

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

FORM 8-K

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

Date of Report (Date of earliest event reported): April 9, 2021

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

Delaware
(State or other Jurisdiction
of Incorporation)

001-39012
(Commission
File Number)

26-3808434
(IRS Employer
Identification No.)

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

92614
(Zip Code)

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

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

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

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

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

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

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

Item 1.01 Entry into a Material Definitive Agreement.

On April 9, 2021, Kura Sushi USA, Inc. (the “Company”) entered into a Second Amendment to Revolving Credit Agreement (the “Second Amendment”) with Kura Sushi, Inc., the holder of a majority of the Company’s capital stock (“Kura Japan”), which Second Amendment amends the Revolving Credit Agreement dated as of April 10, 2020 between the Company and Kura Japan, as thereby amended pursuant to the First Amendment to Revolving Credit Agreement dated as of September 2, 2020 (as amended, the “Revolving Credit Agreement”). Pursuant to the terms of the Second Amendment, the Revolving Credit Agreement was amended, among other things, to increase the maximum credit amount under the credit line from \$35 million to \$45 million. In connection with the Second Amendment, the Company also executed an Amended and Restated Revolving Credit Note (the “Second Amended and Restated Note”), which amended and restated that certain Amended and Restated Revolving Credit Note dated September 2, 2020 made by the Company payable to Kura Japan under the Revolving Credit Agreement by (i) incorporating the same amendments as provided under the Second Amendment and (ii) providing that the interest rate for advances made prior to April 10, 2021 shall be fixed at one and one tenth percent (1.10%) per annum, and the interest rate for advances made on or after April 10, 2021 shall be fixed at one hundred thirty percent (130%) of the annual compounding long-term applicable federal rate published on or most recently before the date such advance is made.

The foregoing is only a summary of the material terms of the Second Amendment and the Second Amended and Restated Note and does not purport to be complete, and is qualified in its entirety by reference to the Second Amendment and the Second Amended and Restated Note attached thereto, copies of which are attached to this Current Report on Form 8-K as Exhibit 10.1 and Exhibit 10.2, respectively, and incorporated by reference herein.

Item 2.02 Results of Operations and Financial Condition.

On April 13, 2021, Kura Sushi USA, Inc. issued a press release disclosing earnings and other financial results for its fiscal second quarter ended February 28, 2021, and that its management would review these results in a conference call at 5:00 p.m. (EST) on April 13, 2021. A copy of this press release is attached hereto as Exhibit 99.1.

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

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth in Item 1.01 of this current report on Form 8-K, to the extent required by this Item 2.03, is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Second Amendment to Revolving Credit Agreement, dated April 9, 2021, between Kura Sushi USA, Inc. and Kura Sushi, Inc.
10.2	Amended and Restated Revolving Credit Note, dated April 9, 2021, made by Kura Sushi USA, Inc. payable to Kura Sushi, Inc.
99.1	Press Release dated April 13, 2021

SIGNATURES

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

KURA SUSHI USA, INC.

Date: April 13, 2021

By: /s/ Steven H. Benrubi

Name: Steven H. Benrubi

Title: Chief Financial Officer, Treasurer and Secretary

SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT ("Second Amendment") effective as of April 9, 2021, is made and executed between KURA SUSHI USA INC., a Delaware corporation ("Borrower") and KURA SUSHI INC., a Japanese corporation ("Lender").

RECITALS

A. Borrower and Lender entered into that certain Revolving Credit Agreement dated as of April 10, 2020 (the "Loan Agreement") whereby Lender agreed to make available to Borrower loans on a revolving credit basis, in the principal amount of up to Twenty Million United States Dollars (US\$20,000,000.00) (the "Loan") as evidenced by that certain Promissory Note dated as of April 10, 2020 with Borrower as maker and made payable to Lender (the "Original Note").

B. Borrower and Lender are parties to that certain First Amendment to Loan Documents dated as of September 2, 2020 whereby the parties agreed to increase the maximum credit amount to Thirty-Five Million Dollars (\$35,000,000), to extend the Maturity Date for the respective Advances from 12 months to 60 months, and to extend the period of availability for the Advances.

