of this offering we will have, two classes of equity interests issued and outstanding: Class A common stock, which is being sold in this offering and to which we refer in this prospectus as "common stock," and Class B common stock. Dilution is the amount by which the initial public offering price paid by purchasers of shares of our equity interests exceeds the net tangible book value per share of our equity interests immediately following the completion of the offering. Net tangible book value represents the amount of our total tangible assets reduced by our total liabilities. Net tangible book value per share represents our net tangible book value divided by the number of shares of our equity interests outstanding. The Company defines total tangible assets as total assets less intangible assets (including deferred tax assets and deferred offering costs). As of May 31, 2019, prior to giving effect to the offering, our net tangible book value was $18.8 million and our net tangible book value per share was $1.88.

After giving effect to the issuance and sale of the shares of Class A common stock offered in this offering and the application of the estimated net proceeds of the offering received by us, as described in "Use of Proceeds," based upon an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover of this prospectus, our net tangible book value as of May 31, 2019 would have been approximately $ million, or $ per share of equity interest. This represents an immediate increase in net tangible book value to our existing stockholder, Kura Japan, of $ per share and an immediate dilution to new investors in this offering of $ per share. The following table illustrates this per share dilution net tangible book value to new investors after giving effect to this offering:

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ |
| Net tangible book value per share as of May 31, 2019 | $1.88 | |
| Increase in net tangible book value per share attributable to new investors | $ | |
| Adjusted net tangible book value per share after this offering | | $ |
| Dilution per share to new investors | | $ |

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) our net tangible book value by $ million, the net tangible book value per share after this offering by $ and the dilution per share to new investors by $ , assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option in full, the net tangible book value per share of our Class A common stock after giving effect to this offering would be $ per share, which amount represents an immediate increase in net tangible book value of $ per share to Kura Japan and the immediate dilution in net tangible book value per share to new investors in this offering of $ per share.

The following table presents, as of May 31, 2019, the differences between the number of shares purchased from us, the total consideration paid to us, and the average price per share paid by Kura Japan and by new investors purchasing Class A common stock at the assumed initial offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

| | Shares Purchased | | Total Consideration | | Average Price Per Share |
|---|---|---|---|---|---|
| | Number | Percent | Amount | Percent | |
| Kura Japan | | % | $ | % | $ |
| New investors | | | | | |
| Total | | 100.0% | $ | 100.0% | $ |

If the underwriters were to fully exercise their option to purchase additional shares of our Class A common stock, the percentage of shares of our Class A common stock held by Kura Japan after this offering would be %, and the percentage of shares of our Class A common stock held by new investors after this offering would be %.

The foregoing table does not reflect options outstanding under our 2018 Incentive Compensation Plan or stock options to be granted after the offering. As of May 31, 2019, there were 818,501 options outstanding with a weighted average exercise price of $2.23 per share on a pre-reverse split basis. To the extent any outstanding options or other equity awards are exercised or become vested or any additional options or other equity awards are granted and exercised or become vested or other issuances of shares of our common stock are made, there may be further economic dilution to new investors.

## SELECTED FINANCIAL DATA

The following table summarizes our historical financial and operating data for the periods and as of the dates indicated. The statements of income data for the fiscal years ended August 31, 2017 and August 31, 2018 and the balance sheet data as of August 31, 2017 and August 31, 2018 have been derived from our audited financial statements included elsewhere in this prospectus and reflects the effects of the immaterial correction of errors to the fiscal year ended August 31, 2017, as discussed in Note 9, *Immaterial Correction of Previously Reported Expenses*, to the audited financial statements included in this prospectus. We have derived the statements of income data for the nine months ended May 31, 2018 and May 31, 2019 and the balance sheet data as of May 31, 2019 from our unaudited interim financial statements included elsewhere in this prospectus. The financial data presented includes all normal and recurring adjustments that we consider necessary for a fair presentation of the financial position and results of operations for such periods.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. This information should be read in conjunction with "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited financial statements and unaudited interim financial statements and the related notes included elsewhere in this prospectus.

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands, except share and per share data) | | | |
| **Statements of Income Data:** | | | | |
| **Sales** | $ 37,251 | $ 51,744 | $ 37,099 | $ 45,492 |
| **Restaurant operating costs:** | | | | |
| Food and beverage costs | 13,389 | 17,594 | 12,772 | 14,880 |
| Labor and related costs | 12,117 | 15,994 | 11,711 | 14,286 |
| Occupancy and related expenses | 2,077 | 3,013 | 2,330 | 3,292 |
| Depreciation and amortization expenses | 1,345 | 1,624 | 1,133 | 1,457 |
| Other costs | 3,907 | 5,404 | 3,911 | 5,102 |
| Total restaurant operating costs | 32,835 | 43,629 | 31,857 | 39,017 |
| General and administrative expenses | 3,364 | 5,965 | 4,437 | 5,699 |
| Depreciation and amortization expenses | 25 | 51 | 38 | 80 |
| Impairment of long-lived asset | — | 236 | — | — |
| Total operating expenses | 36,224 | 49,881 | 36,332 | 44,796 |
| Operating income | 1,027 | 1,863 | 767 | 696 |
| **Other expense (income):** | | | | |
| Interest expense | 85 | 128 | 97 | 126 |
| Interest income | (5) | (12) | (6) | (11) |
| Income before income taxes | 947 | 1,747 | 676 | 581 |
| Income tax (benefit) expense | 240 | 5 | (86) | 41 |
| Net income | $ 707 | $ 1,742 | $ 762 | $ 540 |
| Net income attributable to Class A and Class B common stockholder - basic and diluted | $ 707 | $ 1,742 | $ 762 | $ 540 |
| Net income per share attributable to Class A and Class B common stockholder | | | | |
| Basic | $ 0.07 | $ 0.17 | $ 0.08 | $ 0.05 |
| Diluted | $ 0.07 | $ 0.17 | $ 0.08 | $ 0.05 |
| Weighted average shares used to compute net income per share attributable to Class A and Class B common stockholder | | | | |
| Basic | 10,000,000 | 10,000,091 | 10,000,088 | 10,000,100 |
| Diluted | 10,000,000 | 10,100,568 | 10,000,088 | 10,302,308 |

| | As of August 31, | | As of May 31, |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | (amounts in thousands) | | |
| **Balance Sheet Data:** | | | |
| Cash and cash equivalents | $ 2,882 | $ 5,711 | $ 1,265 |
| Total assets | 23,160 | 32,069 | 37,638 |
| Total liabilities | 8,502 | 10,564 | 15,117 |
| Total stockholder's equity | 14,658 | 21,505 | 22,521 |

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (dollar amounts in thousands) | | | |
| **Key Financial and Operational Metrics:** | | | | |
| Restaurants at the end of period | 14 | 17 | 18 | 21 |
| Average Unit Volumes(1) | $ 3,358 | $ 3,457 | N/A | N/A |
| Comparable restaurant sales growth(2) | 34.8% | 2.9% | 9.5% | 4.9% |
| EBITDA(3) | $ 2,397 | $ 3,538 | $ 1,938 | $ 2,233 |
| Adjusted EBITDA(3) | $ 3,107 | $ 4,506 | $ 2,608 | $ 3,431 |
| as a percentage of sales | 8.3% | 8.7% | 7.0% | 7.5% |
| Operating income | $ 1,027 | $ 1,863 | $ 767 | $ 696 |
| Operating profit margin | 2.8% | 3.6% | 2.1% | 1.5% |
| Restaurant-level Contribution(3) | $ 6,471 | $ 10,380 | $ 7,045 | $ 8,716 |
| Restaurant-level Contribution margin(3) | 17.4% | 20.1% | 19.0% | 19.2% |

(1) Average Unit Volumes (AUVs) consist of the average annual sales of all restaurants that have been open for 18 months or longer at the end of the fiscal year presented. The AUVs measure is calculated excluding the Laguna Hills, California restaurant, which closed in fiscal year 2018, and has also been adjusted for restaurants that were not open for the entire fiscal year presented (such as a restaurant closed for renovation) to annualize sales for such period of time. Since AUVs are calculated based on annual sales for the fiscal year presented, they are not shown on an interim basis for the nine-months ended May 31, 2018 and 2019. See "Additional Financial Measures and Other Data" for the definition of AUVs.

(2) Comparable restaurant sales growth represents the change in year-over-year sales for restaurants open for at least 18 months prior to the start of the accounting period presented, including those temporarily closed for renovations during the year. The comparable restaurant sales growth measure is calculated excluding the Laguna Hills, California restaurant, which closed in fiscal year 2018.

(3) EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin are intended as supplemental measures of our performance that are neither required by, nor presented in accordance with, GAAP. We are presenting EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin because we believe that they provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results. Additionally, we present Restaurant-level Contribution because it excludes the impact of general and administrative expenses which are not incurred at the restaurant-level. We also use Restaurant-level Contribution to measure operating performance and returns from opening new restaurants.

EBITDA is calculated as net income before interest expense, provision (benefit) for income taxes and depreciation and amortization. Adjusted EBITDA further adjusts EBITDA to reflect the additions and eliminations described in the table below. Restaurant-level Contribution represents operating income plus depreciation and amortization, stock-based compensation expense, pre-opening rent expense, pre-opening costs, non-cash rent expense, asset disposals, closure costs and restaurant impairments, general and administrative expenses, less corporate-level stock-based compensation expense. Restaurant-level Contribution margin is defined as Restaurant-level Contribution divided by sales.

We believe that the use of EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin 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 Contribution and Restaurant-level Contribution margin are financial measures which are not indicative of overall results for the Company, and Restaurant-level Contribution and Restaurant-level Contribution 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 EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin 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 EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin in the same fashion.

Because of these limitations, EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution 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, Restaurant-level Contribution and Restaurant-level Contribution margin on a supplemental basis. Our management recognizes that EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin have limitations as analytical financial measures, including the following:

- EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect our capital expenditures or future requirements for capital expenditures;
- EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect interest expense or the cash requirements necessary to service interest or principal payments associated with our indebtedness;
- EBITDA, Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, and do not reflect cash requirements for such replacements;
- Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect the costs of stock-based compensation expense, pre-opening rent expense, pre-opening costs, non-cash rent expense, and asset disposals, closure costs and restaurant impairments;
- Adjusted EBITDA, Restaurant-level Contribution and Restaurant-level Contribution margin do not reflect changes in, or cash requirements for, our working capital needs; and
- other companies in our industry may calculate these measures differently, limiting their usefulness as comparative measures.

A reconciliation of net income to EBITDA and Adjusted EBITDA is provided below:

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands) | | | |
| Net income, as reported | $ 707 | $ 1,742 | $ 762 | $ 540 |
| Interest, net | 80 | 116 | 91 | 115 |
| Taxes | 240 | 5 | (86) | 41 |
| Depreciation and amortization | 1,370 | 1,675 | 1,171 | 1,537 |
| EBITDA | 2,397 | 3,538 | 1,938 | 2,233 |
| Stock-based compensation expense(a) | — | 105 | — | 476 |
| Pre-opening rent expense(b) | 203 | 197 | 288 | 219 |
| Pre-opening costs(c) | 341 | 77 | 77 | 152 |
| Non-cash rent expense(d) | 166 | 353 | 305 | 351 |
| Asset disposals, closure costs and restaurant impairments(e) | — | 236 | — | — |
| Adjusted EBITDA | $ 3,107 | $ 4,506 | $ 2,608 | $ 3,431 |

(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 income and of corporate-level stock-based compensation included in general and administrative expenses in the statements of income. In fiscal year 2018, restaurant-level stock-based compensation was $13,884 and corporate-level stock-based compensation was $91,435. For the nine months ended May 31, 2019, restaurant-level stock-based compensation was $62,568 and corporate-level stock-based compensation was $413,649.

(b) Pre-opening rent expense includes rent expenses incurred between date of possession and opening month of our restaurants.

(c) Pre-opening costs represent labor costs for new employees (trainees) and includes hourly wages, payroll taxes and benefits, travel expenses for trainees and trainers and recruitment fees.

(d) Non-cash rent expense includes rent expense after the opening month of our restaurants that did not require cash outlay in the respective periods.

(e) Asset disposals, closure costs and restaurant impairments include losses incurred due to impairment of property and equipment.

A reconciliation of operating income to Restaurant-level Contribution is provided below:

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands) | | | |
| Operating income, as reported | $ 1,027 | $ 1,863 | $ 767 | $ 696 |
| Depreciation and amortization | 1,370 | 1,675 | 1,171 | 1,537 |
| Stock-based compensation expense(a) | — | 105 | — | 476 |
| Pre-opening rent expense(b) | 203 | 197 | 288 | 219 |
| Pre-opening costs(c) | 341 | 77 | 77 | 152 |
| Non-cash rent expense(d) | 166 | 353 | 305 | 351 |
| Asset disposals, closure costs and restaurant impairments(e) | — | 236 | — | — |
| General and administrative expenses(f) | 3,364 | 5,965 | 4,437 | 5,699 |
| Corporate-level stock-based compensation included in General and administrative expenses | — | (91) | — | (414) |
| Restaurant-level Contribution(f) | $ 6,471 | $ 10,380 | $ 7,045 | $ 8,716 |

(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 income and of corporate-level stock-based compensation included in general and administrative expenses in the statements of income. In fiscal year 2018, restaurant-level stock-based compensation was $13,884 and corporate-level stock-based compensation was $91,435. For the nine months ended May 31, 2019, restaurant-level stock-based compensation was $62,568 and corporate-level stock-based compensation was $413,649.

(b) Pre-opening rent expense includes rent expenses incurred between date of possession and opening month of our restaurants.

(c) Pre-opening costs represent labor costs for new employees (trainees) and includes hourly wages, payroll taxes and benefits, travel expenses for trainees and trainers and recruitment fees.

(d) Non-cash rent expense includes rent expense after the opening month of our restaurants that did not require cash outlay in the respective periods.

(e) Asset disposals, closure costs and restaurant impairments include losses incurred due to impairment of property and equipment.

(f) Amounts related to the fiscal year ended August 31, 2017 have been restated from those previously reported to give effect to the immaterial correction of errors as discussed in Note 9, *Immaterial Correction of Previously Reported Expenses*, to the audited financial statements included in this prospectus. General and administrative expenses and Restaurant-level Contribution as previously reported of $2,635 and $5,742, respectively, have each been increased in the amount of $729, to the amounts as restated of $3,364 and $6,471, respectively, which has resulted in an increase in Restaurant-level Contribution margin of 2%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations together with the "Selected Financial Data" and our financial statements and the related notes and other financial information included elsewhere in this prospectus. The following information reflects the effects of the immaterial correction of errors in the fiscal year ended August 31, 2017, as discussed in Note 9,* Immaterial Correction of Previously Reported Expenses, *to the audited financial statements included in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, 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 prospectus 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.*

### Overview

Kura Revolving Sushi Bar is a fast-growing technology-enabled Japanese restaurant concept. We offer a distinctive dining experience which we refer to as the "Kura Experience." The Kura Experience is built on the combination of our authentic Japanese cuisine and engaging revolving sushi service model. Kura Sushi USA was established in 2008 as a subsidiary of Kura Japan, a Japan-based revolving sushi chain with over 400 restaurants. Kura Sushi USA opened its first restaurant in Irvine, California in 2009, and we believe we are the largest revolving sushi chain in the United States. The success of our restaurants demonstrates that the Kura Experience resonates with our guests. Based on our initial success, we have expanded to new markets and, as of July 15, 2019, we operate 22 high-volume restaurants in California, Texas, Georgia, Illinois, and Nevada.

We offer our guests a small plates menu featuring over 140 freshly prepared items rooted in our philosophy of using old-world techniques and ingredients that are free from artificial seasonings, sweeteners, colorings, and preservatives. We believe our revolving sushi service model delights our guests by creating an exciting atmosphere where guests feel a sense of discovery, and by allowing them to control the variety, portioning, check size and pace of their dining experience.

Our restaurant model and disciplined growth strategy has driven strong performance in our business. As a result, for the fiscal year ended August 31, 2018, our sales grew 38.9% to $51.7 million, operating income grew 81.5% to $1.9 million, net income grew 146.4% to $1.7 million, and Restaurant-level Contribution grew 60.4% to $10.4 million. Our sales for the nine months ended May 31, 2019 increased by 22.6% to $45.5 million from $37.1 million for the nine months ended May 31, 2018. For the same period, operating income decreased 9.1% to $0.7 million, net income decreased 29.0% to $0.5 million, and Restaurant-level Contribution grew 23.7% to $8.7 million. The decrease in operating income and net income for the nine months ended May 31, 2019 was primarily driven by a $1.3 million increase in general and administrative expenses. The increase in general and administrative expenses is primarily due to an increase in costs associated with outside administrative, legal and professional fees, stock-based compensation, and other general corporate expenses associated with preparing to become a public company. Upon completion of our initial public offering, we expect that we will continue to incur significant legal, accounting and other expenses associated with being public, including additional expenses associated with our ongoing SEC reporting requirements as well as increased compensation for our management team. See "Risk Factors—We will incur increased costs as a result of being a public company."

For a reconciliation of operating income to Restaurant-level Contribution, a non-GAAP measure, see "Key Performance Indicators".

### Business Trends

Changes in customer preferences, general economic conditions, discretionary spending priorities, demographic trends, traffic patterns and the type, number and location of competing restaurants affect the

restaurant industry. Our success depends to a significant extent on consumer confidence, which is influenced by general economic conditions, local and regional economic conditions in the markets in which we operate, and discretionary income levels. Our sales may decline during economic downturns, which can be caused by various economic factors during periods of uncertainty. Any material decline in consumer confidence spending could cause our sales, operating results, business or financial condition to decline.

In addition, as further discussed below, our new restaurants historically open with above-average volumes, which then decline after the initial sales surge that comes with interest in a new restaurant opening, which is our "honeymoon period" for new restaurants. In new markets, the length of time before average sales for new restaurants stabilize is less predictable as a result of our limited knowledge of these markets and consumers' limited awareness of our brand. We assess the "honeymoon" period of newly opened restaurants by comparing year-over-year monthly sales to determine when in the prior year (i.e., the first twelve months after a restaurant opens) the "honeymoon" period ended. While the "honeymoon" period for our three restaurant openings in fiscal year 2017 ranged up to six months, our four restaurant openings in fiscal year 2018 have not operated for a sufficient period to allow us to determine the "honeymoon" period for such restaurants. New restaurants may not be profitable and their sales performance may not follow historical patterns. Since opening new restaurants is a significant component of our plans for sales growth, comparable restaurant sales growth is one key measure we use to evaluate performance, which measurement is subject to a variety of factors, including 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.

Our sales in future periods will continue to be subject to these and other factors that are beyond our control and, as a result, are likely to fluctuate.

**Growth Strategies and Outlook**

We plan to execute the following strategies to continue to increase our sales and improve profitability:

- open new restaurant locations;
- deliver consistent comparable restaurant sales growth;
- improve our profitability by leveraging scale and/or infrastructure; and
- increase brand awareness.

We have expanded our restaurant base from eight restaurants in California as of the beginning of fiscal year 2016 to 17 restaurants in three states as of the end of fiscal year 2018. We opened three restaurants in fiscal year 2017 and four restaurants in fiscal year 2018. As of July 15, 2019, we operate 22 restaurants within the United States. We expect to double our restaurant base within the next four years. To increase comparable restaurant sales, we plan to increase existing guest frequency, increase average check and increase brand awareness to drive new guest traffic to our restaurants. We believe we are well-positioned for future growth with our current infrastructure capable of supporting a larger restaurant base. The financial results provided herein reflect the fact that, to date, we have been a private company and as such have not incurred costs typically found in publicly traded companies. While we expect our selling, general and administrative expenses will increase, similar to other companies who complete an initial public offering, we believe we have an opportunity to optimize costs and enhance our profitability as we benefit from economies of scale.

**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 Contribution, Restaurant-level Contribution margin, Average Unit Volumes (AUVs), comparable restaurant sales growth, and number of restaurant openings.

***Sales***

Sales represents sales of food and beverages in restaurants, as shown on our statements of income. 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 before interest, income taxes and depreciation and amortization. Adjusted EBITDA is defined as EBITDA plus stock-based compensation expense, pre-opening rent expense, pre-opening costs, non-cash rent expense and asset disposals, closure costs and restaurant impairments. Adjusted EBITDA is intended as a supplemental measure of our performance that is neither required by, nor presented in accordance with, GAAP. We believe that EBITDA and Adjusted EBITDA provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results.

We believe that the use of EBITDA and Adjusted EBITDA 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 when evaluating EBITDA and Adjusted EBITDA 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 may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate Adjusted EBITDA in the same fashion.

Because of these limitations, EBITDA and Adjusted EBITDA 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 and Adjusted EBITDA on a supplemental basis. You should review the reconciliation of net income to EBITDA and Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.

The following table reconciles net income to EBITDA and Adjusted EBITDA for the fiscal years ended August 31, 2017 and August 31, 2018, and for the nine months ended May 31, 2018 and May 31, 2019, respectively:

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands) | | | |
| Net income, as reported | $ 707 | $ 1,742 | $ 762 | $ 540 |
| Interest, net | 80 | 116 | 91 | 115 |
| Taxes | 240 | 5 | (86) | 41 |
| Depreciation and amortization | 1,370 | 1,675 | 1,171 | 1,537 |
| EBITDA | 2,397 | 3,538 | 1,938 | 2,233 |
| Stock-based compensation expense[a] | — | 105 | — | 476 |
| Pre-opening rent expense[b] | 203 | 197 | 288 | 219 |
| Pre-opening costs[c] | 341 | 77 | 77 | 152 |
| Non-cash rent expense[d] | 166 | 353 | 305 | 351 |
| Asset disposals, closure costs and restaurant impairments[e] | — | 236 | — | — |
| Adjusted EBITDA | $ 3,107 | $ 4,506 | $ 2,608 | $ 3,431 |

(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 income and of

corporate-level stock-based compensation included in general and administrative expenses in the statements of income. In fiscal year 2018, restaurant-level stock-based compensation was $13,884 and corporate-level stock-based compensation was $91,435. For the nine months ended May 31, 2019, restaurant-level stock-based compensation was $62,568 and corporate-level stock-based compensation was $413,649.

(b) Pre-opening rent expense includes rent expenses incurred between date of possession and opening month of our restaurants

(c) Pre-opening costs represent labor costs for new employees (trainees) and includes hourly wages, payroll taxes and benefits, travel expenses for trainees and trainers and recruitment fees for the training period

(d) Non-cash rent expense includes rent expense after the opening month of our restaurants that did not require cash outlay in the respective periods

(e) Asset disposals, closure costs and restaurant impairments include losses incurred due to impairment of property and equipment

***Restaurant-level Contribution and Restaurant-level Contribution Margin***

Restaurant-level Contribution is defined as operating income plus depreciation and amortization, stock-based compensation expense, pre-opening rent expense, pre-opening costs, non-cash rent expense, asset disposals, closure costs and restaurant impairments, general and administrative expenses, less corporate-level stock-based compensation expense. Restaurant-level Contribution margin is defined as Restaurant-level Contribution divided by sales. Restaurant-level Contribution and Restaurant-level Contribution margin are intended as supplemental measures of our performance that are neither required by, nor presented in accordance with, GAAP. We believe that Restaurant-level Contribution and Restaurant-level Contribution margin provide useful information to management and investors regarding certain financial and business trends relating to our financial condition and operating results. We expect Restaurant-level Contribution to increase in proportion to the number of new restaurants we open and our comparable restaurant sales growth.

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

However, you should be aware that Restaurant-level Contribution and Restaurant-level Contribution margin are financial measures which are not indicative of overall results for the Company, and Restaurant-level Contribution and Restaurant-level Contribution 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 Contribution and Restaurant-level Contribution 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 Contribution and Restaurant-level Contribution margin may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate Restaurant-level Contribution and Restaurant-level Contribution margin in the same fashion. Restaurant-level Contribution and Restaurant-level Contribution margin have limitations as analytical tools, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. The following table reconciles operating income to Restaurant-level Contribution and Restaurant-level Contribution margin for the fiscal years ended August 31, 2017 and August 31, 2018 and for the nine months ended May 31, 2018 and May 31, 2019, respectively:

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands) | | | |
| Operating income, as reported | $ 1,027 | $ 1,863 | $ 767 | $ 696 |
| Depreciation and amortization | 1,370 | 1,675 | 1,171 | 1,537 |
| Stock-based compensation expense[a] | — | 105 | — | 476 |
| Pre-opening rent expense[b] | 203 | 197 | 288 | 219 |
| Pre-opening costs[c] | 341 | 77 | 77 | 152 |
| Non-cash rent expense[d] | 166 | 353 | 305 | 351 |
| Asset disposals, closure costs and restaurant impairments[e] | — | 236 | — | — |
| General and administrative expenses[f] | 3,364 | 5,965 | 4,437 | 5,699 |
| Corporate-level stock-based compensation included in General and administrative expenses | — | (91) | — | (414) |
| Restaurant-level Contribution[f] | $ 6,471 | $ 10,380 | $ 7,045 | $ 8,716 |
| Operating profit margin | 2.8% | 3.6% | 2.1% | 1.5% |
| Restaurant-level Contribution margin[f] | 17.4% | 20.1% | 19.0% | 19.2% |

(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 income and of corporate-level stock-based compensation included in general and administrative expenses in the statements of income. In fiscal year 2018, restaurant-level stock-based compensation was $13,884 and corporate-level stock-based compensation was $91,435. For the nine months ended May 31, 2019, restaurant-level stock-based compensation was $62,568 and corporate-level stock-based compensation was $413,649.

(b) Pre-opening rent expense includes rent expenses incurred between date of possession and opening month of our restaurants.

(c) Pre-opening costs represent labor costs for new employees (trainees) and includes hourly wages, payroll taxes and benefits, travel expenses for trainees and trainers and recruitment fees for the training period.

(d) Non-cash rent expense includes rent expense after the opening month of our restaurants that did not require cash outlay in the respective periods.

(e) Asset disposals, closure costs and restaurant impairments include losses incurred due to impairment of property and equipment.

(f) Amounts related to the fiscal year ended August 31, 2017 have been restated from those previously reported to give effect to the immaterial correction of errors as discussed in Note 9, *Immaterial Correction of Previously Reported Expenses*, to the audited financial statements included in this prospectus. General and administrative expenses and Restaurant-level Contribution as previously reported of $2,635 and $5,742, respectively, have each been increased in the amount of $729, to the amounts as restated of $3,364 and $6,471, respectively, which has resulted in an increase in Restaurant-level Contribution margin of 2%.

***Average Unit Volumes (AUVs)***

"Average Unit Volumes" or "AUVs" consist of the average annual sales of all restaurants that have been open for 18 months or longer at the end of the fiscal year presented. 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 period of time. This measurement allows management to assess changes in consumer spending patterns at our restaurants and the overall performance of our restaurant base. The AUVs measure is calculated excluding the Laguna Hills, California restaurant, which closed in fiscal year 2018. Since AUVs are calculated based on annual sales for the fiscal year presented, they are not presented in this prospectus on an interim basis for the nine-months ended May 31, 2018 and 2019.

Typically, our new restaurants experience a "honeymoon" period of higher sales upon opening. The "honeymoon" period for our three restaurant openings in fiscal year 2017 ranged up to six months. In new markets, the length of time before average sales for new restaurants stabilize is less predictable as a result of our limited knowledge of these markets and consumers' limited awareness of our brand. We assess the "honeymoon" period of newly opened restaurants by comparing year-over-year monthly sales to determine when in the prior year (i.e., the first twelve months after a restaurant opens) the "honeymoon" period ended. While the "honeymoon" period for our three restaurant openings in fiscal year 2017 ranged up to six months, our four restaurant openings in fiscal year 2018 have not operated for a sufficient period to allow us to determine the "honeymoon" period for such restaurants.

The following table shows the AUVs for the fiscal years ended August 31, 2017 and August 31, 2018 respectively:

| | Fiscal Years Ended August 31, | |
|---|---|---|
| | 2017 | 2018 |
| | (in thousands) | |
| Average Unit Volumes | $ 3,358 | $ 3,457 |

***Comparable Restaurant Sales Growth***

Comparable restaurant sales growth refers to the change in year-over-year sales for the comparable restaurant base. We include restaurants in the comparable restaurant base that have been in operation for at least 18 months prior to the start of the accounting period presented, 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. Growth in comparable restaurant sales represents the percent change in sales from the same period in the prior year for the comparable restaurant base. For the fiscal years ended August 31, 2017 and August 31, 2018, there were six and eight restaurants, respectively, in our comparable restaurant base. For the nine months ended May 31, 2018 and May 31, 2019, there were seven and ten restaurants, respectively, in our comparable restaurant base. This measure highlights performance of existing restaurants, as the impact of new restaurant openings is excluded. The comparable restaurant sales growth measure is calculated excluding the Laguna Hills, California restaurant, which closed in fiscal year 2018.

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

- consumer recognition of our brand and our ability to respond to changing consumer preferences;
- overall economic trends, particularly those related to consumer spending;
- our ability to operate restaurants effectively and efficiently to meet consumer expectations;
- pricing;

- guest traffic;
- per-guest spend and average check;
- marketing and promotional efforts;
- local competition; and
- opening of new restaurants in the vicinity of existing locations.

Since opening new restaurants will be a significant component of our sales growth, comparable restaurant sales growth is only one measure of how we evaluate our performance. The following table shows the comparable restaurant sales growth for the fiscal years ended August 31, 2017 and August 31, 2018 and for the nine months ended May 31, 2018 and May 31, 2019, respectively:

| | Fiscal Years Ended August 31, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| Comparable restaurant sales growth (%) | 34.8% | 2.9% | 9.5% | 4.9% |
| Comparable restaurant base | 6 | 8 | 7 | 10 |

We typically experience a 120% - 150% increase in sales at renovated restaurants from increased traffic and higher average check size. For renovated restaurants, the degree of the increase in sales at renovated restaurants, the length of time the restaurant is closed for renovation, the number of restaurants that underwent renovations in our comparable restaurant base and the timing of reopening renovated restaurants can impact our comparable restaurant sales growth.

For fiscal year 2017, our comparable restaurant sales grew 34.8% and were impacted by the timing of reopening three renovated restaurants in the latter part of fiscal year 2016 and two renovated restaurants in fiscal year 2017. For fiscal year 2018, our comparable restaurant sales grew 2.9% and were impacted by the timing of reopening three renovated restaurants in 2016 and two renovated restaurants in 2017. The three restaurants that opened in fiscal year 2016 maintained their post-renovation sales level in fiscal year 2018. Additionally, the comparable restaurant base increased to eight restaurants during fiscal year 2018, and the increased sales of the two restaurants that underwent renovations in 2017 had a proportionately smaller effect on comparable restaurant sales growth in fiscal year 2018.

The difference between the comparable restaurant sales growth of 9.5% during the nine months ended May 31, 2018, and the comparable restaurant sales growth of 4.9% during the nine months ended May 31, 2019, was due to similar reasons as the changes from fiscal year 2017 to fiscal year 2018.

| Renovated Restaurants | Renovation Start Date | Fiscal Quarter for Re-opening of Restaurant |
|---|---|---|
| Torrance | 2/22/2016 | Q3’2016 |
| Sawtelle | 6/1/2016 | Q4’2016 |
| Brea | 6/20/2016 | Q4’2016 |
| Irvine | 12/19/2016 | Q3’2017 |
| Little Tokyo | 9/19/2016 | Q1’2017 |
| Rancho Cucamonga | 5/14/2018 | Q3’2018 |

***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, 2016, August 31, 2017 and August 31, 2018 and for the nine months ended May 31, 2018 and May 31, 2019, respectively:

| | Fiscal Years Ended August 31, | | | Nine Months Ended May 31, | |
|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2018 | 2019 |
| Restaurant activity: | | | | | |
| Beginning of period | 8 | 11 | 14 | 14 | 17 |
| Openings | 3 | 3 | 4 | 4 | 4 |
| Closing | — | — | (1) | — | — |
| End of period | 11 | 14 | 17 | 18 | 21 |

**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 grows.

***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 grows. 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 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 sales grows, including incremental legal, accounting, insurance and other expenses incurred as a public company.

***Interest expense.*** Interest expense includes non-cash charges related to our capital 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**

***Nine months ended May 31, 2019 Compared to Nine months ended May 31, 2018***

The following table presents selected comparative results of operations from our unaudited financial statements for the nine months ended May 31, 2019 compared to nine months ended May 31, 2018. Our financial results for these periods are not necessarily indicative of the financial results that we will achieve in future periods. Certain totals for the table below may not sum to 100% due to rounding. As reflected in the table below, we experienced a decrease in operating income and net income for the nine months ended May 31, 2019 as compared to the nine months ended May 31, 2018, which was primarily driven by a $1.3 million increase in general and administrative expenses. The increase in general and administrative expenses is primarily due to an increase in costs associated with outside administrative, legal and professional fees, stock-based compensation, and other general corporate expenses associated with preparing to become a public company.

| | Nine Months Ended May 31, | | Increase / (Decrease) | |
|---|---|---|---|---|
| | 2018 | 2019 | Dollars | Percentage |
| | (dollar amounts in thousands) | | | |
| **Statements of Income Data:** | | | | |
| Sales | $ 37,099 | $ 45,492 | $ 8,393 | 22.6% |
| Restaurant operating costs: | | | | |
| Food and beverage costs | 12,772 | 14,880 | 2,108 | 16.5 |
| Labor and related costs | 11,711 | 14,286 | 2,575 | 22.0 |
| Occupancy and related expenses | 2,330 | 3,292 | 962 | 41.3 |
| Depreciation and amortization expenses | 1,133 | 1,457 | 324 | 28.6 |
| Other costs | 3,911 | 5,102 | 1,191 | 30.5 |
| Total restaurant operating costs | 31,857 | 39,017 | 7,160 | 22.5 |
| General and administrative expenses | 4,437 | 5,699 | 1,262 | 28.4 |
| Depreciation and amortization expenses | 38 | 80 | 42 | 110.5 |
| Total operating expenses | 36,332 | 44,796 | 8,464 | 23.3 |
| Operating income | 767 | 696 | (71) | (9.3) |
| Other expense (income): | | | | |
| Interest expense | 97 | 126 | 29 | 29.9 |
| Interest income | (6) | (11) | (5) | 83.3 |
| Income before income taxes | 676 | 581 | (95) | (14.1) |
| Income tax expense (benefit) | (86) | 41 | 127 | (147.7) |
| Net income | $ 762 | $ 540 | $ (222) | (29.1)% |

| | Nine Months Ended May 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (as a percentage of sales) | |
| **Statements of Income Data:** | | |
| **Sales** | 100.0% | 100.0% |
| **Restaurant operating costs:** | | |
| Food and beverage costs | 34.4 | 32.7 |
| Labor and related costs | 31.6 | 31.4 |
| Occupancy and related expenses | 6.3 | 7.2 |
| Depreciation and amortization expenses | 3.1 | 3.2 |
| Other costs | 10.5 | 11.2 |
| Total restaurant operating costs | 85.9 | 85.8 |
| General and administrative expenses | 11.9 | 12.5 |
| Depreciation and amortization expenses | 0.1 | 0.2 |
| Total operating expenses | 97.9 | 98.5 |
| Operating income | 2.1 | 1.5 |
| **Other expense (income):** | | |
| Interest expense | 0.3 | 0.3 |
| Interest income | 0.0 | 0.0 |
| Income before income taxes | 1.8 | 1.3 |
| Income tax benefit | (0.2) | 0.1 |
| Net income | 2.1% | 1.2% |

*Sales.* Sales were $45.5 million for the nine months ended May 31, 2019 compared to $37.1 million for the nine months ended May 31, 2018, representing an increase of approximately $8.4 million, or 22.6%. The increase in sales for the nine months ended May 31, 2019 was primarily driven by $8.5 million in sales from four new restaurants opened during fiscal year 2019 and the four new restaurants that opened in the second and third quarter of fiscal year 2018. Restaurants included in the comparable restaurant base accounted for a $1.6 million increase in sales primarily due to increases in our menu prices, including side dish and per plate prices. The increase in sales was partially offset by the stabilizing of sales from mature restaurants and the loss of sales from the closure of the Laguna Hills restaurant in the last month of fiscal year 2018.

*Food and beverage costs*. Food and beverage costs were $14.9 million for the nine months ended May 31, 2019 compared to $12.8 million for the nine months ended May 31, 2018, representing an increase of approximately $2.1 million, or 16.5%. The increase in food and beverage costs for the nine months ended May 31, 2019 was primarily driven by sales from four new restaurants opened during fiscal year 2019 and the four new restaurants that opened in the second and third quarter of fiscal year 2018. As a percentage of sales, food and beverage costs decreased to 32.7% in the nine months ended May 31, 2019 compared to 34.4% in the nine months ended May 31, 2018. The decrease in food and beverage costs as a percentage of sales was primarily driven by the increases in our menu prices which resulted in an increase in sales.

*Labor and related costs*. Labor and related costs were $14.3 million for the nine months ended May 31, 2019 compared to $11.7 million for the nine months ended May 31, 2018, representing an increase of approximately $2.6 million, or 22.0%. The increase in labor and related costs was driven by additional labor costs incurred for the nine months ended May 31, 2019 with respect to four new restaurants opened during fiscal year 2019 and the four new restaurants that opened in the second and third quarter of fiscal year 2018. As a percentage of sales, labor and related costs remained relatively consistent at 31.4% and 31.6% for the nine months ended May 31, 2019 and May 31, 2018, respectively.

*Occupancy and related expenses*. Occupancy and related expenses were $3.3 million for the nine months ended May 31, 2019 compared to $2.3 million for the nine months ended May 31, 2018, representing an increase of approximately $1.0 million, or 41.3%. The increase was primarily a result of an additional $1.0 million of occupancy expenses incurred with respect to four new restaurants opened during fiscal year 2019 and the four new restaurants that opened in the second and third quarter of fiscal year 2018. As a percentage of sales, occupancy and related expenses increased to 7.2% in the nine months ended May 31, 2019, compared to 6.3% for the nine months ended May 31, 2018.

*Depreciation and amortization expenses*. Depreciation and amortization expenses incurred as part of restaurant operating costs were $1.5 million for the nine months ended May 31, 2019 compared to $1.1 million for the nine months ended May 31, 2018, representing an increase of approximately $0.3 million, or 28.6%. The increase was primarily due to depreciation of property and equipment related to the four new restaurants opened during fiscal year 2019 and the four new restaurants that opened in the second and third quarter of fiscal year 2018. As a percentage of sales, depreciation and amortization expenses at the restaurant-level remained relatively consistent at 3.2% and 3.1% for the nine months ended May 31, 2019 and May 31, 2018, respectively. Depreciation and amortization expenses incurred at the corporate-level were immaterial for the nine months ending May 31, 2019 and May 31, 2018, and as a percentage of sales remained relatively consistent at 0.2% and 0.1%, respectively.

*Other costs*. Other costs were $5.1 million for the nine months ended May 31, 2019 compared to $3.9 million for the nine months ended May 31, 2018, representing an increase in approximately $1.2 million, or 30.5%. The increase was primarily due to an increase of $0.2 million in small tools and equipment, $0.2 million in credit card fees as a result of higher sales, $0.2 million in advertising and promotions and $0.3 million in repairs and maintenance. The remaining year-over-year increase is due to individually insignificant items. As a percentage of sales, other costs increased to 11.2% in the nine months ended May 31, 2019 from 10.5% in the nine months ended May 31, 2018, primarily due to an increase in small tools, office supplies, and other restaurant expenses incurred for four new restaurants opened during the nine months ended May 31, 2019.

*General and administrative expenses*. General and administrative expenses were $5.7 million for the nine months ended May 31, 2019 compared to $4.4 million for the nine months ended May 31, 2018, representing an increase of approximately $1.3 million, or 28.4%. This increase in general and administrative expenses was primarily due to $1.0 million in higher salary and employee compensation-related expenses associated with the hiring of additional executives and administrative employees to support our growth in operations. The remaining year-over-year increase is due to increases in professional services, travel expenses and corporate-level recruiting costs to support our growth plans and the opening of our new restaurants, as well as costs associated with outside administrative, legal and professional fees and other general corporate expenses associated with preparing to become a public company. As a percentage of sales, general and administrative expenses increased to 12.5% in the nine months ended May 31, 2019 from 11.9% in the nine months ended May 31, 2018 primarily due to the increase in the expenses mentioned above.

*Interest expense*. Interest expense increased approximately $29 thousand, or 29.9%, in the nine months ended May 31, 2019. The increase in interest expense was primarily due to interest incurred from additional capital leases as a result of restaurants opening after May 31, 2018.

*Income tax benefit*. Income tax expense was immaterial for the nine months ended May 31, 2019. In comparison to the income tax benefit of $0.1 million for the nine months ended May 31, 2018, the year-over-year change represents an increase in expense of approximately $0.1 million or 147.7%. This increase in income tax expense was primarily due to certain discrete tax benefits recorded for the nine months ended May 31, 2018 related to the changes enacted by the Tax Cuts and Jobs Act.

**Results of Operations**

***Fiscal Year Ended August 31, 2018 Compared to Fiscal Year Ended August 31, 2017***

The following table presents selected comparative results of operations from our audited financial statements for the fiscal year ended August 31, 2018 compared to the fiscal year ended August 31, 2017. Our financial results for these periods are not necessarily indicative of the financial results that we will achieve in future periods. Certain totals for the table below may not sum to 100% due to rounding.

| | Fiscal Years Ended August 31, | | Increase / (Decrease) | |
|---|---|---|---|---|
| | 2017 | 2018 | Dollars | Percentage |
| | (dollar amounts in thousands) | | | |
| **Statements of Income Data:** | | | | |
| Sales | $ 37,251 | $ 51,744 | $ 14,493 | 38.9% |
| Restaurant operating costs: | | | | |
| Food and beverage costs | 13,389 | 17,594 | 4,205 | 31.4 |
| Labor and related costs | 12,117 | 15,994 | 3,877 | 32.0 |
| Occupancy and related expenses | 2,077 | 3,013 | 936 | 45.1 |
| Depreciation and amortization expenses | 1,345 | 1,624 | 279 | 20.7 |
| Other costs | 3,907 | 5,404 | 1,497 | 38.3 |
| Total restaurant operating costs | 32,835 | 43,629 | 10,794 | 32.9 |
| General and administrative expenses | 3,364 | 5,965 | 2,601 | 77.3 |
| Depreciation and amortization expenses | 25 | 51 | 26 | 103.8 |
| Impairment of long-lived asset | — | 236 | 236 | * |
| Total operating expenses | 36,224 | 49,881 | 13,657 | 37.7 |
| Operating income | 1,027 | 1,863 | 836 | 81.5 |
| Other expense (income): | | | | |
| Interest expense | 85 | 128 | 43 | 50.5 |
| Interest income | (5) | (12) | (7) | 144.6 |
| Income before income taxes | 947 | 1,747 | 800 | 84.5 |
| Income tax expense | 240 | 5 | (235) | (98.0) |
| Net income | $ 707 | $ 1,742 | $ 1,035 | 146.4% |

* Percentage not meaningful

| | Fiscal Years Ended August 31, | |
|---|---|---|
| | 2017 | 2018 |
| | (as a percentage of sales) | |
| **Statements of Income Data:** | | |
| **Sales** | 100.0% | 100.0% |
| **Restaurant operating costs:** | | |
| Food and beverage costs | 35.9 | 34.0 |
| Labor and related costs | 32.5 | 30.9 |
| Occupancy and related expenses | 5.6 | 5.8 |
| Depreciation and amortization expenses | 3.6 | 3.1 |
| Other costs | 10.5 | 10.4 |
| Total restaurant operating costs | 88.1 | 84.2 |
| General and administrative expenses | 9.0 | 11.5 |
| Depreciation and amortization expenses | 0.1 | 0.1 |
| Impairment of long-lived asset | 0.0 | 0.5 |
| Total operating expenses | 97.2 | 96.3 |
| Operating income | 2.8 | 3.6 |
| **Other expense (income):** | | |
| Interest expense | 0.2 | 0.2 |
| Interest income | 0.0 | 0.0 |
| Income before income taxes | 2.5 | 3.4 |
| Income tax expense | 0.6 | 0.0 |
| Net income | 1.9% | 3.4% |

*Sales.* Sales were $51.7 million for fiscal year 2018 compared to $37.3 million for fiscal year 2017, representing an increase of approximately $14.5 million, or 38.9%. The increase in sales was primarily driven by $12.8 million from four new restaurants that opened during fiscal year 2018 and the three new restaurants that opened in the last two quarters of fiscal year 2017. Additionally, restaurants included in the comparable restaurant base contributed $1.7 million to the increase in sales during fiscal year 2018.

*Food and beverage costs.* Food and beverage costs were $17.6 million for fiscal year 2018 compared to $13.4 million for fiscal year 2017, representing an increase of approximately $4.2 million, or 31.4%. The increase in food and beverage costs was primarily driven by sales from the four new restaurants opened during fiscal year 2018 and the three new restaurants that were opened in the last two quarters of fiscal year 2017. As a percentage of sales, food and beverage costs decreased to 34.0% in fiscal year 2018, compared to 35.9% in fiscal year 2017.

*Labor and related costs.* Labor and related costs were $16.0 million for fiscal year 2018 compared to $12.1 million for fiscal year 2017, representing an increase of approximately $3.9 million, or 32.0%. The increase in labor and related costs was driven by additional labor costs incurred with respect to the four new restaurants opened during fiscal year 2018 and the three new restaurants that were opened in the last two quarters of fiscal year 2017. As a percentage of sales, labor and related costs decreased to 30.9% in fiscal year 2018, compared to 32.5% in fiscal year 2017. The decrease was primarily due to opening three new restaurants in fiscal year 2018 and three new restaurants in the last two quarters in fiscal year 2017 in states with lower wage rates.

*Occupancy and related expenses.* Occupancy and related expenses were $3.0 million for fiscal year 2018 compared to $2.1 million for fiscal year 2017, representing an increase of approximately $0.9 million, or 45.1%. The increase was primarily a result of an additional $0.6 million of rental costs incurred with respect to four new restaurants opened during fiscal year 2018, and an additional $0.2 million for the three restaurants that opened in

the last two quarters of fiscal year 2017. As a percentage of sales, occupancy and other operating expenses increased to 5.8% in fiscal year 2018, compared to 5.6% for fiscal year 2017.

*Depreciation and amortization expenses.* Depreciation and amortization expenses incurred as part of restaurant operating costs were $1.6 million for fiscal year 2018 compared to $1.3 million for fiscal year 2017, representing an increase of approximately $0.3 million, or 20.8%. The increase was primarily due to depreciation of property and equipment related to the opening of four new restaurants. As a percentage of sales, depreciation and amortization expenses at the restaurant-level decreased to 3.1% in fiscal year 2018 from 3.6% in fiscal year 2017, primarily due to higher sales from the four new restaurants that opened during fiscal year 2018 and the three new restaurants that opened in the last two quarters of fiscal year 2017. Depreciation and amortization expenses incurred at the corporate-level were immaterial for fiscal years 2017 and 2018, and as a percentage of sales remained relatively consistent at 0.1%.