C. Borrower and Lender now wish to increase the maximum credit amount to Forty-Five Million Dollars (\$45,000,000), as set forth below.

NOW, THEREFORE, in consideration of the mutual covenants and benefits contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

1. **Defined Terms.** Capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Loan Agreement.
2. **Reaffirmation of the Loan.** Borrower reaffirms all of its obligations under the Loan Agreement, and Borrower acknowledges that it has no claims, offsets, or defenses with respect to payment of sums due under the Loan Agreement or the Original Note.
3. **Amendments to the Loan Agreement.** The Loan Agreement is hereby amended as follows:
 - (a) **Definition of Credit Line Commitment.** The definition of Credit Line Commitment in Section 1.1 of the Loan Agreement, which presently reads in its entirety as follows:

"Credit Line Commitment" means Thirty-Five Million United States Dollars (US\$35,000,000.00) as such amount may be

reduced from time to time pursuant to this Agreement, or Lender's commitment hereunder to extend credit in such amount, as the context may require.

is hereby amended and restated to read in its entirety as follows:

"Credit Line Commitment" means Forty-Five Million United States Dollars (US\$45,000,000.00) as such amount may be reduced from time to time pursuant to this Agreement, or Lender's commitment hereunder to extend credit in such amount, as the context may require.

(b) Section 2.2 of the Loan Agreement. Section 2.2 of the Loan Agreement, which presently reads in its entirety as follows:

2.2 Loan Fee. Borrower shall pay a fee of \$20,000 to Lender in connection with the origination of this Agreement upon the execution of this Agreement. Thereafter, Borrower shall pay the following maintenance fees to Lender: \$8,750 on September 1, 2020, \$35,000 on April 1, 2021, \$35,000 on April 1, 2022, \$35,000 on April 1, 2023, and \$35,000 on April 1, 2024.

is hereby amended and restated to read in its entirety as follows:

2.2 Loan Fee. Borrower shall pay a fee of \$20,000 to Lender in connection with the origination of this Agreement upon the execution of this Agreement. Thereafter, Borrower shall pay the following maintenance fees to Lender: \$8,750 on September 1, 2020, \$45,000 on April 10, 2021, \$45,000 on April 10, 2022, \$45,000 on April 10, 2023, and \$45,000 on April 10, 2024.

4. Amendment to the Note. The Note is hereby amended and restated to read in its entirety as set forth in Exhibit A to this Second Amendment.

5. Conditions Precedent. The effectiveness of this Second Amendment is conditioned on Lender's receipt of, and, as applicable, Borrower's satisfaction of, the following:

- (a) two executed counterparts of this Second Amendment executed by Borrower and Lender;
- (b) such other assurances, certificates, documents, consents or opinions as Lender may reasonably require.

6. Representations and Warranties. Borrower reaffirms and restates as of the date hereof all of the representations and warranties made by Borrower in the Loan

Agreement, except to the extent such representations and warranties specifically relate to an earlier date and, where relevant, except for the effects of the Covid-19 pandemic and the preventive measures taken in response to it.

7. Confirmation. Except as modified by this Second Amendment, the terms of the Loan Agreement are hereby ratified and confirmed and shall remain in full force and effect, without waiver or modification.

8. Due Execution. Borrower affirms to Lender that the execution, delivery, and performance of this Second Amendment are within the powers of Borrower, have been duly authorized by all necessary company action, have received all necessary governmental approvals, if any, and do not contravene any law or any contractual restrictions binding on Borrower.

9. Estoppel. To induce Lender to enter into this Second Amendment, Borrower hereby acknowledges and agrees that, after giving effect to this Second Amendment, as of the date hereof, there exists no default or Event of Default and no right of offset, defense, counterclaim, or objection in favor of Borrower as against Lender with respect to the Loan.