*Other costs.* Other costs were $5.4 million for fiscal year 2018 compared to $3.9 million for fiscal year 2017, representing an increase in approximately $1.5 million, or 38.3%. The increase was primarily due to an increase of $0.4 million in credit card fees as a result of higher sales, as well as $0.3 million in royalty payments to the Parent as a result of executing a licensing agreement with the Parent in fiscal year 2018. The remaining year-over-year increase is due to individually insignificant items. As a percentage of sales, other costs decreased to 10.4% in fiscal year 2018 from 10.5% in fiscal year 2017, primarily due to the increase in sales year-over-year. Additional information on royalty payments is set forth in Note 5 to our audited financial statements included in this prospectus.

*General and administrative expenses.* General and administrative expenses were $6.0 million for fiscal year 2018 compared to $3.4 million for fiscal year 2017, representing an increase of approximately $2.6 million, or 77.3%. This increase in general and administrative expenses was primarily due to $1.8 million in higher salary and employee compensation-related expenses associated with the hiring of additional executives and administrative employees to support our growth in operations. The remaining year-over-year increase is due to increases in professional services, travel expenses and corporate-level recruiting costs to support our growth plans and the opening of our new restaurants. As a percentage of sales, general and administrative expenses increased to 11.5% in fiscal year 2018 from 9.0% in fiscal year 2017, primarily due to the increase in the expenses mentioned above.

*Interest expense.* Interest expense increased approximately $0.1 million, or 50.5%, in fiscal year 2018. The increase in interest expense was primarily due to interest incurred from additional capital leases as a result of restaurant openings during fiscal year 2018.

*Income tax expense.* Income tax expense was insignificant in fiscal year 2018 compared to $0.2 million in fiscal year 2017, representing a decrease of approximately $0.2 million or 98.0%. This decrease in income tax expense was primarily due to income tax benefits from the increase in general business credits.

### Quarterly Results of Operations

The following tables summarize our selected unaudited quarterly statements of operations data for each of the eleven fiscal quarters in the period ended May 31, 2019 and reflects the effects of the immaterial correction of errors to the quarters in the fiscal year ended August 31, 2017, as discussed in Note 9, *Immaterial Correction of Previously Reported Expenses*, to the audited financial statements included in this prospectus. The information for each of these fiscal quarters has been prepared on a basis consistent with our audited financial statements and, in the opinion of management, includes all adjustments of a normal, recurring nature that are necessary for the fair statement of the results of operations for these periods in accordance with GAAP. The data should be read in conjunction with our audited financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected for a full year or in any future period.

| | Three Months Ended | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nov. 30, 2016 | Feb. 29, 2017 | May 31, 2017 | Aug. 31, 2017 | Nov. 30, 2017 | Feb. 28, 2018 | May 31, 2018 | Aug. 31, 2018 | Nov. 30, 2018 | Feb. 28, 2019 | May 31, 2019 |
| | (amounts in thousands) | | | | | | | | | | |
| **Sales** | $ 8,009 | $ 7,780 | $ 9,804 | $11,658 | $11,695 | $11,748 | $13,656 | $14,645 | $13,420 | $15,117 | $16,955 |
| **Restaurant operating costs:** | | | | | | | | | | | |
| Food and beverage costs | 2,964 | 2,824 | 3,505 | 4,096 | 4,120 | 4,021 | 4,631 | 4,822 | 4,518 | 4,853 | 5,509 |
| Labor and related costs | 2,534 | 2,651 | 3,190 | 3,742 | 3,731 | 3,767 | 4,213 | 4,283 | 4,138 | 4,869 | 5,279 |
| Occupancy and related expenses | 472 | 496 | 517 | 592 | 709 | 757 | 864 | 683 | 920 | 1,075 | 1,297 |
| Depreciation and amortization expenses | 283 | 301 | 332 | 429 | 328 | 364 | 441 | 491 | 448 | 492 | 517 |
| Other costs | 803 | 844 | 980 | 1,280 | 1,255 | 1,227 | 1,429 | 1,493 | 1,645 | 1,701 | 1,756 |
| Total restaurant operating costs | 7,056 | 7,116 | 8,524 | 10,139 | 10,143 | 10,136 | 11,578 | 11,772 | 11,669 | 12,990 | 14,358 |
| General and administrative expenses | 689 | 903 | 991 | 781 | 1,446 | 1,484 | 1,508 | 1,527 | 2,148 | 1,817 | 1,734 |
| Depreciation and amortization expenses | 1 | 3 | 14 | 7 | 9 | 15 | 13 | 14 | 23 | 28 | 29 |
| Impairment of long-lived asset | — | — | — | — | — | — | — | 236 | — | — | — |
| Total operating expenses | 7,746 | 8,022 | 9,529 | 10,927 | 11,598 | 11,635 | 13,099 | 13,549 | 13,840 | 14,835 | 16,121 |
| Operating income (loss) | 263 | (242) | 275 | 731 | 97 | 113 | 557 | 1,096 | (420) | 282 | 834 |
| **Other expense (income):** | | | | | | | | | | | |
| Interest expense | 16 | 19 | 21 | 29 | 31 | 30 | 36 | 31 | 41 | 40 | 45 |
| Interest income | — | (1) | (3) | (1) | (1) | — | (5) | (6) | (5) | (5) | (1) |
| Income (loss) before income taxes | 247 | (260) | 257 | 703 | 67 | 83 | 526 | 1,071 | (456) | 247 | 790 |
| Income tax expense (benefit) | 62 | (66) | 66 | 178 | 5 | (213) | 122 | 91 | (65) | 35 | 71 |
| Net income (loss) | $ 185 | $ (194) | $ 191 | $ 525 | $ 62 | $ 296 | $ 404 | $ 980 | $ (391) | $ 212 | $ 719 |

The following table sets forth our unaudited quarterly results of operations data for each of the periods indicated as a percentage of sales:

| | Three Months Ended | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nov. 30, 2016 | Feb. 29, 2017 | May 31, 2017 | Aug. 31, 2017 | Nov. 30, 2017 | Feb. 28, 2018 | May 31, 2018 | Aug. 31, 2018 | Nov. 30, 2018 | Feb. 28, 2019 | May 31, 2019 |
| **Sales** | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| **Restaurant operating costs:** | | | | | | | | | | | |
| Food and beverage costs | 37.0 | 36.3 | 35.8 | 35.1 | 35.2 | 34.2 | 33.9 | 32.9 | 33.7 | 32.1 | 32.5 |
| Labor and related costs | 31.6 | 34.1 | 32.5 | 32.1 | 31.9 | 32.1 | 30.9 | 29.2 | 30.8 | 32.2 | 31.1 |
| Occupancy and related expenses | 5.9 | 6.4 | 5.3 | 5.1 | 6.1 | 6.4 | 6.3 | 4.7 | 6.9 | 7.1 | 7.6 |
| Depreciation and amortization expenses | 3.5 | 3.9 | 3.4 | 3.7 | 2.8 | 3.1 | 3.2 | 3.4 | 3.3 | 3.3 | 3.0 |
| Other costs | 10.0 | 10.8 | 10.0 | 11.0 | 10.7 | 10.4 | 10.5 | 10.2 | 12.3 | 11.3 | 10.4 |
| Total restaurant operating costs | 88.1 | 91.5 | 86.9 | 87.0 | 86.7 | 86.3 | 84.8 | 80.4 | 87.0 | 85.9 | 84.7 |
| General and administrative expenses | 8.6 | 11.6 | 10.1 | 6.7 | 12.4 | 12.6 | 11.0 | 10.4 | 16.0 | 12.0 | 10.2 |
| Depreciation and amortization expenses | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| Impairment of long-lived asset | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 | 0.0 | 0.0 | 0.0 |
| Total operating expenses | 96.7 | 103.1 | 97.2 | 93.7 | 99.2 | 99.0 | 95.9 | 92.5 | 103.1 | 98.1 | 95.1 |
| Operating income (loss) | 3.3 | (3.1) | 2.8 | 6.3 | 0.8 | 1.0 | 4.1 | 7.5 | (3.1) | 1.9 | 4.9 |
| **Other expense (income):** | | | | | | | | | | | |
| Interest expense | 0.2 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 0.3 |
| Interest income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.00 | 0.0 | 0.0 | 0.0 |
| Income (loss) before income taxes | 3.1 | (3.3) | 2.6 | 6.0 | 0.6 | 0.7 | 3.9 | 7.3 | (3.4) | 1.6 | 4.7 |
| Income tax expense (benefit) | 0.8 | (0.8) | 0.7 | 1.5 | 0.0 | (1.8) | 0.9 | 0.6 | (0.5) | 0.2 | 0.4 |
| Net income (loss) | 2.3% | (2.5)% | 1.9% | 4.5% | 0.5% | 2.5% | 3.0% | 6.7% | (2.9)% | 1.4% | 4.2% |

***Quarterly Sales Trends***

Over the periods presented, we have experienced growth in total sales. Our overall sales growth is primarily driven by sales from the opening of new restaurants, an increase in comparable restaurant sales, and increased brand awareness. Changes in comparable restaurant sales are driven by variations in guest traffic, as well as average check. We have opened restaurants in new markets throughout the United States, including Georgia, Illinois, and Nevada, and have opened additional restaurants in existing markets, including California and Texas.

***Quarterly Restaurant Operating Expense Trends***

Our total quarterly operating restaurant expenses increased over the periods presented primarily due to the expansion of our restaurant base. Increased overall restaurant-level costs have generally grown at a rate consistent with sales. Labor and related costs have decreased as a percentage of total sales as a result of expanding into markets outside of California and Texas, where the marginal cost of labor is cheaper. Additionally, food and beverage costs have decreased as a percentage of sales as a result of an increasing price and menu mix strategy.

***Quarterly General and Administrative Trends***

The overall increase in general and administrative expenses over the course of the periods presented, with the exception of the three months ended August 31, 2017, was primarily the result of an increase in higher salary and employee compensation-related expenses associated with the hiring of additional executives and administrative employees to support our growth strategy and in preparation to become a public company.

***Quarterly Depreciation and Amortization Trends***

Depreciation and amortization expenses increased sequentially over the quarters presented, primarily due to an increase in purchases of property and equipment for the openings of new restaurants.

**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. Historically, our main sources of liquidity have been cash flows from operations and annual capital contributions from our parent company Kura Japan. Kura Japan made capital contributions to us of $5.0 million in each of fiscal years 2017 and 2018. After the completion of this offering, we do not expect to receive any additional capital contributions from Kura Japan and will otherwise look to other available sources of liquidity as further described below.

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 expected cash flow from operations and the establishment of our Credit Facility will be adequate to fund operating lease obligations, capital expenditures and working capital obligations for at least the next 12 months. However, our ability to continue to meet these requirements and obligations will depend on, among other things, our ability to achieve anticipated levels of sales and cash flow and our ability to manage costs and working capital successfully. See “Risk Factors—Risks Related to Our Business and Industry—We may need capital in the future, and we may not be able to raise that capital on favorable terms.”

***Summary of Cash Flows***

Our primary sources of liquidity and cash flows are operating cash flows and cash on hand. 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, | | Nine Months Ended May 31, | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | (amounts in thousands) | | | |
| **Statement of Cash Flow Data:** | | | | |
| Net cash provided by operating activities | $ 2,936 | $ 5,243 | $ 3,086 | $ 3,438 |
| Net cash used in investing activities | (6,042) | (6,590) | (5,914) | (7,708) |
| Net cash provided by (used in) financing activities | 4,595 | 4,176 | 4,284 | (176) |

***Cash Flows Provided by Operating Activities***

Net cash provided by operating activities during the nine months ended May 31, 2018 was $3.1 million, which resulted from net income of $0.8 million, non-cash charges of $1.2 million for depreciation and amortization, and net cash inflows of $1.1 million from changes in operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities were primarily the result of increases of $0.6 million in accounts payable, $0.6 million in deferred rent and tenant allowances and $0.2 million in salary and wages payable, partially offset by increases of $0.3 million in accounts receivable and $0.2 million in prepaid expenses and other current assets. The increase in deferred rent and tenant allowances, salary and wages payable, accounts receivable and prepaid expenses and other current assets were primarily due to the opening of four new restaurants during the nine months ended May 31, 2018. The increase in accounts payable was primarily due to the timing of cash payments.

Net cash provided by operating activities during the nine months ended May 31, 2019 was $3.4 million, which resulted from net income of $0.5 million, non-cash charges of $1.5 million for depreciation and amortization, $0.5 million for stock-based compensation, and net cash inflows of $0.9 million from changes in operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities were primarily the result of increases of $1.0 million for deferred rent and tenant allowances and $0.4 million for salary and wages payable, partially offset by an increase of $0.4 million in prepaid expenses and other current assets and $0.2 million in deposits and other assets. The increase in the above-mentioned items was primarily due to the four new restaurants opened during the nine months ended May 31, 2019.

Net cash provided by operating activities during the fiscal year 2017 was $2.9 million, which resulted from net income of $0.7 million, non-cash charges of $1.4 million for depreciation and amortization, $0.2 million for deferred income taxes, and net cash inflows of $0.7 million from changes in operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities were primarily the result of increases of $0.5 million in accounts payable and $0.5 million in deferred rent and tenant allowances, partially offset by an increase of $0.5 million in accounts receivables. The increase in deferred rent and tenant allowances, as well as accounts receivables, was primarily due to the number of restaurant openings during the fiscal year 2017. The increase in accounts payable was primarily due to the timing of cash payments and increased activities to support overall business growth.

Net cash provided by operating activities during the fiscal year 2018 was $5.2 million, which resulted from net income of $1.7 million, non-cash charges of $1.7 million for depreciation and amortization, $0.1 million for stock-based compensation, $0.2 million for loss on disposal of property and equipment, and net cash inflows of $1.5 million from changes in operating assets and liabilities. The net cash inflows from changes in operating assets and liabilities were primarily the result of increases of $0.6 million in deferred rent and tenant allowances, $0.3 million in accounts payable and $0.3 million in accrued expenses and other current liabilities. The increase in deferred rent and tenant allowances was primarily due to the number of restaurant openings during the year. The increase in accounts payable and accrued expenses and other current liabilities was primarily due to the timing of cash payments and increased activities to support overall business growth. The increase in salary and wages payable is due to hiring of executives in fiscal year 2018.

***Cash Flows Used in Investing Activities***

Net cash used in investing activities during the nine months ended May 31, 2018 was $5.9 million, primarily due to purchases of property and equipment of $5.9 million.

Net cash used in investing activities during the nine months ended May 31, 2019 was $7.7 million, primarily due to purchases of property and equipment of $7.7 million. The increase in purchases of property and equipment in the nine months ended May 31, 2019 was primarily related to capital expenditures for current and future restaurant openings, renovations, maintaining our existing restaurants and other projects.

Net cash used in investing activities during the fiscal year 2017 was $6.0 million, primarily due to purchases of property and equipment of $6.0 million.

Net cash used in investing activities during the fiscal year 2018 was $6.6 million, primarily due to purchases of property and equipment of $7.1 million, partially offset by $0.5 million in proceeds from disposal of property and equipment. The increase in purchases of property and equipment in fiscal year 2018 is primarily related to capital expenditures for current and future restaurant openings, renovations, maintaining our existing restaurants and other projects.

***Cash Flows Provided by (Used in) Financing Activities***

Net cash provided by financing activities during the nine months ended May 31, 2018 was $4.3 million primarily due to $5.0 million cash received for additional capital investment from the Parent, partially offset by $0.7 million repayments of principal balances on capital leases of equipment.

Net cash used in financing activities during the nine months ended May 31, 2019 was $0.2 million primarily due to $2.4 million of deferred offering costs for the Company's initial public offering, the repayment of $0.9 million in borrowings, and $0.8 million repayments of principal balances on capital leases of equipment, partially offset by $3.9 million in borrowings under our Credit Facility, $2.1 million of which has been converted to be payable on a term loan basis.

Net cash provided by financing activities during the fiscal year 2017 was $4.6 million primarily due to $5.0 million cash received for additional capital investment from the Parent, partially offset by $0.4 million in repayments of principal balances on capital leases of equipment.

Net cash provided by financing activities during the fiscal year 2018 was $4.2 million primarily due to $5.0 million cash received for additional capital investment from the Parent, partially offset by $0.8 million repayments of principal balances on capital leases of equipment.

***Contractual Obligations***

The following table presents our commitments and contractual obligations as of May 31, 2019, as well as our long-term obligations:

| | Payments due by period as of May 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1 – 3 Years | 3 – 5 Years | More than 5 years |
| | (amounts in thousands) | | | | |
| Operating lease payments | $62,822 | $ 827 | $ 7,070 | $6,852 | $48,073 |
| Capital lease payments | 3,934 | 241 | 2,199 | 1,481 | 13 |
| Debt obligations payments | 3,246 | 253 | 2,187 | 806 | — |
| Total contractual obligations | $70,002 | $1,321 | $11,456 | $9,139 | $48,086 |

***Off-Balance Sheet Arrangements***

As of May 31, 2019, we did not have any material off-balance sheet arrangements, except for restaurant operating leases.

**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 beverage and other commodities. We have been able to

partially offset cost increases resulting from a number of factors, including market conditions, shortages or interruptions in supply due to weather or other conditions beyond our control, governmental regulations and inflation, by increasing our menu prices, as well as making other operational adjustments that increase productivity. However, substantial increases in costs and expenses could impact our operating results to the extent that such increases cannot be offset by menu price increases or operational adjustments.

***Inflation Risk***

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

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

**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 and involve subjective or complex judgments by management. Although these estimates are based on management’s best knowledge of current events and actions that may impact us in the future, actual results may be materially different from the estimates. We believe the following critical accounting policies are affected by significant judgments and estimates used in the preparation of our financial statements and that the judgments and estimates are reasonable.

***Operating and Capital Leases***

We currently lease all of our restaurant locations, corporate offices, and some of the equipment used in our restaurants. At the inception of each lease, we determine the appropriate classification as an operating lease or a capital lease. This lease accounting evaluation may require significant judgment in determining the fair value and useful life of the leased property and appropriate lease term, which typically does not change once determined at the inception of the lease. All of our restaurant and office leases are classified as operating leases and equipment leases are classified as capital 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 achievement of such sales thresholds is deemed probable, contingent rent is accrued in proportion to the sales recognized in the period. For operating leases that include free-rent periods and rent escalation clauses, we recognize rent expense based on the straight-line method. 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. The difference between the rent expense and rent payments is recorded as deferred rent in the accompanying balance sheet. Allowance for tenant allowances is included in deferred rent liability and recognized over the lease term as a reduction of rent expenses.

Assets we acquired under capital lease arrangements are recorded at the lower of the present value of future minimum lease payments or fair value of the assets at the inception of the lease. Capital lease assets are amortized over the shorter of the useful life of the assets or the lease term, and the amortization expense is included in the depreciation and amortization financial statement line item on the accompanying financial statements.

***Impairment of Long-Lived Assets***

Changes in projections or estimates, a deterioration of operating results and the related cash flow effect could decrease the estimated fair value of long-lived assets and result in impairments. We assess potential impairments of our long-lived assets in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360—*Property, Plant and Equipment*. An impairment review is performed whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Factors considered by us 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 or the strategy for the overall business; and significant negative industry or economic trends.

We recognized $0.2 million impairment loss during the fiscal year ended August 31, 2018. No impairment loss was recognized during fiscal year ended August 31, 2017, the nine months ended May 31, 2018 or the nine months ended May 31, 2019.

***Common Stock Valuations***

In the absence of a public trading market, the fair value of our common stock was determined by our board of directors, with input from management, taking into account the most recent valuations performed by an independent third-party valuation specialist. The valuations of our common stock were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation. The assumptions we use in the valuation models were highly complex and subjective. These assumptions were based on future expectations combined with management judgment, and considered numerous objective and subjective factors to determine the fair value of our common stock as of the date of each option grant, including the following factors:

- our operating and financial performance;
- the prevailing business conditions and projections;
- the hiring of key personnel;
- the likelihood of achieving a liquidity event for the shares of common stock underlying these stock options, such as an initial public offering, given prevailing market conditions;
- any adjustment necessary to recognize a lack of marketability of the common stock underlying the granted options;
- the market performance of comparable publicly-traded companies; and
- the U.S. and global capital market conditions.

In valuing our common stock at various dates in fiscal years 2018 and 2019, our board determined the equity value of our business using various valuation methods including combinations of income and market approaches. The income approach estimates value based on the expectation of future cash flows that a company will generate. These future cash flows are discounted to their present values using a discount rate derived from an analysis of the cost of capital of comparable publicly traded companies in our industry or similar lines of business as of each valuation date and is adjusted to reflect the risks inherent in our cash flows. The market approach estimates value considering an analysis of guideline public companies. The guideline public company method estimates value by applying a representative revenue multiple from a peer group of companies in similar lines of business to us to our forecasted sales.

The equity values implied by the income and market approaches reasonably approximated each other as of each valuation date.

For financial reporting purposes, we considered the amount of time between the valuation date and the grant date to determine whether to use the latest common stock valuation. This determination included an evaluation of whether the subsequent valuation indicated that any significant change in valuation had occurred between the previous valuation and the grant date.

Once we are operating as a public company, we will rely on the closing price of our Class A common stock as reported by the Nasdaq Stock Market on the date of grant to determine the fair value of our Class A common stock.

**Jumpstart Our Business Startups Act of 2012**

On April 5, 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other non-emerging growth companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if as an emerging growth company we choose to rely on such exemptions, we may not be required to, among other things, (i) provide an auditor's attestation report on our systems of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation. These exemptions will apply until we no longer meet the requirements of being an emerging growth company. We will remain an emerging growth company until the earliest of (1) the last day of the fiscal year following the fifth anniversary of the completion of our initial public offering, (2) the last day of the fiscal year in which we have total annual gross revenue of at least $1.07 billion, (3) the date on which we are deemed to be a large accelerated filer, which means year-end at which the total market value of our common equity securities held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter, and (4) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

# BUSINESS

## Overview of Kura Sushi USA

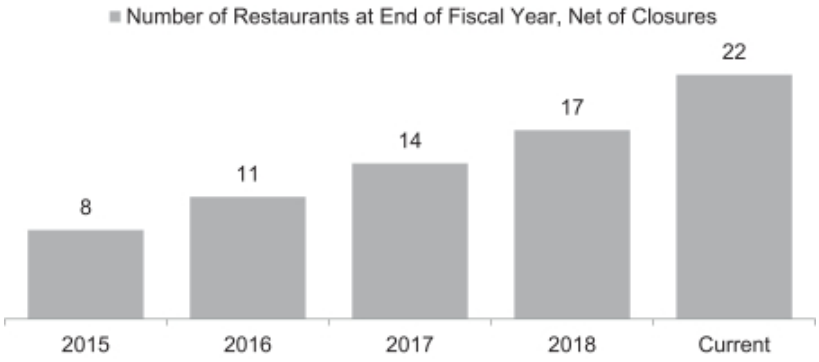
Kura Revolving Sushi Bar is a fast-growing technology-enabled Japanese restaurant concept. We offer a distinctive dining experience which we refer to as the "Kura Experience." Kura Sushi USA was established in 2008 as a subsidiary of Kura Japan, a Japan-based revolving sushi chain with over 400 restaurants. Kura Sushi USA opened its first restaurant in Irvine, California in 2009, and we believe we are the largest revolving sushi chain in the United States. We were ranked #15 based on sales growth in Restaurant Business Online's Future 50 list in 2018.

The Kura Experience is built on the combination of our authentic Japanese cuisine and engaging revolving sushi service model. We offer our guests a small plates menu featuring over 140 freshly prepared items rooted in our philosophy of using old-world techniques and ingredients that are free from artificial seasonings, sweeteners, colorings, and preservatives. We believe our revolving sushi service model delights our guests by creating an exciting atmosphere where guests feel a sense of discovery and by allowing them to control the variety, portioning, check size and pace of their dining experience.

Our guest booths and bar seats share common elements that help deliver the Kura Experience: access to the revolving and express conveyor belts, on-demand ordering screen, plate slot, and the Bikkura-Pon rewards machine. Guests can begin their dining experience as soon as they are seated by selecting plates, which feature a spiral green design, from the revolving conveyor belt. The revolving conveyor belt carries a curated selection of beautifully crafted plates that include sushi rolls, nigiri, and desserts. To deliver a fresh and safe experience for our guests, all of the food on the revolving conveyor belt is protected by the proprietary Mr. Fresh dome, which pops open when a guest lifts the plate. To simplify the guest experience, all plates on the revolving conveyor belt are the same price within a restaurant and are priced below $3.00. Guests can also place orders through the tableside on-demand ordering screen which provides guests access to our full food menu, including items such as gyoza, tempura, soups, ramen, ojyu boxes, and desserts. On-demand orders are delivered directly from our kitchen to the guests' table via the express belt. Items on the on-demand ordering menu range from $2.25 to $6.90. For every five spiral green 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 to reward our guests' dining achievement. We believe the Kura Experience delivers a highly differentiated dining experience to our guests.

In addition to the guest-facing technology, we employ technology throughout our restaurants to drive efficiencies in operations and costs. Our use of conveyor belts to serve our guests allows us to minimize the number of servers in our restaurants. In our kitchens, we use automated equipment and systems such as sushi robots, RFID readers, robotic arms, and food replenishment algorithms to reduce labor and food costs. The technology in our kitchens has been honed over the course of our parent company's 35-year history of operating revolving sushi restaurants.

The success of our restaurants demonstrates that the Kura Experience resonates with our guests. Based on our initial success, we have expanded to new markets and, as of July 15, 2019, we operate 22 high-volume restaurants in California, Texas, Georgia, Illinois, and Nevada. Based on a whitespace analysis prepared for us by Buxton, we believe we have a long-term total restaurant potential in the United States for over 290 restaurants, and we aim to achieve a 20% average annual restaurant growth rate over the next five years. See “Business—Our Growth Strategies” and “Business—Site Development and Expansion” for additional information regarding our growth strategies.




Our success has resulted in strong financial results as illustrated by the following:

- From fiscal year 2017 to fiscal year 2018, our sales grew 38.9% to $51.7 million, operating income grew 81.5% to $1.9 million, and net income grew 146.4% to $1.7 million. Comparing the nine months ended May 31, 2018 to the nine months ended May 31, 2019, our sales grew 22.6% to $45.5 million, operating income decreased 9.1% to $0.7 million, and net income decreased 29.0% to $0.5 million;
- From fiscal year 2017 to fiscal year 2018, our Restaurant-level Contribution grew 60.4% to $10.4 million and Adjusted EBITDA grew 45.0% to $4.5 million. Comparing the nine months ended May 31, 2018 to the nine months ended May 31, 2019, our Restaurant-level Contribution grew 23.7% to $8.7 million and Adjusted EBITDA grew 31.6% to $3.4 million. For a reconciliation of net income to Adjusted EBITDA and a reconciliation of operating income to Restaurant-level Contribution, see “Summary Historical Financial and Operating Data”;
- In fiscal year 2018, we generated AUVs of approximately $3.5 million, operating profit margin of 3.6%, and Restaurant-level Contribution margin of 20.1%. For the nine months ended May 31, 2019, we generated operating profit margin of 1.5% and Restaurant-level Contribution margin of 19.2%; and
- We have achieved positive comparable restaurant sales growth in ten out of the last eleven quarters ending in the third fiscal quarter of 2019.

**Our Corporate Mission**

Our corporate mission is to encourage healthy lifestyles by serving freshly prepared authentic Japanese cuisine using high-quality ingredients that are free from artificial seasonings, sweeteners, colorings, and preservatives. Our commitment to our mission extends beyond our main ingredients of seafood and vegetables, and includes soy sauce, wasabi, and all other food ingredients. We aim to make quality Japanese cuisine accessible to our guests across the United States through affordable prices and an inviting atmosphere.

**Our Strengths**

*Authentic Japanese Cuisine—A Tribute to Our Roots*. We provide our guests with an experience that is uniquely Japanese and is based on the legacy built by our Japanese parent company, Kura Japan. Kura Japan

opened its first revolving sushi restaurant in 1984 and was among the pioneers of the revolving sushi restaurant model, transforming what was previously a luxury item into an accessible everyday option. To this day, all plates at Kura Japan's Japan-based restaurants are priced at ¥100 (approximately $0.90). Kura Japan's commitment to traditional recipes, high-quality ingredients, consistent innovation, and putting the guest at the core of its mission allowed it to successfully expand to over 400 restaurants.

At Kura Sushi USA, we are proud to continue our parent company's tradition by bringing the Kura Experience to the United States, which we believe distinguishes us within the marketplace. Our various sushi items are made fresh using high-quality fish and certified 100% organic 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, ojyu boxes, 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. We believe the sight of our beautifully crafted cuisine weaving through our restaurants, the motion of dishes zipping by tables on the express belt, 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 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. 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 also 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 over 140 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. We have signed licensing agreements with VIZ Media, LLC (*Naruto Shippuden*) and *tokidoki* to use their popular characters and brands in our Bikkura-Pon rewards machines and will continue to seek licensing agreements with other iconic brands in the future. 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 over 140 high-quality dishes at affordable prices as a result of our efficient kitchen operations and low front-of-house labor needs. The majority of our menu items is priced below $3.00, which appeals to guests with appetites and budgets both large and small, and our average check was $18.37 in fiscal year 2018 and $19.14 for the nine months ended May 31, 2019. 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 USA, we leverage the disciplined operational expertise honed over the 35-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 5,600 square feet. We believe this allows us to maximize our sales per square foot.

For fiscal year 2018, our operating income was $1.9 million and our net income was $1.7 million. For the nine months ended May 31, 2019, our operating income was $0.7 million and our net income was $0.5 million. In the same period, we had an operating profit margin of 1.5% and Restaurant-level Contribution margin of 19.2% of sales. On average, we estimate that our restaurants require a cash build-out cost of approximately $1.5 million per restaurant.

*Experienced Management Team Dedicated to Kura's Values and Growth.* Our team is led by experienced and passionate senior management who are committed to our mission. Our President and Chief Executive Officer and our operational leaders have an average tenure of 18 years in the restaurant industry and with our parent company. We are led by our President and Chief Executive Officer, Hajime "Jimmy" Uba. Mr. Uba joined Kura Japan in 2000 as a store manager candidate. He was promoted to Kura Japan's corporate headquarters and helped grow the business from approximately 30 restaurants to 180 restaurants in Japan. During his tenure with our parent company, Mr. Uba led various strategic initiatives including concept development, real estate selection, and menu development and pricing. Mr. Uba was selected by Kura Japan to lead the business' expansion into the United States. Our Chief Operating Officer, Manabu Kamei, has been with the Kura brand for 21 years, including his time at Kura Japan where he is also currently a Board Member. Mr. Kamei played an instrumental role in establishing processes at Kura Japan to accelerate the pace of new restaurant development and streamline restaurant operations. Mssrs. Uba and Kamei lead a team of talented professionals with deep financial, operational, culinary, and real estate experience.

**Our Growth Strategies**

*Pursue New Restaurant Development.* We have pursued a disciplined new unit growth strategy during our 11 years of operation in the United States. 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. The overall Asian restaurant landscape in the United States is highly fragmented, with the top five concepts estimated to have a market share of approximately 7.0% in 2017 according to Technomic. Based on an analysis by Buxton, we estimate that we have the potential to become a national Japanese restaurant brand, with a long-term total restaurant potential in the United States for over 290 restaurants, and we aim to achieve a 20% average annual restaurant growth rate over the next five years. We opened three new restaurants in fiscal year 2017 and four new restaurants in fiscal year 2018. As of July 15, 2019, we have opened all five planned new restaurants in fiscal year 2019 and plan to open six to seven new restaurants in fiscal year 2020. While we currently aim to achieve 20% average annual unit growth rate over the next five years, we cannot predict the time period of 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 under the caption "Risk Factors." In particular, see "Risk Factors—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" for specific risks that could impede our ability to achieve new restaurant growth in the future.

Our current real estate strategy focuses on high-traffic retail centers in markets with a diverse population and above-average household income. Our flexible physical footprint, which has allowed us to open restaurants ranging in size from 1,600 to 5,600 square feet, provides us the ability to open in-line and end-cap restaurants at strip malls and shopping centers. We believe there is a significant opportunity to employ this strategy to open additional restaurants in our existing markets and in new markets with similar demographics and retail environments.

*Deliver Consistent Comparable Restaurant Sales Growth.* We have achieved positive comparable restaurant sales growth in ten out of the last eleven quarters ending in the third fiscal quarter of 2019. We believe we will be able to generate future 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 are also exploring initiatives to grow sales of alcoholic beverages at our restaurants. Sales of alcoholic beverages accounted for approximately 2.3% of sales in fiscal year 2018 and approximately 2.2% of sales for the nine months ended May 31, 2019. In addition to the strategies stated above, we are currently evaluating additional growth initiatives including increasing off-premises sales, piloting a rewards program, and improving our mobile application. We are piloting a rewards program at selected restaurants that tracks participants' spending and provides a discount voucher if a spending threshold is achieved. To participate, guests sign up with their email addresses, download a virtual rewards card which is stored on their phones, and display the rewards card in the restaurant when paying the bill. Based on the performance of the pilot program, we may roll out the program across our entire restaurant base.

*Increase Profitability.* During our U.S. 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 both at a restaurant-level and corporate-level by taking advantage of our increasing buying power with suppliers and leveraging our existing support infrastructure. Additionally, we believe we will be able to optimize labor costs at existing restaurants as our restaurant base matures and AUVs increase. We believe that as our restaurant base grows, our general and administrative costs 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 while managing margins. We intend to continue to promote limited time offerings through our monthly "Japan Fair" to build guest loyalty and brand awareness. See "Business—Marketing and Advertising—Japan Fair" for more information on our Japan Fair.

**Properties**

As of July 15, 2019, we operate 22 restaurants in four states. We operate a variety of restaurant formats, including in-line and end-cap restaurants located in retail centers of varying sizes. Our restaurants currently average approximately 3,200 square feet. We lease the property for our corporate offices and all of the properties on which we operate our restaurants.

The table below shows the locations of our restaurants as of July 15, 2019:

| City | State | Opened | City | State | Opened |
|---|---|---|---|---|---|
| Irvine | California | Sep-2009 | Doraville | Georgia | Jul-2017 |
| Los Angeles (Little Tokyo) | California | Jan-2012 | Houston (Westheimer) | Texas | Aug-2017 |
| Torrance | California | Apr-2012 | Sugar Land | Texas | Jan-2018 |
| Brea | California | May-2012 | Houston (Midtown) | Texas | Mar-2018 |
| Rancho Cucamonga | California | Aug-2012 | Pleasanton | California | Apr-2018 |
| Los Angeles (Sawtelle) | California | Aug-2013 | Frisco | Texas | May-2018 |
| San Diego | California | Mar-2015 | Cerritos | California | Oct-2018 |
| Cupertino | California | Feb-2016 | Schaumburg | Illinois | Nov-2018 |
| Plano | Texas | May-2016 | Cypress | California | Jan-2019 |
| Carrollton | Texas | Jul-2016 | Sacramento | California | Mar-2019 |
| Austin | Texas | May-2017 | Las Vegas | Nevada | Jul-2019 |

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 the option of the Company. 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. We do not own any real property.

In fiscal year 2017, we opened three restaurants, and in fiscal year 2018, we opened four restaurants. In fiscal year 2019, we have opened all five planned restaurants. We cannot provide assurance that we will be able to open any specific number of restaurants in any year. See “Risk Factors—Risks Related to Our Business and Industry—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.”

**Site Development and Expansion**

***Site Selection Process***

We consider site selection and real estate development to be critical to our success. As part of our strategic site selection process, our primary broker receives potential site locations from networks of local brokers, which are then reviewed by our Store Development Manager. This review includes site visits and analyses of the profitability of proposed properties. The Store Development Manager holds regular meetings for site approval with other members of our senior management team. Our Store Development Manager, as well as other members of our senior management team, also regularly visit potential sites as part of the evaluation process.

Our current real estate strategy focuses on high-traffic retail centers in markets with a diverse population and above-average household income. We believe we are attractive lessees for landlords given our ability to drive strong traffic comprised of above-average household income guests. In site selection, we also consider factors such as residential and commercial population density, restaurant visibility, traffic patterns, accessibility, availability of suitable parking, proximity to highways, universities, shopping areas and office parks, the degree of competition within the market area, and general availability of restaurant-level employees. We also invest in site analytics tools for demographic analysis and data collection for both existing and new market areas, which we believe allows us to further understand the market area and determine whether to open new restaurants in that location.

Our flexible physical footprint, which has allowed us to open restaurants in size ranging from 1,600 to 5,600 square feet, allows us to open in-line and end-cap restaurant formats at strip malls and shopping centers and penetrate markets in both suburban and urban areas. We believe we have the ability to open additional restaurants

in our existing metropolitan areas. We also believe there is significant opportunity to employ this strategy in new markets with similar demographics and retail environments.

***Expansion Strategy***

We plan to pursue a two-pronged expansion strategy by opening new restaurants in both new and existing markets. We believe this expansion will be 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 evaluation of existing markets, with the goal of maintaining a pipeline of top-tier development opportunities. As described under Site Selection Process, we use a systematic approach to identify and review existing and new markets.

Upon selecting a new market, we typically build one restaurant to prove concept viability in that market. We have developed a remote management system whereby our senior operations team is able to monitor restaurants in real-time from our headquarters using approximately 20 to 30 cameras installed in each restaurant. We utilize this remote management system to maintain operational quality while minimizing inefficiencies caused by a lack of economies of scale in new markets.

Based on an analysis by Buxton, we estimate that we have the potential to become a national Japanese restaurant brand, with a long-term total restaurant potential in the United States for over 290 restaurants, and we aim to achieve a 20% average annual restaurant growth rate over the next five years. We have opened all five planned new restaurants in fiscal year 2019 and plan to open six to seven new restaurants in fiscal year 2020.

Due to our relatively small restaurant count, new restaurants have an outsized impact on our financial performance. In order to mitigate risk, we look to expand simultaneously in new and existing markets. We base our site selection on our most successful existing restaurants and frequently reevaluate our strategy, pacing and markets. We believe we are in the early stages of our growth story and that our restaurant model is designed to generate strong cash flow, attractive restaurant-level financial results and high returns on invested capital, which we believe provides us with a strong foundation for expansion.

***Restaurant Design***

Restaurant design is handled by our in-house real estate team in conjunction with outsourced vendor relationships. Our restaurant size currently averages approximately 3,200 square feet. Seating in our restaurant is comprised of a combination of booths and bar seats with an average seating capacity of 110 guests.

We have two principal restaurant layouts. Our first 20 locations were developed in the original Kura format, characterized by sets of wooden booths and matching wood paneling to house the revolving conveyor belt and the Bikkura-Pon rewards machine, metal hanging light fixtures above each table, and white or light-colored walls. Beginning with our Sacramento location that opened in March 2019, new restaurants will be built using our new layout and design which we believe evokes a modern and on-trend Japanese dining atmosphere. We believe the new layout achieves this atmosphere through the use of dark wooden booths, light wood paneling to house the revolving conveyor belt and the Bikkura-Pon rewards machine, Japanese-style light wood slatted fixtures hanging from the ceiling and wood pendant light fixtures. We believe our exhibition-style kitchens amplify the lively bustle provided by the revolving conveyor belt and serve to highlight a human element among our automation innovations. We may consider opportunistically remodeling and updating our existing restaurants to conform to the new layout.

***Construction***

Construction of a new restaurant takes approximately 12 to 26 weeks. Our Construction Manager oversees and coordinates engagement with our preferred general contractors for the restaurant construction process. On

average, we estimate that our restaurants require a cash build-out cost of approximately $1.5 million per restaurant, net of tenant allowances and pre-opening costs, but this figure could be materially higher or lower depending on the market, restaurant size, and condition of the premises upon landlord delivery. We generally construct restaurants in in-line or end-cap leased retail space, and we expect to continue this practice in the future.

***Our Dining Experience***

We refer to our dining model as the Kura Experience, which is built on the combination of our authentic Japanese cuisine and engaging revolving sushi service model. 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. Our model allows our guests to drop in for quick meals or stay longer for a more relaxed dining experience.

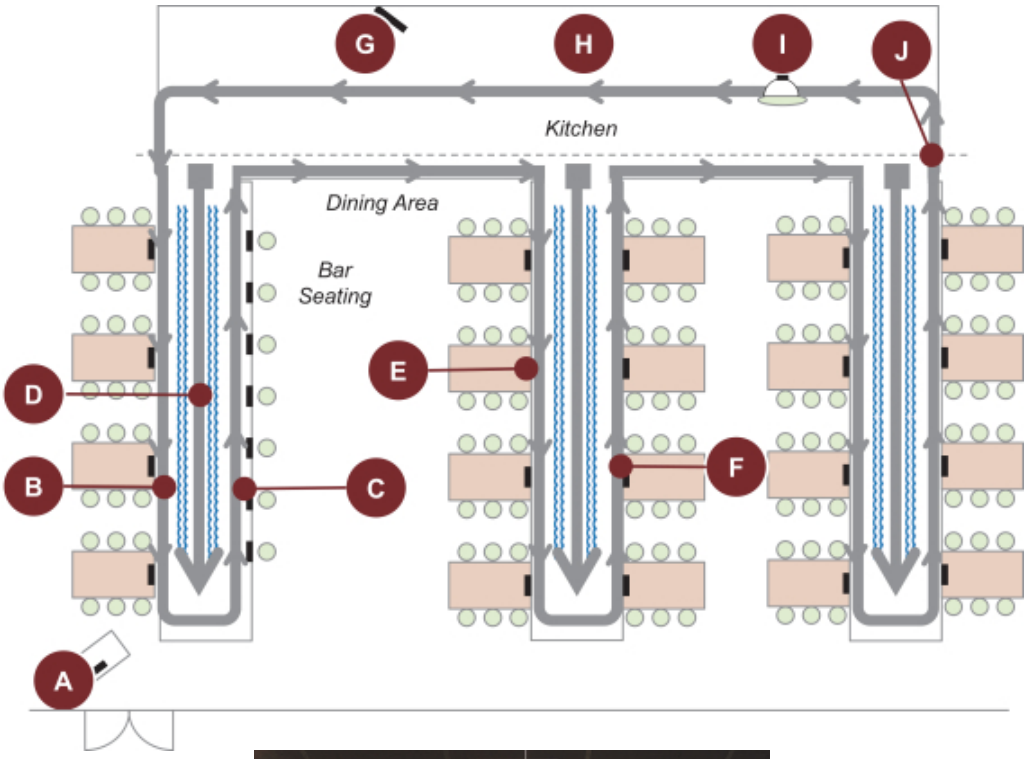
The Kura Experience is powered by our revolving and express conveyor belts, on-demand ordering screen, plate slot and the Bikkura-Pon rewards machine. Guests can begin their dining experience as soon as they are seated by selecting plates, which feature a spiral green design, from the revolving conveyor belt. The revolving conveyor belt carries a curated selection of beautifully crafted plates that include sushi rolls, nigiri, and desserts. To deliver a fresh and safe experience for our guests, all of the food on the revolving conveyor belt is protected by the proprietary Mr. Fresh dome, which pops open when a guest lifts the plate. To simplify the guest experience, all plates on the revolving conveyor belt are the same price within a restaurant and are priced below $3.00.

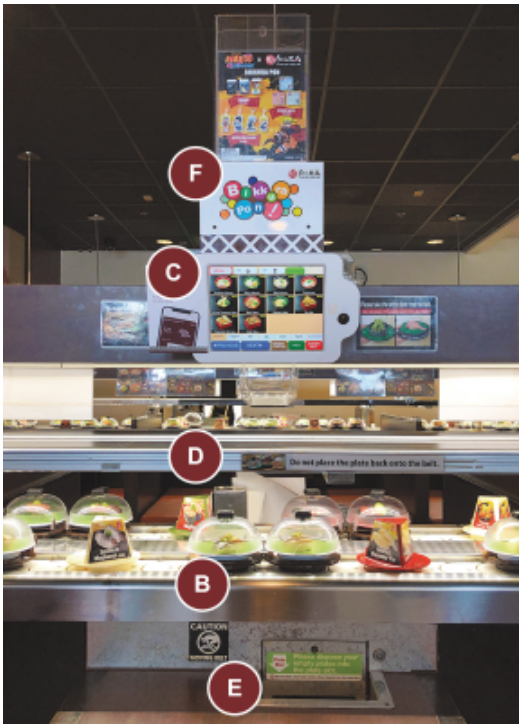
Guests can also place orders through the tableside on-demand ordering screen which provides guests access to our full food menu, including items such as gyoza, tempura, soups, ramen, ojyu boxes and desserts. On-demand orders are delivered directly from our kitchen to the guests' table via the express belt. Items on the on-demand ordering menu range from $2.25 to $6.90.

For every five spiral green plates placed into the plate slot, the tableside touch screen plays a short anime video, and for every 15 plates, the proprietary tableside Bikkura-Pon rewards machine dispenses a toy to reward our guests' dining achievement.

As food delivery is handled by our conveyor belts, our servers are free to focus on hospitality. Servers visit each table to check on guests, take and deliver beverage orders, clear empty bowls and boxes, and bring the final bill. In addition, guests can summon a server by selecting the "Help" button on the tableside touch screen.

**Illustrative Kura Revolving Sushi Bar Layout**




Check in using our mobile app or in-restaurant touch screen at the restaurant entrance


Grab plates from the revolving conveyor belt and begin dining immediately


Place on-demand orders from the tableside touch screen


On-demand orders are delivered directly to the table on the express belt


Clear plates without a server—insert plates into a slot at the booth


The Bikkura-Pon rewards machine dispenses rewards for every 15 plates inserted into the slot


Technology in the kitchen helps determine the type and amount of food to be prepared for the revolving conveyor belt


Sushi robots prepare rice balls and sheets for sushi assembly


An RFID tag monitoring system on Mr. Fresh tracks each dish on the revolving conveyor belt


A robotic arm automatically removes plates circulating for two hours

**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. Managers, assistant managers and management trainees are cross-trained throughout the restaurant in order to create competency across critical restaurant functions, both in the dining area and in the kitchen.

In addition, our senior 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 senior operations team has enabled our restaurant managers to focus on guest service and efficient operations in our restaurants, and has eliminated the need for a regional management structure.

***Training and Employee Programs***

We devote significant resources to identifying, selecting, and training restaurant-level employees. Our training covers leadership, team building, food safety certification, alcohol safety programs, sexual harassment training, and other topics. Management trainees undergo training for approximately 16 to 24 weeks in order to develop a deep understanding of our operations. Training culminates with an in-restaurant management test to

assess a management trainee's operational and people management abilities. In addition, we have extensive training manuals that cover all aspects of restaurant-level operations.

Our traveling "opening team" provides training to team members in advance of opening a new restaurant. We believe the opening team facilitates a smooth opening process and efficient restaurant operations from the first day a restaurant opens to the public. The opening team is typically on-site at new restaurants from two weeks before opening to four weeks after opening.

***Food Preparation, Quality and Safety***

We are committed to consistently providing our guests high quality, freshly prepared food. For some items, such as sushi rice, we believe high-quality consistent preparation is achieved through the use of automated systems like our sushi robots. For other items we believe hand preparation achieves the best quality. Hand preparation of menu items includes, but is not limited to, frying tempura, slicing fish and making dashi broth. We believe guests can taste the difference in freshly prepared food and that adhering to these standards is a competitive advantage for our brand.

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 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 our parent company, 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 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.

**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 as an authentic Japanese restaurant with high-quality cuisine and a distinctive dining experience. Our primary advertising channels include digital, social, and print. Our Bikkura-Pon rewards machine prizes are an additional form of marketing that we believe differentiates the Kura brand. In addition, our new restaurants have been featured on local television programs.

***Social Media***

We maintain a presence on several social media platforms including Facebook, Twitter, and Instagram, allowing us to regularly communicate with guests, alert guests of new offerings, and conduct promotions. Our dining experience is built to provide our guests social media shareable moments, which we believe extends our advertising reach.

***New Menu Introductions***

We focus advertising efforts on new menu offerings to broaden our appeal to guests and drive traffic. Our menu changes twice per year to introduce new items and remove underperforming items. We promote these new menu additions through various social media platforms, our website and in-restaurant signage.

***Japan Fair***

Each month, we offer guests our "Japan Fair" promotion during which our restaurants feature premium, seasonal, and limited-availability ingredients from Japan. Special items available during our Japan Fair promotion may include Bluefin tuna, wagyu beef, and Japanese craft beers among other limited time offers. Most premium items are priced the same as standard menu items, thereby offering significant value to our guests. The Japan Fair typically starts on the third Friday of the month and lasts for 10 days.

**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. All supply arrangements are negotiated and managed at the Kura Sushi USA corporate-level.

Our senior buyer identifies and procures 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. We source key items from multiple vendors to ensure consistent delivery and competitive pricing.

We source through the following two major Japanese-related distributors: JFC, a subsidiary of Kikkoman Corporation, and Wismettac, a subsidiary of Nishimoto Co., Ltd. Our spend with JFC accounted for approximately 29.0% and 47.4% of our total food and beverage costs in fiscal years 2017 and 2018, respectively, and approximately 54.5% of our total food and beverage costs for the nine months ended May 31, 2019. Our spend with Wismettac was approximately 15.1% and 28.0% of our total food and beverage costs in fiscal years 2017 and 2018, respectively, and approximately 27.9% of our total food and beverage costs for the nine months ended May 31, 2019. Our relationships with both Wismettac and JFC 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 are no longer able to source through any of our suppliers, we intend to replace the supplier with a different source, but there can be no assurance that any such replacement will provide goods at the prices and level of quality of our current suppliers.

**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 our parent Kura Japan to record a table's food consumption. Our point of sales system was developed specifically for us by Acropoint Inc., and is used to record beverage orders placed with a server, tally food consumption, produce the final bill, and process credit cards. Transaction data is aggregated in real-time and is used to generate customizable reports that our restaurant managers, operations team, and senior management use to analyze sales, product mix, and average check. All products available for sale and their respective prices are programmed into restaurant systems from our corporate headquarters.

We use a proprietary kitchen and in-restaurant back office computer system designed to assist in the management of our restaurants and provide labor and food cost management tools. We use software specifically designed for Kura Sushi USA by Calsoft Inc. and proprietary software created by Kura Japan for our back office systems. Our systems analyze customer traffic, order demand, timestamps on Mr. Fresh RFID tags for plates on

the revolving conveyor belt, and plate classification and quantities on the revolving conveyor belt in real-time. We use this restaurant-level data to ensure optimum real-time restaurant performance and guest satisfaction as well as to consider future improvements. 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.

**Restaurant Industry Overview**

According to the National Restaurant Association (the "NRA"), U.S. restaurant industry sales in calendar year 2016 were $766.0 billion and grew at a compound annual growth rate of 4.3% to $833.1 billion in calendar year 2018, versus U.S. gross domestic product growth of 2.9% in calendar year 2018. Restaurant industry sales in the states in which we operate—California, Texas, Georgia, Illinois, and Nevada—had an average restaurant sales compound annual growth rate of 12.0% between calendar years 2016 and 2018.

The restaurant industry is divided into several primary segments, including limited-service and full-service restaurants, which are generally categorized by price, quality of food, service, and location. The highly unique Kura model sits at the intersection of these two segments 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, which, according to Technomic, had approximately $267 billion of sales in calendar year 2018, and grew 3.3% from calendar year 2017 to calendar year 2018. The limited-service segment generated $290 billion in calendar year 2018 and grew 3.9% over the same period.

According to Technomic, the Asian food component of the full-service restaurant segment is a highly fragmented sector, with the top five restaurants based on sales representing only approximately 6% of calendar year 2018 sales. Growth in full-service Asian concepts outpaced the broader full-service segment in calendar year 2018, growing at 4.8% in calendar year 2018 versus 3.3% over the same period.

We believe that increased multiculturalism in the United States, driven in part by growth in the Asian demographic, contributes to a favorable macro environment for Kura's future growth. According to the U.S. Census Bureau, the Asian population is projected to be one of the fastest growing demographics in the United States, more than doubling in size from 18.3 million people in calendar year 2016 to 36.8 million people by calendar year 2060. During this time, the Asian population's share of the nation's total population is projected to nearly double, from approximately 5.7% to 9.1%.

Additionally, we believe that Kura is well-positioned to grow our share of the restaurant market as consumers seek quality, value, healthier options, and authentic global and regional cuisine in their dining choices. According to the National Restaurant Association 2019 State of the Industry report, more than 60% of customers cite the availability of healthy menu options as a key factor in restaurant choice when eating out. In addition, as referenced in the same report, ethnic spices, ethnic condiments and Asian soups were among the projected top 25 food trends for limited-service restaurants in calendar year 2019.

We cannot provide assurance that we will benefit from these long-term demographic trends, although we believe the projected growth in the Asian population and the Asian influence on dining trends will result in an increase in demand for Japanese and Asian foods.

**Competition**

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, ambience, 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. As we expand by opening more restaurants in cold weather climates, the seasonality impact may be amplified. 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.

**Employees**

As of March 20, 2019, we had approximately 1,203 employees, of whom 59 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.

**Government Regulation and Environmental Matters**

We are subject to extensive and varied federal, state and local government regulation, 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, in order 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 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. Currently, one of our restaurants does not have a liquor license. 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 by 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 assure you 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 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 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 "Risk Factors."

**Intellectual Property and Trademarks**

Our parent company Kura Japan owns a number of patents, trademarks and service marks registered or pending with the U.S. Patent and Trademark Office ("PTO"). Kura Japan has registered the following patents and marks with the PTO: Food Management System (Patent No.: US 9,193,535 B2), Food Plate Carrier (Patent No.: US 8,550,229 B2) which is known to us as Mr. Fresh, "Kura Sushi" (Trademark Reg. No 5,460,596) and "Kura Revolving Sushi Bar" (Trademark Reg. No. 5,557,000). The first of these patents is set to expire on approximately August 2032. In addition, we have registered the Internet domain name www.kurausa.com. The information on, or that can be accessed through, our website is not part of this prospectus.

We license certain intellectual property critical to our business from Kura Japan, including, but not limited to, the trademarks "Kura Sushi" 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. In connection with this offering, we intend to enter into an amended and restated exclusive license agreement with regard to the intellectual property we license from Kura Japan. See "Certain Relationships and Related Party Transactions—Relationship with Kura Japan" for additional information.

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 "Risk Factors—Risks Related to Our Business and Industry—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 such as in California. However, we believe such uses will not adversely affect us.

**Legal Proceedings**

We are currently involved in various claims, investigations and legal actions that arise in the ordinary course of our business, including claims and investigations resulting from employment-related matters. On May 31, 2019, a putative class action complaint was filed by Brandy Gomes in Los Angeles County Superior Court, alleging violations of California wage and hour laws. The Company was served with this complaint on June 28, 2019. The Company disputes any allegations of wrongdoing and intends to defend itself vigorously in this matter. The Company is currently unable to estimate the range of possible losses associated with this proceeding.

In the opinion of management, none of these matters, including the putative class action matter referenced above, has had a material effect on us, and as of the date of this prospectus, we are not party to any material pending legal proceedings and are not aware of any claims that could have a material adverse effect on our business, financial condition, 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 our business, financial condition, results of operations or cash flows.

## MANAGEMENT

The following table sets forth certain information regarding our executive officers, directors and director nominees as of , 2019.

| Name | Age | Position |
|---|---|---|
| Hajime Uba | 42 | President, Chief Executive Officer, Director and Chairman of the Board |
| Koji Shinohara | 55 | Chief Financial Officer, Treasurer and Secretary |
| Manabu Kamei | 44 | Chief Operating Officer and Director |
| Hideto Sugimoto | 38 | Director of Operations |
| Seitaro Ishii | 72 | Director |
| Shintaro Asako | 45 | Director Nominee |

### Background of Executive Officers, Directors and Director Nominees

*Hajime "Jimmy" Uba* has served as President and Chief Executive Officer of Kura Sushi USA since 2008 and became a member of our board of directors in October 2017. He joined the Company's parent, Kura Japan, in 2000 and in 2008 was selected to establish and grow the Company. From 2004 to 2008, Mr. Uba headed operations for Kura Japan, where he oversaw operations for Eastern and Western Japan. During this time, Mr. Uba was responsible for the expansion of the Kura brand into Eastern Japan and managed over 100 restaurants. From 2000 to 2004, Mr. Uba spent three years as a restaurant manager and one year as a regional manager. During his tenure, Kura Japan grew from approximately 30 to 180 restaurant locations. He holds a Bachelor of Arts degree from Kansai University in Japan. Mr. Uba possesses extensive knowledge of all facets of our business and operations, as well as a deep understanding of our history and culture, making him qualified to serve as a member of our board of directors.

*Koji Shinohara* has served as Chief Financial Officer, Treasurer and Secretary of Kura Sushi USA since October 2017. From April 2005 through August 2017, Mr. Shinohara was with HOYA Holdings, Inc., an organization which at the time had approximately over 2,000 employees and U.S. gross sales of approximately $600 million, where he served as Executive Vice President and Chief Financial Officer since April 2006. Mr. Shinohara's responsibilities included the preparation of HOYA Holdings, Inc.'s financial statements. From November 2015 to July 2017, he also held concurrent roles as Chief Financial Officer of HOYA Corporation USA and head of HOYA Corporation's Global Financial Headquarters. From April 2004 to April 2005, Mr. Shinohara was a Senior Manager for KPMG US LLP and from January 2002 to March 2004 he served as Chief Financial Officer and Treasurer of Hankyu International Transport (USA), Inc. Earlier in his career, Mr. Shinohara spent five years with Arthur Andersen LLP, where he served as a Manager specializing in tax matters. Mr. Shinohara is a certified public accountant and holds a Master of Business Administration from Oklahoma City University.

*Manabu Kamei* has served as Chief Operating Officer of Kura Sushi USA and a member of our board of directors since October 2017. He joined the Company's parent, Kura Japan, in 1998 and held roles of increasing responsibility in operations, including directing of new restaurant openings and most recently, Director of Overseas Operations since 2012. Mr. Kamei is also currently a member of the board of directors of Kura Japan. Mr. Kamei has played an instrumental role at Kura Japan in leading new restaurant growth, streamlining operations and driving efficiency, including the creation of proprietary technology used in all Kura Sushi USA and Kura Japan kitchens. Mr. Kamei holds a Bachelor of Arts from Ritsumeikan University. Mr. Kamei possesses extensive knowledge of the operational aspects of our business, making him qualified to serve as a member of our board of directors.

*Hideto Sugimoto* has served as our Director of Operations since October 1, 2018. He joined the Company's parent, Kura Japan, in 2004 and held roles of increasing responsibility in operations, including new restaurant

openings in Eastern Japan, until being selected as an opening team member for Kura Japan in 2008. From 2016 to 2018, Mr. Sugimoto spent two years as Operations Controller of the Company, and was responsible for streamlining our operations and establishing a customer service department and data analytics division. From 2011 to 2016, Mr. Sugimoto oversaw the opening of 11 new restaurants in California and Texas. He is a graduate of Kunitachi Music Academy in Japan.

*Seitaro Ishii* has served as a member of our board of directors since October 1, 2018. He is the founder and Chief Executive Officer of IIOSS K.K., a Japanese professional consulting services firm specializing in organizational development and financial management ("IIOSS"), where he has served in such capacity since 2008. From 1980 to 2005, he served in various management capacities with Applied Materials, Inc., a semiconductor equipment company, including as Regional Chief Financial Officer in Japan as well as positions within global human resources and global operations. Prior to his service with Applied Materials, Inc., Mr. Ishii served as an internal audit manager for Gulf & Western, Inc. and prior to that as a staff accountant with Peat Marwick & Mitchell, predecessor to KPMG LLP. Mr. Ishii holds a Bachelor of Business Administration from Pace University. Mr. Ishii possesses extensive expertise in organizational development and financial management, making him qualified to serve as a member of our board of directors.

*Shintaro Asako* will become a director upon the completion of this offering. He is currently the Executive Officer of DeNa Co., Ltd., a developer of mobile and online services and has also served in various other management capacities since 2017, including as Chief Financial Officer. Prior to his roles with DeNa Co., Ltd., he served from 2011 to 2017 in various capacities with ngmoco, LLC, a subsidiary of DeNa Co., Ltd, including as Chief Financial Officer from 2011 to 2013 and as Chief Executive Officer from 2013 to 2017. From 2006 through 2011, Mr. Asako served as the Chief Financial Officer at MediciNova, Inc. Prior to his services with MediciNova, Inc., Mr. Asako held various positions at KPMG LLP and Arthur Andersen LLP, providing a variety of audit, tax, and business consulting services to multinational clients. Mr. Asako currently serves on various public and private company boards of directors, including Kubota Pharmaceutical Holdings Co., Ltd. and Showroom, Inc. Mr. Asako holds a Bachelor of Science from the University of Southern California Leventhal School of Accounting and is a certified public accountant from the state of California. Mr. Asako possesses strong knowledge and experience in financial management, strategic planning as well as background in regulations for publicly listed companies both in the United States and Japan, making him qualified to serve as a member of our board of directors.

There are no family relationships among our board of directors and executive officers.

**Controlled Company**

Upon completion of this offering, Kura Japan will continue to control a majority of the combined voting power of our outstanding equity interests. As a result, we will be a "controlled company" within the meaning of the corporate governance rules of the Nasdaq Stock Market. As a controlled company, exemptions under the standards will free us from the obligation to comply with certain corporate governance requirements, including the requirements:

- that a majority of our board of directors consists of "independent directors," as defined under the rules of the Nasdaq Stock Market;
- that we have, to the extent applicable, a Nominating and Corporate Governance Committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- that we have a Compensation Committee composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- for an annual performance evaluation of the Nominating and Corporate Governance Committee and Compensation Committee.

Since we intend to avail ourselves of the "controlled company" exception under the Nasdaq Stock Market rules, we will not have a Nominating and Corporate Governance Committee. These exemptions do not modify the independence requirements for our Audit Committee, and we intend to comply with the requirements of Rule 10A-3 of the Exchange Act and the rules of the Nasdaq Stock Market within the applicable time frame. These rules require that our Audit Committee be composed of at least three members, a majority of whom will be independent within 90 days of the date of this prospectus, and all of whom will be independent within one year of the date of this prospectus.

Based on the Nasdaq Stock Market corporate governance rules and the independence requirements of Rule 10A-3 of the Exchange Act, our board of directors has determined that Mr. Ishii is an independent director and upon his appointment Mr. Asako will be an independent director. We intend that a majority of our directors will be independent within 12 months after listing on the Nasdaq Global Market, as required by the Nasdaq Stock Market rules.

**Corporate Governance and Board Structure**

Our board of directors currently consists of three members, and upon the closing of this offering, will consist of four members. Our amended and restated certificate of incorporation that will be effective upon the completion of this offering provides that our board of directors shall consist of at least three directors but not more than 11 directors and the authorized number of directors may be fixed from time to time by resolution of our board of directors. Based on the corporate governance rules of the Nasdaq Stock Market, Mr. Ishii is an independent director and upon his appointment Mr. Asako will be an independent director.

At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the first annual meeting following election. The authorized number of directors may be changed by resolution of the board of directors. Vacancies on the board of directors can be filled by resolution of the board of directors. Hajime Uba serves as the Chairman of our board of directors. See "Risk Factors—Risks Related to Our Organizational Structure—We are controlled by Kura Japan, whose interests may differ from those of our other stockholders."

In evaluating a director candidate's qualifications, we will assess whether a candidate possesses the integrity, judgment, knowledge, experience, skills and expertise that are likely to enhance our ability, as well as the ability of our board's committees, to manage and direct our affairs and business. In addition, our corporate governance guidelines, which will become effective prior to the completion of this offering, requires our board of directors to consider diversity in identifying potential director nominees with a diverse mix of experience, qualifications, attributes or skills, including, but not limited to, work experiences, military service, geography, age, gender, race, ethnicity, disability, sexual orientation and other distinctions between directors. In addition, any search firm engaged to assist our board of directors or a committee of our board of directors to identify candidates for nomination to the board of directors will be specifically directed to include diverse candidates generally, and multiple women candidates in particular. Annually, the board of directors or a committee of our board of directors will review and assess the effectiveness of its diversity initiative. Our directors hold office until the earlier of their death, resignation, retirement, qualification or removal or until their successors have been duly elected and qualified.

We expect that our board of directors will fully implement our corporate governance initiatives at or prior to the closing of this offering. We believe these initiatives comply with the Sarbanes-Oxley Act and the rules and regulations of the SEC adopted thereunder. In addition, we believe our corporate governance initiatives comply with the rules of the Nasdaq Stock Market. After this offering, our board of directors will continue to evaluate, and improve upon as appropriate, our corporate governance principles and policies.

We expect our board of directors to adopt a code of business conduct, effective upon the closing of the offering, that applies to each of our directors, officers and employees. The code addresses various topics, including:

- compliance with laws, rules and regulations;
- conflicts of interest;
- insider trading;
- corporate opportunities;
- competition and fair dealing;
- fair employment practices;
- recordkeeping;
- confidentiality;
- protection and proper use of company assets; and
- payments to government personnel.

**Board Committees**

Upon completion of this offering, our board of directors will have two standing committees: an Audit Committee and a Compensation Committee. Each of the committees will report to the board of directors as they deem appropriate, and as the board of directors may request. In the future, our board of directors may establish other committees, as it deems appropriate, to assist it with its responsibilities. We intend to comply with the requirements of the Nasdaq Stock Market with respect to committee composition of independent directors as they become applicable to us. Each committee has the composition, duties and responsibilities described below.

**Audit Committee**

The Audit Committee provides assistance to the board of directors in fulfilling its oversight responsibilities regarding the integrity of financial statements, our compliance with applicable legal and regulatory requirements, the integrity of our financial reporting processes including its systems of internal accounting and financial controls, the performance of our internal audit function and independent auditor and our financial policy matters by approving the services performed by our independent accountants and reviewing their reports regarding our accounting practices and systems of internal accounting controls. The Audit Committee also oversees the audit efforts of our independent accountants and takes action as it deems necessary to satisfy itself that the accountants are independent of management.

Upon completion of this offering, our Audit Committee will consist of Mr. Ishii and Mr. Asako. We intend to bring on a third member of the Audit Committee within one calendar year of the completion of this offering. The SEC rules and the Nasdaq Stock Market rules require us to have one independent Audit Committee member upon the listing of our Class A common stock on the Nasdaq Global Market, a majority of independent directors on the Audit Committee within 90 days of the date of the completion of this offering and all independent Audit Committee members within one year of the date of the completion of this offering. Our board of directors has affirmatively determined that Mr. Ishii and Mr. Asako meet the definition of "independent directors" for the purposes of serving on an Audit Committee under applicable SEC and Nasdaq Stock Market rules, and we intend to comply with these independence requirements within the time periods specified. In addition, Mr. Asako will qualify as our "audit committee financial expert," as such term is defined in Item 407 of Regulation S-K.

Our board of directors will adopt a new written charter for the Audit Committee, which will be available on our corporate website at www.kurausa.com upon the completion of this offering, which will be consistent with the rules of the SEC and applicable stock exchange or market standards, including the Sarbanes-Oxley Act. Our website is not part of this prospectus.

**Compensation Committee**

The Compensation Committee oversees our overall compensation structure, policies and programs, and assesses whether our compensation structure establishes appropriate incentives for officers and employees. The Compensation Committee reviews and approves corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives, sets the compensation of these officers based on such evaluations and reviews and recommends to the board of directors any employment-related agreements, any proposed severance arrangements or change in control or similar agreements with these officers. The Compensation Committee also grants stock options and other awards under our stock plans. The Compensation Committee will review and evaluate, at least annually, the performance of the Compensation Committee and its members and the adequacy of the charter of the Compensation Committee. Mr. Ishii provided certain management consulting services to us through IIOSS, a company controlled by Mr. Ishii, which included, among other things, assisting the Company in matters related to executive officer compensation.

Upon completion of this offering, our Compensation Committee will consist of Messrs. Ishii and Asako.

Our board of directors will adopt a new written charter for the Compensation Committee, which will be available on our corporate website at www.kurausa.com upon the completion of this offering. The information contained on our website does not constitute a part of this prospectus. As a controlled company, we may rely upon the exemption from the requirement that we have a Compensation Committee composed entirely of independent directors, although immediately following the completion of this offering our Compensation Committee will consist entirely of independent directors.

**Compensation Committee Interlocks**

We anticipate that none of our employees will serve on the Compensation Committee. None of the members of our Compensation Committee has ever been an officer or employee of us. Except for Manabu Kamei, who is our Chief Operating Officer and a member of our board of directors, none of our executive officers currently serves or in fiscal year 2018 has served as a member of the board of directors or Compensation Committee of any entity that has one or more executive officers serving on our board of directors or Compensation Committee. Mr. Kamei currently serves as a member of the board of directors of Kura Japan, but does not currently serve, nor in fiscal year 2018 has served, on the Compensation Committee (or other board committee performing equivalent functions) of Kura Japan.

**Director Compensation**

Our employee directors, Mr. Uba and Mr. Kamei, have not received any compensation for serving as a member of our board of directors for fiscal year 2018. After completion of this offering, our directors who are also employees will continue to not receive compensation for their services as directors. Our non-employee director, Mr. Ishii, was appointed to our board of directors in October 2018 and did not receive any director fees as a director during fiscal year 2018, although commencing with his appointment receives monthly director fees of $18,334. During fiscal year 2018 and prior to his appointment to our board of directors, Mr. Ishii provided certain management consulting services to us through IIOSS. For such consulting services, Kura Japan paid IIOSS monthly service fees of $2,702 for such consulting services. Upon completion of this offering, we plan to implement a compensation plan for our non-employee directors, such that non-employee directors will receive an annual cash retainer and/or an annual grant of stock options. Our committee chairpersons will receive certain additional retainer fees.

Directors have been and will continue to be reimbursed for travel, food, lodging and other expenses directly related to their activities as directors, including expenses incurred in attending board meetings. Directors are also entitled to the protection provided by their indemnification agreements and the indemnification provisions in our current certificate of incorporation and bylaws, as well as the amended and restated certificate of incorporation and amended and restated bylaws that will become effective prior to the completion of this offering.

### Corporate Governance Guidelines

Prior to the completion of this offering, our board of directors will adopt corporate governance guidelines in accordance with the corporate governance rules of the Nasdaq Stock Market.

### Risk Oversight

Our board of directors is currently responsible for overseeing our risk management process. The board of directors focuses on our general risk management strategy and the most significant risks facing us and ensures that appropriate risk mitigation strategies are implemented by management. The board of directors is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and significant transactions.

Upon completion of this offering, our board of directors will not have a standing risk management committee, but rather will administer this oversight function directly through our board of directors as a whole, as well as through various standing committees of our board of directors that address risks inherent in their respective areas of oversight. In particular, our board of directors will be responsible for monitoring and assessing strategic risk exposure, our Audit Committee will be responsible for overseeing our major financial risk exposures and the steps our management has taken to monitor and control these exposures and our Compensation Committee will assess and monitor whether any of our compensation policies and programs has the potential to encourage unnecessary risk-taking. In addition, upon completion of this offering, our Audit Committee will oversee the performance of our internal audit function and consider and approve or disapprove any related-party transactions.

Our management is responsible for day-to-day risk management. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels.

### Risk and Compensation Policies

Prior to the completion of this offering, we intend to analyze our compensation programs and policies to determine whether those programs and policies are reasonably likely to have a material adverse effect on us.

### Leadership Structure of the Board of Directors

The positions of Chairman of the Board and Chief Executive Officer are presently the same person and we do not have a lead independent director. As our amended and restated bylaws, which will become effective prior to the completion of this offering, and corporate governance guidelines do not require that our Chairman and Chief Executive Officer positions be separate, our board of directors believes that having positions be held by the same person is the appropriate leadership structure for us at this time. As of the date of this prospectus, we have determined that the leadership structure of our board of directors has permitted our board of directors to fulfill its duties effectively and efficiently and is appropriate given the size and scope of our company and its financial condition.

# EXECUTIVE COMPENSATION

## Compensation Philosophy

Our compensation philosophy includes:

- pay for performance;
- fair compensation that is competitive with market standards;
- compensation mix according to growth stage of our company as well as job level; and
- incentivizing employees to work for long-term sustainable and profitable growth of our company.

## Objectiveof Executive Compensation Program

The objective of our compensation program is to provide a fair and competitive compensation package in the industry to each named executive officer ("NEO") that will enable us to:

- attract and hire outstanding individuals to achieve our mid-term and long-term visions;
- motivate, develop and retain employees; and
- align the financial interests of each named executive officer with the interests of our stakeholders including stockholders and encourage each named executive officer to contribute to enhance value of the Company.

Our named executive officers for fiscal year 2018, which consist of our principal executive officer and the next two most highly compensated executives, are:

- Hajime Uba, our Chairman of the Board, President and Chief Executive Officer;
- Koji Shinohara, our Chief Financial Officer, Treasurer and Secretary; and
- Manabu Kamei, our Chief Operating Officer.

## Administration

Following the consummation of this offering, our Compensation Committee, which includes two independent directors, will oversee our executive compensation program and will be responsible for approving the nature and amount of the compensation paid to our NEOs. The committee will also administer our equity compensation plan and awards.

## Elements of Compensation

Our compensation program for NEOs consists of the following elements of compensation, each described in greater depth below:

- base salaries;
- performance-based bonuses;
- equity-based incentive compensation; and
- general benefits.

### *Base Salary*

Base salaries are an annual fixed level of cash compensation to reflect each NEO's performance, role and responsibilities, and retention considerations.

***Performance-Based Bonus***

To incentivize management to drive strong operating performance and reward achievement of our company's business goals, our executive compensation program includes performance-based bonuses for NEOs. Following consummation of this offering, our Compensation Committee will establish annual target performance-based bonuses for each NEO during the first quarter of the fiscal year.

***Equity Compensation***

We pay equity-based compensation to our NEOs in order to link our long-term results achieved for our stockholders and the rewards provided to NEOs, thereby ensuring that such NEOs have a continuing stake in our long-term success.

Following consummation of this offering, we may, from time to time, make grants of equity awards to the current NEOs under the 2018 Incentive Compensation Plan (the "Stock Incentive Plan"), which reserves for issuance 1,400,000 shares of our Class A Common Stock on a pre-reverse split basis.

***General Benefits***

Our NEOs are provided with other fringe benefits that we believe are commonly provided to similarly situated executives. The fringe benefits provided to our NEOs who are expatriates include use of a company car, a monthly housing allowance, and fully-paid premiums for medical, dental, vision and other insurance plans. The fringe benefits provided to our NEOs who are not expatriates include subsidized medical, dental, vision and other insurance plans and, for certain of our NEOs, use of a company car.

**Summary Compensation Table**

The following table summarizes the compensation awarded to, earned by or paid to our NEOs for fiscal year 2018:

| Name and Principal Position | Year | Salary ($) | Bonus ($)(1) | Option Awards ($)(2) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|
| Hajime Uba<br>*Chairman of the Board, President and Chief Executive Officer* | 2018 | $117,486(3) | $39,107(5) | $359,929 | $ 25,487(6) | $542,009 |
| Koji Shinohara<br>*Chief Financial Officer, Treasurer and Secretary* | 2018 | $170,000 | $15,000 | $121,682 | $ — | $306,682 |
| Manabu Kamei<br>*Chief Operating Officer* | 2018 | $105,667(4) | $ — | $157,470 | $ 33,082(7) | $296,219 |

(1) The amounts reported represent annual discretionary bonuses earned by our NEOs for the fiscal year 2018, based on the achievement of Company and individual performance objectives.

(2) The amounts reported represent the aggregate grant date fair value of the stock options awarded to the NEOs during the fiscal year 2018, calculated in accordance with FASB ASC Topic 718. Such grant date fair values do not take into account any estimated forfeitures. The assumptions used in calculating the grant date fair value of the stock options reported in this column are set forth in Note 6 to our audited financial statements included in this prospectus. The amounts reported in this column reflect the accounting cost for these stock options and do not correspond to the actual economic value that may be received by the NEOs upon the exercise of the stock options or any sale of the underlying shares of common stock.

(3) The amounts reported include $5,457 paid to Mr. Uba by Kura Japan.

(4) The amounts reported include $8,247 paid to Mr. Kamei by Kura Japan.

(5) Mr. Uba's bonus was paid in Japanese Yen, and the U.S. dollar amounts shown in the "Bonus" column for Mr. Uba has been converted from yen to U.S. dollars using the currency conversion rate of 112 yen per U.S. dollar, which was the central rate as reported by the Bank of Japan on November 30, 2017 when Mr. Uba's bonus was paid. All other compensation paid to Mr. Uba is paid in U.S. dollars and therefore no foreign currency conversion is needed.

(6) For 2018, all other compensation for Mr. Uba includes $5,670 in medical insurance premiums; $613 in dental insurance premiums; $103 in vision insurance premiums; and $10 in life, accidental death and dismemberment insurance premiums. The aforementioned amounts represent insurance premiums paid on behalf of Mr. Uba that exceed the percentage the Company pays for all employees on a non-discriminatory basis. In addition, all other compensation for Mr. Uba includes $12,000 in housing allowances and company car use equaling $7,091. During fiscal year 2018, Mr. Uba was an expatriate but starting in fiscal year 2019, Mr. Uba is no longer an expatriate and will not receive a housing allowance, although Mr. Uba will receive the benefits of company car use and subsidized medical, dental, vision and other insurance plans.

(7) For 2018, all other compensation for Mr. Kamei includes $1,588 in medical insurance premiums; $139 in dental insurance premiums; $27 in vision insurance premiums; and $10 in life, accidental death and dismemberment insurance. The aforementioned amounts represent insurance premiums paid on behalf of Mr. Kamei that exceed the percentage the Company pays for all employees on a non-discriminatory basis. In addition, all other compensation for Mr. Kamei includes $26,400 in housing allowances and company car use equaling $4,918. During fiscal year 2018 and fiscal year 2019, Mr. Kamei is an expatriate.

**Narrative to Summary Compensation Table**

***Employment Agreements***

We do not currently have employment agreements with any of our NEOs. However, in connection with this offering, we intend to enter into employment agreements with Messrs. Uba, Shinohara and Kamei to be effective as of the date of the consummation of this offering. The material terms of such agreements are summarized below.

*Employment Term and Position*. The term of employment of each of Messrs. Uba and Shinohara will be three years from the date of the consummation of this offering, subject to automatic one-year extensions provided that neither party provides written notice of non-extension at least one hundred twenty (120) days prior to the expiration of the then-current term. The term of employment for Mr. Kamei will commence the date of the consummation of this offering and shall continue until Kura Japan ends Mr. Kamei's temporary assignment to us. During their respective terms of employment, Mr. Uba will serve as Chairman of the Board, President and Chief Executive Officer of the Company, Mr. Shinohara will serve as Chief Financial Officer, Treasurer and Secretary of the Company and Mr. Kamei will serve as Chief Operating Officer of the Company and as a member of our board of directors.

*Base Salary, Annual Bonus and Equity Compensation*. Pursuant to their employment agreements, Messrs. Uba, Shinohara and Kamei will be entitled to initial base salaries of $340,000, $240,000, and $220,000, respectively. In addition, Messrs. Uba, Shinohara and Kamei will be eligible to receive annual performance-based cash bonuses, the amount and terms of which shall be in the discretion of the Compensation Committee. Messrs. Uba, Shinohara and Kamei will also be eligible to receive equity awards, the form and terms of which will be determined by our board of directors or the Compensation Committee in their discretion.

*Severance*. Mr. Kamei's employment agreement will not provide for payment of severance upon the end of his temporary assignment to us. The employment agreements for Messrs. Uba and Shinohara, on the other hand, will provide for severance upon a termination by us without cause, on the account of our failure to renew the employment agreement, or by Messrs. Uba or Shinohara for good reason, in each case, subject to the execution of an effective release of claims in favor of the Company, its affiliates and their respective officers and directors by Messrs. Uba or Shinohara, as applicable. Upon a termination of employment by us without cause, on the account of our failure to renew the employment agreement, or by Messrs. Uba or Shinohara for good reason,

Messrs. Uba or Shinohara, as applicable, will be entitled to severance consisting of (a) a lump sum payment equal to base salary for the year in which the termination occurs, (b) reimbursement for payments such person makes for COBRA coverage for a period of twelve (12) months, or until such person has secured other employment, whichever occurs first, and (c) accelerated vesting of the applicable portion of such person's equity awards that would have vested on August 31 of that same fiscal year, absent such termination.

For purposes of the employment agreements, the Company will have "cause" to terminate Messrs. Uba or Shinohara's employment upon (a) his willful failure to perform his duties (other than any such failure resulting from incapacity due to physical or mental illness); (b) his willful failure to comply with any valid and legal directive of our board of directors; (c) his willful engagement in dishonesty, illegal conduct, or misconduct, which is, in each case, injurious to the Company or its affiliates; (d) his embezzlement, misappropriation, or fraud, whether or not related to his employment with the Company; (e) his 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; (f) his violation of a material policy of the Company; (g) his willful unauthorized disclosure of confidential information (as defined in his employment agreement); (h) his material breach of any material obligation under his employment agreement or any other written agreement between him and the Company; or (i) any material failure by him to comply with the Company's written policies or rules, as they may be in effect from time to time during the employment term. Under the employment agreements, no act or failure to act shall be considered "willful" unless it is done, or omitted to be done, by such person in bad faith or without reasonable belief such person's action or omission was in the best interests of the Company and any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by our board of directors or upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by such person in good faith and in the best interests of the Company.

Pursuant to their employment agreements, each of Messrs. Uba and Shinohara will have "good reason" to terminate his employment after occurrence, without his consent of (a) a material reduction in the base salary other than a general reduction in base salary that affects all similarly situated executives in substantially the same proportions; (b) any material breach by the Company of any material provision of this Agreement; (c) a material, adverse change in his authority, duties, or responsibilities (other than temporarily while he 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 effective date of the employment agreements; (d) a material adverse change in the reporting structure applicable to the him; or (e) the Company's current principal executive office is moved by 50 miles or more. However, no termination for "good reason" will be effective unless (i) Messrs. Uba or Shinohara, as applicable, provides the Company with notice of the grounds for termination of good reason within thirty (30) days of the initial existence of such grounds and (ii) the Company has at least thirty (30) days from the date on which such notice is given to cure such circumstances. If Messrs. Uba or Shinohara, as applicable, does not terminate his employment for good reason within thirty (30) days after the expiration of the Company's cure period, then such person will be deemed to have waived his right to terminate for good reason with respect to such grounds.

*Restrictive Covenants*. Pursuant to their respective employment agreements, Messrs. Uba and Shinohara will be subject to certain non-solicitation restrictions for a twelve-month period after termination of employment. Mr. Kamei's employment agreement will not subject him to a non-solicitation restriction following the end of his temporary assignment to us.

***2018 Salaries***

The NEOs receive a base salary to compensate them for services rendered to our company. The base salary payable to each NEO is intended to provide a fixed component of compensation reflecting such NEO's skillset, experience, role and responsibilities.

***2018 Bonuses***

In fiscal year 2018, our NEOs were eligible to participate in the Company's short-term incentive program, pursuant to which each was eligible to earn an annual discretionary bonus based on (i) the achievement of the Company's profit target, (ii) such NEO's direct contribution to achievement of the Company's profit target and (iii) the achievement of individual objectives set according to such NEO's title and function. The amounts earned under this program with respect to the fiscal year ended August 31, 2018 are reported under the "Bonus" column in the Summary Compensation Table above.

***Outstanding Equity Awards at Fiscal Year End***

The following table sets forth information regarding outstanding equity awards at the end of fiscal year 2018 for each of the NEOs:

| | Option Awards(1) | | | |
|---|---|---|---|---|
| Name | Number of securities underlying unexercised options exercisable | Number of securities underlying unexercised options unexercisable | Option exercise price | Option expiration date |
| Hajime Uba | — | 155,142(2) | $ 2.13 | 6/16/2028 |
| Koji Shinohara | — | 52,449(3) | $ 2.13 | 6/16/2028 |
| Manabu Kamei | — | 67,875(2) | $ 2.13 | 6/16/2028 |

(1) Each equity award is subject to the terms of our Stock Incentive Plan.

(2) The shares subject to the equity award vest in equal quarterly installments on the last day of each calendar quarter over approximately forty-five (45) months after June 16, 2018, generally subject to the NEO's continuous service relationship with the Company through each applicable vesting date.

(3) 100% of shares subject to the equity award vest 12 months after June 16, 2018, generally subject to the NEO's continuous service relationship with the Company through each applicable vesting date.

***Payments Upon Termination or Change in Control***

None of our NEOs are entitled to receive payments or other benefits upon termination of employment or a change in control, except as provided in the employment agreements described above and the equity acceleration pursuant to the Stock Incentive Plan described below.

***Retirement Plans***

We do not maintain any deferred compensation, retirement, pension or profit-sharing plans. We have adopted an incentive plan, the material terms of which are described below.

***Employee Benefits***

All of our full-time employees, including our NEOs, are eligible to participate in health and welfare plans maintained by the Company, including:

- medical, dental and vision benefits; and
- basic life and accidental death & dismemberment insurance.

Our NEOs participate in these plans on the same basis as other eligible employees. We do not maintain any supplemental health and welfare plans for our NEOs.

***Stock Incentive Plan***

The following is a summary of the material terms of our Stock Incentive Plan, which was initially adopted in June 2018. This summary is qualified in its entirety by reference to the actual text of the plan, which is filed as an exhibit to the registration statement of which this prospectus is a part.

*General*. The Stock Incentive Plan authorizes the grant of stock options, stock appreciation rights ("SARs"), restricted stock, restricted stock units ("RSUs"), dividend equivalents, and other stock-based awards and performance awards to employees, officers, directors, consultants and advisors. The number of shares of common stock available for issuance under the Stock Incentive Plan shall not exceed 1,400,000. The number of shares issued or reserved pursuant to the Stock Incentive Plan (or pursuant to outstanding awards) is subject to adjustment as a result of mergers, consolidations, reorganizations, stock splits, stock dividends and other changes in our common stock. Shares subject to awards that have been terminated, expired unexercised, forfeited or settled in cash shall, to the extent of such termination, expiration, forfeiture or cash settlement, again be available for delivery under the Stock Incentive Plan. Shares that have been delivered to us in payment or satisfaction of the exercise price or tax withholding obligation of an award will not be available for awards under the Stock Incentive Plan.

*Administration*. The Stock Incentive Plan is administered by the Compensation Committee, or in the absence of any such committee, the board of directors itself. The administrator of the plan has the discretion to determine the individuals to whom awards may be granted under the Stock Incentive Plan, the manner in which such awards will vest and the other conditions applicable to awards in accordance with the terms in the Stock Incentive Plan. Options, SARs, restricted stock, RSUs, dividend equivalents, other stock-based awards and performance awards may be granted to participants in such numbers and at such times during the term of the Stock Incentive Plan as the administrator of the plan shall determine. The administrator is authorized to interpret the Stock Incentive Plan, correct defects, supply omissions or reconcile inconsistencies therein, and make any other determinations that it deems necessary or advisable for the administration of the Stock Incentive Plan. All decisions by the administrator of the plan are final and binding on all participants, beneficiaries, heirs, assigns or other persons holding or claiming rights under the Stock Incentive Plan or any award.

*Options*. The administrator will determine the exercise price and other terms for each option and whether the options are nonqualified stock options or incentive stock options. Incentive stock options may be granted only to employees and are subject to certain other restrictions provided that such exercise price shall not be less than the fair market value of the underlying stock on the date of the grant. To the extent an option intended to be an incentive stock option does not so qualify, it will be treated as a nonqualified option. The administrator shall determine the time or times at which or the circumstances under which an option may be exercised, the method by which notice of exercise is to be given and the form of exercise notice to be used, the form of such payment, and the methods by or forms in which shares of common stock will be delivered to participants.

*Stock Appreciation Rights*. The administrator may grant SARs independent of or in connection with an option. Generally, each SAR will entitle a participant upon exercise to an amount equal to: the excess of the fair market value on the exercise date of one share of common stock over the grant price of the SAR as determined by the administrator, times the number of shares of common stock covered by the SAR. The administrator shall determine the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which shares of common stock will be delivered or deemed to be delivered to participants.

*Restricted Stock and Restricted Stock Units*. The administrator may award restricted common stock and RSUs. Restricted stock awards consist of shares of stock that are transferred to the participant subject to restrictions that may result in forfeiture if specified conditions are not satisfied. RSUs result in the transfer of shares of common stock or cash to the participant only after specified conditions are satisfied. The administrator will determine the restrictions and conditions applicable to each award of restricted stock or RSUs, which may include performance vesting conditions.

*Bonus Stock and Awards in Lieu of Obligations.* Bonus stock and awards in lieu of obligations are grants of fully vested shares of our Class A common stock or other awards that may be made in lieu of obligations to pay cash or deliver other property under the Stock Incentive Plan or under other plans or compensatory arrangements.

*Dividend Equivalents.* Dividend equivalents represent the right to receive the equivalent value of dividends paid on shares of our Class A common stock and may be granted alone or in tandem with awards. The

administrator may provide that dividend equivalents shall be paid or distributed when accrued or at some later date, or whether such dividend equivalents shall be deemed to have been reinvested in additional shares, awards, or other investment vehicles, and subject to restrictions on transferability and risks of forfeiture as the administrator may specify. Dividend equivalents may not be paid on awards granted under the Stock Incentive Plan subject to performance-based vesting unless and until such awards have vested.

*Performance Awards.* Performance awards will be granted by the administrator in its discretion on an individual or group basis. Generally, these awards will be based upon specific performance targets and will be paid in cash or in Class A common stock or in a combination of both. The performance targets to be achieved and the period in which the plan participant must achieve said performance targets shall be determined by the administrator upon the grant of each performance award.

*Other Stock-Based Awards*. The administrator is authorized, subject to limitations under applicable law, to grant to any plan participants such other awards that may be denominated or payable in Class A common Stock, as deemed by the administrator to be consistent with the purposes of the Stock Incentive Plan.

*Performance Criteria.* Vesting of awards granted under the Stock Incentive Plan may be subject to the satisfaction of performance criteria achieved during the performance periods established by the administrator. The performance criteria and performance periods may vary from participant to participant, group to group and period to period.

*Adjustments.* In the event of any extraordinary dividend or other distribution, 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 common stock, the administrator will appropriately adjust the number of shares available under and subject to outstanding awards under the Stock Incentive Plan.

*Transferability.* Unless otherwise determined by the Compensation Committee, awards granted under the Stock Incentive Plan generally are not transferable other than by will or by the laws of descent and distribution.

*Treatment of Awards upon a Change in Control*. If and only if (i) provided in any employment agreement, award agreement or other agreement between the Company and a plan participant, or (ii) the administrator of the Stock Incentive Plan makes a determination, then upon the occurrence of a change in control of our company, (a) all outstanding options, SARs and other awards in the nature of rights that may be exercised will become fully exercisable, (b) all time-based vesting restrictions on outstanding awards will lapse; and (c) the payout opportunities attainable under all outstanding performance-based awards will vest based on target performance and the awards will pay out either in full or on a pro rata basis, based on the time elapsed prior to the change in control.

***Nonqualified Deferred Compensation***

Our NEOs did not earn any nonqualified deferred compensation benefits from us during fiscal year 2018.

***Director Compensation***

Our employee directors, Mr. Uba and Mr. Kamei, have not received any compensation for serving as a member of our board of directors for fiscal year 2018 and after completion of this offering our directors who are also employees will continue to not receive compensation for their services as directors. Upon completion of this offering, we plan to implement a compensation plan for our non-employee directors, such that non-employee directors will receive an annual cash retainer and/or an annual grant of stock options. Our committee chairpersons will receive certain additional retainer fees.

Directors have been and will continue to be reimbursed for travel, food, lodging and other expenses directly related to their activities as directors, including expenses incurred in attending board meetings. Directors are also entitled to the protection provided by their indemnification agreements and the indemnification provisions in our current certificate of incorporation and bylaws, as well as the amended and restated certificate of incorporation and amended and restated bylaws that will become effective prior to the completion of this offering.

## PRINCIPAL STOCKHOLDERS

The following table presents information regarding beneficial ownership of our equity interests as of , and as adjusted to reflect our sale of Class A common stock in this offering, by:

- each stockholder or group of stockholders known by us to be the beneficial owner of more than 5% of our outstanding equity interests, which includes Kura Japan;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and thus represents voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all equity interests beneficially owned, subject to community property laws where applicable.

Percentage ownership of our equity interests before this offering is based on shares of our Class A common stock and shares of our Class B common stock outstanding as of , 2019, giving effect to the reverse stock split contemplated to be completed in connection with this offering. Kura Japan is the sole holder of all outstanding Class A common stock and Class B common stock as of , 2019.

Percentage ownership of our equity interests after this offering assumes the sale by us of shares of our Class A common stock in this offering.

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. Upon completion of this offering and the adoption of our amended and restated certificate of incorporation, the Class B common stock will be convertible as follows: (i) at such time as any shares of Class B common stock cease to be beneficially owned by Kura Japan; such shares of Class B common stock will be automatically converted into shares of Class A common stock on a one-for-one basis, (ii) all of the Class B common stock will automatically convert into Class A common stock on a one-for-one basis on such date when the number of shares of Class A and Class B common stock beneficially owned by Kura Japan represents less than 20.0% of the total number of shares of Class A and Class B common stock outstanding, and (iii) at the election of the holder of Class B common stock, any share of Class B common stock may be converted into one share of Class A common stock. With the exception of voting rights and conversion rights, holders of Class A and Class B common stock will have identical rights.

Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of , 2019 are deemed to be outstanding and to be beneficially owned by the person holding the options for the purpose of computing the percentage ownership of that person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each individual listed in this table is c/o Kura Sushi, 17932 Sky Park Circle, Suite H, Irvine, California 92614.

| | Prior to this offering | | | | | After this offering | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares of Class A Common Stock Beneficially Owned | | Shares of Class B Common Stock Beneficially Owned | | Total Voting Power Beneficially Owned | Shares of Class A Common Stock Beneficially Owned | | Shares of Class B Common Stock Beneficially Owned | | Total Voting Power Beneficially Owned |
| Name | Number | Percentage | Number | Percentage | | Number | Percentage | Number | Percentage | |
| **Principal Stockholder:** | | | | | | | | | | |
| Kura Japan(1) | | | | | 100% | | | | | |
| **Named Executive Officers and Directors:** | | | | | | | | | | |
| Hajime Uba | (2) | | — | — | | | | | | |
| Koji Shinohara | (3) | * | — | — | | | | | | |
| Manabu Kamei | (4) | * | — | — | | | | | | |
| Seitaro Ishii | | * | — | — | | | | | | |
| Shintaro Asako | | * | — | — | | | | | | |
| Executive Officers and Directors as a Group (5 individuals) | | | — | — | | | | | | |

* Indicates ownership of less than one percent.