10. Counterparts. This Second Amendment may be executed in counterparts, which counterparts, when so executed and delivered, shall together constitute but one original. Delivery of an executed counterpart to this Second Amendment by facsimile or in electronic (i.e., "pdf" or "tif") format shall be as valid and effective as the delivery of a manually executed counterpart of this Second Amendment.

11. Severability. Any provision of this Second Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Second Amendment, and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

12. Costs and Expenses. Borrower agrees to pay all reasonable costs and expenses (including reasonable attorneys' fees) expended or incurred by Lender in connection with the negotiation, documentation, and preparation of this Second Amendment and any other documents executed in connection herewith.

13. Governing Law. This Second Amendment shall be governed by and construed in accordance with the laws of the State of California.

14. Headings. The headings in this Second Amendment are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

15. No Oral Agreements. This Second Amendment represents the final agreement between the parties with respect to the subject matter hereof and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

[*The remainder of this page is intentionally blank; signature page follows.*]

IN WITNESS WHEREOF, the undersigned have executed this Second Amendment as of the date first written above.

Borrower:
KURA SUSHI USA INC.,
a Delaware corporation

By: /s/ Steven H. Benrubi
Name: Steven H. Benrubi
Title: Chief Financial Officer, Treasurer and Secretary

Address:
17461 Derian Avenue, Suite 200, Irvine, California 92614

Lender:
KURA SUSHI INC.,
a Japanese corporation

By: /s/ Hiroyuki Hisamune
Name: Hiroyuki Hisamune
Title: Managing Director

Address:
1-2-2 Fukasaka, Naka-ku, Sakai, Osaka Japan 599-8253

AMENDED AND RESTATED REVOLVING CREDIT NOTE

This Amended and Restated Revolving Credit Note amends and restates in its entirety that certain Amended and Restated Revolving Credit Note dated as of September 2, 2020 made by KURA SUSHI USA INC., a Delaware corporation, payable to KURA SUSHI INC., a Japanese corporation, in the original principal amount of Thirty-Five Million United States Dollars (U.S.\$35,000,000.00).

REVOLVING CREDIT NOTE**U.S.\$45,000,000.00**

1. PROMISE TO PAY/PLACE OF PAYMENT. FOR VALUE RECEIVED, the undersigned KURA SUSHI USA INC., a Delaware corporation, ("Borrower"), promises to pay KURA SUSHI INC., a Japanese corporation ("Lender"), the principal sum of Forty-Five Million United States Dollars (U.S.\$45,000,000.00), or such lesser sum as may be loaned to Borrower pursuant to the Loan Agreement (as defined below), together with interest on the principal balance, from time to time remaining unpaid, from the Disbursement Date until paid, at the Interest Rate set forth in this Note.

2. RECORD OF ADVANCES AND CREDIT. Borrower hereby authorizes Lender to enter in its books and records all loans ("Advances") made to Borrower and all payments of principal amounts in respect of such loans, which entries shall, in the absence of manifest error, be conclusive as to the outstanding principal amount of all loans made to Borrower; provided, however that the failure to make such entries with respect to any loan or payment shall not limit or otherwise affect the obligations of Borrower under the Loan Agreement or this Note.

3. DEFINITIONS. Capitalized terms in this Note that are not defined when first used have the meanings set forth below or, if not defined below, as defined in the Loan Agreement:

3.1 Disbursement Date. The Disbursement Date is the date on which Lender first disburses an Advance to or for the account of Borrower.

3.2 Interest Rate. The Interest Rate for advances disbursed to Borrower prior to April 10, 2021 shall be one and one tenth percent (1.10%) per annum, and the Interest Rate for Advances made to Borrower on or after April 10, 2021 shall be one hundred thirty percent (130%) of the Annual Compounding Long-Term Applicable Federal Rate which was most recently published by the Internal Revenue Service, on or before the date such Advance is made, and the Interest Rate for such Advance shall remain fixed for that Advance until that Advance is fully repaid.

3.3 Loan Agreement. The Loan Agreement is that certain revolving credit agreement dated as of April 10, 2020, between Lender and Borrower, as the same may be amended from time to time.