(1) The principal business address of Kura Japan is 1035-2 Fukasaka, Naka-ku, Sakai-shi, Osaka 599-8253, Japan. Kunihiko Tanaka is the President of Kura Japan, and in such capacity has voting and investment control over the equity interests held by Kura Japan. Mr. Tanaka disclaims beneficial ownership of the equity interests held by Kura Japan.

(2) Includes options to purchase shares of Class A common stock exercisable within 60 days.

(3) Includes options to purchase shares of Class A common stock exercisable within 60 days.

(4) Includes options to purchase shares of Class A common stock exercisable within 60 days.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Relationship with Kura Japan

Prior to the completion of this offering, we were a wholly owned subsidiary of Kura Japan. As of August 31, 2018, Kura Japan owned 100% of our outstanding Class A common stock and Class B common stock. As discussed below in "Description of Capital Stock" and elsewhere in this prospectus, our Class B common stock has 10 votes per share, while our Class A common stock, which is the class of stock we are selling in this offering and which will be the only class of stock that is publicly traded, has one vote per share.

After the offering, 100% of our Class B common stock will be controlled by Kura Japan. As a result, Kura Japan will be able to control all matters submitted to our stockholders for approval even if it owns significantly less than 50% of the number of shares of our outstanding equity interests. This concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that other stockholders may view as beneficial. In addition, we expect that, following this offering, Kura Japan will continue to consolidate our financial results in its financial statements.

As a majority-owned subsidiary of Kura Japan, we believe we benefit from our relationship with Kura Japan when we buy supplies or other services. If Kura Japan's ownership interest declines significantly, we may lose a significant amount of the benefits of our relationship with Kura Japan, many of which will not be covered by the Shared Services Agreement described below. For example, we believe we currently obtain beneficial pricing and/or service levels from certain suppliers. These benefits are not contractually tied to Kura Japan's ownership amount, and the relevant suppliers and service providers could decide to stop giving us beneficial pricing and/or service levels even if Kura Japan still owns a substantial equity stake in us.

In connection with this offering, we and Kura Japan will enter into an amended and restated exclusive license agreement with respect to our use of certain intellectual property owned by Kura Japan and a shared services agreement to provide a framework for our continuing relationship. Such agreements will be filed as exhibits to the registration statement of which this prospectus is a part, and the summaries of these agreements below set forth the terms of the agreements that we believe are material. These summaries are qualified in their entirety by reference to the full text of such agreements.

*Amended and Restated Exclusive License Agreement*. Under the Amended and Restated Exclusive License Agreement, which will be effective as of the date of the consummation of this offering, (the "Amended and Restated Exclusive License Agreement"), Kura Japan and we have agreed to amend and replace that certain License Agreement, dated March 14, 2018. Under such agreement, Kura Japan has agreed to grant an exclusive, royalty-bearing license for us to use its intellectual property rights, including, but not limited to, Kura Japan's trademarks "Kura Sushi" and "Kura Revolving Sushi Bar," and patents for a food management system and Mr. Fresh, among other intellectual property rights necessary to continue operation of our restaurants in the United States in the same manner as previously operated. Kura Japan and we have agreed that the royalty rate that we would pay Kura Japan for use of such intellectual property is 0.5% of the Company's net sales.

*Shared Services Agreement*. Under the Shared Services Agreement, which will be effective as of the date of the consummation of this offering, (the "Shared Services Agreement"), Kura Japan and we have agreed that Kura Japan will continue to provide the Company with certain strategic, operational and other support services following the initial public offering, 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, we have agreed to continue to provide Kura Japan with certain translational support services and market research analyses following the initial public offering. In exchange for receipt of such services, supplies, parts and equipment, the Shared Services Agreement contemplates that the parties will pay fees to each other as more specifically set forth thereunder.

**Procedures for Approval of Related Party Transactions**

We do not currently have a formal, written policy or procedure for the review and approval of related party transactions. However, all related party transactions are currently reviewed and approved by our NEOs.

Our board of directors will adopt a written related person transaction policy, effective upon the closing of this offering, which sets forth the policies and procedures for the review and approval or ratification of related party transactions. This policy will be administrated by our Audit Committee. These policies will provide that, in determining whether or not to recommend the initial approval or ratification of a related party transaction, the relevant facts and circumstances available shall be considered, including, among other factors it deems appropriate, whether the interested transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction.

## DESCRIPTION OF CAPITAL STOCK

### General

The following is a summary of our capital stock and provisions of our amended and restated certificate of incorporation and our amended and restated bylaws, each of which will be in effect prior to the closing of this offering, and certain provisions of Delaware law. This summary does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, copies of which will be filed with the SEC as exhibits to the registration statement, of which this prospectus forms a part.

Following the closing of this offering, we expect that our authorized capital stock will consist of shares of Class A common stock, $0.001 par value per share, shares of Class B common stock, $0.001 par value per share, and shares of preferred stock, $0.001 par value per share. We sometimes refer to our Class A common stock and Class B common stock as "equity interests" when described on an aggregate basis.

### Class A Common Stock

As of May 31, 2019, after giving effect to the reverse stock split contemplated to be completed in connection with this offering, there were shares of Class A common stock outstanding held by one stockholder of record.

Following the closing of this offering, there will be shares of our Class A common stock outstanding, which assumes the underwriters do not exercise their option to purchase additional shares of our Class A common stock. Pursuant to our amended and restated certificate of incorporation, holders of our common stock will be entitled to one vote on all matters submitted to a vote of stockholders, and holders of our common stock will not be entitled to cumulative voting in the election of directors. This means that the holders of a majority of the combined voting power of our outstanding equity interests will be able to elect all of the directors then standing for election. Subject to the rights, if any, of the holders of any outstanding series of preferred stock, holders of our Class A common stock shall be entitled to receive dividends out of any of our funds legally available when, as and if declared by the board of directors. Upon the dissolution, liquidation or winding up of the Company, subject to the rights, if any, of the holders of our preferred stock, the holders of our equity interests shall be entitled to receive the assets of the Company available for distribution to its stockholders ratably in proportion to the number of shares held by them. Holders of Class A common stock will not have preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of Class A common stock are, and the shares of Class A common stock offered in this prospectus will be when issued, fully paid and nonassessable.

### Class B Common Stock

As of May 31, 2019, after giving effect to the reverse stock split contemplated to be completed in connection with this offering, there were shares of Class B common stock outstanding held by one stockholder of record.

Following the closing of this offering, there will be shares of our Class B common stock outstanding. Pursuant to our amended and restated certificate of incorporation, our Class B common stock has the same rights as our Class A common stock except for (i) certain conversion rights as described below under "—Conversion Rights," and (ii) 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. Subject to the rights, if any, of the holders of any outstanding series of preferred stock, holders of our Class B common stock shall be entitled to receive dividends out of any of our funds legally available when, as and if declared by our board of directors. Upon our dissolution, liquidation or winding up, subject to the rights, if any,

of the holders of our preferred stock, the holders of shares of our equity interests shall be entitled to receive the assets of the Company available for distribution to its stockholders ratably in proportion to the number of shares held by them. Holders of Class B common stock will not have preemptive or other subscription rights. There are no redemption or sinking fund provisions applicable to our Class B common stock. All outstanding shares of Class B common stock are fully paid and nonassessable.

Kura Japan will be the only holder of shares of Class B common stock.

**Conversion Rights**

Shares of Class A Common Stock have no conversion rights. Each share of our Class B common stock is automatically convertible into one share of Class A common stock upon the earliest of the date such share ceases to be beneficially owned, as such term is defined under Section 13(d) of the Securities Exchange Act of 1934, as amended, by Kura Japan, or the date that Kura Japan ceases to beneficially own at least 20.0% of the total number of shares of Class A and Class B common stock outstanding. In addition, each share of Class B common stock may be converted at any time into one share of Class A common stock at the option of the holder. The one-to-one conversion ratio will be equitably preserved in the event of any stock dividend, stock split or combination or merger, consolidation or other reorganization by us with another entity. Except for the foregoing conversion rights of the Class B common stock and provisions applicable equally to both Class A common stock and Class B common stock, including, but not limited to, the repurchase of such shares by the Company, there are no provisions which otherwise limit the lifespan of the Class B common stock or would require conversion to Class A common stock.

**Preferred Stock**

As of May 31, 2019, there were no shares of preferred stock outstanding. Following the closing of this offering there will be shares of preferred stock authorized for issuance.

**Voting Rights**

Except as required by Delaware law or except as otherwise provided in our amended and restated certificate of incorporation, Class A common stock and Class B common stock will vote together as a single class on all matters presented to a vote of stockholders, including the election of directors. Each holder of Class A common stock is entitled to one vote for each share held of record on the applicable record date for all of these matters, while each holder of Class B common stock is entitled to 10 votes for each share held of record on the applicable record date for all of these matters.

Holders of Class A common stock have no cumulative voting rights or preemptive rights to purchase or subscribe for any stock or other securities, and there are no conversion rights or redemption or sinking fund provisions with respect to Class A common stock. Class B common stock is identical in all respects to Class A common stock, except with respect to voting and conversion rights. Kura Japan will be the only holder of shares of Class B common stock.

**Anti-Takeover Effects of Delaware Law, Our Amended and Restated Certificate of Incorporation and Our Amended and Restated Bylaws**

Certain provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated bylaws that will be effective prior to the closing of the offering could make the acquisition of the Company more difficult. These provisions of the Delaware General Corporation Law could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and are designed to encourage persons seeking to acquire control of us to negotiate with our board of directors.

*Stockholder meetings*. Under our amended and restated certificate of incorporation and amended and restated bylaws, only the board of directors, or the chairman of the board of directors or the Chief Executive Officer with the concurrence of a majority of the board of directors, may call special meetings of stockholders.

*Requirements for advance notification of stockholder nominations and proposals*. Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors.

*Stockholder action by written consent permitted only if our parent company and its affiliates own a majority of the voting power of the equity interests*. Our amended and restated certificate of incorporation authorizes the right of stockholders to act by written consent without a meeting only for such period as Kura Japan and its affiliates collectively own a majority of the combined voting power of our outstanding equity interests. This provision will, in certain situations, make it more difficult for stockholders, who are not our parent company or its affiliates, to take action opposed by the board of directors.

*Undesignated preferred stock*. The authorization of undesignated preferred stock makes it possible for the board of directors, without stockholder approval, to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to obtain control of us. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of the Company.

*Amendment of provisions in the certificate of incorporation*. Our amended and restated certificate of incorporation will require the affirmative vote of the holders of at least two-thirds of the combined voting power of our outstanding equity interests in order to amend any provision of our certificate of incorporation.

*Amendment of provisions in the bylaws*. Our amended and restated bylaws will require the affirmative vote of the holders of at least two-thirds of the combined voting power of our outstanding equity interests in order to amend any provision of our bylaws.

*Controlled company*. As discussed above, our Class B common stock has 10 votes per share, while Class A common stock, which is the class of stock we are selling in this offering and which will be the only class of stock that is publicly traded, has one vote per share. After the offering, 100% of our Class B common stock will be held by Kura Japan. Until our dual class structure terminates, Kura Japan will be able to control all matters submitted to our stockholders for approval even if it owns significantly less than 50% of the number of shares of our outstanding equity interests. This concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that other stockholders may view as beneficial.

We anticipate that we will not be governed by Section 203 of the Delaware General Corporation Law.

**Transfer Agent and Registrar**

is the transfer agent and registrar for our common stock.

**Listing**

We have applied to list our Class A common stock on the Nasdaq Global Market under the symbol “KRUS.”

## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has not been a public market of our Class A common stock or any of our equity securities. Future sales of our Class A common stock, including shares issued upon the exercise of outstanding options or warrants, in the public market after this offering, or the perception that those sales may occur, could cause the prevailing market price for our Class A common stock to fall or impair our ability to raise equity capital in the future. As described below, only a limited number of shares of our Class A common stock will be available for sale in the public market for a period of several months after consummation of this offering due to contractual and legal restrictions on resale described below. Future sales of our Class A common stock in the public market either before (to the extent permitted) or after restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our Class A common stock at such time and our ability to raise equity capital at a time and price we deem appropriate. Furthermore, although we have applied to have our Class A common stock listed on the Nasdaq Global Market, we cannot assure you that there will be an active public trading market for our Class A common stock.

### Sale of Restricted Shares

Based on the number of shares of our equity interests outstanding immediately prior to this offering, upon the closing of this offering and assuming (i) no exercise of the underwriters' option to purchase additional shares of Class A common stock to cover over-allotments and (ii) no exercise of outstanding options or warrants, we will have outstanding an aggregate of approximately shares of equity interests. Of these shares, all of the shares of Class A common stock to be sold in this offering, and any shares sold upon exercise of the underwriters' option to purchase additional shares to cover over-allotments, will be freely tradable in the public market without restriction or further registration under the Securities Act, unless the shares are held by any of our "affiliates" as such term is defined in Rule 144 of the Securities Act. In general, affiliates include our executive officers, directors, and 10% shareholders. All remaining shares of equity securities held by existing stockholders immediately prior to the closing of this offering will be "restricted securities" as such term is defined in Rule 144. These restricted securities were issued and sold by us, or will be issued and sold by us, in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under the Securities Act, including the exemptions provided by Rule 144 or Rule 701, which rules are summarized below.

### Lock-Up Agreements

In connection with this offering, we, our directors, our executive officers and holders of substantially all of our options and equity interests, including Kura Japan, have agreed, subject to certain exceptions, not to dispose of or hedge any shares of our equity interests or securities convertible into or exchangeable for our equity interests during the period from the date of the lock-up agreement continuing through the date 180 days after the date of the final prospectus, except with the prior written consent of the representatives of the underwriters. These lock-up agreements are subject to certain limited exceptions. For additional information, see "Underwriting."

Following the lock-up period set forth in the agreements described above, and assuming that the representatives of the underwriters does not release any parties from these agreements, all of the equity interests that are restricted securities or are held by our affiliates as of the date of this prospectus will be eligible for sale in the public market in compliance with Rule 144 under the Securities Act.

### Rule 144

***Non-affiliate resales of restricted securities***

In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, a person (or persons whose shares are required

to be aggregated) who is not deemed to have been one of our "affiliates" for purposes of Rule 144 at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months, including the holding period of any prior owner other than one of our "affiliates," is entitled to sell those shares in the public market (subject to the lock-up agreements referred to above, if applicable) without complying with the manner of sale, volume limitations or notice provisions of Rule 144, but subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than "affiliates," then such person is entitled to sell such shares in the public market without complying with any of the requirements of Rule 144 (subject to the lock-up agreements referred to above, if applicable).

***Affiliate resales of restricted securities***

In general, under Rule 144, as currently in effect, once we have been subject to the public company reporting requirements of the Exchange Act for at least 90 days, our "affiliates," as defined in Rule 144, who have beneficially owned the shares proposed to be sold for at least six months are entitled to sell in the public market, upon expiration of any applicable lock-up agreements and within any three-month period, a number of those shares of our equity interests that does not exceed the greater of:

- 1% of the number of equity interests then outstanding, which will equal approximately shares of equity interests immediately after this offering (calculated on the basis of the assumptions described above and assuming no exercise of the underwriter's option to purchase additional shares and no exercise of outstanding options or warrants); or
- the average weekly trading volume of our Class A common stock on the Nasdaq Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Such sales under Rule 144 by our "affiliates" or persons selling shares on behalf of our "affiliates" are also subject to certain manner of sale provisions, notice requirements and to the availability of current public information about us. Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted securities have entered into lock-up agreements as referenced above and their restricted securities will become eligible for sale (subject to the above limitations under Rule 144) upon the expiration of the restrictions set forth in those agreements.

**Rule 701**

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who acquired equity interests from us in connection with a written compensatory stock or option plan or other written agreement in compliance with Rule 701 under the Securities Act before the effective date of the registration statement of which this prospectus is a part (to the extent such equity interests are not subject to a lock-up agreement) is entitled to rely on Rule 701 to resell such equity interests beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act in reliance on Rule 144, but without compliance with the holding period requirements contained in Rule 144. Accordingly, subject to any applicable lock-up agreements, beginning 90 days after we become subject to the public company reporting requirements of the Exchange Act, under Rule 701 persons who are not our "affiliates," as defined in Rule 144, may resell those shares without complying with the minimum holding period or public information requirements of Rule 144, and persons who are our "affiliates" may resell those shares without compliance with Rule 144's minimum holding period requirements (subject to the terms of the lock-up agreements referred to below, if applicable).

**Form S-8**

Following the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register shares of Class A common stock issued or issuable under our stock option plan. The registration statement on Form S-8 is expected to become effective automatically upon filing. As of May 31, 2019, 818,501 shares of our Class A common stock were issuable on a pre-reverse split basis upon the exercise of outstanding stock options, of which 194,784 options to purchase shares had vested and had not been exercised. Class A common stock issued upon exercise of a stock option and registered under the Form S-8 registration statement will, subject to vesting provisions and Rule 144 volume limitations applicable to our “affiliates,” be available for sale in the public market, immediately following the expiration of or release from the lock-up agreements.

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion describes certain material U.S. federal income tax consequences associated with the purchase, ownership and disposition of shares of our Class A common stock, which we refer to in this prospectus as our "common stock." This discussion deals only with beneficial owners of shares of our common stock that purchase the shares in this offering and will hold shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). Because this section is a general summary, it does not address all aspects of taxation that may be relevant to particular stockholders in light of their personal investment or tax circumstances, or to certain types of stockholders that are subject to special treatment under the U.S. federal income tax laws, including, but not limited to, brokers or dealers in securities, banks or other financial institutions, regulated investment companies, real estate investment trusts, insurance companies, tax-exempt entities, persons holding common stock as a part of a hedging, integrated, conversion or constructive sale transaction or a straddle, persons subject to special tax accounting rules under Section 451(b) of the Code, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons liable for alternative minimum tax, U.S. Holders (as defined below) whose "functional currency" is not the U.S. dollar, entities or arrangements treated as partnerships for U.S. federal income tax purposes or investors in such entities, persons who acquired our common stock through the exercise of employee stock options or otherwise as compensation for services, certain U.S. expatriates, "controlled foreign corporations," "passive foreign investment companies," and persons deemed to sell our common stock under the constructive sale provisions of the Code.

This discussion is based upon the provisions of the Code, the existing and proposed U.S. Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and such authorities may be repealed, revoked, modified or subject to differing interpretations, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. This discussion does not address any state, local or foreign tax consequences, or any U.S. federal tax consequences other than U.S. federal income tax consequences.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners in a partnership purchasing our common stock are encouraged to consult their own tax advisors.

THIS SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK. PROSPECTIVE HOLDERS OF OUR COMMON STOCK ARE ENCOURAGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS) OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK.

### Consequences to U.S. Holders

The following is a summary of the U.S. federal income tax consequences that will apply to a U.S. Holder of shares of our common stock. A "U.S. Holder" of shares of our common stock means a beneficial owner of shares of common stock that is for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized in the United States or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if it is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

*Dividends*. If a U.S. Holder receives a distribution in respect of shares of our common stock, it generally will be treated as a dividend for U.S. federal income tax purposes to the extent that it is paid from current or accumulated earnings and profits as determined under U.S. federal income tax principles. A distribution that exceeds current and accumulated earnings and profits will be treated as a nontaxable return of capital reducing a U.S. Holder's tax basis in the common stock and any remaining excess will be treated as capital gain from the sale or exchange of such common stock. See "—Sale, Exchange, or Other Disposition of Common Stock" below.

Under current law, dividend income may be taxed to an individual U.S. Holder at rates applicable to long term capital gains, provided that a minimum holding period and other limitations and requirements are satisfied. Any dividends that we pay to a U.S. Holder that is a U.S. corporation will qualify for a deduction allowed to U.S. corporations in respect of dividends received from other U.S. corporations equal to a portion of any dividends received, subject to generally applicable limitations on that deduction. In general, a dividend distribution to a corporate U.S. Holder may qualify for the 50% dividends received deduction in cases where the U.S. Holder owns less than 20% of the voting power and value of our stock, or a higher dividends received deduction in certain other cases. U.S. Holders are encouraged to consult their own tax advisors regarding the holding period and other requirements that must be satisfied in order to qualify for the reduced tax rate on dividends and the dividends-received deduction.

*Sale, Exchange, or Other Disposition of Common Stock*. A U.S. Holder will generally recognize capital gain or loss on the sale, exchange or other disposition of our common stock. The amount of gain or loss will equal the difference between the amount realized on the sale and the tax basis of such U.S. Holder in the disposed common stock. The amount realized will include the amount of any cash and the fair market value of any other property received in exchange for the stock. The gain or loss recognized on a sale will be long-term capital gain or loss if the common stock had been held for more than one year. Long-term capital gains of non-corporate U.S. Holders are generally taxed at lower rates than those applicable to ordinary income. The deductibility of capital losses is subject to certain limitations.

*Medicare Contribution Tax*. U.S. Holders who are individuals, estates or certain trusts are required to pay a 3.8% tax on the lesser of (i) the U.S. person's "net investment income" in the case of an individual, or undistributed "net investment income" in the case of an estate or trust, in each case for the relevant taxable year and (ii) the excess of the U.S. person's modified adjusted gross income in the case of an individual, or adjusted gross income in the case of an estate or trust, in each case for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000 depending on the individual's circumstances). Net investment income generally includes, among other things, dividends and capital gains from the sale or other disposition of stock, unless such dividend income or gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. Holder that is an individual, estate or trust is encouraged to consult its tax advisor regarding the applicability of the Medicare tax to its income and gains in respect of its investment in our common stock.

*Information Reporting and Backup Withholding*. U.S. Treasury regulations require information reporting and backup withholding on certain payments on common stock or on the sale thereof. When required, we will report to the Internal Revenue Service (the "IRS") and to each U.S. Holder the amounts paid on or with respect to our common stock and the U.S. federal withholding tax, if any, withheld from such payments. A U.S. Holder will be subject to backup withholding on the dividends paid on the common stock and proceeds from the sale of the common stock at the applicable rate if the U.S. Holder (i) fails to provide us or our paying agent with a correct taxpayer identification number or certification of exempt status (such as a certification of corporate status), (ii) has been notified by the IRS that it is subject to backup withholding as a result of the failure to properly report payments of interest or dividends, or (iii) in certain circumstances, has failed to certify under penalty of

perjury that it is not subject to backup withholding. A U.S. Holder may be eligible for an exemption from backup withholding by providing a properly completed IRS Form W-9 to us or our paying agent.

Backup withholding does not represent an additional U.S. federal income tax. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information or returns are timely furnished by the holder to the IRS.

**Consequences to Non-U.S. Holders**

The following is a summary of the U.S. federal income tax consequences that will apply to a Non-U.S. Holder of shares of our common stock. A "Non-U.S. Holder" is a beneficial owner of common stock (other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder.

*Dividends*. Except as otherwise described below, Dividends paid to a Non-U.S. Holder, if any, generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. A Non-U.S. Holder wishing to claim the benefits of an applicable income tax treaty for dividends will be required to complete IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable or successor form) and certify under penalties of perjury that such Non-U.S. Holder is not a U.S. person and is entitled to the benefits of the applicable income tax treaty.

Dividends paid to a Non-U.S. Holder that are effectively connected with such Non-U.S. Holder's conduct of a trade or business within the United States or, if certain treaties apply, are attributable to a U.S. permanent establishment, are not subject to the withholding tax but instead are subject to regular graduated U.S. federal income tax rates in the same manner as a U.S. Holder. Special certification and disclosure requirements, including the completion of IRS Form W-8ECI (or any successor form), must be satisfied for effectively connected dividends to be exempt from withholding. In addition, a non-U.S. Holder that is a foreign corporation may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty on any effectively connected dividends received by such non-U.S. Holder. In order to claim the benefit of an applicable income tax treaty, special certifications and other requirements may apply to certain Non-U.S. Holders that are entities rather than individuals.

If a Non-U.S. Holder is eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, such Non-U.S. Holder may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

*Sale, Exchange or Other Disposition of Common Stock*. Except as otherwise described below, A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale, exchange or other disposition of shares of our common stock unless:

- the Non-U.S. Holder is an individual who is present in the United States for a period or periods aggregating 183 days or more in the taxable year in which the sale, exchange or other disposition occurs and certain other conditions are met;
- the gain is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States, or, if certain income tax treaties apply, is attributable to a U.S. permanent establishment; or
- our common stock constitutes a U.S. real property interest by reason of our status as a "U.S. real property holding corporation" (a "USRPHC") for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or such Non-U.S. Holder's holding period of our common stock.

A Non-U.S. Holder described in the first bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate as specified by an applicable income tax treaty) on the amount of such gain, which generally may be offset by U.S. source capital losses.

An individual Non-U.S. Holder described in the second bullet above, or, subject to the exception described in the next paragraph, the third bullet above, generally will be subject to tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates in the same manner as if such Non-U.S. Holder were a U.S. Holder unless an applicable income tax treaty provides otherwise. If the Non-U.S. Holder is a foreign corporation for U.S. federal income tax purposes whose gain is described in the second bullet above, then such gain will be subject to tax on the net gain under regular graduated U.S. federal income tax rates in the same manner as a U.S. Holder and, in addition, may be subject to the branch profits tax at a rate of 30% or at such lower rate as may be specified by an applicable income tax treaty.

With respect to the third bullet above, generally, a corporation is a USRPHC if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in business. We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property assets relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as an interest in a U.S. real property holding corporation only if a Non-U.S. Holder actually or constructively holds more than 5% of our regularly traded common stock at any time during the applicable period as specified in the Code.

*Information Reporting and Backup Withholding*. In general, we must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the U.S. federal withholding tax withheld with respect to those dividends, regardless of whether withholding is reduced or eliminated by an applicable income tax treaty. Copies of this information reporting may also be made available under the provisions of a specific tax treaty or agreement with the tax authorities in the country in which the Non-U.S. Holder resides or is established.

U.S. backup withholding tax is imposed on certain dividend payments to Non-U.S. Holders that fail to furnish the information required under the U.S. information reporting requirements. Dividends on common stock paid to a Non-U.S. Holder will generally be exempt from backup withholding, provided the Non-U.S. Holder meets applicable certification requirements, including providing a correct and properly executed IRS Form W-8BEN or IRS Form W-8BEN-E (or other applicable or successor form), or otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a Non-U.S. Holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Backup withholding does not represent an additional U.S. federal income tax. Any amounts withheld from a payment to a Non-U.S. Holder under the backup withholding rules will be allowed as a credit against such holder’s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information or returns are timely furnished by the holder to the IRS.

**Foreign Account Legislation**

Certain provisions of the Code and the U.S. Treasury regulations and administrative guidance issued thereunder (“FATCA”) generally imposes a withholding tax of 30% on any dividends on our common stock paid

to certain foreign financial institutions, unless such institution enters into an agreement with the U.S. government to, among other things, collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or another exception applies. The legislation also generally imposes a withholding tax of 30% on any dividends on our common stock paid to a non-financial foreign entity unless such entity provides the withholding agent with either certification that such entity does not have any substantial U.S. owners or identification of the direct and indirect substantial U.S. owners of the entity. While withholding under FATCA would also have applied to payments of gross proceeds from the sale or other disposition of the notes on or after January 1, 2019, recently proposed U.S. Treasury regulations eliminate FATCA withholding on payments of gross proceeds entirely. Although these recent Treasury regulations are not final, holders generally may rely on them, they can be relied upon until final U.S. Treasury regulations are issued. Under certain circumstances, a Non-U.S. Holder of our common stock may be eligible for refunds or credits of such taxes. Investors are encouraged to consult with their tax advisors regarding the possible implications of this legislation on their investment in our common stock.

## UNDERWRITING

We and Kura Japan, on the one hand, and BMO Capital Markets Corp. and Stephens Inc., as representatives of the underwriters named below, on the other hand, have entered into an underwriting agreement, dated , 2019, with respect to the shares of Class A common stock being offered. Subject to certain conditions, each underwriter has agreed, severally and not jointly, to purchase from us the respective number of shares of Class A common stock shown opposite its name in the following table.

| Name | Number of Shares of Class A Common Stock |
|---|---|
| BMO Capital Markets Corp. | |
| Stephens Inc. | |
| BTIG, LLC | |
| Roth Capital Partners, LLC | |
| Maxim Group LLC | |
| Total | |

The underwriters are committed to take and pay for all of the shares of Class A common stock being offered, if any are taken, other than the shares of Class A common stock covered by the option described below unless and until that option is exercised. If an underwriter fails or refuses to purchase any of its committed shares of Class A common stock, the purchase commitments of the non-defaulting underwriters may be increased or the offering may be terminated.

The underwriters have an option to buy up to an additional shares of Class A common stock from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise this option for 30 days. If any shares are purchased pursuant to this option, the underwriters will purchase, severally and not jointly, shares of Class A common stock in approximately the same proportion as set forth in the table above, and the underwriters will offer the additional shares of Class A common stock on the same terms as those on which the shares of Class A common stock are being offered.

The underwriters propose to offer the shares of our Class A common stock directly to the public at the initial public offering price set forth on the cover of this prospectus and to certain dealers at such offering price less a concession not in excess of $ per share. After the initial public offering of the shares of Class A common stock, the offering price and the selling concession may be changed by the underwriters.

The following table shows the per share and total initial public offering price, underwriting discounts and commissions to be paid by us to the underwriters and proceeds before expenses to us. The information assumes both no exercise and full exercise of the underwriters' option to purchase additional shares of Class A common stock.

| | | Total | |
|---|---|---|---|
| | Per Share | No Exercise | Full Exercise |
| Initial public offering price | $ | $ | $ |
| Underwriting discounts and commissions | $ | $ | $ |
| Proceeds, before expenses, to us | $ | $ | $ |

We estimate that the total expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts and commissions, will be approximately $ , all of which will be paid by us. We have agreed to reimburse the underwriters up to $ for certain of their expenses incurred in connection with the clearance of this offering with the Financial Industry Regulatory Authority, Inc.

We and our officers and directors and the holders of substantially all of our options and equity interests, including Kura Japan, have agreed with the underwriters that, for a period of 180 days after the date of the final prospectus, subject to certain exceptions, we and they will not (i) offer, sell, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition), directly or indirectly, including the filing (or participation in the filing) with the SEC of a registration statement under the Securities Act to register, any shares of our Class A common stock or Class B common stock or any securities convertible into or exercisable or exchangeable for our Class A common stock or Class B common stock or warrants or other rights to acquire shares of our Class A common stock or Class B common stock of which such officer, director or holder is now, or may in the future become, the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, directly or indirectly, any of the economic benefits or risks of ownership of such Class A common stock, Class B common stock, securities, warrants or other rights to acquire Class A common stock or Class B common stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Class A common stock, Class B common stock or other securities, in cash or otherwise, or (iii) publicly disclose the intention to enter into any transaction described in clause (i) or (ii) above, except, if the holder is an officer or director of the Company, with the prior written consent of the representatives; provided that the representatives, on behalf of the underwriters, has agreed to notify us at least three business days before the effective date of any release or waiver granted to one of our officers or directors, and we have agreed to announce the impending release or waiver by issuing a press release through a major news service at least two business days before the effective date of the release or waiver.

The restrictions above do not apply to the following, subject to certain limitations set forth in the lock-up agreements:

- transfers of securities as a bona fide gift;
- transfers or dispositions of securities to any trust for the direct or indirect benefit of the lock-up signatory or any member of the immediate family of the lock-up signatory;
- transfers of securities to affiliates, limited partners, general partners, limited liability company members or stockholders;
- transfers of securities by will, other testamentary document or intestate succession to the legal representative, heir, beneficiary or a member of the immediate family of the lock-up signatory;
- transfers to the Company in connection with the “net” or “cashless” exercise of options or other rights to purchase common stock that would otherwise expire and were granted pursuant to an equity incentive plan, stock purchase plan or other arrangement described in this prospectus in satisfaction of any tax withholding obligations through cashless surrender or otherwise, other than a “broker-assisted” exercise;
- transfers or dispositions of shares of our common stock or securities convertible or exchangeable into shares of our common stock acquired in open market purchases after the completion of this offering; or
- entry into any trading plan established pursuant to Rule 10b5-1 under the Exchange Act.

See “Shares Eligible for Future Sale” for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for our Class A common stock. The initial public offering price will be negotiated among us, Kura Japan and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We have applied to have our Class A common stock listed on the Nasdaq Global Market under the symbol "KRUS." In connection with the offering, the underwriters may purchase and sell shares of our Class A common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares of Class A common stock for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares of Class A common stock or purchasing shares of Class A common stock in the open market. In determining the source of shares of Class A common stock to cover the covered short position, the underwriters will consider, among other things, the price of shares of Class A common stock available for purchase in the open market as compared to the price at which they may purchase additional shares of Class A common stock pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares of Class A common stock for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares of Class A common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of Class A common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representative has repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Class A common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Class A common stock. As a result, the price of our Class A common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the Nasdaq Stock Market, in the over-the-counter market or otherwise.

In connection with this offering, the underwriters may engage in passive market making transactions in the Class A common stock on the Nasdaq Stock Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded. Passive market making may cause the price of our Class A common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. The underwriters are not required to engage in passive market making and may end passive market making activities at any time.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares of Class A common stock offered.

We and Kura Japan have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act and to contribute to payments that the underwriters may be required to make for these liabilities.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representative may agree to

allocate a number of shares of our common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representative to underwriters that may make internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to us and to persons and entities with relationships with us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to our assets, securities and/or instruments (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with us. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

**Offer Restrictions Outside the United States**

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

***Canada***

The Class A common stock may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Class A common stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"),

the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

***European Economic Area***

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a "relevant member state"), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the "relevant implementation date"), an offer of securities described in this document may not be made to the public in that relevant member state, except that an offer of securities may be made at any time under the following exemptions under the Prospectus Directive if they have been implemented in that relevant member state:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided* that no such offer of securities shall result in a requirement for us or any underwriter to produce a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any securities or to whom any offer is made will be deemed to have represented, warranted and agreed to and with each of the sellers of the securities and us that it is a qualified investor within the meaning of the law in that relevant member state implementing Article 2(1)(3) of the Prospectus Directive.

For purposes of this provision, the expression an "offer of securities to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in the relevant member state. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

Neither we nor The sellers of the securities have authorized, nor do we or they authorize, the making of any offer of securities through any financial intermediary on our or their behalf, other than offers made by the underwriters with a view to the final placement of the securities as contemplated in this document. Accordingly, no purchaser of the securities, other than the underwriters, is authorized to make any further offer of the securities on behalf of us, the sellers or the underwriters.

***Hong Kong***

The securities may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong

Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

***Singapore***

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant party which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,
- securities of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:
    - to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such securities of that corporation or such rights and interest in that trust are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
    - where no consideration is or will be given for the transfer; or
    - where the transfer is by operation of law.

***United Kingdom***

This document is not a prospectus for the purposes of the Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, the common stock may not be sold or offered in the UK by means of this document except in circumstances which are exempt from the prospectus requirements of FSMA.

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of Section 85 of the Financial Services and Markets Act 2000, as amended (the "FSMA")) has been published or is intended to be published in respect of the common stock. This document is issued on a confidential basis to "qualified investors" (within the meaning of Section 86(7) of FSMA) in the United Kingdom, and the common stock may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances that do not require the publication of a prospectus pursuant to Section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received in connection with the issue or sale of the common stock has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which Section 21(1) of FSMA does not apply to us.

In the United Kingdom, this document is being distributed only to, and is only directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase, subscribe for or otherwise acquire such investments will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

## LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Squire Patton Boggs (US) LLP, Los Angeles, California. Certain legal matters in connection with this offering will be passed upon for the underwriters by Mayer Brown LLP, New York, New York.

## EXPERTS

The financial statements as of August 31, 2018 and August 31, 2017, and for each of the two years in the period ended August 31, 2018, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

### Independence Assessment of Independent Registered Public Accounting Firm

Deloitte & Touche LLP ("Deloitte US") advised the board of directors of the Company that in 2016 and 2018 a different member firm of Deloitte Touche Tohmatsu Limited ("Deloitte Taiwan") had performed certain non-audit services for Kura Sushi Taiwan Co. Ltd, a sister affiliate of the Company. These non-audit services, which had been provided prior to the Company decision to register securities with the SEC, were deemed to be prohibited management functions under the SEC's auditor independence rules.

Deloitte US informed the board of directors that Deloitte US maintained objectivity and impartiality on all issues encompassed within its audits of the Company's financial statements for the fiscal years ended August 31, 2017 and 2018 because:

- The impermissible non-audit services had no impact on the Company's financial statements and were not subject to Deloitte US's audits;
- Deloitte US's audit team for the Company had not been previously aware of the impermissible non-audit services and was not involved in the provision of such services;
- The impermissible non-audit services were performed for a short period of time (approximately two months) and have been terminated; and
- Kura Sushi Taiwan Co. Ltd is immaterial to the Company's parent and the impermissible non-audit services provided were inconsequential to it.

After considering the facts and circumstances, the board of directors concurred in Deloitte US's conclusion that, for the reasons described, the impermissible services did not impair Deloitte US's objectivity and impartiality with respect to the planning and execution of the audits of the Company's financial statements for the fiscal years ended August 31, 2017 and 2018.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common stock. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits and the financial statements and notes filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be reviewed for the complete contents of these contracts and documents.

Upon completion of this offering, we will become subject to the information and periodic and current reporting requirements of the Exchange Act, and in accordance therewith, will file periodic and current reports, proxy statements and other information with the SEC. The registration statement, such periodic and current reports and other information can be inspected and copied at the Public Reference Room of the SEC located at 100 F Street, N.E., Washington, D.C. 20549. Copies of such materials, including copies of all or any portion of the registration statement, can be obtained from the Public Reference Room of the SEC at prescribed rates. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC's website at www.sec.gov.

## INDEX TO FINANCIAL STATEMENTS

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

### Opinion on the Financial Statements

We have audited the accompanying balance sheets of Kura Sushi USA, Inc. (the "Company") as of August 31, 2018 and 2017, the related statements of income, stockholder's equity, and cash flows, for each of the two years in the period ended August 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended August 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits 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. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
April 5, 2019 (July 3, 2019, as to the effects of the restatement discussed in Note 9)

We have served as the Company's auditor since 2017.

**Kura Sushi USA, Inc.**
**Balance Sheets**
**(amounts in thousands, except share and per share data)**

| | As of August 31, 2017 | As of August 31, 2018 |
|---|---|---|
| | (amounts in thousands) | |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,882 | $ 5,711 |
| Accounts receivable | 691 | 521 |
| Inventories | 269 | 384 |
| Due from Parent and affiliates | 7 | 4 |
| Prepaid expenses and other current assets | 740 | 662 |
| Total current assets | 4,589 | 7,282 |
| Non-current assets: | | |
| Property and equipment—net | 17,000 | 23,195 |
| Deposits and other assets | 559 | 520 |
| Deferred tax assets | 1,012 | 1,072 |
| Total non-current assets | 18,571 | 24,787 |
| Total assets | $ 23,160 | $ 32,069 |
| **Liabilities and stockholder's equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,796 | $ 1,959 |
| Accrued expenses and other current liabilities | 196 | 507 |
| Salaries and wages payable | 693 | 817 |
| Capital leases | 666 | 1,010 |
| Due to Parent and affiliates | 211 | 114 |
| Sales tax payable | 335 | 395 |
| Total current liabilities | 3,897 | 4,802 |
| Non-current liabilities: | | |
| Capital leases—non-current | 2,878 | 3,443 |
| Deferred rent | 1,009 | 1,371 |
| Tenant allowances | 553 | 787 |
| Other liabilities | 165 | 161 |
| Total non-current liabilities | 4,605 | 5,762 |
| Total liabilities | 8,502 | 10,564 |
| Commitments and contingencies (Note 4) | | |
| Stockholder's equity: | | |
| Class A common stock, $0.001 par value; 20,000,000 authorized, 8,000,000 issued and outstanding as of August 31, 2017 and August 31, 2018, respectively | 8 | 8 |
| Class B common stock, $0.001 par value; 10,000,100 authorized, 2,000,000 and 2,000,100 issued and outstanding as of August 31, 2017 and August 31, 2018, respectively | 2 | 2 |
| Additional paid-in capital | 15,115 | 20,220 |
| Retained earnings (Accumulated deficit) | (467) | 1,275 |
| Total stockholder's equity | 14,658 | 21,505 |
| Total liabilities and stockholder's equity | $ 23,160 | $ 32,069 |

See accompanying notes to financial statements

**Kura Sushi USA, Inc.**
**Statements of Income**
**(amounts in thousands, except share and per share data)**

| | Fiscal Years Ended August 31, | |
|---|---|---|
| | 2017 | 2018 |
| **Sales** | $ 37,251 | $ 51,744 |
| **Restaurant operating costs:** | | |
| Food and beverage costs | 13,389 | 17,594 |
| Labor and related costs | 12,117 | 15,994 |
| Occupancy and related expenses | 2,077 | 3,013 |
| Depreciation and amortization expenses | 1,345 | 1,624 |
| Other costs | 3,907 | 5,404 |
| Total restaurant operating costs | 32,835 | 43,629 |
| General and administrative expenses | 3,364 | 5,965 |
| Depreciation and amortization expenses | 25 | 51 |
| Impairment of long-lived asset | — | 236 |
| Total operating expenses | 36,224 | 49,881 |
| Operating income | 1,027 | 1,863 |
| **Other expense (income):** | | |
| Interest expense | 85 | 128 |
| Interest income | (5) | (12) |
| Income before income taxes | 947 | 1,747 |
| Income tax expense | 240 | 5 |
| Net income | $ 707 | $ 1,742 |
| Net income attributable to Class A and Class B stockholder - basic and diluted | $ 707 | $ 1,742 |
| Net income per Class A and Class B share attributable to stockholder | | |
| Basic | $ 0.07 | $ 0.17 |
| Diluted | $ 0.07 | $ 0.17 |
| Weighted average shares used to compute net income per share attributable to Class A and Class B stockholder | | |
| Basic | 10,000,000 | 10,000,091 |
| Diluted | 10,000,000 | 10,100,568 |

See accompanying notes to financial statements

**Kura Sushi USA, Inc.**
**Statements of Stockholder's Equity**
**(amounts in thousands, except share and per share data)**

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Class A | | Class B | | | | |
| | Shares | Amount | Shares | Amount | Additional Paid-in Capital | Retained Earnings (Accumulated Deficit) | Total Stockholder's Equity |
| Balances as of September 1, 2016 | 8,000,000 | $ 8 | 2,000,000 | $ 2 | $ 10,115 | $ (1,174) | $ 8,951 |
| Additional capital investment from Parent | | | | | 5,000 | | 5,000 |
| Net income | | | | | | 707 | 707 |
| Balances as of August 31, 2017 | 8,000,000 | 8 | 2,000,000 | 2 | 15,115 | (467) | 14,658 |
| Issuance of common stock | | | 100 | — | — | | — |
| Stock-based compensation | | | | | 105 | | 105 |
| Additional capital investment from Parent | | | | | 5,000 | | 5,000 |
| Net income | | | | | | 1,742 | 1,742 |
| Balances as of August 31, 2018 | 8,000,000 | $ 8 | 2,000,100 | $ 2 | $ 20,220 | $ 1,275 | $ 21,505 |

See accompanying notes to financial statements

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

| | Fiscal Years Ended August 31, | |
|---|---|---|
| | 2017 | 2018 |
| **Cash Flows From Operating Activities** | | |
| Net Income | $ 707 | $ 1,742 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 1,370 | 1,675 |
| Stock-based compensation | — | 105 |
| Loss on disposal of property and equipment | 10 | 234 |
| Deferred income taxes | 173 | (60) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (480) | 170 |
| Inventories | (41) | (115) |
| Due from Parent and affiliates | (6) | 3 |
| Prepaid expenses and other current assets | (102) | 66 |
| Deposits and other assets | (100) | 53 |
| Accounts payable | 523 | 250 |
| Accrued expenses and other current liabilities | 52 | 311 |
| Sales tax payable | 79 | 60 |
| Salary and wages payable | 202 | 124 |
| Due to Parent and affiliates | 19 | 28 |
| Deferred rent and tenant allowances | 530 | 597 |
| Net cash provided by operating activities | 2,936 | 5,243 |
| **Cash Flows From Investing Activities** | | |
| Payments for short-term investment | (12) | — |
| Redemption of short-term investment | 12 | 12 |
| Payments for property and equipment | (6,028) | (7,089) |
| Proceeds from disposal of property and equipment | 7 | 502 |
| Payment for purchase of liquor license | (21) | (15) |
| Net cash used in investing activities | (6,042) | (6,590) |
| **Cash Flows From Financing Activities** | | |
| Cash received for additional capital investment from Parent | 5,000 | 5,000 |
| Repayment of principal on capital lease | (405) | (824) |
| Net cash provided by financing activities | 4,595 | 4,176 |
| **Increase in cash and cash equivalents** | 1,489 | 2,829 |
| Cash and cash equivalents, beginning of year | 1,393 | 2,882 |
| Cash and cash equivalents, end of year | $ 2,882 | $ 5,711 |
| Supplemental disclosures of cash flow information | | |
| Cash paid for interest | $ 80 | $ 116 |
| Cash paid for income taxes (net of refunds) | $ 137 | $ 4 |
| Noncash investing and financing activities | | |
| Acquisition of capital leases | $ 1,927 | $ 1,733 |
| Amounts included in accounts payable for purchases of property and equipment | $ 270 | $ 57 |

See accompanying notes to financial statements

**Note 1—Organization and Description of Business**

Kura Sushi USA, Inc. (the "Company" or "Kura Sushi") operates revolving sushi bar restaurants, which offer a combination of Japanese cuisine and a revolving sushi service model. As of April 1, 2019, the Company operates 21 restaurants in California, Texas, Georgia and Illinois.

In November 2008, Kura Sushi, Inc. (the "Parent" or "Kura Japan") formed its wholly-owned subsidiary, Kula West Irvine, Inc., a California corporation ("Kula West"), as a wholly-owned subsidiary of Kura Japan, through which Kura Japan conducted its U.S. operations. Kura Japan owned all 10,000 shares of Kula West common stock. In June 2011, Kula West changed its name to Kula Sushi USA, Inc. ("Kula Sushi"). On October 4, 2017, Kura Japan formed another wholly-owned subsidiary, Kura Sushi USA, Inc., as a corporation in the State of Delaware, prior to and in connection with a merger of Kula Sushi into Kura Sushi USA, Inc., common control entities, for the primary purposes of changing the state of incorporation from California to Delaware, as well as modifying the name of the Company. At the time of formation of Kura Sushi, Kura Sushi issued 100 shares of Class B common stock to Kura Japan.

On October 10, 2017, Kula Sushi merged into Kura Sushi, with Kura Sushi remaining as the surviving corporation. By virtue of the merger, and without action on the part of Kura Japan as holder thereof, each of the 10,000 shares of common stock of Kula Sushi held by Kura Japan was automatically cancelled and converted into 1,000 shares of Class B common stock of Kura Sushi. 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. Each share of Class B common stock is convertible into one share of Class A common stock at the option of the holder, upon transfer or in certain specified circumstances. With the exception of voting rights and conversion rights, holders of Class A and Class B common stock will have identical rights.

On January 25, 2019, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Kura Japan to exchange 8,000,000 shares of the Company's Class B common stock for 8,000,000 shares of the Company's Class A common stock on a pre-split basis. The accompanying financial statements and notes to the financial statements give retroactive effect to both the merger and the share exchange provided for in the Share Exchange Agreement. As such, the financial statements show Kura Japan as having held 8,000,000 shares of Class A common stock and 2,000,000 shares of Class B common stock as of September 1, 2016 in the statement of stockholder's equity, notwithstanding that as of August 31, 2018, Kura Japan held no shares of Class A common stock and 10,000,100 shares of Class B common stock of the Company.

**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 2017" and "fiscal year 2018" refer to the Company's fiscal years ended August 31, 2017 and August 31, 2018, respectively.

***Reclassification***

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation. The reclassifications had no impact on total sales, expenses, assets, liabilities, stockholder's equity, cash flows from operating activities, cash flows from investing activities, or cash flows from financing activities for all periods presented.

***Use of Estimates***

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

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

***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 approximately 29.0% and 47.4% of total food and beverage costs for fiscal years 2017 and 2018, respectively. The Company also relies on Wismettac Asian Foods, Inc. (formerly Nishimoto Trading Co., Ltd.), a subsidiary of Nishimoto Co., Ltd., which provided food products and supplies equaling approximately 15.1% and 28.0% of total food and beverage costs for fiscal years 2017 and 2018, respectively. Additionally, the Company relied on True World Foods LLC, which accounted for approximately 14.8% of total food and beverage costs in fiscal year 2017. The Company's spend with True World Foods LLC was immaterial for fiscal year 2018.

***Segment Information***

Management has determined that the Company has one operating segment and therefore one reportable segment. The Company's chief operating decision maker, who is 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 of primarily cash on hand, deposits with banks, and term deposits with maturities of three months or less. As of August 31, 2017 and August 31, 2018, cash equivalents consist of money market funds of approximately $0.4 million and $1.8 million, respectively. Due to the short-term maturities and their relatively low interest rates, the carrying value of the money market accounts approximates their fair value hierarchy. 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.

***Accounts Receivable***

Accounts receivable 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 receivable balances are stated at the amounts management expects to collect from balances outstanding at fiscal year-end, accordingly no allowance for doubtful accounts is recorded as of August 31, 2017 and August 31, 2018.

| | As of August 31, | |
|---|---|---|
| | 2017 | 2018 |
| | (amounts in thousands) | |
| Tenants allowance receivable | $ 454 | $ 223 |
| Credit card receivable | 237 | 298 |
| | $ 691 | $ 521 |

***Inventories***

Inventories consist of food, beverage and other goods, and are stated at the lower of cost or market with cost determined on a first-in, first-out basis.

***Property and Equipment***

Property and equipment consists of computer equipment, vehicles, software, furniture and fixtures, 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, ranging from three to 20 years. 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 – 10 years |
| Vehicles | 5 years |
| Software | 5 years |
| Furniture and fixtures | 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 an interest expense in the accompanying statements of income. 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 approximately $0.2 million and $0.2 million as of August 31, 2017 and August 31, 2018, respectively, and is included in other liabilities in the accompanying balance sheets.

***Impairment of Long-lived Assets***

The Company evaluates the recoverability of long-lived assets for potential impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The Company records an impairment loss if (i) the undiscounted future cash flows are found to be less than the carrying amount of the asset or asset group, and (ii) the carrying amount of the asset or asset group exceeds fair value.

During the fiscal year ended August 31, 2018, one of the Company's restaurants exited a lease prior to the end of the lease term. As a result, the property and equipment held at that location were deemed to be not recoverable, which was determined by comparing the net carrying value of the assets to the undiscounted net cash flows from the eventual disposition of the assets. Given the property and equipment at the restaurant will no longer be in use, the net carrying value of the assets were deemed to have zero value. This impairment was offset by a reimbursement from the landlord of $0.5 million for the termination of the lease, hence resulting in a net impairment charge of $0.2 million, which is included in operating income. During the fiscal year ended August 31, 2017, there were no impairment charges recognized.

***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 income as restaurant sales are recorded net of sales tax.

***Operating and Capital Leases***

The Company leases all of its restaurant locations, its corporate offices, and some of the equipment used in its restaurants. At the inception of each lease, the Company determines its classification as an operating lease or a

capital lease. All of the Company's restaurant and office leases are classified as operating leases and equipment leases are classified as capital leases. The restaurant leases generally contain renewal options and the Company anticipates that most of these leases will be renewed.

Most of the restaurant and office leases provide for fixed minimum rent payments and/or contingent rent payments based upon sales in excess of specified thresholds. When achievement of such sales thresholds is deemed probable, contingent rent is accrued in proportion to the sales recognized in the period. For operating leases that include free-rent periods and rent escalation clauses, the Company recognizes rent expenses based on the straight-line method. For the purpose of calculating rent expenses under the straight-line method, the lease term commences on the date the Company obtains control of the property. The difference between the rent expenses and payments is recorded as deferred rent in the accompanying balance sheets. Tenant allowance and deferred rent liability are amortized over the lease term including renewal options as a reduction of rent expenses.

Assets acquired under capital lease arrangements are recorded at the lower of the present value of future minimum lease payments or fair value of the assets at the inception of the lease. Capital lease assets are amortized over the shorter of the useful life of the assets or the lease term, and the amortization expense is included in the depreciation and amortization financial statement line item under restaurant operating costs on the accompanying statements of income.

***Other Costs***

Other costs in restaurant operating costs in the accompanying statements of income include utilities, repairs and maintenance, credit card fees, royalty payments, stock-based compensation for restaurant-level employees, and other restaurant-level expenses. The Company incurred approximately $3.9 million and $5.4 million in other costs for the fiscal years ended August 31, 2017 and August 31, 2018, respectively.

***Advertising Costs***

Advertising costs are expensed as incurred on the restaurant-level, and are included in other costs in the accompanying statements of income. The Company incurred approximately $0.2 million and $0.3 million in advertising expenses for the fiscal years ended August 31, 2017 and August 31, 2018, 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 receivable, 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 all of the Company's assets and liabilities are determined using Level 1 inputs. The fair value of payments due to or from the Parent is not determinable due to its related-party nature.

***Stock-based Compensation***

Stock-based compensation consists of stock options issued to employees and non-employees. The Company measures and recognizes stock-based compensation for the estimated fair value of stock options 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 a number of highly complex and 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 Company granted 838,116 stock options for the fiscal year ended August 31, 2018. No stock options were granted for the fiscal year ended August 31, 2017. 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. The majority of the stock options granted in fiscal year 2018 have a vesting period of approximately 45 months. The Company adopted the Accounting Standards Update ("ASU") No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* in fiscal year 2018 and accounts for forfeitures as they occur.

***Comprehensive Income***

Comprehensive income 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. Comprehensive income is the same as net income for all periods presented. Therefore, a separate statement of comprehensive income is not included in the accompanying financial statements.

***Earnings Per Share***

Earnings per share is calculated by dividing net income by the weighted average shares outstanding during the period, without consideration of common stock equivalents. Diluted earnings 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 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 earnings 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 Adopted Accounting Pronouncements***

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.* The Company adopted this standard during fiscal year 2018 when it started granting stock options. ASU No. 2016-09 eliminates the requirement to delay the recognition of excess tax benefits until they reduce current taxes payable. Under this standard, previously unrecognized excess tax benefits shall be recognized on a

modified retrospective basis. ASU No. 2016-09 also requires excess tax benefits and deficiencies to be recognized prospectively in the Company's provision for income taxes rather than additional paid-in capital. Additionally, the Company elected to account for forfeitures as they occur rather than estimate expected forfeitures using a modified retrospective transition method. In addition, ASU No. 2016-09 requires excess tax benefits to be presented as a component of operating cash flows rather than financing cash flows. The Company elected to adopt this requirement prospectively and accordingly, prior periods have not been adjusted. The adoption of this new guidance was immaterial to the financial statements as of and for the fiscal year ended August 31, 2018.

***Recently Issued Accounting Pronouncements***

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. ASU No. 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. ASU No. 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2018-07 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We expect to early adopt the provisions of ASU No. 2018-07 in the quarter beginning September 1, 2018. We do not expect the adoption to have a material impact on the financial statements of the Company.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a capital or operating lease. ASU No. 2016-02 is effective for reporting periods beginning after December 15, 2018, and early adoption is permitted. In July, 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides entities the option to use the effective date as the date of initial application on transition to the new guidance. The Company plans to elect this transition method, and as a result, the Company will not adjust comparative information for prior periods. ASU No. 2016-02 is to be applied at the beginning of the earliest period presented in the financial statements using the optional transition method permitted under ASU 2018-11, which includes a number of practical expedients that an entity may elect to apply, for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company has begun evaluating the impact the adoption of the new guidance will have on its financial statements and expects that the adoption of the new guidance will have a material impact on the financial statements of the Company.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which was issued to replace the current revenue recognition guidance, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASC 606 also includes Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. In August 2015, the FASB deferred the effective date and this pronouncement is now effective for annual reporting periods beginning after December 15, 2017. The Company expects to adopt the new standard using the modified retrospective approach for the fiscal year and quarter beginning September 1, 2018. The Company does not expect the adoption to have a material impact on its financial statements.

**Note 3—Balance Sheet Components**

***Inventories***

Inventories as of August 31, 2017 and August 31, 2018 consists of the following:

| | As of August 31, | |
|---|---|---|
| | 2017 | 2018 |
| | (amounts in thousands) | |
| Food | $ 244 | $ 349 |
| Liquor and beverages | 25 | 35 |
| | $ 269 | $ 384 |

***Prepaid expenses and other current assets***

Prepaid expenses and other current assets as of August 31, 2017 and August 31, 2018 consists of the following:

| | As of August 31, | |
|---|---|---|
| | 2017 | 2018 |
| | (amounts in thousands) | |
| Prepaid expenses | $ 612 | $ 538 |
| Other current assets | 128 | 124 |
| | $ 740 | $ 662 |

***Property and Equipment, net***

Property and equipment, net as of August 31, 2017 and August 31, 2018 consists of the following:

| | As of August 31, | |
|---|---|---|
| | 2017 | 2018 |
| | (amounts in thousands) | |
| Leasehold improvements | $ 13,532 | $ 17,720 |
| Lease assets | 4,253 | 6,037 |
| Furniture and fixtures | 1,900 | 2,493 |
| Computer equipment | 201 | 248 |
| Vehicles | 78 | 43 |
| Software | 121 | 214 |
| Construction in progress | 679 | 1,155 |
| Property and equipment, gross | 20,764 | 27,910 |
| Less: accumulated depreciation and amortization | (3,764) | (4,715) |
| Total property and equipment, net | $ 17,000 | $ 23,195 |

Depreciation and amortization expense for property and equipment was approximately $1.4 million and $1.7 million for the fiscal years ended August 31, 2017 and August 31, 2018, respectively. Amortization expense related to leased assets for the fiscal years ended August 31, 2017 and August 31, 2018 was immaterial.

**Note 4—Commitments and Contingencies**

**Leases**—The Company leases its corporate offices and all of its restaurant locations under non-cancelable operating leases. The majority of these leases have initial lease terms between five and 10 years. Certain leases are extendable by an exercise of a renewal option, which provides the Company with the option to extend the lease term in five-year increments at its discretion if exercised before the expiration date.

Certain lease agreements have contingent rental payments based on sales thresholds in the agreement. Accrued liabilities for contingent rent was approximately $0.1 million and $0.1 million as of August 31, 2017 and August 31, 2018, respectively, which is included in the accrued expenses and other current liabilities on the accompanying balance sheets.

Lease expense was approximately $2.1 million and $3.0 million, including contingent rent expenses of approximately $0.2 million and $0.2 million, for the fiscal years ended August 31, 2017 and August 31, 2018, respectively.

The Company leases some of its equipment used in restaurant operations under capital leases that expire at various dates through November 2023. The future minimum lease payments under non-cancelable leases as of August 31, 2018, are as follows:

| Fiscal Years Ending August 31, | Operating Lease Payments | Capital Lease Payments |
|---|---|---|
| | (amounts in thousands) | |
| 2019 | $ 2,902 | $ 1,136 |
| 2020 | 2,999 | 1,124 |
| 2021 | 3,028 | 1,075 |
| 2022 | 3,073 | 972 |
| 2023 | 3,114 | 509 |
| Thereafter | 40,149 | 13 |
| Total | $ 55,265 | $ 4,829 |
| Less interest | | (376) |
| Total capital lease obligation | | 4,453 |
| Less current portion of capital lease obligation | | (1,010) |
| Non-current portion of capital lease obligation | | $ 3,443 |

**Contingencies**—The Company is party to various legal proceedings arising in the normal course of business. While it is not possible to predict the outcome of the litigation, the Company does not expect that the ultimate resolution for such matters, considering insurance coverage available, will have a material adverse effect on its financial statements.

**Note 5—Related Party Transactions**

The Company is a wholly-owned subsidiary of Kura Japan, which is incorporated and headquartered in Japan. Kura Japan is also the sole stockholder of the Company. The Parent contributed $5.0 million to the Company in both fiscal years 2017 and 2018. No additional shares were issued in exchange for the capital contribution. In March 2018, the Company entered into a 20-year license agreement with Kura Japan, whereby the Company was granted the license to use the parent company's trademarks and technology for the Company to open and operate restaurants in the United States of America. Every month, the Company will pay the Parent the amount equivalent to 0.5% of net sales as royalties for the license. Royalty payments to the Parent are included in other costs at the restaurant-level in the accompanying statements of income. In addition, the Company reimburses the Parent for certain travel and other administrative expenses, supplies and expatriate salaries expense. These expenses are included in general and administrative expenses in the accompanying statements of income.

Balances and transactions with the Parent as of August 31, 2017 and August 31, 2018 are as follows:

| | Fiscal Years Ended August 31, | |
|---|---|---|
| | 2017 | 2018 |
| | (amounts in thousands) | |
| Due from the Parent | $ 7 | $ 4 |
| Due to the Parent | 211 | 114 |
| Related party expenses: | | |
| Purchases of administrative supplies from the Parent | 54 | 59 |
| Expatriate salaries expense incurred from the Parent | 74 | 95 |
| Royalty payments | — | 279 |
| Travel and other administrative expenses | 89 | 78 |
| Purchases of equipment from the Parent | 949 | 650 |
| Total related party expenses | $ 1,166 | $ 1,161 |
| Additional investment received | $ 5,000 | $ 5,000 |

**Note 6—Incentive Compensation Plan**

The Company adopted the 2018 Incentive Compensation Plan (the "Stock Incentive Plan") in January 2018. Under the Stock Incentive Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, as well as 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 1,400,000 awards to be granted.

Activity under the Stock Incentive Plan is as follows:

| | Options Outstanding | | | |
|---|---|---|---|---|
| | Number of shares underlying outstanding options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
| | | | | (amounts in thousands) |
| Outstanding—August 31, 2017 | — | $ — | — | — |
| Options granted | 838,116 | 2.13 | | |
| Options exercised | — | | | |
| Options canceled/forfeited | (3,637) | 2.13 | | |
| Options expired | — | | | |
| Outstanding—August 31, 2018 | 834,479 | $ 2.13 | 9.79 | $ 1,665 |
| Options exercisable | 49,104 | $ 2.13 | 9.79 | $ 98 |

Stock-based compensation related to the stock options issued under the Stock Incentive Plan was zero and approximately $0.1 million for the fiscal years ended August 31, 2017 and August 31, 2018, respectively, and is included in restaurant operating costs and in general and administrative expenses on the accompanying statements of income. Stock options granted to non-employees, and the related stock-based compensation expense, were immaterial to the financial statements for fiscal year 2018. Aggregate intrinsic value represents the difference between the exercise price of the stock options and the estimated fair value of the Company's common stock as determined by the board of directors. There were no stock options outstanding for the fiscal year ended August 31, 2017.

The weighted average grant date fair value of options granted was $2.13 for the fiscal year ended August 31, 2018. The total fair value of options vested was approximately $0.1 million for the fiscal year ended August 31,

2018. Of the 838,116 options granted in fiscal year 2018, 785,375 options remain unvested as of August 31, 2018. As of August 31, 2018, unrecognized stock-based compensation of $2.0 million related to unvested stock options is expected to be recognized on a straight-line basis over a weighted average period of 3.43 years.

***Stock-based Compensation***

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 income. The total stock-based compensation recognized for stock options granted under the Stock Incentive Plan in the statements of income is as follows:

| | Fiscal Year Ended August 31, 2018 (amounts in thousands) |
|---|---|
| Restaurant-level stock-based compensation included in other costs | $ 14 |
| Corporate-level stock-based compensation included in General and administrative expenses | 91 |
| Total stock-based compensation | $ 105 |

***Determination of Fair Value***

| | Fiscal Year Ended August 31, 2018 |
|---|---|
| Expected term (in years) | 5.50 - 5.96 |
| Expected volatility | 64% |
| Risk-free interest rate | 2.83% - 2.85% |
| Dividend rate | 0% |
| Fair value of common stock | $ 3.35 |

The fair value of each grant of stock options was determined by the Company and its board of directors using the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment to determine.

*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, 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* - Given the absence of a public trading market, the Company's board of directors considers numerous objective and subjective factors to determine the fair value of its common stock at

each grant date. These factors include, but are not limited to (i) independent contemporaneous third-party valuations of common stock; (ii) the lack of marketability of its common stock; and (iii) the likelihood of achieving a liquidity event, such as an initial public offering of the Company, given prevailing market conditions.

**Note 7—Earnings Per Share**

The net income per share attributable to common stockholder 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 income attributable to common stockholder is allocated on a proportionate basis.

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

| | Fiscal Years Ended August 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2018 | |
| | Class A | Class B | Class A | Class B |
| **Net income per share attributable to common stockholder—basic:** | | | | |
| Numerator: | | | | |
| Net income attributable to common stockholder—basic (in thousands) | $ 566 | $ 141 | $ 1,394 | $ 348 |
| Denominator: | | | | |
| Weighted average shares outstanding—basic | 8,000,000 | 2,000,000 | 8,000,000 | 2,000,091 |
| **Net income per share attributable to common stockholder—basic** | $ 0.07 | $ 0.07 | $ 0.17 | $ 0.17 |
| **Net income per share attributable to common stockholder—diluted:** | | | | |
| Numerator: | | | | |
| Net income attributable to common stockholder—diluted (in thousands) | $ 566 | $ 141 | $ 1,394 | $ 348 |
| Denominator: | | | | |
| Weighted average shares outstanding—basic | 8,000,000 | 2,000,000 | 8,000,000 | 2,000,091 |
| Options to purchase common stock | — | — | 100,477 | — |
| Weighted average shares outstanding—diluted | 8,000,000 | 2,000,000 | 8,100,477 | 2,000,091 |
| **Net income per share attributable to common stockholder—diluted** | $ 0.07 | $ 0.07 | $ 0.17 | $ 0.17 |

**Note 8—Income Taxes**

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was signed into law. The Act, among other changes, reduces the U.S. federal corporate tax rate from 35% to 21% as of January 1, 2018 (25.3% applicable for fiscal year 2018 or 21% applicable for fiscal year 2019 and after), limits the deductibility of interest, changes the rules on utilization and carryover of net operating losses, limits the deductibility of officers' compensation, allows for expensing of certain qualified fixed assets, and implements a modified territorial tax system that includes other U.S. international tax provisions.

We have re-measured the U.S. deferred tax assets and liabilities based on the enacted tax rates which will be in effect when these differences reverse, which is estimated to be either the blended tax rate of 25.3% for fiscal year 2018 or 21% for after fiscal year 2019 or after. The Company has completed their assessment and reflected the income tax effects of the Act on the Company's financial statements.

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

| | Fiscal Years Ended August 31, | |
|---|---|---|
| | 2017 | 2018 |
| | (amounts in thousands) | |
| Current: | | |
| Federal | $ (7) | $ — |
| State | 74 | 65 |
| Total current | 67 | 65 |
| Deferred: | | |
| Federal | 141 | (146) |
| State | 32 | 86 |
| Total deferred | 173 | (60) |
| Total | $ 240 | $ 5 |

The Company had an effective tax rate of 14.2% and 0.3% for the fiscal years ended August 31, 2017 and 2018, 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, | |
|---|---|---|
| | 2017 | 2018 |
| Tax at federal statutory rate | 34.0% | 25.3% |
| Employer tip credit | (19.6)% | (23.5)% |
| Other items | 1.0% | (7.8)% |
| State tax, net of federal benefit | (1.2)% | 6.3% |
| Effective tax rate | 14.2% | 0.3% |

The Company recorded an income tax provision of approximately $0.2 million for the fiscal year ended August 31, 2017. The income tax provision was immaterial for the fiscal year ended August 31, 2018. The primary difference between the effective tax rate and the federal statutory tax rate relates to federal and state losses for which the Company does not recognize a benefit, with other offsets for certain differences related to the employer tip credit.

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, | |
|---|---|---|
| | 2017 | 2018 |
| | (amounts in thousands) | |
| Deferred tax assets: | | |
| General business credit | $ 794 | $ 1,355 |
| NOL carryover | 1,514 | 854 |
| Deferred rent | 423 | 370 |
| Tenant allowance | 250 | 230 |
| State tax deduction | 26 | 21 |
| Other | 20 | 32 |
| Gross deferred tax assets | 3,027 | 2,862 |
| Deferred tax liabilities: | | |
| Basis difference on fixed assets | (1,966) | (1,777) |
| State | (49) | (13) |
| Net deferred tax | $ 1,012 | $ 1,072 |

As of August 31, 2018, the Company has U.S. federal net operating loss (“NOL”) carryover of approximately $4.1 million and federal tax credit carryover of approximately $1.4 million. 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, 2018. 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.

**Note 9—Immaterial Correction of Previously Reported Expenses**

Subsequent to the third fiscal quarter ended May 31, 2019, the Company identified an immaterial error related to the classification of labor and related costs, occupancy and related expenses, other costs, and general and administrative expenses that impacted the Company’s previously issued financial statements for the fiscal year ended August 31, 2017. The immaterial error relates to the improper classification of employee-related expenses for employees that are identified as company-level management which were incorrectly included in the total restaurant operating costs. Accordingly, the correction in classification has been made in the accompanying fiscal year 2017 statement of income by decreasing labor and related costs, occupancy and related expense, and other costs in the amounts of $489 thousand, $1 thousand, and $239 thousand, respectively, from amounts previously reported of $12,606 thousand, $2,078 thousand, and $4,146 thousand, respectively, to amounts as restated of $12,117 thousand, $2,077 thousand and $3,907 thousand, respectively, and by increasing general and administrative expenses in the amount of $729 thousand from the amount previously reported of $2,635 thousand to the amount as restated of $3,364 thousand for fiscal year 2017. This also resulted in a decrease in total restaurant operating costs in the amount of $729 thousand from the amount previously reported of $33,564 thousand to the amount as restated of $32,835 thousand for fiscal year 2017. There was no impact to operating income, cash flows or the balance sheet as a result of the error.

**Note 10—Subsequent Events**

The Company evaluated subsequent events through April 5, 2019, the date on which its financial statements were issued, and through July 3, 2019 with respect to the restatement discussed in Note 9.

In December 2018, the Company's board of directors granted 44,000 options to purchase shares of common stock to employees at an exercise price of $4.38.

In January 2019, the Company entered into an agreement for a non-cancelable operating lease for a new restaurant space through 2029, with the option to extend the term for a period of five years. The total minimum lease payments under the lease agreement for the non-cancelable period are $2.9 million, with lease payments of $0.3 million per year from 2019 to 2029. Total minimum lease payments under the extension period are $1.8 million from 2030 to 2035.

On January 25, 2019, the Company entered into an agreement with Kura Japan to exchange 8,000,000 shares of the Company's Class B common stock for 8,000,000 shares of the Company's Class A common stock on a pre-split basis. The accompanying financial statements and notes to the financial statements give retroactive effect to the agreement, as discussed in Note 1.

On January 31, 2019, the Company secured a non-revolving line of credit in the amount of up to $5 million (the "Credit Facility") that matures on July 31, 2020. All borrowings under the Credit Facility will bear interest at the Company's option at either (a) the prime lending rate of the lender less one-half of one percent (0.5%), or (b) one-month LIBOR plus one and one-half percent (1.5%). The Credit Facility also requires the Company to comply with certain financial covenants regarding the Company's liquidity, fixed charge coverage ratio and tangible net worth ratio. Changes in the Company's financial condition that cause a breach of any of these financial covenants could result in a default and an acceleration of our obligations under the Credit Facility, which could have an adverse effect on the Company's liquidity, capital resources and results of operations. No amounts have been drawn on the Credit Facility.

**Kura Sushi USA, Inc.**
**Condensed Balance Sheets (Unaudited)**
**(amounts in thousands, except share and per share data)**

| | August 31, 2018 | May 31, 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 5,711 | $ 1,265 |
| Accounts receivable | 521 | 622 |
| Inventories | 384 | 468 |
| Due from Parent and affiliates | 4 | 9 |
| Prepaid expenses and other current assets | 662 | 1,020 |
| Total current assets | 7,282 | 3,384 |
| Non-current assets: | | |
| Property and equipment—net | 23,195 | 29,706 |
| Deposits and other assets | 520 | 807 |
| Deferred tax assets | 1,072 | 1,095 |
| Deferred offering costs | — | 2,646 |
| Total non-current assets | 24,787 | 34,254 |
| Total assets | $ 32,069 | $ 37,638 |
| **Liabilities and stockholder's equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,959 | $ 2,785 |
| Accrued expenses and other current liabilities | 507 | 544 |
| Salaries and wages payable | 817 | 1,197 |
| Capital leases | 1,010 | 1,000 |
| Due to Parent and affiliates | 114 | 11 |
| Sales tax payable | 395 | 513 |
| Current portion of long-term debt | — | 682 |
| Total current liabilities | 4,802 | 6,732 |
| Non-current liabilities: | | |
| Long-term debt | — | 2,373 |
| Capital leases—non-current | 3,443 | 2,668 |
| Deferred rent | 1,371 | 2,002 |
| Tenant allowances | 787 | 1,115 |
| Other liabilities | 161 | 227 |
| Total non-current liabilities | 5,762 | 8,385 |
| Total liabilities | 10,564 | 15,117 |
| Commitments and contingencies | | |
| Stockholder's equity: | | |
| Class A common stock, $0.001 par value; 20,000,000 shares authorized, 8,000,000 shares issued and outstanding as of August 31, 2018 and May 31, 2019 | 8 | 8 |
| Class B common stock, $0.001 par value; 10,000,100 shares authorized, 2,000,100 shares issued and outstanding as of August 31, 2018 and May 31, 2019 | 2 | 2 |
| Additional paid-in capital | 20,220 | 20,696 |
| Retained earnings | 1,275 | 1,815 |
| Total stockholder's equity | 21,505 | 22,521 |
| Total liabilities and stockholder's equity | $ 32,069 | $ 37,638 |

See accompanying notes to these condensed financial statements

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

| | Nine Months Ended May 31, | |
|---|---|---|
| | 2018 | 2019 |
| **Sales** | $ 37,099 | $ 45,492 |
| **Restaurant operating costs:** | | |
| Food and beverage costs | 12,772 | 14,880 |
| Labor and related costs | 11,711 | 14,286 |
| Occupancy and related expenses | 2,330 | 3,292 |
| Depreciation and amortization expenses | 1,133 | 1,457 |
| Other costs | 3,911 | 5,102 |
| Total restaurant operating costs | 31,857 | 39,017 |
| General and administrative expenses | 4,437 | 5,699 |
| Depreciation and amortization expenses | 38 | 80 |
| Total operating expenses | 36,332 | 44,796 |
| Operating income | 767 | 696 |
| **Other expense (income):** | | |
| Interest expense | 97 | 126 |
| Interest income | (6) | (11) |
| Income before income taxes | 676 | 581 |
| Income tax (benefit) expense | (86) | 41 |
| Net income | $ 762 | $ 540 |
| Net income attributable to Class A and Class B common stockholder - basic and diluted | $ 762 | $ 540 |
| Net income per share attributable to Class A and Class B common stockholder | | |
| Basic | $ 0.08 | $ 0.05 |
| Diluted | $ 0.08 | $ 0.05 |
| Weighted-average shares used to compute net income per share attributable to Class A and Class B common stockholder | | |
| Basic | 10,000,088 | 10,000,100 |
| Diluted | 10,000,088 | 10,302,308 |

See accompanying notes to these condensed financial statements

**Kura Sushi USA, Inc.**
**Condensed Statements of Stockholder's Equity (Unaudited)**
**(amounts in thousands, except share and per share data)**

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Class A | | Class B | | Additional Paid-in Capital | Retained Earnings | Total Stockholder's Equity |
| | Shares | Amount | Shares | Amount | | | |
| Balances as of September 1, 2017 | 8,000,000 | $ 8 | 2,000,000 | $ 2 | $ 15,115 | $ (467) | $ 14,658 |
| Issuance of common stock | | | 100 | — | — | | — |
| Additional capital investment from parent | | | | | 5,000 | | 5,000 |
| Net income | | | | | | 762 | 762 |
| Balances as of May 31, 2018 | 8,000,000 | $ 8 | 2,000,100 | $ 2 | $ 20,115 | $ 295 | $ 20,420 |

| | Common Stock | | | | | | |
|---|---|---|---|---|---|---|---|
| | Class A | | Class B | | Additional Paid-in Capital | Retained Earnings | Total Stockholder's Equity |
| | Shares | Amount | Shares | Amount | | | |
| Balances as of September 1, 2018 | 8,000,000 | $ 8 | 2,000,100 | $ 2 | $ 20,220 | $ 1,275 | $ 21,505 |
| Stock-based compensation | | | | | 476 | | 476 |
| Net income | | | | | | 540 | 540 |
| Balances as of May 31, 2019 | 8,000,000 | $ 8 | 2,000,100 | $ 2 | $ 20,696 | $ 1,815 | $ 22,521 |

See accompanying notes to these condensed financial statements

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

| | Nine Months Ended May 31, | |
|---|---|---|
| | 2018 | 2019 |
| **Cash Flows From Operating Activities** | | |
| Net Income | $ 762 | $ 540 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,171 | 1,537 |
| Stock-based compensation | — | 476 |
| Gain on disposal of property and equipment | (2) | — |
| Deferred income taxes | — | (24) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (268) | (101) |
| Inventories | (43) | (84) |
| Due from parent and affiliates | 5 | (5) |
| Prepaid expenses and other current assets | (162) | (358) |
| Deposits and other assets | (25) | (181) |
| Accounts payable | 608 | 190 |
| Accrued expenses and other current liabilities | 158 | 37 |
| Sales tax payable | 63 | 117 |
| Salary and wages payable | 178 | 380 |
| Due to parent and affiliates | 5 | (46) |
| Deferred rent and tenant allowances | 636 | 960 |
| Net cash provided by operating activities | 3,086 | 3,438 |
| **Cash Flows From Investing Activities** | | |
| Payments for property and equipment | (5,883) | (7,688) |
| Proceeds from disposal of property and equipment | 2 | — |
| Payment for purchase of liquor license | (33) | (20) |
| Net cash used in investing activities | (5,914) | (7,708) |
| **Cash Flows From Financing Activities** | | |
| Proceeds from borrowings of debt | — | 3,921 |
| Cash received for additional capital investment from Parent | 5,000 | — |
| Repayment to principal on capital lease | (716) | (785) |
| Repayment on debt | — | (866) |
| Payment for deferred offering costs | — | (2,446) |
| Net cash provided by (used in) financing activities | 4,284 | (176) |
| **Net increase (decrease) in cash and cash equivalents** | 1,456 | (4,446) |
| Cash and cash equivalents—Beginning of period | 2,882 | 5,711 |
| Cash and cash equivalents—End of period | $ 4,338 | $ 1,265 |
| Noncash investing and financing activities | | |
| Acquisition of capital leases | $ 1,733 | $ — |
| Changes in accounts payable for purchase of property and equipment | $ (230) | $ 378 |
| Unpaid deferred offering costs | $ — | $ 200 |
| Amounts included in accounts payable for purchases of property and equipment | $ 39 | $ 434 |

See accompanying notes to these condensed financial statements

**Note 1—Organization and Description of Business**

Kura Sushi USA, Inc. (the "Company" or "Kura Sushi") operates revolving sushi bar restaurants, which offer a combination of Japanese cuisine and a revolving sushi service model. As of May 31, 2019, the Company operates 21 restaurants in California, Texas, Georgia and Illinois.

In November 2008, Kura Sushi, Inc. (the "Parent" or "Kura Japan") formed its wholly-owned subsidiary, Kula West Irvine, Inc., a California corporation ("Kula West"), as a wholly-owned subsidiary of Kura Japan, through which Kura Japan conducted its U.S. operations. Kura Japan owned all 10,000 shares of Kula West common stock. In June 2011, Kula West changed its name to Kula Sushi USA, Inc. ("Kula Sushi"). On October 4, 2017, Kura Japan formed another wholly-owned subsidiary, Kura Sushi USA, Inc., as a corporation in the State of Delaware, prior to and in connection with a merger of Kula Sushi into Kura Sushi USA, Inc., common control entities, for the primary purposes of changing the state of incorporation from California to Delaware, as well as modifying the name of the Company. At the time of formation of Kura Sushi, Kura Sushi issued 100 shares of Class B common stock to Kura Japan.

On October 10, 2017, Kula Sushi merged into Kura Sushi, with Kura Sushi remaining as the surviving corporation. By virtue of the merger, and without action on the part of Kura Japan as holder thereof, each of the 10,000 shares of common stock of Kula Sushi held by Kura Japan was automatically cancelled and converted into 1,000 shares of Class B common stock of Kura Sushi. 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. Each share of Class B common stock is convertible into one share of Class A common stock at the option of the holder, upon transfer or in certain specified circumstances. With the exception of voting rights and conversion rights, holders of Class A and Class B common stock will have identical rights.

On January 25, 2019, the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Kura Japan to exchange 8,000,000 shares of the Company's Class B common stock for 8,000,000 shares of the Company's Class A common stock on a pre-split basis. The accompanying financial statements and notes to the financial statements give retroactive effect to both the merger and the share exchange provided for in the Share Exchange Agreement. As such, the financial statements show Kura Japan as having held 8,000,000 shares of Class A common stock and 2,000,000 shares of Class B common stock as of September 1, 2016 in the statement of stockholder's equity, notwithstanding that as of August 31, 2018, Kura Japan held no shares of Class A common stock and 10,000,100 shares of Class B common stock of the Company.

**Note 2—Basis of Presentation and Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

***Unaudited Interim Financial Statements***

The accompanying unaudited interim condensed financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States ("U.S. GAAP") for complete financial statements. In the opinion of the Company, all adjustments considered necessary for the fair presentation of the Company's results of operations, financial position and cash flows for the periods presented have been included and are of a normal, recurring nature. The results of operations for interim periods are not necessarily indicative of the results to be expected for the year ending August 31, 2019 or for any other future annual or interim period. These financial statements should be read in conjunction with the Company's audited financial statements in this prospectus.

***Fair Value of Financial Instruments***

The Company's financial instruments consist of cash and cash equivalents, tenants allowance receivable, accounts payable, accrued expenses and other current liabilities, salaries and wages payable, and debt. The Company believes that the carrying values of the financial instruments approximate their fair values. The Company's debt was determined to be Level II in the fair value hierarchy.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Significant items subject to such estimates include asset retirement obligations, stock-based compensation, the useful lives of assets, the assessment of the recoverability of long-lived assets, and income taxes. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could differ materially from those estimates and assumptions.

***Segment Information***

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

***Deferred Offering Costs***

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with the Company's initial public offering as deferred offering costs until such offering is consummated. After consummation of the initial public offering, these costs are recorded in stockholders' equity as a reduction of additional paid-in capital generated as a result of the offering. Should the in-process initial public offering be abandoned, the deferred offering costs will be expensed immediately as a charge to general and administrative expenses in the condensed statements of income. As of May 31, 2019, $2.6 million of deferred offering costs are capitalized on the balance sheet.

***Operating and Capital Leases***

The Company leases all of its restaurant locations, its corporate offices, and equipment used in its restaurants. At the inception of each lease, the Company determines its classification as an operating lease or a capital lease. All of the Company's restaurant and office leases are classified as operating leases and equipment leases are classified as capital leases.

Most of the restaurant and office leases provide for fixed minimum rent payments and/or contingent rent payments based upon sales in excess of specified threshold. When achievement of such sales thresholds is deemed probable, contingent rent is accrued in proportion to the sales recognized in the period. For operating leases that include free-rent periods and rent escalation clauses, the Company recognizes rent expenses based on the straight-line method. For the purpose of calculating rent expenses under the straight-line method, the lease term commences on the date the Company obtains control of the property. The difference between the rent expenses and payments is recorded as deferred rent in the accompanying balance sheets. Allowance for tenant allowances is included in deferred rent liability and recognized over the lease term as a reduction of rent expenses.

Assets the Company acquired under capital lease arrangements are recorded at the lower of the present value of future minimum lease payments or fair value of the assets at the inception of the lease. Capital lease assets are amortized over the shorter of the useful life of the assets or the lease term, and the amortization expense is included in the depreciation and amortization financial statement line item on the accompanying condensed statements of income.

***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, tenants allowance receivable, accounts payable, accrued expenses and other current liabilities, salaries and wages payable, and debt for which the carrying amounts approximate fair value. The fair value of the Company's debt was determined using Level II inputs. The fair value of all of the Company's remaining assets and liabilities are determined using Level 1 inputs. The fair value of payments due to or from the Parent is not determinable due to its related-party nature.

***Stock-based Compensation***

Stock-based compensation consists of stock options issued to employees and non-employees. The Company measures and recognizes stock-based compensation for the estimated fair value of stock options 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 a number of highly complex and 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 Company granted 44,000 stock options for the nine months ended May 31, 2019. 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. The stock options granted by the Company have a vesting period of approximately 45-months.

Stock-based compensation expense was zero and $0.5 million for the nine months ended May 31, 2018 and 2019, respectively.

***Comprehensive Income***

Comprehensive income 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. Comprehensive income is the same as net income for all periods presented. Therefore, a separate statement of comprehensive income is not included in the accompanying financial statements.

***Earnings Per Share***

Earnings per share is calculated by dividing net income by the weighted average shares outstanding during the period, without consideration of common stock equivalents. Diluted earnings 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 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 earnings 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 Adopted Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which was issued to replace the current revenue recognition guidance, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASC 606 also includes Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, which requires the deferral of incremental costs of obtaining a contract with a customer. In August 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2017. The Company adopted the new standard for the fiscal year and quarter beginning on September 1, 2018, using the modified retrospective method. The Company's revenue is derived from sales of food and beverages which are recognized at the point of sale, therefore, the new revenue guidance does not have an impact on the Company's timing of revenue recognition and the cumulative effect of adopting this new standard had no impact on the Company's retained earnings. Results for reporting periods beginning on or after September 1, 2018 are presented in accordance with ASC 606. Prior period amounts were not revised and continue to be reported in accordance with ASC 605, the accounting standard then in effect.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting ("ASU 2018-07"), to align the accounting for share-based payment awards issued to employees and nonemployees, particularly with regard to the measurement date and the impact of performance conditions. The new guidance requires equity-classified share-based payment awards issued to nonemployees to be measured on the grant date, instead of being re-measured through the performance completion date under the current guidance. For public entities, ASU 2018-07 is effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. The Company chose to early adopt ASU 2018-07 effective for its financial statements starting September 1, 2018 and the cumulative adjustment upon adoption was immaterial.

***Recently Issued Accounting Pronouncements***

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize assets and liabilities on the balance sheet for leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily

will depend on its classification as a capital or operating lease. ASU No. 2016-02 is effective for reporting periods beginning after December 15, 2018, and early adoption is permitted. In March 2019, the FASB issued ASU 2019-01, Codification Improvements, which clarifies certain aspects of the new lease standard. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides entities the option to use the effective date as the date of initial application on transition to the new guidance. The Company plans to elect this transition method, and as a result, the Company will not adjust comparative information for prior periods. ASU No. 2016-02 is to be applied at the beginning of the earliest period presented in the financial statements using the optional transition method permitted under ASU 2018-11, which includes a number of practical expedients that an entity may elect to apply, for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company has begun evaluating the impact the adoption of the new guidance will have on its financial statements and expects that the adoption of the new guidance will have a material impact on the financial statements of the Company.

**Note 3—Property and Equipment, net**

Property and equipment, net as of August 31, 2018 and May 31, 2019 consists of the following:

| | August 31, 2018 | May 31, 2019 |
|---|---|---|
| | (amounts in thousands) | |
| Leasehold improvements | $ 17,720 | $21,993 |
| Lease assets | 6,037 | 6,037 |
| Furniture and fixtures | 2,493 | 4,373 |
| Computer equipment | 248 | 426 |
| Vehicles | 43 | 75 |
| Software | 214 | 384 |
| Construction in progress | 1,155 | 2,668 |
| Property and equipment, gross | 27,910 | 35,956 |
| Less: accumulated depreciation and amortization | (4,715) | (6,250) |
| Total property and equipment, net | $ 23,195 | 29,706 |

Depreciation expense for property and equipment was $1.2 million and $1.5 million for the nine months ended May 31, 2018 and May 31, 2019, respectively. Amortization expense related to leased assets for the nine months ended May 31, 2018 and May 31, 2019 were immaterial.

**Note 4—Related Party Transactions**

The Company is a wholly-owned subsidiary of Kura Japan, headquartered in Japan. Kura Japan is also the sole stockholder of the Company. In March 2018, the Company entered into a 20-year license agreement with Kura Japan, whereby the Company was granted the license to use the Parent company's trademarks and technology for the Company to open and operate restaurants in the United States of America. Every month, the Company will pay the Parent the amount equivalent to 0.5% of net sales as royalties for the license. Royalty payments to the Parent are included in other costs at the restaurant-level in the accompanying condensed statements of income. In addition, the Company reimburses the Parent travel and other administrative expenses, supplies and expatriate salaries expense. These expenses are included in general and administrative expenses in the accompanying condensed statements of income.

Balances and transactions with the Parent for the nine months ended May 31, 2018 and May 31, 2019, are as follows:

| | Nine Months Ended May 31, | |
|---|---|---|
| | 2018 | 2019 |
| | (amounts in thousands) | |
| Due from the Parent | $ 2 | $ 9 |
| Due to the Parent | 57 | 11 |
| Related party expenses: | | |
| Purchases of administrative supplies from the Parent | 5 | 10 |
| Expatriate salaries expense incurred from the Parent | 49 | 84 |
| Royalty payments | 135 | 227 |
| Travel and other administrative expenses | 44 | 67 |
| Purchases of equipment from the Parent | 421 | 549 |
| Total related party expenses | $ 654 | $ 937 |
| Additional investment received from Parent | $ 5,000 | $ — |

**Note 5—Stock-based Compensation**

The following table summarizes the stock option activity under the Company's 2018 Incentive Compensation Plan (the "Stock Incentive Plan") for the period from August 31, 2018 through May 31, 2019:

| | Shares Subject to Outstanding Stock Options | Weighted Average Exercise Price Per Share |
|---|---|---|
| Outstanding—August 31, 2018 | 834,479 | $ 2.13 |
| Options granted | 44,000 | $ 4.38 |
| Options exercised | — | $ — |
| Options canceled/forfeited | (59,978) | $ 2.35 |
| Options expired | — | $ — |
| Outstanding—May 31, 2019 | 818,501 | $ 2.23 |

Stock-based compensation related to the stock options issued under the Stock Incentive Plan was zero and $0.5 million for the nine months ended May 31, 2018 and May 31, 2019, respectively. 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 income.

The total stock-based compensation expense recognized under the Stock Incentive Plan in the statements of income is as follows:

| | Nine Months Ended May 31, 2019 |
|---|---|
| | (amounts in thousands) |
| Restaurant-level stock-based compensation included in Other costs | $ 62 |
| Corporate-level stock-based compensation included in General and administrative expenses | 414 |
| Total stock-based compensation | $ 476 |

**Note 6—Debt**

On January 31, 2019, the Company secured a non-revolving line of credit in the amount of up to $5 million (the "Credit Facility") that matures on July 31, 2020. All borrowings under the Credit Facility will bear interest at the Company's option at either (a) the prime lending rate of the lender less one-half of one percent (0.5%), or (b) one-month LIBOR plus one and one-half percent (1.5%). At any time the Company has an aggregate principal balance of at least $300,000 outstanding, that had not previously been converted to a term loan, the aggregate principal balance outstanding shall be converted to be payable on a term loan basis. The Company also has the option to convert the principal balance outstanding to a term loan by providing written notice to the creditor at least 30 days prior to the maturity date. Each term loan will have a maturity of not more than 36 months. The Credit Facility also requires the Company to comply with certain financial covenants regarding the Company's liquidity, fixed charge coverage ratio and tangible net worth ratio. Changes in the Company's financial condition that cause a breach of any of these financial covenants could result in a default and an acceleration of our obligations under the Credit Facility, which could have an adverse effect on the Company's liquidity, capital resources and results of operations. The Company was in compliance with all financial-related covenants under the Credit Facility as of May 31, 2019.

As of May 31, 2019, the Company had borrowings in aggregate of $3.1 million, of which $1.0 million was under the line of credit under the Credit Facility and $2.1 million was in connection with term loans each to be repaid over a 36-month period, maturing in May 2022. The term loans accrue interest at a variable interest rate based on one-month LIBOR plus one and one-half percent (1.5%) and the Company is obligated to make fully-amortized monthly principal payments over the 36-month period. The Company elected to accrue and pay monthly interest on the borrowings pursuant to the non-revolving line of credit at the prime lending rate of the lender less one-half of one percent (0.5%). The obligations of the Company under the Credit Facility are collateralized by substantially all assets of the Company.

In June 2019, the Company converted the remaining $1.0 million in borrowings under the non-revolving line of credit of the Credit Facility to be repaid on a term loan basis over a 36-month period.

**Note 7—Earnings Per Share**

The net income per share attributable to common stockholder 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 income attributable to common stockholder is allocated on a proportionate basis.

The following table sets forth the computation of the Company's basic and diluted net income per share (amounts in thousands, except for share or per share amounts):

| | Nine Months Ended May 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2019 | |
| | Class A | Class B | Class A | Class B |
| **Net income per share attributable to common stockholder—Basic:** | | | | |
| Numerator: | | | | |
| Net income attributable to common stockholder—basic (in thousands) | $ 610 | $ 152 | $ 432 | $ 108 |
| Denominator: | | | | |
| Weighted average common shares outstanding—basic | 8,000,000 | 2,000,088 | 8,000,000 | 2,000,100 |
| **Net income per share attributable to common stockholder—basic** | $ 0.08 | $ 0.08 | $ 0.05 | $ 0.05 |
| **Net income per share attributable to common stockholder—diluted:** | | | | |
| Numerator: | | | | |
| Net Income attributable to common stockholder—diluted | $ 610 | $ 152 | $ 432 | $ 108 |
| Denominator: | | | | |
| Weighted average shares outstanding—basic | 8,000,000 | 2,000,088 | 8,000,000 | 2,000,100 |
| Options to purchase common stock | — | — | 302,208 | — |
| Weighted average shares outstanding—diluted | 8,000,000 | 2,000,088 | 8,302,208 | 2,000,100 |
| **Net income per share attributable to common stockholder—diluted** | $ 0.08 | $ 0.08 | $ 0.05 | $ 0.05 |

**Note 8—Income Taxes**

The Company recorded an income tax benefit of $86 thousand for the nine months ended May 31, 2018 and an income tax expense of $41 thousand for the nine months ended May 31, 2019, respectively. The difference between the effective rate and the federal statutory tax rate is primarily due to state tax expense offset by tax benefits derived from the credit for certain employee tips. The increase in the income tax expense for the nine months ended May 31, 2019 compared with the nine months ended May 31, 2018 is primarily attributable to certain discrete tax benefits recorded for the nine months ended May 31, 2018 related to the changes enacted by the Tax Cuts and Jobs Act.

**Note 9—Subsequent Events**

The Company evaluated subsequent events through July 3, 2019, the date on which its financial statements were issued. There were no subsequent events that required recognition or disclosure.

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# Shares


# KURA SUSHI USA, INC.

## CLASS A COMMON STOCK

PRELIMINARY PROSPECTUS

**BMO Capital Markets**

**Stephens Inc.**

**BTIG**

**Roth Capital Partners**

**Maxim Group LLC**

, 2019

Through and including (the 25th day after the date of the prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

**Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the various expenses, other than underwriting discounts and commissions, payable by the registrant in connection with the sale of common stock being registered. All of the amounts shown are estimated except the Securities and Exchange Commission registration fee, the FINRA filing fee and the Nasdaq listing fee.

| | Amount To Be Paid |
|---|---|
| SEC registration fee | $ 6,969 |
| FINRA filing fee | 9,125 |
| Nasdaq listing fee | 150,000 |
| Printing and engraving expenses | * |
| Legal fees and expenses | * |
| Accounting fees and expenses | * |
| Blue sky fees and expenses | * |
| Transfer agent and registrar fees | 3,500 |
| Miscellaneous fees and expenses | * |
| Total | $ * |

* To be filed by amendment.

**Item 14. Indemnification of Directors and Officers.**

Registrant is a Delaware corporation. Section 145(a) of the Delaware General Corporation Law (the "DGCL") provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides that a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above, against expenses (including attorney fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Further subsections of DGCL Section 145 provide that:

(1) to the extent a present or former director or officer of a corporation has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145 or in the defense of any claim, issue or matter therein, such person shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by such person in connection therewith;

(2) the indemnification and advancement of expenses provided for pursuant to Section 145 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise; and

(3) the corporation shall have the power to purchase and maintain insurance of behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under Section 145.

As used in this Item 14, the term "proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether or not by or in the right of registrant, and whether civil, criminal, administrative, investigative or otherwise.

Section 145 of the DGCL makes provision for the indemnification of officers and directors in terms sufficiently broad to indemnify officers and directors of registrant under certain circumstances from liabilities (including reimbursement for expenses incurred) arising under the Securities Act of 1933. Registrant's amended and restated certificate of incorporation provides, in effect, that, to the fullest extent and under the circumstances permitted by Section 145 of the DGCL, registrant will indemnify any and all of its officers and directors. Before the completion of this offering, registrant intends to enter into indemnification agreements with its officers and directors. These agreements will require registrant to indemnify these individuals to the fullest extent permitted under DGCL against liabilities that may arise by reason of their service, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. Registrant may, in its discretion, similarly indemnify its employees and agents. Registrant's amended and restated certificate of incorporation also relieves its directors from monetary damages to registrant or its stockholders for breach of such director's fiduciary duty as a director to the fullest extent permitted by the DGCL. Under Section 102(b)(7) of the DGCL, a corporation may relieve its directors from personal liability to such corporation or its stockholders for monetary damages for any breach of their fiduciary duty as directors except (i) for a breach of the duty of loyalty, (ii) for failure to act in good faith, (iii) for intentional misconduct or knowing violation of law, (iv) for willful or negligent violations of certain provisions in the DGCL imposing certain requirements with respect to stock repurchases, redemptions and dividends or (v) for any transactions from which the director derived an improper personal benefit.

In connection with this offering, we intend to enter into employment agreements with Messrs. Uba, Shinohara and Kamei to be effective as of the date of the consummation of this offering. Such employment agreements will require registrant to indemnify such officers to the maximum extent permitted under applicable law and the registrant's bylaws, and in accordance with such officers' indemnification agreements. In addition, for the duration of such officers' employment and for a period of six years thereafter, such employment agreements will require registrant to purchase and maintain, at registrant's expense, directors' and officers' liability insurance, which provides coverage to such officers on terms that are no less favorable than coverage provided to directors and similarly situated executives of the registrant.

Registrant has purchased insurance policies which, within the limits and subject to the terms and conditions thereof, cover certain expenses and liabilities that may be incurred by directors and officers in connection with

proceedings that may be brought against them as a result of an act or omission committed or suffered while acting as a director or officer of registrant.

The form of Underwriting Agreement, to be entered into in connection with this offering and to be attached as Exhibit 1.1 hereto, provides for the indemnification by the Underwriters of us and our officers and directors for certain liabilities, including liabilities arising under the Securities Act, and affords certain rights of contribution with respect thereto.

**Item 15. Recent Sales of Unregistered Securities.**

During the three-year period preceding the date of filing this registration statement, we have issued securities in the transactions described below without registration under the Securities Act (all issuances reflected below are shown on a pre-split basis).

- In October 2017, we issued 100 shares of our Class B common stock to Kura Japan, our parent company, as part of the reorganization of the parent company's U.S. operations. Thereafter in October 2017, Kula Sushi USA, Inc., a California corporation and wholly-owned subsidiary of our parent company, merged with us, with Kura Sushi USA, Inc. as the surviving corporation. In connection with the merger, we issued 10,000,000 shares of our Class B common stock to our parent company in exchange for its shares in Kula Sushi USA, Inc.
- In June 2018, we awarded under our Stock Incentive Plan incentive stock options and non-qualified stock options to certain employees of the Company and our parent company to purchase 834,479 shares of our Class A common stock at an exercise price of $2.13 per share.
- In December 2018, we awarded under our Stock Incentive Plan incentive stock options to certain employees to purchase 44,000 shares of our Class A common stock at an exercise price of $4.38 per share.
- In January 2019, we issued 8,000,000 shares of our Class A common stock to our parent company Kura Japan in exchange for 8,000,000 shares of our Class B common stock.

The sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701, or transactions by an issuer involving an exchange of securities solely with existing security holders where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange, pursuant to Section 3(a)(9) of the Securities Act.

**Item 16. Exhibits and Financial Statement Schedules.**

(a) The exhibit index attached hereto is incorporated herein by reference.

(b) No financial statement schedules are provided because the information called for is not required or is shown in the financial statements or the notes thereto.

**Item 17. Undertakings.**

(a) The undersigned registrant hereby undertakes to provide to the underwriters, at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant

has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be a part of this registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## EXHIBIT INDEX

| Exhibit Number | Description of Exhibit |
|---|---|
| 1.1* | Form of Underwriting Agreement |
| 3.1 | Form of Amended and Restated Certificate of Incorporation |
| 3.2 | Form of Amended and Restated Bylaws |
| 4.1* | Specimen Stock Certificate |
| 5.1* | Opinion of Squire Patton Boggs (US) LLP |
| 10.1** | Kura Sushi USA, Inc. 2018 Incentive Compensation Plan |
| 10.2 | Form of Employment Agreement between Kura Sushi USA, Inc. and Hajime Uba |
| 10.3 | Form of Employment Agreement between Kura Sushi USA, Inc. and Koji Shinohara |
| 10.4 | Form of Employment Agreement between Kura Sushi USA, Inc. and Manabu Kamei |
| 10.5 | Form of Indemnification Agreement between Kura Sushi USA, Inc. and each of its directors and executive officers |
| 10.6 | Form of Amended and Restated Exclusive License Agreement between Kura Sushi USA, Inc. and Kura Sushi, Inc. |
| 10.7 | Form of Shared Services Agreement between Kura Sushi USA, Inc. and Kura Sushi, Inc. |
| 10.8** | Business Loan Agreement, dated January 31, 2019, between Kura Sushi USA, Inc. and Bank of the West |
| 10.9** | Promissory Note, dated January 31, 2019, between Kura Sushi USA, Inc. and Bank of the West, in the principal amount of $5,000,000 |
| 10.10** | Commercial Security Agreement, dated January 31, 2019, between Kura Sushi USA, Inc. and Bank of the West |
| 10.11** | Promissory Note, dated May 20, 2019, between Kura Sushi USA, Inc. and Bank of the West, in the principal amount of $1,233,290 |
| 10.12** | Commercial Security Agreement, dated May 20, 2019, between Kura Sushi USA, Inc. and Bank of the West |
| 10.13** | Promissory Note, dated May 24, 2019, between Kura Sushi USA, Inc. and Bank of the West, in the principal amount of $811,353.14 |
| 10.14** | Commercial Security Agreement, dated May 24, 2019, between Kura Sushi USA, Inc. and Bank of the West |
| 10.15** | Promissory Note, dated June 6, 2019, between Kura Sushi USA, Inc. and Bank of the West, in the principal amount of $1,010,204.95 |
| 10.16** | Commercial Security Agreement, dated June 6, 2019, between Kura Sushi USA, Inc. and Bank of the West |
| 23.1 | Consent of Deloitte & Touche LLP |
| 23.2* | Consent of Squire Patton Boggs (US) LLP (included in Exhibit 5.1) |
| 23.3** | Consent of Buxton Company |
| 24.1** | Power of Attorney |
| 99.1** | Consent of Director Nominee (Shintaro Asako) |

* To be filed by amendment.
** Previously filed.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irvine, State of California, on July 16, 2019.

KURA SUSHI USA, INC.

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

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Hajime Uba<br>Hajime Uba | Chairman, President, Chief Executive Officer and Director *(principal executive officer)* | July 16, 2019 |
| /s/ Koji Shinohara<br>Koji Shinohara | Chief Financial Officer, Treasurer and Secretary *(principal financial officer and principal accounting officer)* | July 16, 2019 |
| *<br>Manabu Kamei | Chief Operating Officer and Director | July 16, 2019 |
| *<br>Seitaro Ishii | Director | July 16, 2019 |

* As Attorney-in-Fact

By: /s/ Koji Shinohara
Koji Shinohara

**Exhibit 3.1**

**AMENDED AND RESTATED**

**CERTIFICATE OF INCORPORATION OF**

**KURA SUSHI USA, INC.**

Kura Sushi USA, Inc. (the "**Corporation**"), a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "**DGCL**"), does hereby certify as follows:

1. The name of the Corporation is Kura Sushi USA, Inc.

2. The Corporation was originally formed under the name Kula West Irvine, Inc., a California corporation, on November 20, 2008 by the filing of its original Articles of Incorporation with the Secretary of State of California. A Certificate of Amendment changing the Corporation's name to Kula Sushi USA, Inc. was filed with the Secretary of State of California on June 16, 2011. A Certificate of Amendment increasing the Corporation's total number of authorized shares of common stock was filed with the Secretary of State of California on November 9, 2011. On October 4, 2017, Kura Sushi USA, Inc. was formed by the filing of its original Certificate of Incorporation with the Secretary of State of Delaware. On October 10, 2017, Kula Sushi USA, Inc. was merged into Kura Sushi USA, Inc., the surviving corporation, and a Certificate of Merger was filed with the Secretary of State of Delaware. A Certificate of Amendment increasing the Corporation's number of authorized shares of Class A Common Stock was filed with the Secretary of State of Delaware on May 29, 2018.

3. Pursuant to Section 242 of the DGCL, the amendments and restatements herein set forth have been duly approved by the Board of Directors of the Corporation (the "**Board of Directors**") and the sole stockholder of the Corporation.

4. Pursuant to Section 245 of the DGCL, this Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions of the Certificate of Incorporation of the Corporation.

The text of the Restated Certificate of Incorporation is hereby amended and restated as follows:

**ARTICLE I**
**NAME**

The name of the corporation is Kura Sushi USA, Inc.

## ARTICLE II
## AGENT

The Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801. The name of its registered agent at such address is The Corporation Trust Company.

## ARTICLE III
## PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

## ARTICLE IV
## STOCK

Section 4.1 Authorized Stock. Subject to Section 4.2(c)(ii) hereof, the aggregate number of shares which the Corporation shall have authority to issue is 61,000,100 shares, of which 50,000,000 shall be designated as Class A Common Stock, par value $0.001 per share (the "**Class A Common Stock**"), and 10,000,100 shall be designated as Class B Common Stock, par value $0.001 per share (the "**Class B Common Stock**" and together with the Class A Common Stock, the "**Common Stock**"), and 1,000,000 shall be designated as Preferred Stock, par value $0.001 per share (the "**Preferred Stock**"). Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of any of the Class A Common Stock, the Class B Common Stock or the Preferred Stock may be increased or decreased (but not below the number of shares of the Class A Common Stock, the Class B Common Stock or the Preferred Stock, as the case may be, then outstanding) by the affirmative vote of the holders of shares of capital stock of the Corporation representing at least 66⅔% of the voting power of all the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, on such increase or decrease irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law, and no vote of the holders of any of the Class A Common Stock, the Class B Common Stock or the Preferred Stock voting separately as a class shall be required therefor.

Section 4.2 Common Stock.

(a) Identical Rights. The powers, preferences and relative, participating, optional or other special rights, and the qualifications, limitations and restrictions, of the Class A Common Stock and the Class B Common Stock shall be identical in all respects, except as otherwise required by law or expressly provided in this Amended and Restated Certificate of Incorporation. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of Preferred Stock of any series.

(b) Voting. Except as otherwise expressly provided herein or required by applicable law, the holders of Class A Common Stock and Class B Common Stock shall vote together as one class on all matters submitted to a vote of the stockholders.

(c) Votes Per Share. Except as otherwise expressly provided herein or required by applicable law, and subject to any voting rights of the holders of shares of any class or series of Preferred Stock, on any matter that is submitted to a vote of the stockholders, each holder of Class A Common Stock shall be entitled to one (1) vote for each such share, and each holder of Class B Common Stock shall be entitled to ten (10) votes for each such share.

(d) Conversion.

(i) Voluntary Conversion. Each share of Class B Common Stock shall be convertible, at the option of the holder thereof at any time and from time to time, into one fully paid and non-assessable share of Class A Common Stock. Such right shall be exercised by the surrender to the Corporation of the certificate or certificates, if any, representing the shares of Class B Common Stock to be converted at any time during normal business hours at the office of the Corporation's transfer agent (the "**Transfer Agent**"), accompanied by a written notice from the holder of such shares stating that such holder desires to convert such shares, or a stated number of the shares represented by such certificate or certificates, if any, into an equal number of shares of Class A Common Stock, and (if so required by the Transfer Agent) by instruments of transfer, in form satisfactory to the Transfer Agent, duly executed by such holder or such holder's duly authorized attorney, and transfer tax stamps or funds therefor if required pursuant to this Section 4.2(d). To the extent permitted by law, such conversion shall be deemed to have been effected at 5:00 p.m. Pacific Time on the date of such surrender.

(ii) Automatic Conversion. Each share of Class B Common Stock shall automatically be converted into one fully paid and non-assessable share of Class A Common Stock upon the earliest of (A) the date such shares cease to be beneficially owned (as such term is defined under Rule 13d-3 of the Securities Exchange Act of 1934, as amended ("**Section 13(d)**")) by Kura Sushi, Inc. ("**Kura Japan**") and (B) at 5:00 p.m. Pacific Time on the date that Kura Japan ceases to beneficially own (as such term is defined under Section 13(d)) at least 20% of the number of the then-outstanding shares of Common Stock of the Corporation.

(iii) Immediately upon conversion of shares of Class B Common Stock, the rights of the holders of shares of Class B Common Stock as such shall cease, and such holders shall be treated for all purposes as having become the record holder or holders of such shares of Class A Common Stock. The issuance of certificates, if any, for shares of Class A Common Stock upon conversion of shares of Class B Common Stock shall be made without charge to the holders of such shares for any stamp or other similar tax in respect of such issuance; *provided*, *however*, that if any such certificate is to be issued in a name other than that of the holder of the share or shares of Class B Common Stock converted, then the individual, entity or other person holding such shares of Class B Common Stock immediately prior to such conversion shall pay to the Corporation the amount of any tax that may be payable in respect of any transfer involved in such issuance or shall establish to the satisfaction of the Corporation that such tax has been paid or is not payable.

(iv) The one-to-one conversion ratio for the conversion of the Class B Common Stock into Class A Common Stock in accordance with this Section 4.2(d) of this Article IV shall in all events be equitably adjusted in the event of any recapitalization of the Corporation by means of a stock dividend on, or a stock split or combination of, outstanding Class A Common Stock or Class B Common Stock, or in the event of any merger, consolidation or other reorganization of the Corporation with another corporation.

(v) If any shares of Class B Common Stock shall be converted pursuant to this Section 4.2(d), the shares so converted shall be cancelled, retired and eliminated from the shares that the Corporation shall be authorized to issue.

(vi) Reservation of Stock Issuable upon Conversion. If at any time the number of authorized but unissued shares of Class A Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Class B Common Stock, in addition to such other remedies as shall be available to the holders of such Class B Common Stock, the Corporation shall take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Class A Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Amended and Restated Certificate of Incorporation.

(e) Dividends. Subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, no dividend or distribution may be declared or paid on any share of Class A Common Stock unless a dividend or distribution, payable in the same consideration and manner, is simultaneously declared or paid, as the case may be, on each share of Class B Common Stock, nor shall any dividend or distribution be declared or paid on any share of Class B Common Stock unless a dividend or distribution, payable in the same consideration and manner, is simultaneously declared or paid, as the case may be, on each share of Class A Common Stock, in each case without preference or priority of any kind; provided, however, that if dividends are declared that are payable in shares of Class A Common Stock or in shares of Class B Common Stock, as the case may be, or in rights, options, warrants or other securities convertible into or exercisable or exchangeable for shares of Class A Common Stock or shares of Class B Common Stock, such dividends shall be declared at the same rate on both classes of Common Stock and the dividends payable in shares of Class A Common Stock or in rights, options, warrants or other securities convertible into or exercisable or exchangeable for shares of Class A Common Stock shall be payable to holders of Class A Common Stock and the dividends payable in shares of Class B Common Stock or in rights, options, warrants or other securities convertible into or exercisable or exchangeable for shares of Class B Common Stock shall be payable to holders of Class B Common Stock.

(f) Changes in Common Stock. If the Corporation in any manner subdivides or combines the then-outstanding shares of Class A Common Stock, the then-outstanding shares of Class B Common Stock shall be proportionately subdivided or combined, as the case may be. If the Corporation in any manner subdivides or combines the then-outstanding shares of Class B Common Stock, the then-outstanding shares of Class A Common Stock shall be proportionately subdivided or combined, as the case may be.

(g) Reorganization, Consolidation, Share Exchange or Merger. Subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, in the event of any reorganization, consolidation, share exchange or merger of the Corporation with or into any other person or persons in which shares of Class A Common Stock or Class B Common Stock are converted into (or entitled to receive with respect thereto) shares of capital stock or other securities or property (including cash), each holder of a share of Class A Common Stock and each holder of a share of Class B Common Stock shall be entitled to receive with respect to each such share the same kind and amount of shares of capital stock and other securities and property (including cash), other than a difference in kind or amount of capital stock and other securities received that is limited to preserving the relative voting power of the holders of Class A Common Stock and Class B Common Stock in effect prior to any such transaction, unless the different treatment of the shares of each such class of Common Stock is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock entitled to vote thereon and a majority of the outstanding shares of Class B Common Stock entitled to vote thereon, each voting separately as a class. In the event that the holders of shares of Class A Common Stock or shares of Class B Common Stock are granted rights to elect to receive one of two or more alternative forms of consideration in respect of any such transaction, the foregoing provision shall be deemed satisfied if holders of shares of Class A Common Stock and holders of shares of Class B Common Stock, as the case may be, are granted substantially identical election rights.

(h) Liquidation. Upon the dissolution, liquidation or winding up of the Corporation, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, the holders of shares of Class A Common Stock and Class B Common Stock shall rank *pari passu* with each other and shall be entitled to receive the assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

Section 4.3 Preferred Stock. Subject to limitations prescribed by law and the provisions of this Article IV, the Board of Directors is hereby authorized to provide by resolution for the issuance of the shares of Preferred Stock in one or more series, and to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, privileges, preferences, and relative participating, optional or other rights, if any, of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(i) the number of shares constituting such series, including any increase or decrease in the number of shares of any such series (but not below the number of shares in any such series then outstanding), and the distinctive designation of such series;

(ii) the dividend rate on the shares of such series, if any, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of such series;

(iii) whether the shares of such series shall have voting rights (including multiple or fractional votes per share) in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(iv) whether the shares of such series shall have conversion privileges, and, if so, the terms and conditions of such privileges, including provisions for the adjustment of the conversion rate in such events as the Board of Directors shall determine:

(v) whether or not the shares of such series shall be redeemable, and if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption rates;

(vi) whether a sinking fund shall be provided for the redemption or purchase of shares of such series, and, if so, the terms and the amount of such sinking fund;

(vii) the rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of such series; and

(viii) any other relative rights, preferences and limitations of such series.

## ARTICLE V
## BOARD OF DIRECTORS

Section 5.1 Number. Except as otherwise provided for or fixed pursuant to the provisions of Article IV of this Amended and Restated Certificate of Incorporation relating to the rights of holders of any series of Preferred Stock to elect additional directors in certain circumstances, the number of directors which constitute the Board of Directors shall be designated or provided for in the bylaws of the Corporation.

Section 5.2 Vacancies. Subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise provided by law, be filled solely by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director so chosen shall hold office until the next annual meeting of the stockholders or until his or her successor is duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

Section 5.3 Removal. Except for such additional directors, if any, as are elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Article IV hereof, any director, or the entire Board of Directors, may be removed from office at any time, (i) for cause only by the affirmative vote of the holders of a majority of the voting power of all the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class or (ii) without cause only by the affirmative vote of the holders of at least 66⅔% of the voting power of all the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 5.4 Additional Directors. During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article IV hereof, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions and (ii) each such additional directors shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to such director's earlier death, disqualification, resignation or removal. Except as otherwise provided by the Board of Directors in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, disqualification, resignation or removal of such additional directors, shall forthwith terminate and the total authorized number of directors of the Corporation shall be reduced accordingly.

Section 5.5 Powers. Except as otherwise expressly provided by the DGCL or this Amended and Restated Certificate of Incorporation, the management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors.

Section 5.6 Election. Subject to this Article V, the election of directors may be conducted in any manner approved by the person presiding at a meeting of the stockholders or the directors, as the case may be, at the time when the election is held and need not be by written ballot. The stockholders do not have the right to cumulate their votes for the election of directors.

Section 5.7 Notice. Advance notice of stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the bylaws of the Corporation.

## ARTICLE VI
## LIABILITY OF DIRECTORS

Section 6.1 Limitation of Personal Liability. To the fullest extent permitted by the DGCL, a director of the Corporation shall not be liable to the Corporation or its stockholders for

monetary damages for breach of fiduciary duty as a director. If the DGCL is amended after the date of the filing of this Amended and Restated Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended from time to time.

Section 6.2 Indemnification. To the fullest extent permitted by the DGCL, the Corporation shall provide indemnification of (and advancement of expenses to) directors and officers of the Corporation through bylaw provisions, agreements with such persons, vote of stockholders or disinterested directors or otherwise. Any repeal or modification of this provision shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

## ARTICLE VII
## STOCKHOLDER ACTION

For such time as Kura Japan beneficially owns greater than 50% of the voting power of outstanding Common Stock of the Corporation, any action required or permitted to be taken at any annual or special meeting of the stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

## ARTICLE VIII
## SPECIAL MEETINGS OF STOCKHOLDERS

Subject to any rights of any series of Preferred Stock and the requirements of applicable law, special meetings of the stockholders of the Corporation for any purpose or purposes may be called only by or at the direction of the Board of Directors pursuant to a resolution of the Board of Directors adopted by a majority of the total number of directors then in office. The stockholders of the Corporation do not have the power to call a special meeting of the stockholders. Except as otherwise required by law, the business conducted at a special meeting of stockholders of the Corporation shall be limited exclusively to the business set forth in the Corporation's notice of meeting, and the individual or group calling such meeting shall have exclusive authority to determine the business included in such notice. Any special meeting of the stockholders shall be held either within or without the State of Delaware, at such place, if any, and on such date and time as shall be specified in the notice of such special meeting. The bylaws of the Corporation may establish procedures regulating the submission by stockholders of nominations and proposals for consideration at meetings of stockholders of the Corporation.

## ARTICLE IX
## BUSINESS COMBINATIONS WITH INTERESTED STOCKHOLDERS

The Corporation hereby expressly states that it shall not be bound or governed by, or otherwise subject to, Section 203 of the DGCL.

## ARTICLE X
## EXISTENCE

The Corporation shall have perpetual existence.

## ARTICLE XI
## AMENDMENTS

Section 11.1 Amendment of Amended and Restated Certificate of Incorporation. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights conferred herein are granted subject to this reservation; *provided*, *however*, that in addition to any requirements of law and any other provision of this Amended and Restated Certificate of Incorporation, and notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of the holders of at least 66⅔% in voting power of the issued and outstanding stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter, change or repeal any provision of this Amended and Restated Certificate of Incorporation.

Section 11.2 Amendment of Bylaws. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to amend, alter, change or repeal the bylaws of the Corporation. In addition to any requirements of law and any other provision of this Amended and Restated Certificate of Incorporation or the bylaws of the Corporation, and notwithstanding any other provision of this Amended and Restated Certificate of Incorporation, the bylaws of the Corporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of the holders of at least 66⅔% in voting power of the issued and outstanding stock entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders to amend, alter, change or repeal any provision of the bylaws of the Corporation.

## ARTICLE XII
## FORUM FOR ADJUDICATION OF DISPUTES

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any director, officer, employee, agent or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL, this Amended and Restated Certificate of Incorporation or the bylaws of the Corporation, or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XII.

**ARTICLE XIII**
**CERTAIN CONTRACTS; CORPORATE OPPORTUNITIES**

Section 13.1 Regulation of Certain Affairs. In anticipation that:

(a) the Corporation will cease to be a wholly owned subsidiary of Kura Japan, but that Kura Japan will remain, for some period of time, a stockholder of the Corporation;

(b) the Corporation and Kura Japan may engage in the same or similar activities or lines of business and have an interest in the same or similar areas of corporate opportunities;

(c) certain persons may serve as both a director on the Board of Directors and a director on the board of directors for Kura Japan; and

(d) there will be benefits to be derived by the Corporation through its contractual, corporate and business relations with Kura Japan (including possible service of officers and directors of Kura Japan as officers and directors of the Corporation) and there will be benefits in providing guidelines for directors and officers of Kura Japan and of the Corporation with respect to the allocation of corporate opportunities and other matters;

the provisions of this Article XIII are set forth to regulate, define and guide the conduct of certain affairs of the Corporation as they may involve Kura Japan and its officers and directors, and the powers, rights, duties and liabilities of the Corporation and its officers, directors and stockholders in connection therewith; *provided*, *however*, that nothing in this Article XIII will impair the Corporation's ability to enter into contractual arrangements with a stockholder of the Corporation, which arrangements restrict the stockholder from engaging in activities otherwise allowed by this Article XIII, and the following provisions shall be subject to any such contractual obligation of the Corporation.

Section 13.2 Certain Contracts. To the fullest extent permitted by law, no contract, agreement, arrangement, or transaction between the Corporation and Kura Japan shall be void or voidable solely for the reason that Kura Japan is a party thereto. To the fullest extent permitted by applicable law, no such contract, agreement, arrangement or transaction (of the performance thereof) shall be considered to be contrary to any fiduciary duty owed to the Corporation or to any stockholder of the Corporation by (a) Kura Japan or (b) any officer or director of the Corporation who is also a director or officer of Kura Japan, and each such person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and shall be deemed not to have breached his or her duties of loyalty to the Corporation and its stockholders, and not to have derived an improper personal benefit therefrom, in each case, if the material facts as to the contract, agreement, arrangement or transaction are disclosed or are known to the Board of Directors or the committee thereof that authorizes the contract, agreement, arrangement or transaction, and the Board of Directors or such committee in good faith authorizes the contract, agreement, arrangement or transaction by the affirmative vote of a majority of the disinterested directors,

even though less than a quorum. Directors of the Corporation who are also directors or officers of Kura Japan may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes the contract, agreement, arrangement or transaction.

Section 13.3 Competition and Corporate Opportunities. Subject to any contractual provisions to the contrary, Kura Japan shall, to the fullest extent permitted by law, have no duty hereunder to refrain from, (a) engaging in the same or similar activities or lines of business as the Corporation; (b) doing business with any potential or actual customer or supplier of the Corporation; or (c) employing or otherwise engaging any officer, director or employee of the Corporation. To the fullest extent permitted by law, neither Kura Japan nor any officer or director thereof (except as provided in this Article) shall be deemed to have breached its fiduciary duties, if any, to the Corporation or its stockholders solely by reason of such activities of Kura Japan, or such person's participation therein.

In the event that Kura Japan acquires knowledge of a potential transaction or matter which may be a corporate opportunity for both Kura Japan and the Corporation, Kura Japan shall have no duty to communicate or present such corporate opportunity to the Corporation, and shall not be liable to the Corporation or its stockholders for breach of any fiduciary duty as a stockholder of the Corporation by reason of the fact that Kura Japan pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person, or does not communicate information regarding such corporate opportunity to the Corporation.

Section 13.4 Allocation of Corporate Opportunities. In the event that a director or officer of the Corporation who is also a director or officer of Kura Japan acquires knowledge of a potential transaction or matter which may be a corporate opportunity for both the Corporation and Kura Japan, to the fullest extent permitted by law, such director or officer of the Corporation:

(a) shall be deemed to have fully satisfied and fulfilled such person's fiduciary duty to the Corporation and its stockholders with respect to such corporate opportunity;

(b) shall not be liable to the Corporation or its stockholders for breach of any fiduciary duty by reason of the fact that Kura Japan pursues or acquires such corporate opportunity for itself or directs such corporate opportunity to another person (including, without limitation, Kura Japan);

(c) shall be deemed to have acted in good faith and in a manner such person reasonably believes to be in or not opposed to the best interests of the Corporation; and

(d) shall be deemed not to have breached such person's duty of loyalty to the Corporation or its stockholders and not to have derived an improper personal economic gain or other benefit therefrom, if such director or officer acts in a manner consistent with the following policy:

(i) a corporate opportunity offered to any person who is an officer or employee (whether or not a director) of the Corporation, and who is also a director but not an officer or employee of Kura Japan, shall belong to the Corporation, unless such opportunity is expressly offered to such person primarily in his or her capacity as a director of Kura Japan, in which case such opportunity shall belong to Kura Japan;

(ii) a corporate opportunity offered to any person who is a director but not an officer or employee of the Corporation, and who is also an officer or employee (whether or not a director) of Kura Japan shall belong to Kura Japan unless such opportunity is expressly offered to such person primarily in his or her capacity as a director of the Corporation, in which case such opportunity shall belong to the Corporation;

(iii) a corporate opportunity offered to any person who is either (1) an officer or employee of both the Corporation and Kura Japan; or (2) a director of both the Corporation and Kura Japan (but not an officer or employee of the Corporation or Kura Japan), shall belong to Kura Japan unless such opportunity is expressly offered to such person primarily in his or her capacity as a director of the Corporation, in which case such opportunity shall belong to the Corporation.

Section 13.5 Non-Pursuit. Any corporate opportunity that belongs to Kura Japan or to the Corporation pursuant to the foregoing policy shall 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.

Section 13.6 Deemed Notice. Any person or entity purchasing or otherwise acquiring any interest in any shares of the capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article XIII.

Section 13.7 Chairperson or Chairperson of a Committee. For purposes of this Article, a director who is chairperson of the Board of Directors is not deemed an officer of the Corporation by reason of holding that position unless that person is a full-time employee of the Corporation.

Section 13.8 Expiration of Certain Provisions. Notwithstanding anything in this Amended and Restated Certificate of Incorporation to the contrary, (a) this Article XIII shall expire on the date that Kura Japan ceases to beneficially own shares representing at least 5% of the voting power of the outstanding Common Stock and no person who is a director or officer of the Corporation is also a director or officer of Kura Japan; and (b) in addition to any vote of the stockholders required by this Amended and Restated Certificate of Incorporation, until the time that Kura Japan ceases to beneficially own shares representing at least 5% of the voting power of the outstanding Common Stock, the affirmative vote of the holders of at least 66⅔% of the voting power of the outstanding Common Stock entitled to vote thereon shall be required to alter, amend, repeal (by merger or otherwise, in a manner adverse to the interests of Kura Japan) or adopt any provision adverse to the interests of Kura Japan and inconsistent with any provision of this Article XIII.

Neither the alteration, amendment or repeal of this Article XIII nor the adoption of any provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article XIII shall eliminate or reduce the effect of this Article XIII in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article XIII, would accrue or arise, prior to such alteration, amendment, repeal or adoption. Following the time that Kura Japan ceases to beneficially own shares representing at least 5% of the voting power of the outstanding Common Stock, any contract, agreement, arrangement or transaction involving a corporate opportunity shall not by reason thereof result in any breach of any fiduciary duty or duty of loyalty or failure to act in good faith or in the best interests of the Corporation or derivation of any improper benefit or personal economic gain, but shall be governed by the other provisions of this Amended and Restated Certificate of Incorporation, the bylaws, the DGCL and other applicable law.

**ARTICLE XIV**
**REVERSE STOCK SPLIT**

Section 14.1 Reverse Stock Split. Effective upon the filing with the Secretary of State of Delaware of this Amended and Restated Certificate of Incorporation (the "**Effective Time**"), without any further action on the part of any stockholders of the Corporation, a reverse stock split of the Corporation's outstanding Common Stock shall be effected whereby every one share of issued and outstanding Common Stock shall be reconstituted and exchanged for of Common Stock.

Section 14.2 No Fractional Shares. No fractional share of Common Stock shall be issued as a result of the reverse stock split effected pursuant to Section 14.1 above. A holder of Common Stock at the Effective Time who would otherwise be entitled to a fraction of a share of Common Stock as a result of the reverse stock split effected pursuant to Section 14.1 above shall, in lieu thereof, be entitled to receive a cash payment in an amount equal to the fraction to which the stockholder would otherwise be entitled multiplied by the per share fair market value of such Common Stock at the Effective Time, as determined in good faith by the Board of Directors of the Corporation.

Section 14.3 Reference to Numbers. All references to dollar amounts and to numbers and amounts of shares of Common Stock set forth in this Amended and Restated Certificate of Incorporation shall be deemed to include and reflect the effect of the reverse stock split set forth in Section 14.1 above and shall not be further adjusted as a result thereof.

IN WITNESS WHEREOF, Kura Sushi USA, Inc. has caused this certificate to be signed by Hajime Uba, its President, on this day of 2019.

KURA SUSHI USA, INC.

By: _____
Hajime Uba, President

**Exhibit 3.2**

**AMENDED AND RESTATED**

**BYLAWS OF**

**KURA SUSHI USA, INC.**

## ARTICLE I
## CORPORATE OFFICES

Section 1.1 Registered Office. The registered office of Kura Sushi USA, Inc. (the "**Corporation**") shall be fixed in the Corporation's Certificate of Incorporation, as the same may be amended from time to time.

Section 1.2 Other Offices. The Corporation may also have an office or offices, and keep the books and records of the Corporation, except as may otherwise be required by law, at such other place or places, either within or without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

## ARTICLE II
## MEETINGS OF STOCKHOLDERS

Section 2.1 Annual Meeting. The annual meeting of stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, if any, on such date, and at such time as may be determined by the Board of Directors. The Board of Directors may cancel, postpone or reschedule any previously scheduled annual meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

Section 2.2 Special Meetings. A special meeting of the stockholders may be called at any time only by the Board of Directors, or by the Chairperson of the Board of Directors or the Chief Executive Officer with the concurrence of a majority of the Board of Directors. The Board of Directors may cancel, postpone or reschedule any previously scheduled special meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

Section 2.3 Notice of Stockholders' Meetings.

(a) Notice of the place, if any, date, and time of all meetings of the stockholders, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for determining the stockholders entitled to notice of the meeting) and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, shall be given, not less than 10 nor more than 60 days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting, except as otherwise provided herein or required by law. In the case of a special meeting, the purpose or purposes for which the meeting is called also

shall be set forth in the notice. Notice may be given personally, by mail or by electronic transmission ("**electronic transmission**") in accordance with Section 232 of the General Corporation Law of the State of Delaware (the "**DGCL**"). If mailed, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to each stockholder at such stockholder's address appearing on the books of the Corporation or given by the stockholder for such purpose. Notice by electronic transmission shall be deemed given as provided in Section 232 of the DGCL. An affidavit of the mailing or other means of giving any notice of any stockholders' meeting, executed by the Secretary, Assistant Secretary or any transfer agent of the Corporation giving the notice, shall be *prima facie* evidence of the giving of such notice or report. Notice shall be deemed to have been given to all stockholders of record who share an address if notice is given in accordance with the "householding" rules set forth in Rule 14a-3(e) under the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**") and Section 233 of the DGCL.

(b) When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the place, if any, date and time thereof, and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken; *provided*, *however*, that if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally called, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 7.7(a) of these Bylaws, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date for notice of such adjourned meeting.

(c) Notice of any meeting of stockholders may be waived in writing, either before or after the meeting, and to the extent permitted by law, will be waived by any stockholder by attendance thereat, in person or by proxy, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 2.4 Organization.

(a) Meetings of stockholders shall be presided over by the Chairperson of the Board of Directors, if any, the Chief Executive Officer (in the absence of the Chairperson of the Board of Directors) or the President in the absence of the Chairperson of the Board of Directors and the Chief Executive Officer, on in their absence any other executive officer of the Corporation designated by the Board of Directors. The Secretary, or in his or her absence, an Assistant Secretary, or in the absence of the Secretary and all Assistant Secretaries, a person whom the chairperson of the meeting shall appoint, shall act as Secretary of the meeting and keep a record of the proceedings thereof.

(b) The Board of Directors, and the chairperson of any meeting, each shall have the authority to adopt and enforce such rules or regulations for the conduct of meetings of

stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairperson of the meeting further shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairperson, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies and such other persons as such chairperson shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted for consideration of each agenda item and for questions and comments by participants and regulation of the opening and closing of the polls for balloting and matters which are to be voted on by ballot. The chairperson of any stockholder meeting shall have the power to adjourn the meeting to another place, if any, date or time.

Section 2.5 List of Stockholders. The officer who has charge of the stock ledger shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, *provided, however*, that if the record date for determining the stockholders entitled to vote is less than 10 days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the 10th day before the meeting date. Such list shall be arranged in alphabetical order and shall show the address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least 10 days prior to the meeting (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (b) during ordinary business hours at the principal place of business of the Corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 2.5 or to vote in person or by proxy at any meeting of stockholders.

Section 2.6 Quorum. At any meeting of stockholders, the holders of a majority in voting power of all issued and outstanding stock entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business; *provided* that where a separate vote by a class or series is required, the holders of a majority in voting power of all issued and outstanding stock of such class or series entitled to vote on such matter, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to such matter. If a quorum is not present or represented at any meeting of stockholders, then the chairperson of the meeting or the holders of a majority in voting power of the stock entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time in accordance with Section 2.7, without notice other than announcement at the

meeting and except as provided in Section 2.3(b), until a quorum is present or represented. If a quorum initially is present at any meeting of stockholders, the stockholders may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, but if a quorum is not present at least initially, no business other than adjournment may be transacted.

Section 2.7 Adjourned Meeting. Any annual or special meeting of stockholders, whether or not a quorum is present, may be adjourned for any reason from time to time by the chairperson of the meeting. At any such adjourned meeting at which a quorum may be present, any business may be transacted that might have been transacted at the meeting as originally called.

Section 2.8 Voting.

(a) At all meetings of stockholders, each stockholder shall be entitled to such number of votes, if any, for each share of stock entitled to vote and held of record by such stockholder as may be fixed in the Certificate of Incorporation, subject to any powers, restrictions or qualifications set forth in the Certificate of Incorporation.

(b) Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, at each meeting of stockholders at which a quorum is present, all corporate actions to be taken by vote of the stockholders shall be authorized by the affirmative vote of the holders of a majority in voting power of the stock entitled to vote thereat and with respect to the matter on which a vote is taken, present in person or represented by proxy, and where a separate vote by class or series is required, if a quorum of such class or series is present, such act shall be authorized by the affirmative vote of the holders of a majority in voting power of the stock of such class or series entitled to vote thereat with respect to the matter on which a vote is taken, present in person or represented by proxy.

Section 2.9 Proxies. Every person entitled to vote for directors, or on any other matter, shall have the right to do so either in person or by one or more agents authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy by the stockholder or the stockholder's attorney-in-fact. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the Secretary of the Corporation. A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of such death or incapacity is received by the Corporation.

Section 2.10 Notice of Stockholder Business and Nominations.

(a) Annual Meeting.

(i) Nominations of persons for election to the Board of Directors and the proposal of business other than nominations to be considered by the stockholders may be made at an annual meeting of stockholders only (A) pursuant to the Corporation's notice of meeting (or any supplement thereto), (B) by or at the direction of the Board of Directors (or any committee thereof) or (C) by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 2.10(a) is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 2.10(a).

(ii) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of the foregoing paragraph, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such business must be a proper subject for stockholder action. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; *provided*, *however*, that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the date on which public announcement (as defined below) of the date of such meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth:

(A) as to each person whom the stockholder proposes to nominate for election or re-election as a director (1) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Exchange Act, (2) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected and (3) such other information as the Corporation may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation;

(B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any substantial interest (within the meaning of Item 5 of Schedule 14A under the Exchange Act) in such business of such stockholder and the beneficial owner (within the meaning of Section 13(d) of the Exchange Act), if any, on whose behalf the proposal is made;

(C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made or the business is proposed:

(1) the name and address of such stockholder, as they appear on the Corporation's books, and the name and address of such beneficial owner,

(2) the class and number of shares of capital stock of the Corporation which are owned of record by such stockholder and such beneficial owner as of the date of the notice, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for such meeting of the class and number of shares of capital stock of the Corporation owned of record by the stockholder and such beneficial owner as of the record date for the meeting (except as otherwise provided in Section 2.10(a)(iii) below), and

(3) a representation that the stockholder intends to appear in person or by proxy at the meeting to propose such nomination or business;

(D) as to the stockholder giving the notice or, if the notice is given on behalf of a beneficial owner on whose behalf the nomination is made or the business is proposed, as to such beneficial owner:

(1) the class and number of shares of capital stock of the Corporation which are beneficially owned (as defined below) by such stockholder or beneficial owner as of the date of the notice, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for such meeting of the class and number of shares of capital stock of the Corporation beneficially owned by such stockholder or beneficial owner as of the record date for the meeting (except as otherwise provided in Section 2.10(a)(iii) below),

(2) a description of any agreement, arrangement or understanding with respect to the nomination or other business between or among such stockholder or beneficial owner and any other person, including without limitation any agreements that would be required to be disclosed pursuant to Item 5 or Item 6 of Exchange Act Schedule 13D (regardless of whether the requirement to file a Schedule 13D is applicable to the stockholder or beneficial owner) and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for such meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting (except as otherwise provided in Section 2.10(a)(iii) below),

(3) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, such stockholder or beneficial owner, the effect or intent of which is to mitigate loss, manage risk or benefit from changes in the share price of any class of the Corporation's capital stock, or maintain, increase or decrease the voting power of the stockholder or beneficial owner with respect to shares of stock of the Corporation, and a representation that the stockholder will notify the Corporation in writing within five business days after the record date for such meeting of any such agreement, arrangement or understanding in effect as of the record date for the meeting (except as otherwise provided in Section 2.10(a)(iii) below),

(iii) The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation, including information relevant to a determination whether such proposed nominee can be considered an independent director. Notwithstanding anything in Section 2.10(a)(ii) above to the contrary, if the record date for determining the stockholders entitled to vote at any meeting of stockholders is different from the record date for determining the stockholders entitled to notice of the meeting, a stockholder's notice required by this Section 2.10(a) shall set forth a representation that the stockholder will notify the Corporation in writing within five business days after the record date for determining the stockholders entitled to vote at the meeting, or by the opening of business on the date of the meeting (whichever is earlier), of the information required under clauses (a)(ii)(C)(2) and (a)(ii)(D)(1)-(3) of this Section 2.10, and such information when provided to the Corporation shall be current as of the record date for determining the stockholders entitled to vote at the meeting.

(iv) This Section 2.10(a) shall not apply to a proposal proposed to be made by a stockholder if the stockholder has notified the Corporation of his or her intention to present the proposal at an annual or special meeting only pursuant to and in compliance with Rule 14a-8 under the Exchange Act and such proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such meeting.

(b) Special Meeting. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors (or any committee thereof) or (ii) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 2.10(b) is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting and upon such election and who complies with the notice procedures set forth in this Section 2.10. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder entitled to vote in such election of directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the notice required by paragraph (a)(ii) of this Section 2.10 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) General.

(i) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.10 shall be eligible to be elected at any meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.10. Except as otherwise provided by law, the Board of Directors shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.10 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in compliance with such stockholder's representation as required by this Section 2.10). If any proposed nomination or business was not made or proposed in compliance with this Section 2.10, then except as otherwise provided by law, the chairperson of the meeting shall have the power and duty to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.10, unless otherwise required by law, if the stockholder does not provide the information required under clauses (a)(ii)(C)(2) and (a)(ii)(D)(1)-(3) of this Section 2.10 to the Corporation within the times frames specified herein, as the case may be, or if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.10, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or authorized by a writing executed by such stockholder (or a reliable reproduction or electronic transmission of the writing) delivered to the Corporation prior to the making of such nomination or proposal at such meeting by such stockholder stating that such person is authorized to act for such stockholder as proxy at the meeting of stockholders.

(ii) For purposes of this Section 2.10, a "public announcement" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act. For purposes of clause (a)(ii)(D)(1) of this Section 2.10, shares shall be treated as "beneficially owned" by a person if the person beneficially owns such shares, directly or indirectly, for purposes of Section 13(d) of the Exchange Act and Regulations 13D and 13G thereunder or has or shares pursuant to any agreement, arrangement or understanding (whether or not in writing): (A) the right to acquire such shares (whether such right is exercisable immediately or only after the passage of time or the fulfillment of a condition or both), (B) the right to vote such shares, alone or in concert with others and/or (C) investment power with respect to such shares, including the power to dispose of, or to direct the disposition of, such shares.

Section 2.11 Action by Written Consent.

(a) To the extent permitted by the Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, are signed by the holders of issued and outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. To be effective, a written consent must be delivered to the Corporation by delivery to its registered office, its principal place of business or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by this Section 2.11 to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation in accordance with this Section 2.11.

(b) Any electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for purposes of this Section 2.11, provided that any such electronic transmission sets forth or is delivered with information from which the Corporation can determine (i) that the electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such electronic transmission. The date on which such electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. Except to the extent and in the manner authorized by the Board of Directors, no consent given by electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation by delivery to its registered office, its principal place of business or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested.

(c) Any copy, facsimile, or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile, or other reproduction shall be a complete reproduction of the entire writing.

(d) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for notice of such meeting had been the date that written consents signed by a sufficient number of stockholders to take the action were delivered to the Corporation in the manner required by this Section 2.11.

Section 2.12 Inspectors of Election. Before any meeting of stockholders, the Board of Directors shall appoint one or more inspectors of election to act at the meeting or its adjournment. If any person appointed as inspector fails to appear or fails or refuses to act, then the chairperson of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy. Inspectors need not be stockholders. No director or nominee for the office of director shall be appointed such an inspector.

Such inspectors shall:

(a) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(b) receive votes, ballots or consents;

(c) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) count and tabulate all votes or consents;

(e) determine when the polls shall close;

(f) determine the result; and

(g) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. Any report or certificate made by the inspectors of election shall be *prima facie* evidence of the facts stated therein.

Section 2.13 Meetings by Remote Communications. The Board of Directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication in accordance with Section 211(a)(2) of the DGCL. If authorized by the Board of Directors in its sole discretion, and subject to such guidelines and procedures as the Board of Directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication (a) participate in a meeting of stockholders and (b) be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder; (ii) the Corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings; and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the Corporation.

**ARTICLE III**
**DIRECTORS**

Section 3.1 Powers. Subject to the provisions of the DGCL and to any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders, the business and affairs of the Corporation shall be managed and shall be exercised by or under the direction of the Board of Directors.

Section 3.2 Number, Term of Office and Election. The Board of Directors shall consist of not fewer than 3 nor more than 11 directors, each of whom shall be a natural person. Unless the Certificate of Incorporation fixes the number of directors, the exact number of directors shall be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders unless so required by the Certificate of Incorporation or these Bylaws, wherein other qualifications for directors may be prescribed.

Section 3.3 Vacancies. Newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise provided by law, be filled solely by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum, and shall hold office until the next annual meeting of the stockholders or until his or her successor is duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

Section 3.4 Resignations and Removal.

(a) Any director may resign at any time upon notice given in writing or by electronic transmission to the Board of Directors, the Chairperson of the Board of Directors, the Secretary or another person designated by the Board of Directors. Such resignation shall take effect upon delivery unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(b) Except for such additional directors, if any, as are elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Article IV of the Certificate of Incorporation, any director, or the entire Board of Directors, may be removed from office at any time, (i) for cause only by the affirmative vote of the holders of a majority of the voting power of all the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class or (ii) without cause only by the affirmative vote of the holders of at least 66⅔% of the voting power of all the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 3.5 Regular Meetings. Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates and at such time or times, as shall have been established by the Board of Directors and publicized among all directors; *provided* that no fewer than one regular meeting per year shall be held. A notice of each regular meeting shall not be required.

Section 3.6 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairperson of the Board of Directors, the Chief Executive Officer or a majority of the Board of Directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of such meetings. Notice of each such meeting shall be given to each director, if by mail, addressed to such director as his or her residence or usual place of business, at least five days before the day on which such meeting is to be held, or shall be sent to such director at such place by facsimile, electronic transmission or other form of recorded communication, or be delivered personally or by telephone, in each case at least 24 hours prior to the time set for such meeting. Notice of any meeting need not be given to any director who shall, either before or after the meeting, submit a waiver of such notice or who shall attend such meeting without protesting, prior to or at its commencement, the lack of notice to such director. A notice of special meeting need not state the purpose of such meeting, and, unless indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 3.7 Participation in Meetings by Telephone. Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board of Directors or committee by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting.

Section 3.8 Quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, a majority of the authorized number of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and the vote of a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board of Directors. The chairperson of the meeting or a majority of the directors present may adjourn the meeting to another time and place whether or not a quorum is present. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. If a quorum initially is present at any meeting of directors, the directors may continue to transact business, notwithstanding the withdrawal of enough directors to leave less than a quorum, upon resolution of at least a majority of the required quorum for that meeting prior to the loss of such quorum.

Section 3.9 Board of Directors Action by Written Consent Without a Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, *provided* that all members of the Board of Directors consent in writing or by electronic transmission to such action, and the writing or writings or electronic transmission or transmissions are filed with the minutes or proceedings of the Board of Directors. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors.

Section 3.10 Chairperson of the Board. The Chairperson of the Board, if any, shall preside at meetings of stockholders and directors and shall perform such other duties as the Board of Directors may from time to time determine. If the Chairperson of the Board is not present at a meeting of the Board of Directors, another director chosen by the Board of Directors shall preside.

Section 3.11 Rules and Regulations. The Board of Directors shall adopt such rules and regulations not inconsistent with the provisions of law, the Certificate of Incorporation or these Bylaws for the conduct of its meetings and management of the affairs of the Corporation as the Board of Directors shall deem proper.

Section 3.12 Fees and Compensation of Directors. Directors and members of committees may receive such compensation, if any, for their services and such reimbursement of expenses as may be fixed or determined by resolution of the Board of Directors. This Section 3.12 shall not be construed to preclude any director from serving the Corporation in any other capacity as an officer, agent, employee or otherwise and receiving compensation for those services.

Section 3.13 Emergency Bylaws. In the event of any emergency, disaster or catastrophe, as referred to in Section 110 of the DGCL, or other similar emergency condition, as a result of which a quorum of the Board of Directors or a standing committee of the Board of Directors cannot readily be convened for action, then the director or directors in attendance at the meeting shall constitute a quorum. Such director or directors in attendance may further take action to appoint one or more of themselves or other directors to membership on any standing or temporary committees of the Board of Directors as they shall deem necessary and appropriate.

## ARTICLE IV
## COMMITTEES

Section 4.1 Committees of the Board of Directors. The Board of Directors may, by resolution, designate one or more committees, each such committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee to replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (a) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly

required by the DGCL to be submitted to stockholders for approval or (b) adopting, amending or repealing any bylaw of the Corporation. Any such committee shall have the authority to delegate its authority to sub-committees as permitted by the charter of such committee. All committees of the Board of Directors shall keep minutes of their meetings and shall report their proceedings to the Board of Directors when requested or required by the Board of Directors.

Section 4.2 Meetings and Action of Committees. Any committee of the Board of Directors may adopt such rules and regulations not inconsistent with the provisions of law, the Certificate of Incorporation or these Bylaws for the conduct of its meetings as such committee may deem proper.

## ARTICLE V
## OFFICERS

Section 5.1 Officers. The officers of the Corporation shall consist of a Chief Executive Officer, a President, a Chief Operating Officer, a Chief Financial Officer, one or more Vice Presidents, a Secretary, and such other officers as the Board of Directors may from time to time determine, each of whom shall be elected by the Board of Directors, each to have such authority, functions or duties as set forth in these Bylaws or as determined by the Board of Directors. Each officer shall be chosen by the Board of Directors and shall hold office for such term as may be prescribed by the Board of Directors and until such person's successor shall have been duly chosen and qualified, or until such person's earlier death, disqualification, resignation or removal. Any two of such offices may be held by the same person; *provided*, *however*, that no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law, the Certificate of Incorporation or these Bylaws to be executed, acknowledged or verified by two or more officers.

Section 5.2 Compensation. The Board of Directors may establish the salaries of the officers of the Corporation and the manner and time of the payment of such salaries may be fixed and determined by the Board of Directors or the Board of Directors may delegate such authority, in the case of salaries of officers that are not executive officers, to one or more executive officers of the Corporation. The salaries of the officers of the Corporation may be altered by the Board of Directors or such persons that have been delegated authority pursuant to this Section 5.2 from time to time as it deems appropriate, subject to the rights, if any, of such officers under any contract of employment.

Section 5.3 Removal, Resignation and Vacancies. Any officer of the Corporation may be removed, with or without cause, by the Board of Directors, without prejudice to the rights, if any, of such officer under any contract to which it is a party. Any officer may resign at any time upon written notice to the Corporation, without prejudice to the rights, if any, of the Corporation under any contract to which such officer is a party. If any vacancy occurs in any office of the Corporation, the Board of Directors may elect a successor to fill such vacancy for the remainder of the unexpired term and until a successor shall have been duly chosen and qualified.

Section 5.4 Chief Executive Officer. The Chief Executive Officer shall have general supervision and direction of the business and affairs of the Corporation, shall be responsible for

corporate policy and strategy, and shall report directly to the Board of Directors. Unless otherwise provided in these Bylaws, all other officers of the Corporation shall report directly to the Chief Executive Officer or as otherwise determined by the Chief Executive Officer.

Section 5.5 President. The President shall exercise general responsibility for the management and control of the operations of the Corporation, in coordination with the other officers of the Corporation. The President shall have the power to affix the signature of the Corporation to all contracts that have been authorized by the Board of Directors or the Chief Executive Officer. The President shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 5.6 Chief Operating Officer. The Chief Operating Officer shall exercise general responsibility for the management and control of the operations of the Corporation, in coordination with the other officers of the Corporation. The Chief Operating Officer shall have the power to affix the signature of the Corporation to all contracts that have been authorized by the Board of Directors or the Chief Executive Officer. The Chief Operating Officer shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 5.7 Chief Financial Officer. The Chief Financial Officer shall exercise all the powers and perform the duties of the office of the chief financial officer and in general have overall supervision of the financial operations of the Corporation. The Chief Financial Officer shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 5.8 Secretary. The powers and duties of the Secretary are: (i) to act as Secretary at all meetings of the Board of Directors, of the committees of the Board of Directors and of the stockholders and to record the proceedings of such meetings in a book or books to be kept for that purpose; (ii) to see that all notices required to be given by the Corporation are duly given and served; (iii) to act as custodian of the seal of the Corporation and affix the seal or cause it to be affixed to all certificates of stock of the Corporation and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws; (iv) to have charge of the books, records and papers of the Corporation and see that the reports, statements and other documents required by law to be kept and filed are properly kept and filed; and (v) to perform all of the duties incident to the office of Secretary. The Secretary shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 5.9 Vice Presidents. A Vice President shall have such powers and duties as shall be prescribed by his or her superior officer or the Chief Executive Officer. A Vice President shall, when requested, counsel with and advise the other officers of the Corporation and shall perform such other duties as such officer may agree with the Chief Executive Officer or as the Board of Directors may from time to time determine.

Section 5.10 Additional Matters. The Chief Executive Officer and the Chief Financial Officer of the Corporation shall have the authority to designate employees of the Corporation to have the title of Vice President, Assistant Vice President or Assistant Secretary. Any employee so designated shall have the powers and duties determined by the officer making such designation. The persons upon whom such titles are conferred shall not be deemed officers of the Corporation unless elected by the Board of Directors.

Section 5.11 Checks; Drafts; Evidences of Indebtedness. From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes, bonds, debentures or other evidences of indebtedness that are issued in the name of or payable by the Corporation, and only the persons so authorized shall sign or endorse such instruments.

Section 5.12 Corporate Contracts and Instruments; How Executed. Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 5.13 Action with Respect to Securities of Other Corporations. The Chief Executive Officer or any other officer of the Corporation authorized by the Board of Directors or the Chief Executive Officer is authorized to vote, represent, and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority herein granted may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

## ARTICLE VI
## INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

Section 6.1 Right to Indemnification. Each person who was or is a party or is threatened to be made a party to, or was or is otherwise involved in, any action, suit, arbitration, alternative dispute mechanism, inquiry, judicial, administrative or legislative hearing, investigation or any other threatened, pending or completed proceeding, whether brought by or in the right of the Corporation or otherwise, including any and all appeals, whether of a civil, criminal, administrative, legislative, investigative or other nature (hereinafter a "**proceeding**"), to which such person was or is a party or is threatened to be made a party or is otherwise involved in by reason of the fact that he or she is or was a director or an officer of the Corporation or while a director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, employee, agent or trustee of another corporation or of a partnership, joint

venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "**indemnitee**"), or by reason of anything done or not done by him or her in any such capacity, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement by or on behalf of the indemnitee) actually and reasonably incurred by such indemnitee in connection therewith; *provided*, *however*, that, except as otherwise required by law or provided in Section 6.3 with respect to proceedings to enforce rights under this Article VI, the Corporation shall indemnify any such indemnitee in connection with a proceeding, or part thereof, initiated by such indemnitee (including claims and counterclaims, whether such counterclaims are asserted by (i) such indemnitee, or (ii) the Corporation in a proceeding initiated by such indemnitee) only if such proceeding, or part thereof, was authorized or ratified by the Board of Directors.

Section 6.2 Right to Advancement of Expenses.

(a) In addition to the right to indemnification conferred in Section 6.1, an indemnitee shall, to the fullest extent not prohibited by law, also have the right to be paid by the Corporation the expenses (including attorneys' fees) incurred in defending any proceeding with respect to which indemnification is required under Section 6.1 in advance of its final disposition (hereinafter an "**advancement of expenses**"); *provided*, *however*, that an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "**undertaking**"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal (hereinafter a "**final adjudication**") that such indemnitee is not entitled to be indemnified for such expenses under this Section 6.2 or otherwise.

(b) Notwithstanding the foregoing Section 6.2(a), the Corporation shall not make or continue to make advancements of expenses to an indemnitee (except by reason of the fact that the indemnitee is or was a director of the Corporation, in which event this Section 6.2(b) shall not apply) if a determination is reasonably made that the facts known at the time such determination is made demonstrate clearly and convincingly that the indemnitee acted in bad faith and in a manner that the Indemnitee did not believe to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal proceeding, that the indemnitee had reasonable cause to believe his or her conduct was unlawful. Such determination shall be made: (i) by the Board of Directors by a majority vote of directors who are not parties to such proceeding, whether or not such majority constitutes a quorum, (ii) by a committee of such directors designated by a majority vote of such directors, whether or not such majority constitutes a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the indemnitee.

Section 6.3 Right of Indemnitee to Bring Suit. If a request for indemnification under Section 6.1 is not paid in full by the Corporation within 60 days, or if a request for an advancement of expenses under Section 6.2 is not paid in full by the Corporation within 20 days,

after a written request has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation in a court of competent jurisdiction in the State of Delaware seeking an adjudication of entitlement to such indemnification or advancement of expenses. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit to the fullest extent permitted by law. In any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the indemnitee did not act in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. Further, in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the indemnitee has not met any applicable standard of conduct for indemnification described above. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct described above, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VI or otherwise shall be on the Corporation.

Section 6.4 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any law, agreement, vote of stockholders or directors, provisions of the Certificate of Incorporation or these Bylaws or otherwise.

Section 6.5 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 6.6 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VI with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 6.7 Nature of Rights. The rights conferred upon indemnitees in this Article VI shall be contract rights that shall vest at the time an individual becomes a director or officer of the Corporation and such rights shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VI that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment, alteration or repeal. The indemnity obligations of the Corporation contained in this Article VI shall be binding upon all successors and assigns of the Company (including any transferee of all or substantially all of its assets and any successor by merger or operation of law).

Section 6.8 Settlement of Claims. The Corporation shall not be liable to indemnify any indemnitee under this Article VI for any amounts paid in settlement of any proceeding effected without the Corporation's written consent, or for any judicial or arbitral award if the Corporation was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such proceeding. The Corporation shall not settle any proceeding in any manner that would impose any penalty or limitation on or disclosure obligation with respect to the indemnitee without the indemnitee's written consent. Neither the Corporation nor the indemnitee shall unreasonably withhold its consent to any proposed settlement.

Section 6.9 Subrogation. In the event of payment under this Article VI, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Corporation effectively to bring suit to enforce such rights.

Section 6.10 Severability. If any provision or provisions of this Article VI shall be held to be invalid, illegal or unenforceable for any reason whatsoever, (a) the validity, legality and enforceability of the remaining provisions of this Article VI (including, without limitation, all portions of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable, that are not by themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby, and (b) to the fullest extent possible, the provisions of this Article VI (including, without limitation, all portions of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent of the parties that the Corporation provide protection to the indemnitee to the fullest enforceable extent.

Section 6.11 Procedures for Submission of Claims. The Board of Directors may establish reasonable procedures for the submission of claims for indemnification pursuant to this Article VI, determination of the entitlement of any person thereto and review of any such determination. Such procedures shall be deemed for all purposes to be a part of these Bylaws.

## ARTICLE VII
## CAPITAL STOCK

Section 7.1 Certificates of Stock. The shares of the Corporation shall be represented by certificates, *provided* that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock may be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairperson or Vice Chairperson of the Board of Directors, if any, or the President or a Vice President, and by the Secretary or an Assistant Secretary, of the Corporation certifying the number of shares owned by such holder in the Corporation. Any or all such signatures may be facsimiles. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 7.2 Special Designation on Certificates. If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock, if such stock is certificated; *provided, however*, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this Section 7.2 or Section 156, 202(a) or 218(a) of the DGCL or with respect to this Section 7.2 a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 7.3 Transfers of Stock. If represented by certificates, transfers of shares of stock of the Corporation shall be made only on the books of the Corporation upon authorization by the registered holder thereof or by such holder's attorney thereunto authorized by a power of attorney duly executed and filed with the Secretary or a transfer agent for such stock, and upon surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of any taxes thereon; *provided, however*, that the Corporation shall be entitled to recognize and enforce any lawful restriction on transfer. If uncertificated, shares of capital stock of the Corporation shall be transferable only upon delivery of a duly executed instrument of transfer. If the Corporation has a transfer agent or

agents or transfer clerk and registrar of transfers acting on its behalf, the signature of any officer or representative thereof may be in facsimile. The Board of Directors may appoint a transfer agent and one or more co-transfer agents and a registrar and one or more co-registrars of transfer and may make or authorize the transfer agents to make all such rules and regulations deemed expedient concerning the issue, transfer and registration of shares of stock.

Section 7.4 Lost Certificates. The Corporation may issue a new share certificate or new certificate for any other security in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate or the owner's legal representative to give the Corporation a bond (or other adequate security) sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate. The Board of Directors may adopt such other provisions and restrictions with reference to lost certificates, not inconsistent with applicable law, as it shall in its discretion deem appropriate.

Section 7.5 Addresses of Stockholders. Each stockholder shall designate to the Secretary an address at which notices of meetings and all other corporate notices may be served or mailed to such stockholder and, if any stockholder shall fail to so designate such an address, corporate notices may be served upon such stockholder by mail directed to the mailing address, if any, as the same appears in the stock ledger of the Corporation or at the last known mailing address of such stockholder.

Section 7.6 Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 7.7 Record Date for Determining Stockholders.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than 60 nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided*, *however*, that the Board of Directors may fix a new record date for determination of

stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than 60 days prior to such other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 7.8 Regulations. The Board of Directors may make such additional rules and regulations as it may deem expedient concerning the issue, transfer and registration of shares of stock of the Corporation.

## ARTICLE VIII
## GENERAL MATTERS

Section 8.1 Fiscal Year. The fiscal year of the Corporation shall be the 12-month period ending on August 31 of each calendar year, or such other period as the Board of Directors may designate.

Section 8.2 Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by an Assistant Secretary.

Section 8.3 Maintenance and Inspection of Records. The Corporation shall, either at its principal executive office or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books and other records.

Section 8.4 Reliance Upon Books, Reports and Records. Each director and each member of any committee designated by the Board of Directors shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person’s professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 8.5 Subject to Law and Certificate of Incorporation. All powers, duties and responsibilities provided for in these Bylaws, whether or not explicitly so qualified, are qualified by the Certificate of Incorporation and applicable law.

## ARTICLE IX
## FORUM FOR ADJUDICATION OF DISPUTES

Section 9.1 Forum. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any director, officer, employee, agent or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, the Certificate of Incorporation or these Bylaws, or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article IX.

## ARTICLE X

Section 10.1 Amendments. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized to adopt, amend or repeal these Bylaws. In addition to any requirements of law and any other provision of these Bylaws or the Certificate of Incorporation, and notwithstanding any other provision of these Bylaws, the Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of the holders of at least 66⅔% in voting power of the issued and outstanding stock entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders to amend, alter, change or repeal any provision of these Bylaws.

The foregoing Bylaws were adopted by the Board of Directors on and are effective as of .

# EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Agreement**") is made and entered into as of _____ _____ _____, 2019, by and between Hajime Uba (the "**Executive**") and Kura Sushi USA, Inc., a Delaware corporation (the "**Company**").

WHEREAS, the Executive currently serves as Chairman of the Board, President and Chief Executive Officer of the Company;

WHEREAS, the Company has filed a Form S-1 Registration Statement under the Securities Act of 1993 with the Securities and Exchange Commission and anticipates effecting an initial public offering of the shares of its Class A common stock ("**IPO**"); and

WHEREAS, the Company and the Executive wish to continue the Executive's existing employment relationship on the terms and conditions set forth in this Agreement;

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 the date the IPO is effective (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 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 Chairman of the Board, President and Chief Executive Officer of the Company, reporting to the board of directors of the Company (the "**Board**"). In such position, the Executive shall have such duties, authority, and responsibilities as shall be determined from time to time by the Board, which duties, authority, and responsibilities are consistent with the Executive's position. The Executive shall also serve as a member of the Board for no additional compensation.

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 Board. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior written consent of the Board 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 H, 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 $340,000 in periodic installments in accordance with the Company's customary payroll practices and applicable wage payment laws. The Executive's base salary shall be reviewed at least annually by the Board and the Board 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 Company Car. During the Employment Term, the Executive shall be entitled to have full time use of a Company provided vehicle and Company coverage of insurance, maintenance and gas expenses related to the use of such vehicle.

4.5 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.

4.6 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.

4.7 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.

4.8 Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee, or agent of another corporation or a partnership, joint venture, trust, or other enterprise, the Executive shall be indemnified and held harmless by the Company to the maximum extent permitted under applicable law and the Company's bylaws from and against any liabilities, costs, claims, and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees), and in accordance with Executive's Indemnification Agreement.

(b) During the Employment Term and for a period of six (6) years thereafter, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and similarly situated executives of the Company.

4.9 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 4.8 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 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 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;

(b) reimbursement for the payments Executive makes for COBRA coverage for a period of twelve (12) 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 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 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the Board (or a committee thereof) of the Company or any of its affiliates.

5.7 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 5.7(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 5.7 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 5.7, 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 5.7. 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 Board, 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 Board (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 Board (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 Board.

(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 Board.

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: Board of Directors

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:

Hajime Uba
5 Salviati Aisle
Irvine, CA 92606

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

By: _____

Name: _____

Title: _____

EXECUTIVE

Signature: _____

Print Name: _____

**EXHIBIT A**

**LIST OF PRIOR INVENTIONS**
**AND ORIGINAL WORKS OF AUTHORSHIP**

| Title | Date | Identifying Number or Brief Description |
|---|---|---|
| | | |
| | | |

___ No inventions or improvements
___ Additional sheets attached

Signature: _____

Name: _____

Date: _____

**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 10.3**

# EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Agreement**") is made and entered into as of _____ _____ _____, 2019, by and between Koji Shinohara (the "**Executive**") and Kura Sushi USA, Inc., a Delaware corporation (the "**Company**").

WHEREAS, the Executive currently serves as Chief Financial Officer, Treasurer and Secretary of the Company;

WHEREAS, the Company has filed a Form S-1 Registration Statement under the Securities Act of 1993 with the Securities and Exchange Commission and anticipates effecting an initial public offering of the shares of its Class A common stock ("**IPO**"); and

WHEREAS, the Company and the Executive wish to continue the Executive's existing employment relationship on the terms and conditions set forth in this Agreement;

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 the date the IPO is effective (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 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 Financial Officer, Treasurer, Secretary and Chief Compliance 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**"), which duties, authority, and responsibilities are consistent with the Executive's position, including . If requested, the Executive shall also serve as a member of the Board for no additional compensation.

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 Board. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior written consent of the Board 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 H, 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 $240,000 in periodic installments in accordance with the Company's customary payroll practices and applicable wage payment laws. The Executive's base salary shall be reviewed at least annually by the Board and the Board 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 Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee, or agent of another corporation or a partnership, joint venture, trust, or other enterprise, the Executive shall be indemnified and held harmless by the Company to the maximum extent permitted under applicable law and the Company's bylaws from and against any liabilities, costs, claims, and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees), and in accordance with Executive's Indemnification Agreement.

(b) During the Employment Term and for a period of six (6) years thereafter, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and similarly situated executives of the Company.

4.8 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 4.8 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 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 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;

(b) reimbursement for the payments Executive makes for COBRA coverage for a period of twelve (12) 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 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) I
f 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 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer, or if applicable, as a member of the Board (or a committee thereof) of the Company or any of its affiliates.

5.7 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 5.7(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 5.7 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 5.7, 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 5.7. 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 Board, 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 Board (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 Board (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 Board.

(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 Board.

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: President

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:

Koji Shinohara
18869 Kithira Cir.
Huntington Beach, CA 92648

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

By: _____

Name: _____

Title: _____

EXECUTIVE

Signature: _____

Print Name: _____

**EXHIBIT A**

**LIST OF PRIOR INVENTIONS**
**AND ORIGINAL WORKS OF AUTHORSHIP**

| Title | Date | Identifying Number or Brief Description |
|---|---|---|
| | | |
| | | |

___ No inventions or improvements
___ Additional sheets attached

Signature: _____

Name: _____

Date: _____

**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 10.4**

# EMPLOYMENT AGREEMENT

This Employment Agreement (the "**Agreement**") is made and entered into as of _____ _____ _____, 2019, by and between Manabu Kamei (the "**Executive**") and Kura Sushi USA, Inc., a Delaware corporation (the "**Company**").

WHEREAS, the Executive is an employee and director of Kura Sushi, Inc., a Japanese corporation and controlling shareholder of the Company;

WHEREAS, Kura Sushi, Inc. has temporarily assigned the Executive to work for the Company, and Executive is currently serving as the Company's Chief Operating Officer with applicable benefits provided by Kura Sushi, Inc.'s Expatriate Work Agreement;

WHEREAS, the Company has filed a Form S-1 Registration Statement under the Securities Act of 1993 with the Securities and Exchange Commission and anticipates effecting an initial public offering of the shares of its Class A common stock ("**IPO**"); and

WHEREAS, the Company and the Executive wish to memorialize the Executive's existing employment relationship with the Company;

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 the date the IPO is effective (the "**Effective Date**") and shall continue until Kura Sushi, Inc. ends the Executive's temporary assignment to the Company. 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 Operating Officer of the Company, reporting to the board of directors of the Company (the "**Board**"). In such position, the Executive shall have such duties, authority, and responsibilities as shall be determined from time to time by the Board, which duties, authority, and responsibilities are consistent with the Executive's position. The Executive shall also serve as a member of the Board for no additional compensation.

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 Board. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior written consent of the Board 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 H, 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 $220,000 in periodic installments in accordance with the Company's customary payroll practices and applicable wage payment laws. The Executive's base salary shall be reviewed at least annually by the Board and the Board may, but shall not be required to, increase the base salary during the Employment Term. The Executive agrees that a portion of his base salary may be paid directly by Kura Sushi, Inc. into Executive's bank account in Japan. 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 Company Car. During the Employment Term, the Executive shall be entitled to have full time use of a Company provided vehicle and Company coverage of insurance, maintenance and gas expenses related to the use of such vehicle.

4.5 Housing Allowance. During the Employment Term, the Executive shall be provided with a monthly housing allowance of $2,200.

4.6 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. During the Term, the Company will pay 100% of the Executive's health, dental and vision insurance premiums. 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.

4.7 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.

4.8 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.

4.9 Indemnification.

(a) In the event that the Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "**Proceeding**"), other than any Proceeding initiated by the Executive or the Company related to any contest or dispute between the Executive and the Company or any of its affiliates with respect to this Agreement or the Executive's employment hereunder, by reason of the fact that the Executive is or was a director or officer of the Company, or any affiliate of the Company, or is or was serving at the request of the Company as a director, officer, member, employee, or agent of another corporation or a partnership, joint venture, trust, or other enterprise, the Executive shall be indemnified and held harmless by the Company to the maximum extent permitted under applicable law and the Company's bylaws from and against any liabilities, costs, claims, and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys' fees), and in accordance with Executive's Indemnification Agreement.

(b) During the Employment Term and for a period of six (6) years thereafter, the Company or any successor to the Company shall purchase and maintain, at its own expense, directors' and officers' liability insurance providing coverage to the Executive on terms that are no less favorable than the coverage provided to other directors and similarly situated executives of the Company.

4.10 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.

5.1 Expiration of the Term. The Employment Term and the Executive's employment hereunder shall automatically terminate on the last day of Executive's temporary assignment to the Company as determined by Kura Sushi, Inc. (the "**Termination Date**"). 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. Upon termination of the Executive's employment during the Employment Term, the Executive shall be entitled to receive:

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

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

(c) 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 4.8 herein; and

(d) 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) through 5.1(d) are referred to herein collectively as the "**Accrued Amounts**."

5.2. Death.

(a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the Accrued Amounts.

5.3 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the Board (or a committee thereof) of the Company or any of its affiliates.

5.4 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 5.4(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 5.4 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 5.4, 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 5.4. 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 Board, 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.

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 Board (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 Board (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 Board.

(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) 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 Board.

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 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.

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 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.

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 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.

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 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.

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 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.

12.2 Exit Obligations. Upon the Company's request at any time during the Executive's employment, the Executive shall (a) 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 (b) 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 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.

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 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.

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 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.

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.

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. 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: President

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:

Manabu Kamei
2801 Alton Parkway, #203
Irvine, CA 92606

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 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

By: _____

Name: _____

Title: _____

EXECUTIVE

Signature: _____

Print Name: _____

**EXHIBIT A**

**LIST OF PRIOR INVENTIONS**
**AND ORIGINAL WORKS OF AUTHORSHIP**

| Title | Date | Identifying Number or Brief Description |
|---|---|---|
| | | |
| | | |

___ No inventions or improvements
___ Additional sheets attached

Signature: _____

Name: _____

Date: _____

**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 10.5**

# INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "**Agreement**") is entered into as of , 2019 (the "**Effective Date**") by and between Kura Sushi USA, Inc., a Delaware corporation (the "**Company**") and (the "**Indemnitee**").

## RECITALS

WHEREAS, the Board of Directors has determined that the inability to attract and retain qualified persons as directors and officers is detrimental to the best interest of the Company's stockholders and that the Company should act to assure such persons that there shall be adequate certainty of protection through insurance and indemnification against risks of claims and actions against them arising out of their service to and activities on behalf of the Company;

WHEREAS, the Company has adopted provisions in its Certificate of Incorporation and Bylaws providing for indemnification and advancement of expenses of its directors and officers to the fullest extent authorized by the General Corporation Law of the State of Delaware (the "**DGCL**"), and the Company wishes to clarify and enhance the rights and obligations of the Company and the Indemnitee with respect to indemnification and advancement of expenses;

WHEREAS, in order to induce and encourage highly experienced and capable persons such as the Indemnitee to serve and continue to serve as directors and officers of the Company and in any other capacity with respect to the Company as the Company may request, and to otherwise promote the desirable end that such persons shall resist what they consider unjustified lawsuits and claims made against them in connection with the good faith performance of their duties to the Company, with the knowledge that certain costs, judgments, penalties, fines, liabilities, and expenses incurred by them in their defense of such litigation are to be borne by the Company and they shall receive the maximum protection against such risks and liabilities as may be afforded by applicable law, the Board of Directors of the Company has determined that the following Agreement is reasonable and prudent to promote and ensure the best interests of the Company and its stockholders; and

WHEREAS, the Company desires to have the Indemnitee continue to serve as a director or officer of the Company and in any other capacity with respect to the Company as the Company may request, as the case may be, free from undue concern for unpredictable, inappropriate, or unreasonable legal risks and personal liabilities by reason of the Indemnitee acting in good faith in the performance of the Indemnitee's duties to the Company, and the Indemnitee desires to continue so to serve the Company, provided, and on the express condition, that he or she is furnished with the protections set forth hereinafter;

NOW, THERFORE, in consideration of the Indemnitee's service as a director or officer of the Company, the parties hereto agree as follows:

1. Definitions. For purposes of this Agreement:

(a) A "**Change in Control**" will be deemed to have occurred if the individuals who, as of the Effective Date, constitute the Board of Directors of the Company (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board of Directors; *provided*, *however*, that any individual becoming a director subsequent to such effective date whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board of Directors.

(b) "**Disinterested Director**" means a director of the Company who is not or was not a party to the Proceeding in respect of which indemnification is being sought by the Indemnitee.

(c) "**Expenses**" includes, without limitation, expenses incurred in connection with the defense or settlement of any action, suit, arbitration, alternative dispute mechanism, inquiry, judicial, administrative, or legislative hearing, investigation, or any other threatened, pending, or completed proceeding, whether brought by or in the right of the Company or otherwise, including any and all appeals, whether of a civil, criminal, administrative, legislative, investigative, or other nature, attorneys' fees, witness fees and expenses, fees and expenses of accountants and other advisors, retainers and disbursements and advances thereon, the premium, security for, and other costs relating to any bond (including cost bonds, appraisal bonds, or their equivalents), and any expenses of establishing a right to indemnification or advancement under Sections 8, 10, 12, and 15 hereof, but shall not include the amount of judgments, fines, ERISA excise taxes, or penalties actually levied against the Indemnitee, or any amounts paid in settlement by or on behalf of the Indemnitee.

(d) "**Independent Counsel**" means a law firm or a member of a law firm that neither is presently nor in the past five years has been retained to represent (i) the Company or the Indemnitee in any matter material to either such party or (ii) any other party to the Proceeding giving rise to a request for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or the Indemnitee in an action to determine the Indemnitee's right to indemnification under this Agreement.

(e) "**Proceeding**" means any action, suit, arbitration, alternative dispute mechanism, inquiry, judicial, administrative, or legislative hearing, investigation, or any other threatened, pending, or completed proceeding, whether brought by or in the right of the Company or otherwise, including any and all appeals, whether of a civil, criminal, administrative, legislative, investigate, or other nature, to which the Indemnitee was or is a party or is threatened to be made a party or is otherwise involved in by reason of the fact that the Indemnitee is or was a director or officer of the Company or while a director or officer of the Company is or was serving at the request of the Company as a director, officer, employee, agent,

or trustee of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan, or by reason of anything done or not done by the Indemnitee in any such capacity, whether or not the Indemnitee is serving in such capacity at the time any expense, liability, or loss is incurred for which indemnification or advancement can be provided under this Agreement.

2. Service by the Indemnitee. The Indemnitee shall serve and/or continue to serve as a director or officer of the Company faithfully and to the best of the Indemnitee's ability so long as the Indemnitee is duly elected or appointed and until such time as the Indemnitee's successor is elected and qualified or the Indemnitee is removed as permitted by applicable law or tenders a resignation in writing.

3. Indemnification and Advancement of Expenses. The Company shall indemnify and hold harmless the Indemnitee, and shall pay to the Indemnitee in advance of the final disposition of any Proceeding all Expenses incurred by the Indemnitee in defending any such Proceeding, to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, all on the terms and conditions set forth in this Agreement. Without diminishing the scope of the rights provided by this Section, the rights of the Indemnitee to indemnification and advancement of Expenses provided hereunder shall include but shall not be limited to those rights hereinafter set forth, except that no indemnification or advancement of Expenses shall be paid to the Indemnitee:

(a) to the extent expressly prohibited by applicable law or the Certificate of Incorporation and Bylaws of the Company;

(b) for and to the extent that payment is actually made to the Indemnitee under a valid and collectible insurance policy or under a valid and enforceable indemnity clause, provision of the certificate of incorporation or bylaws, or agreement of the Company or any other company or other enterprise (and the Indemnitee shall reimburse the Company for any amounts paid by the Company and subsequently so recovered by the Indemnitee); or

(c) in connection with an action, suit, or proceeding, or part thereof initiated by the Indemnitee (including claims and counterclaims, whether such counterclaims are asserted by (i) the Indemnitee, or (ii) the Company in an action, suit, or proceeding initiated by the Indemnitee), except a judicial proceeding pursuant to Section 10 to enforce rights under this Agreement, unless the action, suit, or proceeding, or part thereof, was authorized or ratified by the Board of Directors of the Company.

4. Action or Proceedings Other than an Action by or in the Right of the Company. Except as limited by Section 3 above, the Indemnitee shall be entitled to the indemnification rights provided in this Section if the Indemnitee was or is a party or is threatened to be made a party to, or was or is otherwise involved in, any Proceeding (other than an action by or in the right of the Company) by reason of the fact that the Indemnitee is or was a director or officer of the Company or while a director or officer of the Company is or was serving at the request of the Company as a director, officer, employee, agent, or trustee of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to an

employee benefit plan, or by reason of anything done or not done by the Indemnitee in any such capacity. Pursuant to this Section, the Indemnitee shall be indemnified against all expense, liability, and loss (including judgments, fines, ERISA excise taxes or penalties, amounts paid in settlement by or on behalf of the Indemnitee, and Expenses) actually and reasonably incurred by the Indemnitee in connection with such Proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful.

5. Indemnity in Proceedings by or in the Right of the Company. Except as limited by Section 3 above, the Indemnitee shall be entitled to the indemnification rights provided in this Section if the Indemnitee was or is a party or is threatened to be made a party to, or was or is otherwise involved in, any Proceeding brought by or in the right of the Company to procure a judgment in its favor by reason of the fact that the Indemnitee is or was a director or officer of the Company or while a director or officer of the Company is or was serving at the request of the Company as a director, officer, employee, agent, or trustee of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan, or by reason of anything done or not done by the Indemnitee in any such capacity. Pursuant to this Section, the Indemnitee shall be indemnified against all expense, liability, and loss (including judgments, fines, ERISA excise taxes or penalties, amounts paid in settlement by or on behalf of the Indemnitee, and Expenses) actually and reasonably incurred by the Indemnitee in connection with such Proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interest of the Company; *provided*, *however*, that no such indemnification shall be made in respect of any claim, issue, or matter as to which the DGCL expressly prohibits such indemnification by reason of any adjudication of liability of the Indemnitee to the Company, unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is entitled to indemnification for such expense, liability, and loss as such court shall deem proper.

6. Indemnification for Costs, Charges, and Expenses of Successful Party. Notwithstanding any limitations of Sections 3(c), 4 and 5 above, to the extent that the Indemnitee has been successful, on the merits or otherwise, in whole or in part, in defense of any Proceeding, or in defense of any claim, issue, or matter therein, including, without limitation, the dismissal of any action without prejudice, or if it is ultimately determined, by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal, that the Indemnitee is otherwise entitled to be indemnified against Expenses, the Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee in connection therewith.

7. Partial Indemnification. If the Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expense, liability, and loss (including judgments, fines, ERISA excise taxes or penalties, amounts paid in settlement by or on behalf of the Indemnitee, and Expenses) actually and reasonably incurred in connection with any Proceeding, or in connection with any judicial proceeding pursuant to

Section 10 to enforce rights under this Agreement, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify the Indemnitee for the portion of such expense, liability, and loss actually and reasonably incurred to which the Indemnitee is entitled.

8. Determination of Entitlement to Indemnification. To receive indemnification under this Agreement, the Indemnitee shall submit a written request to the Secretary of the Company. Such request shall include documentation or information that is necessary for such determination and is reasonably available to the Indemnitee. Upon receipt by the Secretary of the Company of a written request by the Indemnitee for indemnification pursuant to Sections 4, 5, 6 or 7, the entitlement of the Indemnitee to indemnification, to the extent not provided pursuant to the terms of this Agreement, shall be determined by the following person or persons who shall be empowered to make such determination: (a) the Board of Directors of the Company by a majority vote of Disinterested Directors, whether or not such majority constitutes a quorum; (b) a committee of Disinterested Directors designated by a majority vote of such directors, whether or not such majority constitutes a quorum; (c) if there are no Disinterested Directors, or if the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the Indemnitee; (d) the stockholders of the Company; or (e) in the event that a Change of Control has occurred, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the Indemnitee. Such Independent Counsel shall be selected by the Board of Directors and approved by the Indemnitee, except that in the event that a Change in Control has occurred, Independent Counsel shall be selected by the Indemnitee. Upon failure of the Board of Directors so to select such Independent Counsel or upon failure of the Indemnitee so to approve (or so to select, in the event a Change in Control has occurred), such Independent Counsel shall be selected upon application to a court of competent jurisdiction. The determination of entitlement to indemnification shall be made and, unless a contrary determination is made, such indemnification shall be paid in full by the Company not later than 60 calendar days after receipt by the Secretary of the Company of a written request for indemnification. If the person making such determination shall determine that the Indemnitee is entitled to indemnification as to part (but not all) of the application for indemnification, such person shall reasonably prorate such partial indemnification among the claims, issues, or matters at issue at the time of the determination.

9. Presumptions and Effect of Certain Proceedings. The Secretary of the Company shall, promptly upon receipt of the Indemnitee's written request for indemnification, advise in writing the Board of Directors or such other person or persons empowered to make the determination as provided in Section 8 that the Indemnitee has made such request for indemnification. Upon making such request for indemnification, the Indemnitee shall be presumed to be entitled to indemnification hereunder and the Company shall have the burden of proof in making any determination contrary to such presumption. If the person or persons so empowered to make such determination shall have failed to make the requested determination with respect to indemnification within 60 calendar days after receipt by the Secretary of the Company of such request, a requisite determination of entitlement to indemnification shall be deemed to have been made and the Indemnitee shall be absolutely entitled to such indemnification, absent actual fraud in the request for indemnification. The termination of any Proceeding described in Sections 4 or 5 by judgment, order, settlement, or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself (a) create a presumption that the

Indemnitee did not act in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, or with respect to any criminal Proceeding, had reasonable cause to believe his or her conduct was unlawful or (b) otherwise adversely affect the rights of the Indemnitee to indemnification except as may be provided herein.

10. Remedies of the Indemnitee in Cases of Determination Not to Indemnify or to Advance Expenses; Right to Bring Suit. In the event that a determination is made that the Indemnitee is not entitled to indemnification hereunder or if payment is not timely made following a determination of entitlement to indemnification pursuant to Sections 8 and 9, or if an advancement of Expenses is not timely made pursuant to Section 15, the Indemnitee may at any time thereafter bring suit against the Company in a court of competent jurisdiction in the State of Delaware seeking an adjudication of entitlement to such indemnification or advancement of Expenses. In any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an advancement of Expenses), it shall be a defense that the Indemnitee did not act in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful. Further, in any suit brought by the Company to recover an advancement of Expenses pursuant to the terms of an undertaking, the Company shall be entitled to recover such Expenses upon a final judicial decision of a court of competent jurisdiction from which there is no further right to appeal that the Indemnitee has not met the standard of conduct described above. Neither the failure of the Company (including the Disinterested Directors, a committee of Disinterested Directors, Independent Counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the standard of conduct described above, nor an actual determination by the Company (including the Disinterested Directors, a committee of Disinterested Directors, Independent Counsel, or its stockholders) that the Indemnitee has not met the standard of conduct described above shall create a presumption that the Indemnitee has not met the standard of conduct described above, or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of Expenses hereunder, or brought by the Corporation to recover an advancement of Expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Section 10 or otherwise shall be on the Company. If a determination is made or deemed to have been made pursuant to the terms of Section 8 or 9 that the Indemnitee is entitled to indemnification, the Company shall be bound by such determination and is precluded from asserting that such determination has not been made or that the procedure by which such determination was made is not valid, binding, and enforceable. The Company further agrees to stipulate in any court pursuant to this Section 10 that the Company is bound by all of the provisions of this Agreement and is precluded from making any assertions to the contrary. If the court shall determine that the Indemnitee is entitled to any indemnification or advancement of Expenses hereunder, the Company shall pay all Expenses actually and reasonably incurred by the Indemnitee in connection with such adjudication (including, but not limited to, any appellate proceedings) to the fullest extent permitted by law, and in any suit brought by the Company to recover an advancement of Expenses pursuant to the terms of an undertaking, the Company shall pay all Expenses actually and reasonably incurred by the Indemnitee in connection with such suit to the extent the Indemnitee has been successful, on the merits or otherwise, in whole or in part, in defense of such suit, to the fullest extent permitted by law.

11. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of Expenses provided by this Agreement shall not be deemed exclusive of any other right that the Indemnitee may now or hereafter acquire under any applicable law, agreement, vote of stockholders or Disinterested Directors, provision of a charter or bylaws (including the Certificate of Incorporation or Bylaws of the Company), or otherwise.

12. Expenses to Enforce Agreement. In the event that the Indemnitee is subject to or intervenes in any action, suit, or proceeding in which the validity or enforceability of this Agreement is at issue or seeks an adjudication to enforce the Indemnitee's rights under, or to recover damages for breach of, this Agreement, the Indemnitee, if the Indemnitee prevails in whole or in part in such action, suit, or proceeding, shall be entitled to recover from the Company and shall be indemnified by the Company against any Expenses actually and reasonably incurred by the Indemnitee in connection therewith.

13. Continuation of Indemnity. All agreements and obligations of the Company contained herein shall continue during the period the Indemnitee is a director or officer of the Company or while a director or officer is serving at the request of the Company as a director, officer, employee, agent, or trustee of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan, and shall continue thereafter with respect to any possible claims based on the fact that the Indemnitee was a director or officer of the Company or was serving at the request of the Company as a director, officer, employee, agent, or trustee of another corporation or of a partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan. This Agreement shall be binding upon all successors and assigns of the Company (including any transferee of all or substantially all of its assets and any successor by merger or operation of law) and shall inure to the benefit of the Indemnitee's heirs, executors, and administrators.

14. Notification and Defense of Proceeding. Promptly after receipt by the Indemnitee of notice of any Proceeding, the Indemnitee shall, if a request for indemnification or an advancement of Expenses in respect thereof is to be made against the Company under this Agreement, notify the Company in writing of the commencement thereof; but the omission so to notify the Company shall not relieve it from any liability that it may have to the Indemnitee. Notwithstanding any other provision of this Agreement, with respect to any such Proceeding of which the Indemnitee notifies the Company:

(a) The Company shall be entitled to participate therein at its own expense;

(b) Except as otherwise provided in this Section 14(b), to the extent that it may wish, the Company, jointly with any other indemnifying party similarly notified, shall be entitled to assume the defense thereof, with counsel satisfactory to the Indemnitee. After notice from the Company to the Indemnitee of its election so to assume the defense thereof, the Company shall not be liable to the Indemnitee under this Agreement for any expenses of counsel subsequently incurred by the Indemnitee in connection with the defense thereof except as

otherwise provided below. The Indemnitee shall have the right to employ the Indemnitee's own counsel in such Proceeding, but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Company, (ii) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and the Indemnitee in the conduct of the defense of such Proceeding, or (iii) the Company has not within 60 calendar days of receipt of notice from the Indemnitee in fact have employed counsel to assume the defense of the Proceeding, in each of which cases the fees and expenses of the Indemnitee's counsel shall be at the expense of the Company. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which the Indemnitee shall have made the conclusion provided for in (ii) above; and

(c) the Company shall not be liable to indemnify the Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding effected without the Company's written consent, or for any judicial or arbitral award if the Company was not given an opportunity, in accordance with this Section 14, to participate in the defense of such Proceeding. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on or disclosure obligation with respect to the Indemnitee without the Indemnitee's written consent. Neither the Company nor the Indemnitee shall unreasonably withhold its consent to any proposed settlement.

15. Advancement of Expenses. All Expenses incurred by the Indemnitee in defending any Proceeding described in Section 4 or 5 shall be paid by the Company in advance of the final disposition of such Proceeding at the request of the Indemnitee. To receive an advancement of Expenses under this Agreement, the Indemnitee shall submit a written request to the Secretary of the Company. Such request shall reasonably evidence the Expenses incurred by the Indemnitee and shall include or be accompanied by an undertaking, by or on behalf of the Indemnitee, to repay all amounts so advanced if it shall ultimately be determined, by final judicial decision of a court of competent jurisdiction from which there is no further right to appeal, that the Indemnitee is not entitled to be indemnified for such Expenses by the Company as provided by this Agreement or otherwise. The Indemnitee's undertaking to repay any such amounts is not required to be secured. Each such advancement of Expenses shall be made within 20 calendar days after the receipt by the Secretary of the Company of such written request. The Indemnitee's entitlement to Expenses under this Agreement shall include those incurred in connection with any action, suit, or proceeding by the Indemnitee seeking an adjudication pursuant to Section 10 of this Agreement (including the enforcement of this provision) to the extent the court shall determine that the Indemnitee is entitled to an advancement of Expenses hereunder.

16. Severability; Prior Indemnification Agreements. If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever, (a) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraphs of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that are not by themselves invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby, and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, all

portions of any paragraph of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that are not themselves invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent of the parties that the Company provide protection to the Indemnitee to the fullest enforceable extent. This Agreement shall supersede and replace any prior indemnification agreements entered into by and between the Company and the Indemnitee and any such prior agreements shall be terminated upon execution of this Agreement.

17. Headings; References; Pronouns. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof. References herein to section numbers are to sections of this Agreement. All pronouns and any variations thereof shall be deemed to refer to the singular or plural as appropriate.

18. Other Provisions.

(a) This Agreement and all disputes or controversies arising out of or related to this Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Delaware, without regard to the laws of any other jurisdiction that might be applied because of conflicts of laws principles of the State of Delaware.

(b) This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

(c) This Agreement shall not be deemed an employment contract between the Company and any Indemnitee who is an officer of the Company, and, if the Indemnitee is an officer of the Company, the Indemnitee specifically acknowledges that the Indemnitee may be discharged at any time for any reason, with or without cause, and with or without severance compensation, except as may be otherwise provided in a separate written contract between the Indemnitee and the Company.

(d) In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

(e) This Agreement may not be amended, modified, or supplemented in any manner, whether by course of conduct or otherwise, except by an instrument in writing specifically designated as an amendment hereto, signed on behalf of each party. No failure or delay of either party in exercising any right or remedy hereunder shall operate as a waiver thereof, and no single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, or any course of conduct, shall preclude any other or further exercise thereof or the exercise of any other right or power.

IN WITNESS WHEREOF, the Company and the Indemnitee have caused this Agreement to be executed as of the Effective Date.

| **KURA SUSHI USA, INC.** | **INDEMNITEE** |
| --- | --- |
| By: _____ | _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Address: _____ |

**Exhibit 10.6**

# AMENDED AND RESTATED EXCLUSIVE LICENSE AGREEMENT

THIS AMENDED AND RESTATED EXCLUSIVE LICENSE AGREEMENT ("**Agreement**") is entered into on _____ ____, 2019 (the "**Effective Date**") by and between Kura Sushi, Inc. ("**Licensor**"), a Japanese corporation having its registered address at 1-2-2 Fukasaka, Naka-ku, Sakai-shi, Osaka and Kura Sushi USA, Inc. ("**Licensee**"), a Delaware corporation having its principal place of business at 17932 Sky Park Circle, Suite H, Irvine, CA 92614 (collectively as the "**Parties**" and individually as a "**Party**").

## RECITALS

WHEREAS, Licensor is the owner of certain proprietary intellectual property and technology ("**Licensed Intellectual Property**," as further described in Exhibit A) used in the operation of Restaurants (as such term is defined below), and of Intellectual Property Rights (as such term is defined below) therein;

WHEREAS, Licensor wishes to grant a license under Licensor's Intellectual Property Rights to use Licensed Intellectual Property in connection with the Licensee's operation of Restaurants;

WHEREAS, Licensor has agreed to grant to Licensee, and Licensee has agreed to receive, a license to use such Licensed Intellectual Property under Licensor's Intellectual Property Rights therein on the terms and conditions of this Agreement; and

WHEREAS, this Agreement is intended to replace that certain License Agreement between the Parties dated March 14, 2018;

NOW, THEREFORE, in consideration of these premises, and of the mutual promises hereinafter set forth, the Parties hereto agree as follows:

## ARTICLE 1
## DEFINITIONS

These terms shall have the following meanings in this Agreement:

Section 1.1 Affiliate. "**Affiliate**" of a Party means any entity controlled by, controlling, or under common control with such Party, where "control" in any of the foregoing forms means ownership, either direct or indirect, of more than 50% of the equity interest entitled to vote for the election of directors or equivalent governing body. An entity shall be considered an Affiliate only so long as such entity continues to meet the foregoing definition.

Section 1.2 Confidential Information. "**Confidential Information**" shall have the meaning defined for that term in Article 6 (CONFIDENTIAL INFORMATION).

Section 1.3 Developed Technology. "**Developed Technology**" means all future technology created or developed by Licensee related to or derived from the Licensed Intellectual Property.

Section 1.4 Documentation. "**Documentation**" means any information, including, without limitation, instructions, manuals, work plans, online help files, or other materials, regarding the development, maintenance, or operation of the Restaurants, which have been delivered by Licensor to Licensee under this Agreement.

Section 1.5 Intellectual Property Rights. "**Intellectual Property Rights**" means any and all rights in the Territory that Licensor owns or has the right to license to Licensee (by whatever name or term known or designated) including, but not limited to rights in the following:

(a) rights associated with works of authorship throughout the world, including but not limited to copyrights, copyright registrations, and moral rights;

(b) trademarks, service marks and trade name rights and similar rights, trade secret rights, and any registrations therefor;

(c) patents, patent applications, and other patent rights, including reissues, divisions, continuations, continuations-in-part, extensions and reexaminations of any of the foregoing, covering Licensor's patents set forth in Exhibit A;

(d) all other intellectual and industrial property rights (of every kind and nature and however designated), including logos, "rental" rights and rights to remuneration, whether arising by operation of law, contract, license, or otherwise; and

(e) any additional applicable intangible property as defined under U.S. Treasury Regulation Section 1.482-4(b) (whether or not in documentary form and whether or not patentable, copyrightable or otherwise protectable under applicable laws).

Section 1.6 Net Sales. "**Net Sales**" shall be determined in accordance with U.S. generally accepted accounting principles ("**GAAP**") for financial reporting purposes and shall mean the sales recognized by or for the account of Licensee from the operation of Restaurants. "Net Sales" shall not include the following:

(a) Any government taxes or levies collected from customers with respect to Restaurant sales that are to be paid over to any applicable governmental authority; or

(b) Any portion of the sales from the operation of Restaurants that is discounted or refunded by Licensee to a customer; or

(c) Any revenues from an Affiliate.

Section 1.7 Restaurants. "**Restaurants**" means Kura Revolving Sushi Bar restaurants within the Territory.

Section 1.8 Territory. "**Territory**" means the United States of America.

Section 1.9 Third Party. "**Third Party**" means and includes any individual, corporation, trust, estate, partnership, joint venture, company, association, league, governmental bureau or agency, or any other entity regardless of the type or nature, which is not a Party or an Affiliate.

## ARTICLE 2
## LICENSE GRANTS

Section 2.1 License. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee during the term of this Agreement an exclusive, royalty-bearing, non-transferable, non-sublicensable license to use the Licensed Intellectual Property in connection with the operation of Restaurants within the Territory, including to:

(a) make, use, offer to sell, sell, import, advertise, market, and distribute the products and provide the services listed on Exhibit B and any other products or services that the Parties may agree upon in writing from time to time (collectively, the "**Licensed Services**");

(b) use the marks listed in Exhibit A (the "**Licensed Marks**") as part of Licensee's corporate name, company name, or trade name, as applicable, in connection with the Restaurants and the Licensed Services;

(c) reproduce, publicly perform, transmit, publicly display, and distribute, and create derivative works based on the works listed on Exhibit A in connection with the Restaurants and Licensed Services.

Section 2.2 Delivery of Intellectual Property Rights. Upon the Effective Date, and thereafter if appropriate, Licensor shall make available to Licensee such Documentation and other elements of the Licensed Intellectual Property as necessary or appropriate for Licensee's operation of Restaurants under the license granted in Section 2.1 (License).

Section 2.3 Ownership of Future Rights. All rights, title and interest in and to any Developed Technology and all work in progress related thereto (collectively, the "**Future Rights**") developed solely by Licensee shall be owned exclusively by Licensee.

## ARTICLE 3
## RESERVATION OF RIGHTS AND PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Section 3.1 Retention of Legal Ownership. The legal ownership of the Intellectual Property Rights is and shall at all times remain with Licensor, and Licensee shall not at any time during or after the expiration or termination of this Agreement in any way question or dispute the ownership thereof by Licensor or its licensors.

Section 3.2 Reservation of Rights. The licenses granted in Section 2.1 (License) above are granted solely to Licensee, and not, by implication or otherwise, to any parent, subsidiary or Affiliate of Licensee. Upon termination of this Agreement, Licensor reserves the right to revoke, at its sole discretion, all licenses granted in Section 2.1 (License).

Section 3.3 Patent and Trademark Prosecution and Maintenance. Subject to Section 3.4, for each patent and trademark included within the Licensed Intellectual Property Rights, Licensor shall prosecute and maintain each such patent and trademark at its sole cost and expense.

Section 3.4 Abandonment. If Licensor plans to abandon any patent or trademark included within the Licensed Intellectual Property Rights in the Territory, Licensor shall notify Licensee in writing at least sixty (60) days in advance of the due date of any payment or other action that is required to prosecute and maintain such patent or trademark. Following such notice, Licensee will have the right, in its sole discretion, to assume control and direction of the prosecution and maintenance of such patent or trademark at its sole cost and expense, provided that Licensor shall at all times remain the owner of such patent or trademark, which will continue to be licensed under this Agreement.

Section 3.5 Quality.

(a) Quality Standards and Use Guidelines. Licensee acknowledges and is familiar with the high standards and reputation for quality symbolized by the Licensed Marks as of the Effective Date, and Licensee shall operate the Restaurants and use the Licensed Marks in a manner at least consistent with such quality standards and reputation. Licensee shall comply with Licensor's guidelines and specifications regarding the style, appearance, and usage of the Licensed Marks.

(b) Quality Control. Licensor may exercise quality control over all uses of the Licensed Marks under this Agreement to maintain the validity of the Licensed Marks and protect the goodwill associated therewith. For the purpose of monitoring Licensee's compliance with Licensor's quality standards and the other requirements set forth in this Section 3.5, at Licensor's reasonable request: (i) Licensor (or its representative) may inspect Licensee's facilities, on reasonable notice and during normal business hours; and (ii) Licensee shall submit to Licensor a representative sample of any use of the Licensed Marks by Licensee for Licensor's review and approval, subject to Section 3.5(c). Licensee acknowledges and agrees that, based on the special relationship of trust between the Parties, Licensor may reasonably rely on Licensee to perform any inspection or review necessary to ensure Licensee's compliance with Licensor's quality standards and the other requirements set forth in this Section 3.5.

(c) Approvals. Approval of any use by Licensee of the Licensed Marks, once given by Licensor, will continue in effect, without need for future approval, so long as Licensee's use of the Licensed Marks in connection with the Licensed Services of the Restaurants continues to be substantially consistent with such previously approved use.

Section 3.6 Notices; Patent Marking. Licensee shall ensure that all use of Licensed Intellectual Property hereunder is accompanied by or marked with the appropriate proprietary rights notices, symbols, and legends as may be reasonably necessary under applicable law to maintain the Intellectual Property Rights and Licensor's proprietary rights therein and in such order and manner as may be specified by Licensor. Without limiting the foregoing, Licensee shall comply with the patent marking provisions of 35 U.S.C. § 287(a) by marking all patented products covered by any patents licensed hereunder with the word "patent" or the abbreviation "pat." and either the relevant patent numbers or a web address that is freely accessible to the public and that lists the relevant patent numbers.

Section 3.7 Enforcement of Intellectual Property Rights.

(a) Notice of Infringement or Third-Party Claims. If either Party becomes aware of any actual, suspected, or threatened infringement, misappropriation, or other violation of any Licensed Intellectual Property and the Intellectual Property Rights by any third party in the Territory, or (b) any claim that any patent licensed hereunder is invalid or unenforceable, such Party shall promptly notify the other Party and provide it with all details of such infringement or claim, as applicable, that are known by such Party.

(b) Right to Bring Action or Defend. Licensor shall have the first right, but not the obligation, to bring an infringement action to enforce any Licensed Intellectual Property Rights, defend any declaratory judgment action concerning any Licensed Intellectual Property, and take any other lawful action reasonably necessary to protect, enforce, or defend any Licensed Intellectual Property and Licensed Intellectual Property Rights, and control the conduct thereof. If Licensor does not bring action with respect to any commercially significant third-party infringement within one hundred eighty (180) days of a request by Licensee, or earlier notifies Licensee in writing of its intent not to do so, then Licensee shall have the right, but not the obligation, to bring such an action and to control the conduct thereof.

(c) Cooperation, Recovery, and Settlement. In the event a Party undertakes the enforcement or defense of any Licensed Intellectual Property Rights in accordance with this Section 3.7:

(i) the other Party shall provide all reasonable cooperation and assistance, at the enforcing Party's expense, including providing access to relevant documents and other evidence, making its employees available at reasonable business hours, and being joined as a party to such action as necessary to establish standing;

(ii) any recovery, damages, or settlement derived from such suit, action, or other proceeding will be applied first in satisfaction of any costs and expenses, including reasonable attorneys' fees, of the enforcing Party, with any remaining amounts shared seventy five percent (75%) Licensor and twenty-five percent (25%) Licensee; and

(iii) such Party may settle any such suit, action, or other proceeding, whether by consent order, settlement, or other voluntary final disposition, without the prior written approval of the other Party, provided that a Party shall not settle any such suit, action, or other proceeding in a manner that adversely affects the rights of the other Party with respect to the Licensed Technology or Licensed Intellectual Property Rights without the other Party's prior written consent.

## ARTICLE 4
## ROYALTIES AND OTHER OBLIGATIONS

Section 4.1 Royalty. In consideration for the licenses granted under this Agreement, Licensee shall pay a royalty to Licensor at the rate of zero point five percent (0.5%) of Net Sales.

Section 4.2 Periodic Adjustment. The royalty percentage may be reviewed periodically by the Parties to ensure that it continues to reflect the arm's length value of the licenses and rights granted to Licensee under the terms of this Agreement.

Section 4.3 Invoicing and Payments. Licensor shall issue an invoice at the end of each month, setting forth the Net Sales and total royalties due for that month. Licensee shall make payment for each invoice within thirty (30) days of the invoice statement date. Licensee may offset amounts due under this Agreement by outstanding balances owed Licensee from Licensor.

Section 4.4 Taxes. Each Party hereto shall be responsible for any and all taxes levied as a result of the performance of each Party's respective activities under this Agreement. For the avoidance of doubt, either Party may withhold from payments such taxes as are required to be withheld under applicable law, and shall not be required to pay any additional amounts with respect to such withholding. If any tax is withheld by a Party ("**Withholding Party**"), such Withholding Party shall provide to the other Party ("**Payee**") receipts or other evidence of such withholding and payment thereof to the appropriate tax authorities. The Withholding Party agrees not to withhold any taxes, or to withhold at a reduced rate, to the extent Payee is entitled to an exemption from, or reduction in the rate of, as appropriate, withholding under any applicable income tax treaty, provided that the Payee has provided the Withholding Party with appropriate certifications establishing such exemption or reduction in rate. If, after any remuneration is paid, it is determined by the appropriate taxing authorities that additional withholding taxes are due with respect to such withholding taxes, Payee shall directly pay such taxes or reimburse Withholding Party for any payment of such withholding taxes that Withholding Party makes (and shall provide the Withholding Party with receipts or other evidence of such payment thereof to the appropriate tax authorities).

Section 4.5 Audits. Licensee shall keep and maintain complete and accurate records of the transactions underlying the payments to be made hereunder for at least five (5) years, and shall, promptly upon request, allow Licensor or its designee to inspect, audit and make extracts or copies of such records for the purpose of ascertaining the correctness of such payments. If any examination and audit discloses any deficiency, Licensee shall pay the deficiency plus interest thereon at the short-term Applicable Federal Rate under U.S. Treasury Regulation Section 1.482-2(a), compounded quarterly from the date of the deficiency, to Licensor.

Section 4.6 Currency. All payments contemplated hereby or made by Licensee in connection herewith shall be made in the lawful currency of the United States or as mutually agreed to by the Parties.

## ARTICLE 5
## LIMITATION OF LIABILITY; INDEMNIFICATION

Section 5.1 LIMITATION OF LIABILITY. EXCEPT AS OTHERWISE SET FORTH IN THIS AGREEMENT AND SECTION 5.2, IN NO EVENT WILL EITHER PARTY HAVE ANY LIABILITY TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, WHETHER FOR BREACH OF CONTRACT, TORT OR OTHERWISE, ARISING OUT OF OR RELATED TO THIS AGREEMENT, INCLUDING BUT NOT LIMITED TO, LOSS OF ANTICIPATED PROFITS, LOSS OF DATA, OR LOSS OF USE, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

Section 5.2 Third Party Infringement Claims. The term "**Infringement Claim**" shall mean and represent any claim that any Licensed Intellectual Property or Intellectual Property Rights infringe any third party's intellectual property rights, including without limitation any patent, trade secret, copyrights, trademarks or trade names. Licensor shall defend, indemnify and hold harmless Licensee and its officers, directors, shareholders, Affiliates, agents, servants, representatives, and employees from and against all claims, demands, actions, proceedings, liabilities, losses, and damages, and all costs and expenses connected therewith, including reasonable attorneys' fees, arising out of any actual, threatened or alleged Infringement Claim.

## ARTICLE 6
## CONFIDENTIAL INFORMATION

Section 6.1 Definition of Confidential Information. Confidential Information means all non-public, confidential, or proprietary information disclosed before, on or after the Effective Date, by one Party (the "**Disclosing Party**") to the other Party (the "**Receiving Party**"), including but not limited to information: (i) which is marked with "confidential" or a similar legend, or (ii) which is described orally and designated as confidential, or (iii) which would, under the circumstances, be understood by a reasonable person to be confidential ("**Confidential Information**"). Any unmarked or oral information relating to the operation of Restaurants conveyed during a meeting between employees of the Parties discussing Confidential Information will be Confidential Information by default whether or not declared confidential and whether or not it is subsequently described in writing. Upon subsequent disclosure of previously disclosed Confidential Information to the Receiving Party by the Disclosing Party, the information will remain Confidential Information even if not identified as confidential information at the subsequent disclosure.

Section 6.2 Confidentiality Obligations. The Receiving Party shall retain such Confidential Information in confidence, and shall not disclose it to any Third Party or use it for any purpose other than for purposes of this Agreement without the Disclosing Party's

prior written consent. Each Party shall use at least the same procedures and degree of care with respect to such Confidential Information which it uses to protect its own confidential information of like importance, and in no event less than reasonable care. The Receiving Party will immediately give written notice to the Disclosing Party of any unauthorized use or disclosure of the Disclosing Party's Confidential Information, and the Receiving Party will assist the Disclosing Party in remedying such unauthorized use or disclosure.

Section 6.3 Compelled Disclosure. In the event that the Receiving Party or (to the knowledge of the Receiving Party) any of its representatives is requested or required (by oral questions, interrogatories, requests for information or documents in legal proceedings, subpoenas, civil investigative demands or other similar processes) to disclose any of the Disclosing Party's Confidential Information, the Receiving Party shall provide the Disclosing Party with prompt written notice of any such request or requirement sufficiently timely to allow the Disclosing Party adequate time to seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement.

Section 6.4 Exceptions. Notwithstanding the foregoing, Confidential Information will not include information to the extent that such information:

(a) was generally available to the public at the time of its disclosure to the Receiving Party hereunder;

(b) became generally available to the public after its disclosure other than through an act or omission of the Receiving Party in breach of this Agreement; or

(c) was subsequently lawfully and independently disclosed to the Receiving Party by a person other than the Disclosing Party without an obligation of confidentiality.

Section 6.5 Contractors. The Disclosing Party must give prior written approval to the form and terms of any contract that involves the use of any Disclosing Party Confidential Information by, or the disclosure of any Disclosing Party Confidential Information to, any Third Party ("**Independent Contractor Agreement**"). To the extent directed by the Disclosing Party, such disclosure will be conditioned upon such Contractor's entering into a nondisclosure agreement ("**Confidential Disclosure Agreement**") provided by the Disclosing Party, which agreement will take precedence over the Independent Contractor Agreement.

Section 6.6 Ownership of Materials. Each Receiving Party agrees that all Confidential Information received is and will remain the property of the Disclosing Party and that such shall not be copied or reproduced without the express permission of the Disclosing Party, except for such copies as may be reasonably necessary in order to accomplish the purpose of this Agreement. Upon written request of the Disclosing Party, the Receiving Party shall immediately discontinue all use of all Confidential Information of the Disclosing Party, and shall, at the Disclosing Party's option, either destroy or return to the Disclosing Party all hard copies in its possession of such Confidential Information and any derivatives thereof (including all hard copies of any translation, modification, compilation, abridgement or other form in which the Confidential Information has been recast, transformed or adapted), and to

delete all online electronic copies thereof; provided, however, that the Receiving Party may retain one (1) archival copy of the Confidential Information, which shall be used only in case of a dispute concerning this Agreement. Notwithstanding the foregoing, neither Party shall be required to destroy or alter any computer-based back-up files generated in the normal course of its business, provided that such files are maintained confidential in accordance with the terms of this Agreement for the full period provided for in Section 7.5 (Confidential Information).

Section 6.7 Equitable Remedies. Since unauthorized use or disclosure of the Disclosing Party's Confidential Information will diminish the value to the Disclosing Party of its proprietary interests in the Confidential Information, if the Receiving Party breaches any of its obligations under this Article 6 (CONFIDENTIAL INFORMATION), the Disclosing Party shall be entitled to equitable relief to protect its interests therein, including, but not limited to, injunctive relief, as well as money damages.

## ARTICLE 7
## TERM AND TERMINATION

Section 7.1 Term. This Agreement shall enter into effect on the Effective Date and shall remain in full force and effect until terminated upon any terms and under any conditions that are mutually agreed upon in writing by the Parties, or terminated in accordance with Section 7.2 (Termination for Cause).

Section 7.2 Termination for Cause. This Agreement may be terminated by either Party, if the other Party is in material breach of this Agreement and fails to cure such breach within thirty (30) days following receipt of notice of such breach.

Section 7.3 Effect of Termination. Upon any termination of this Agreement, Licensee shall:

(a) immediately cease to exercise all rights and licenses granted under this Agreement;

(b) within thirty (30) days of the date of termination, at the option of Licensor, comply with the provisions of Section 6.6 (Ownership of Materials); and

(c) upon request by Licensor, Licensee shall furnish Licensor with a certificate signed by an executive officer of Licensee verifying that the same has been done.

Section 7.4 Final Payment. Upon any termination, Licensee shall pay royalties to Licensor within thirty (30) days thereafter in accordance with Section 4.1 (Royalty) and Section 4.3 (Invoicing and Payments). In the event Licensee fails to promptly discontinue use of any Intellectual Property Rights as required by Section 7.3 (Effect of Termination), royalties shall continue to accrue in accordance with Section 4.1 (Royalty) until such use is actually discontinued. The continuation of royalties shall not be considered a license or otherwise prejudice or preclude the availability of any other remedies available to Licensor for Licensee's breach of this Agreement.

Section 7.5 Confidential Information. With respect to each item of Confidential Information transferred under this Agreement, the provisions of Article 6 (CONFIDENTIAL INFORMATION) shall remain in effect until such time as the Receiving Party can demonstrate, using only legally admissible evidence, that such information is publicly known or was made generally available through no action or inaction of the Receiving Party.

Section 7.6 Survival. The terms and conditions of the following provisions shall survive termination or expiration of this Agreement: Article 1 (DEFINITIONS), Article 4 (ROYALTIES AND OTHER OBLIGATIONS), Article 5 (LIMITATION OF LIABILITY; INDEMNIFICATION), Article 6 (CONFIDENTIAL INFORMATION), and Article 8 (GENERAL PROVISIONS), and Section 3.1 (Retention of Legal Ownership), Section 3.2 (Reservation of Rights), Section 3.3 (Patent and Trademark Prosecution and Maintenance), Section 7.3 (Effect of Termination), Section 7.4 (Final Payment), Section 7.5 (Confidential Information) and Section 7.6 (Survival). In addition, the termination or expiration of this Agreement shall not relieve either Party of any liability under this Agreement that accrued prior to such termination or expiration.

## ARTICLE 8
## GENERAL PROVISIONS

Section 8.1 Amendments. This Agreement may be amended or supplemented by additional written agreements, sections or certificates, as may be mutually determined in writing by the Parties from time to time to be necessary, appropriate or desirable to further the purpose hereof, to clarify the intention of the Parties, or to add to or modify the covenants, terms or conditions hereof or thereof.

Section 8.2 Assignment. Licensee may not assign the rights or delegate the performance of its obligations under this Agreement without the prior written consent of Licensor.

Section 8.3 Attorney's Fees. The prevailing Party shall be entitled to recover from the losing Party the prevailing Party's attorneys' fees and costs incurred in any lawsuit or other action with respect to any claim arising from the facts or obligations set forth in this Agreement.

Section 8.4 Computation of Time. Whenever the last day for the exercise of any privilege or the discharge of any duty hereunder shall fall on a Saturday, Sunday or any public or legal holiday, whether local or national, the person having such privilege or duty shall have until midnight local time on the next succeeding business day to exercise such privilege, or to discharge such duty.

Section 8.5 Counterparts. This Agreement may be signed in any number of counterparts and by the Parties on separate counterparts, each of which when so executed shall be an original, but all counterparts shall together constitute one and the same document.

Section 8.6 Disclosure in Compliance with Applicable Laws. Notwithstanding any other statement in this Agreement, Licensor may disclose this Agreement and/or its terms and conditions to the extent that such disclosure is necessary to comply with federal and state securities and other applicable laws. Further, in the exercise of their respective rights and the performance of their respective obligations under this Agreement, each Party shall comply with all applicable laws, regulations and orders of governments having jurisdiction over the Parties including, but not limited to, the U.S. Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-1 et seq. Without limiting the generality of this Section 8.6, each Party shall obtain and shall maintain in full force and effect throughout the continuance of this Agreement all licenses, permits, authorizations, approvals, government filings, and registrations necessary or appropriate for the exercise of its rights and the performance of its obligations hereunder and shall provide copies of all such documents to the other Party at its request.

Section 8.7 Entire Agreement. This Agreement (including its Exhibits and any amendments) and the other documents referred to herein, contain the entire agreement of the Parties with respect to the subject matter of this Agreement, and supersedes all previous communications, representations, understandings and agreements (including that certain License Agreement between the Parties dated March 14, 2018), either oral or written, between the Parties with respect to the subject matter hereof.

Section 8.8 Governing Law and Jurisdiction. Any questions, claims, disputes or litigation concerning or arising from this Agreement shall be governed by the laws of the state of California, United States of America, without giving effect to the conflicts of laws principles of that state or doctrines of any other state of the United States, or any nation state. Each of the Parties agree to submit to the exclusive jurisdiction of the courts in the state of California and the United States Federal courts located there for any matter arising out of or relating to this Agreement. Notwithstanding the foregoing, in actions seeking to enforce any order or any judgment of any such courts located in the state of California, personal jurisdiction shall be nonexclusive.

Section 8.9 Headings; Construction. The headings in this Agreement are for convenience only and will not be construed to affect the meaning of any provision of this Agreement. Any use of “including” shall also be deemed to mean “including without limitation.”

Section 8.10 Litigation. A Party may not bring a lawsuit or other action upon a cause of action under this Agreement more than one (1) year after the occurrence of the event giving rise to the cause of action.

Section 8.11 Mutual Drafting. This Agreement is the joint product of the Parties hereto and their respective counsel, and each provision hereof has been subject to the mutual consultation, negotiation and agreement of such Parties and counsel, and shall not be construed for or against either Party hereto on the basis of authorship thereof.

Section 8.12 Notices. Any notice required or permitted to be given to, or served upon a Party hereto pursuant to this Agreement shall be sufficiently given or served if sent to such Party by registered air mail, addressed to it as set forth above or to such other address as designated by written notice to the Party serving the notice.

Section 8.13 Relationship between Parties. The Parties shall at all times and for all purposes be deemed to be independent contractors and neither Party, nor either Party's employees, representatives, subcontractors or agents, shall have the right or power to bind the other Party. This Agreement shall not itself create or be deemed to create a joint venture, partnership or similar association between the Parties or either Party's employees, subcontractors or agents.

Section 8.14 Remedies Cumulative. A Party's remedies under this Agreement are cumulative and shall not exclude any other remedy to which the Party may be entitled. Termination of this Agreement by a Party shall not adversely affect or impair such Party's right to pursue any other remedy including, without limitation, the right to recover damages for all harm suffered as a result of the other Party's breach or default.

Section 8.15 Severability. If any provision in this Agreement shall be found or be held to be invalid or unenforceable, then the meaning of said provision shall be construed, to the extent feasible, so as to render the provision enforceable, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement which shall remain in full force and effect unless the severed provision is essential and material to the rights or benefits received by any Party. In such event, the Parties shall use good faith efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement that most nearly affects the Parties' intent in entering into this Agreement.

Section 8.16 Sufficiency of Consideration. The Parties jointly and severally represent, warrant and covenant that each has received full and sufficient consideration for all assignments, licenses and other grants made, and obligations undertaken, in this Agreement.

Section 8.17 Waiver. Any waiver of the provisions of this Agreement or of a Party's rights or remedies under this Agreement must be in writing to be effective. Failure, neglect, or delay by a Party to enforce the provisions of this Agreement or its rights or remedies at any time will not be construed and will not be deemed to be a waiver of such Party's rights under this Agreement and will not in any way affect the validity of the whole or any part of this Agreement or prejudice such Party's right to take subsequent action.

Section 8.18 Governing Language. The Parties acknowledge that this Agreement may be translated into the Japanese language. The Parties agree that the English language version of this Agreement shall be the original, governing instrument and understanding of the Parties, and any interpretation or construction of this Agreement shall be based on the English language version of this Agreement.

By their signatures, the authorized representatives of the Parties acknowledge the Parties' acceptance of this Agreement:

| | |
|---|---|
| **KURA SUSHI, INC.** | **KURA SUSHI USA, INC.** |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**EXHIBIT A**

**LICENSED INTELLECTUAL PROPERTY**

**Trademarks**

| Mark | Reg. No. | Issued | Goods/Services |
|---|---|---|---|
| **KURA SUSHI** | 5,460,596 | May 1, 2018 | Restaurant services, bar services and food preparation services featuring sushi |
| **KURA REVOLVING SUSHI BAR and Design** | 5,557,000 | September 4, 2018 | Restaurant services, bar services and food preparation services featuring sushi |

**Patents**

| Title | Pat. No. | Date of Patent |
|---|---|---|
| **FOOD PLATE CARRIER** | 8,550,229 B2 | October 8, 2013 |
| **FOOD MANAGEMENT SYSTEM** | 9,193,535 B2 | November 24, 2015 |

**Trade Secrets**

N/A

**Works**

Mutenmaru and Other Characters

**Documentation**

N/A

**EXHIBIT B**

**LICENSED SERVICES**

Restaurant services, bar services and food preparation services featuring sushi and other Japanese food and beverages in connection with the operation of Kura Revolving Sushi Bar restaurants in the United States.

**Exhibit 10.7**

# SHARED SERVICES AGREEMENT

This Shared Services Agreement (the "**Agreement**") is made and entered into as of _____ _____ _____, 2019, by and between Kura Sushi, Inc. ("**KURA**"), a Japanese corporation and Kura Sushi USA, Inc. ("**KSU**"), a Delaware corporation (collectively as the "**Parties**" and individually as a "**Party**").

WHEREAS, KSU is a wholly-owned subsidiary of KURA;

WHEREAS, KURA currently provides certain strategic, managerial, operational and technical support services to KSU, and KSU currently provides certain administrative and market research support services to KURA;

WHEREAS, it is contemplated that an initial public offering will be made of a portion of the capital stock of KSU, resulting in a partial public ownership of KSU, and that KURA and KSU both desire for KURA to continue providing certain strategic, managerial, operational and technical support services to KSU following the initial public offering, and for KSU to continue providing certain administrative and market research support services to KURA; and

WHEREAS, KURA and KSU have entered into this Agreement to set forth the terms and conditions of the provision of such Services;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, KURA and KSU agree as follows:

1. Services. KURA and KSU shall provide the applicable services set forth in Exhibits 1 through 6 (the "**Services**") which are attached to and made part of this Agreement. The Services shall be provided by KURA or KSU upon the other Party's request. The Parties have made a good faith effort as of the date hereof to identify and accurately set forth all of the Services in the Exhibits. In the event that any Exhibit is incomplete, the Parties will use good faith efforts to mutually agree upon modification to the Exhibits. The Parties may also identify additional Services that they wish to incorporate into this Agreement by mutual agreement. The Parties will create additional Exhibits as necessary setting forth the description of such additional Services, the fees for such Services and any other applicable terms that are mutually agreed upon by the Parties.

2. Fees and Expenses.

2.1 In consideration of the provision of the Services by KURA or KSU to the other Party under this Agreement, each Party shall pay to the other Party the amounts set forth in the attached Exhibits (collectively, the "**Fees**"). The Fees will constitute full compensation to KURA or KSU for all charges, costs and expenses incurred by KURA or KSU on behalf of the other Party in providing the Services, unless otherwise specifically provided for in the Exhibits.

2.2 Each Party shall deliver to the other Party, on a monthly basis, an invoice for the aggregate Fees incurred for the previous month. Each Party agrees to pay the other Party, within thirty (30) days of invoicing, the Fees incurred during the previous month. Notwithstanding the foregoing, if a Party has a reasonable basis to believe that an invoice is incorrect, then such Party shall notify the other Party of the basis for its belief and the Parties shall reasonably cooperate to resolve such matter.

2.3 Each Party hereto shall be responsible for any and all taxes levied as a result of the performance of each Party's respective activities under this Agreement. For the avoidance of doubt, either Party may withhold from payments such taxes as are required to be withheld under applicable law, and shall not be required to pay any additional amounts with respect to such withholding. If any tax is withheld by a Party ("**Withholding Party**"), such Withholding Party shall provide to the other Party ("**Payee**") receipts or other evidence of such withholding and payment thereof to the appropriate tax authorities. The Withholding Party agrees not to withhold any taxes, or to withhold at a reduced rate, to the extent Payee is entitled to an exemption from, or reduction in the rate of, as appropriate, withholding under any applicable income tax treaty, provided that the Payee has provided the Withholding Party with appropriate certifications establishing such exemption or reduction in rate. If, after any remuneration is paid, it is determined by the appropriate taxing authorities that additional withholding taxes are due with respect to such withholding taxes, Payee shall directly pay such taxes or reimburse Withholding Party for any payment of such withholding taxes that Withholding Party makes (and shall provide the Withholding Party with receipts or other evidence of such payment thereof to the appropriate tax authorities).

3. Term, Termination.

3.1 This Agreement shall become effective upon the completion of the initial public offering of KSU (the "**Effective Date**") and shall remain in full force and effect until terminated by a written agreement between the Parties, unless terminated in accordance with Section 3.2 (the "**Term**").

3.2 This Agreement may be terminated by either Party if the other Party is in material breach of this Agreement and fails to cure such breach within thirty (30) days following receipt of notice of such breach.

3.3 KURA agrees that, upon termination of this Agreement or any of the Exhibits for any reason, KURA will cooperate in good faith with KSU to provide KSU (or its designee) with reasonable assistance to make an orderly transition from KURA to another provider of the Services. Transition assistance services shall include the following:

(a) developing a transition plan with assistance from KSU or its designee;

(b) providing training to KSU personnel or its designee's personnel to perform Services; and

(c) organizing and delivering to KSU records and documents necessary to allow continuation of the Services, including delivering such materials in electronic forms and versions as requested by KSU.

3.4 Termination of this Agreement shall be without prejudice to any rights or remedies that either Party may have for breach of this Agreement. Further, upon termination, all continuing duties set forth herein with respect to a Party's obligation to pay for Services rendered, shall continue notwithstanding such termination.

4. Cooperation. The Parties will use good faith efforts to cooperate with each other in all matters relating to the provision and receipt of the Services. Such good faith cooperation will include providing electronic access to systems used in connection with the Services and using commercially reasonable efforts to obtain all consents, licenses, sublicenses or approvals necessary to permit each Party to perform its obligations. The Parties will cooperate with each other in making such information available as needed in the event of any and all internal or external audits, whether in the U.S. or any other country.

5. Standard of Care. In providing the Services hereunder, each Party will exercise the same degree of care as it has historically exercised in providing such Services to the other Party and its affiliates prior to the date hereof, including at least the same level of quality, responsiveness and timeliness as has been exercised by KURA and KSU with respect to such Services.

6. Records. KURA and KSU shall each keep full and detailed records dealing with all aspects of the Services performed by it hereunder (the "**Records**") and:

(a) shall provide access to the Records to the other Party at all reasonable times; and

(b) shall maintain the Records in accordance with good record management practices and with at least the same degree of completeness and care as it maintains for its other similar business interests.

7. Confidentiality.

7.1 The Parties acknowledge that, from time to time, one Party (the "**Disclosing Party**") may disclose to the other Party (the "**Receiving Party**") information: (i) which is marked "confidential" or a similar legend, or (ii) which is described orally and designated as confidential, or (iii) which would, under the circumstances, be understood by a reasonable person to be confidential ("**Confidential Information**").

7.2 Except as otherwise provided herein, the Receiving Party shall retain such Confidential Information in confidence, and shall not disclose it to any third party or use it for any purpose other than for purposes of this Agreement without the Disclosing Party's prior written consent. Each Party shall use at least the same procedures and degree of care with respect to such Confidential Information that it uses to protect its own confidential information of like

importance, and in no event less than reasonable care. The Receiving Party will immediately give written notice to the Disclosing Party of any unauthorized use or disclosure of the Disclosing Party's Confidential Information, and the Receiving Party will assist the Disclosing Party in remedying such unauthorized use or disclosure. Each Party may disclose Confidential Information to the extent required by law, including without limitation disclosure obligations imposed under the U.S. federal securities laws.

7.3 In the event that the Receiving Party or (to the knowledge of the Receiving Party) any of its representatives is requested or required (by oral questions, interrogatories, requests for information or documents in legal proceedings, subpoenas, civil investigative demands or other similar processes) to disclose any of the Disclosing Party's Confidential Information, the Receiving Party shall provide the Disclosing Party with prompt written notice of any such request or requirement sufficiently timely to allow the Disclosing Party adequate time to seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement.

7.4 Notwithstanding the foregoing, Confidential Information will not include information to the extent that such information: (a) was generally available to the public at the time of its disclosure to the Receiving Party hereunder; (b) became generally available to the public after its disclosure other than through an act or omission of the Receiving Party in breach of this Agreement; or (c) was subsequently lawfully and independently disclosed to the Receiving Party by a person other than the Disclosing Party without an obligation of confidentiality.

8. Relationship of the Parties. The relationship between the Parties is that of independent contractors. Neither Party is an agent, partner or employee of the other Party and neither Party has any right or any other authority to enter into any contract or undertaking in the name of or for the account of the other Party or to assume or create any obligation of any kind, express or implied, on behalf of the other Party, nor will the acts or omissions of either create any liability for the other Party. The Agreement shall in no way constitute or give rise to a partnership between the Parties.

9. Indemnification. Each Party (as "**Indemnifying Party**") shall indemnify, defend, and hold harmless the other Party and its officers, directors, employees, agents, affiliates, successors, and permitted assigns (collectively, "**Indemnified Party**") against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees, fees, and the costs of enforcing any right to indemnification under this Agreement, and the cost of pursuing any insurance providers, arising out of or resulting from any claim of a third party or the Indemnified Party arising out of or occurring in connection with the Indemnifying Party's negligence, willful misconduct, or breach of this Agreement.

10. Compliance with Laws. Each Party shall perform the Services in compliance with all applicable laws, regulations, and ordinances. Each Party shall maintain in effect all the licenses, permissions, authorizations, consents, and permits that it needs to carry out its obligations under this Agreement.

11. Entire Agreement. This Agreement constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, regarding such subject matter.

12. Survival. The terms and conditions of Sections 3.4, 6, 7, 9, 11, 12, 19, 20, 21, 24, as well as any other provision that, in order to give proper effect to its intent, should survive termination or expiration of this Agreement. In addition, the termination or expiration of this Agreement shall not relieve either Party of any liability under this Agreement that accrued prior to such termination or expiration.

13. Amendments. No amendment to or modification of this Agreement is effective unless it is in writing and signed by each Party.

14. Severability. If any term or provision of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

15. Waiver. No waiver by any Party of any of the provisions of this Agreement shall be effective unless explicitly set forth in writing and signed by the Party so waiving. Except as otherwise set forth in this Agreement, no failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

16. Assignment. Neither Party shall assign, transfer, delegate or subcontract any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other Party. Any purported assignment or delegation in violation of this Section 16 shall be null and void. No assignment or delegation shall relieve the assigning Party of any of its obligations under this Agreement.

17. Successors and Assigns. This Agreement is binding on and inures to the benefit of the Parties to this Agreement and their respective permitted successors and permitted assigns.

18. No Third-Party Beneficiaries. This Agreement benefits solely the Parties to this Agreement and their respective permitted successors and assigns and nothing in this Agreement, express or implied, confers on any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

19. Choice of Law. This Agreement, and all matters arising out of or relating to this Agreement, whether sounding in contract, tort, or statute are governed by, and construed in accordance with, the laws of the State of California, without giving effect to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the State of California.

20. Choice of Forum. Each Party irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind whatsoever against the other Party in any way arising from or relating to this Agreement in any forum other than the state or federal courts in the State of California, and any appellate court from any thereof. Each Party irrevocably and unconditionally submits to the exclusive jurisdiction of such courts and agrees to bring any such action, litigation or proceeding only in the state or federal courts in the State of California. Each Party agrees that a final judgment in any such action, litigation, or proceeding is conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

21. Litigation. A Party may not bring a lawsuit or other action upon a cause of action under this Agreement more than one (1) year after the occurrence of the event giving rise to the cause of action.

22. Computation of Time. Whenever the last day for the exercise of any privilege or the discharge of any duty hereunder shall fall on a Saturday, Sunday or any public or legal holiday, whether local or national, the person having such privilege or duty shall have until midnight local time on the next succeeding business day to exercise such privilege, or to discharge such duty.

23. Counterparts. This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement.

24. Governing Language. The Parties acknowledge that this Agreement may be translated into the Japanese language. The Parties agree that the English language version of this Agreement shall be the original, governing instrument and understanding of the parties, and any interpretation or construction of this Agreement shall be based on the English language version of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the Effective Date by their respective duly authorized officers.

| | |
|---|---|
| **KURA SUSHI, INC.** | **KURA SUSHI USA, INC.** |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

EXHIBIT 1

I. DESCRIPTION OF SERVICES

KURA will assign, on a temporary basis, certain employees to work for KSU as expatriates ("**Expatriates**"), and such Expatriates will provide certain strategic, managerial, operational, and technical support to assist KSU with the operation of its business and restaurants throughout the United States.

II. SERVICE FEES

KSU shall reimburse KURA for such portion of each Expatriates' salary and benefits as set forth in the then current version of KURA's Expatriate Work Agreement, which shall promptly be provided to KSU upon revision.

III. ADDITIONAL TERMS

KURA shall invoice KSU for KSU's portion of each Expatriates' salary and benefits on a monthly basis.

EXHIBIT 2

I. DESCRIPTION OF SERVICES

KURA will send certain employees to assist KSU ("**Support Staff**") on a short-term basis, and such Support Staff will provide the following services:

A. operational and technical support for the opening of new restaurants throughout the United States;

B. operational and technical support for the maintenance or renovation of existing restaurants throughout the United States; and

C. any other services that the Parties may agree upon from time to time.

II. SERVICE FEES

KSU shall reimburse KURA for the travel expenses of such Support Staff, including airfare, hotels, meals and allowances during such business trips.

III. ADDITIONAL TERMS

KURA shall invoice KSU for the travel expenses of such Support Staff on a monthly basis.

EXHIBIT 3

I. DESCRIPTION OF SERVICES

KURA will provide KSU with certain parts and equipment for use in KSU's restaurants throughout the United States.

II. SERVICE FEES

KSU shall reimburse KURA for the actual costs of such parts and equipment.

III. ADDITIONAL TERMS

KURA shall invoice KSU for such parts and equipment on a monthly basis.

EXHIBIT 4

I. DESCRIPTION OF SERVICES

KURA will provide KSU with the following services:

A. creative support services for Bikkura-Pon animation videos for use in KSU's restaurants throughout the United States;

B. review of food ingredients used by KSU in the United States to ensure the absence of artificial additives;

C. marketing and promotion support services, including but not limited to photography of menu items and provision of promotional materials

D. procurement of supplies from Japanese vendors on KSU's behalf;

E. creation of recipe and food preparation manuals;

F. maintenance and repair of touch panel systems in KSU's restaurants;

G. new product development support services, including but not limited to the development of new menu items;

H. vendor support services, including but not limited to assisting KSU with the procurement of vinegar and dashi soy sauce from KURA's third party vendors for use in KSU's restaurants;

I. data collection, including but not limited to customer surveys, plate consumption and disposal data, customer seating data and order history data processed through touch panel systems used for daily operations and employee evaluation purposes; and

J. any other services that the Parties may agree upon from time to time.

II. SERVICE FEES

KSU shall reimburse KURA for any out of pocket costs incurred by KURA in connection with the provision of these services.

III. ADDITIONAL TERMS

KURA shall invoice KSU for such out of pocket costs on a monthly basis.

EXHIBIT 5

I. DESCRIPTION OF SERVICES

KSU will provide KURA with the following services:

A. translation support services for English documents, including but not limited to KSU store leases and other documents relating to KSU's operation of restaurants throughout the United States;

B. market research analyses relating to KSU's operation of restaurants throughout the United States, including but not limited to analyses regarding the opening of new restaurants and the performance of existing restaurants; and

C. any other services that the Parties may agree upon from time to time.

II. SERVICE FEES

KURA shall reimburse KSU for any out of pocket costs incurred by KSU in connection with the provision of these services.

III. ADDITIONAL TERMS

KSU shall invoice KURA for such out of pocket costs on a monthly basis.

EXHIBIT 6

I. DESCRIPTION OF SERVICES

KURA will provide to KSU, on an exclusive basis, either directly or through one of its authorized suppliers, the following ingredients:

A. Vinegar, made in accordance with KURA's proprietary Vinegar recipe

B. Dashi Soy Sauce, made in accordance with KURA's proprietary Dashi Soy Sauce recipe

II. SERVICE FEES

KSU shall reimburse KURA for the actual costs of such ingredients.

III. ADDITIONAL TERMS

KURA shall invoice KSU for such ingredients on a monthly basis.

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Amendment No. 1 to the Registration Statement on Form S-1 (333-232551) of our report dated April 5, 2019 (July 3, 2019 as to the effects of the restatement discussed in Note 9) relating to the financial statements of Kura Sushi, USA. Inc. appearing in the Prospectus, which is part of this Registration Statement. We also consent to the reference to us under the headings “Experts” in such Prospectus.

/s/ Deloitte & Touche LLP

Los Angeles, California

July 16, 2019