3.4 Maturity Date. Maturity Date, for any Advance, means the date which is sixty (60) months after the date such Advance was disbursed to Borrower, unless renewed or extended by mutual agreement of Borrower and Lender in additional twelve (12) month increments.

3.5 Prime Rate. Prime Rate shall mean the rate of interest which Bank of America, N.A. ("BOA") announces and publishes from its principal office in San Francisco as its "prime rate". The Prime Rate is not intended to be the lowest rate of interest charged by BOA to its borrowers. Each change in the Interest Rate shall become effective on the effective date of each change in Prime Rate, as announced by BOA. If more than one category of "prime rate" publicly announced by BOA is in effect during any calendar month, the Prime Rate shall be the highest "prime rate" in effect. If BOA shall not publicly announce its "prime rate", then the Prime Rate shall be the highest reference, base or prime rate in effect as announced by the largest bank (in terms of capital and surplus) having its principal office in Los Angeles, California, which bank publicly announces such a rate.

4. PAYMENT OF PRINCIPAL AND INTEREST. Principal and interest shall be payable in accordance with the following provisions:

4.1 Payments of Interest. Borrower shall pay to Lender accrued but unpaid interest on the unpaid principal balance of this Note, on demand. Borrower and Lender agree that the Interest Rate on an Advance may be subject to adjustment by mutual agreement if the maturity of an Advance is renewed or extended.

4.2 Application of Payments. Notwithstanding any provision to the contrary, payments of principal and interest received shall be applied first to any late payment fees, then to accrued interest, and lastly to principal.

4.3 Payments of Principal. Borrower shall repay each cash Advance not later than the Maturity Date of such Advance. Amounts repaid may be re-borrowed, provided that no Advance shall be made on or after April 10, 2025.

5. CALCULATION OF INTEREST. Interest payable with respect to any monthly payment shall be calculated according to the actual number of days in such period as a fraction of a 360-day year.

6. PREPAYMENTS WITH NO PENALTY. Borrower may at any time prepay the principal amount outstanding under this Note in whole or in part together with accrued interest to the date of such prepayment on the amount prepaid. Amounts prepaid hereunder may be re-borrowed.

7. ACCELERATION ON DEFAULT. If any part of the principal or interest under this Note is not paid when due, or if an Event of Default under the Loan Agreement or any other instrument securing or executed in connection with this Note or the Loan Agreement is not cured by a date specified in a notice to Borrower, the entire principal amount outstanding and the accrued interest shall at once become due and payable at the option of Lender. Lender may exercise this option to accelerate during

any Event of Default by Borrower regardless of any prior forbearance. Any failure of Lender to make such election following an Event of Default shall not constitute a waiver of Lender's right to make the election in the event of any subsequent Event of Default.

8. LATE PAYMENT CHARGE. If any payment of principal or interest under this Note is not paid within five (5) calendar days of when due, a late charge of Two Hundred Dollars (US\$200.00) may be charged by Lender for the purpose of defraying the expenses incident to handling such delinquent payments. Such late charge represents a reasonable sum considering all of the circumstances existing on the date of this Note and represents a fair and reasonable estimate of the costs that will be sustained by Lender due to the failure of Borrower to make timely payments. The parties further agree that proof of actual damages would be costly or inconvenient. Such late charge shall be paid without prejudice to the right of Lender to collect any other amounts provided to be paid or to declare a default under this Note or from exercising any of the other rights and remedies of Lender.

9. INTEREST ON LATE PAYMENTS. Notwithstanding any provision in this Note to the contrary, any principal, accrued interest, late payment charges, and other amounts which are payable under this Note, the Loan Agreement or any other instrument, agreement, or document executed by Borrower in connection with the loan evidenced by this Note and which are not paid within five (5) calendar days of when due, shall thereafter bear interest, compounded monthly, at the rate which is the sum of three percent (3%) per annum plus the Prime Rate then in effect, not to exceed the maximum rate of interest allowed by law.

10. ATTORNEYS' FEES. Borrower agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by Lender, or adjudged by a court: (1) Actual costs of collection, costs and expenses, and attorneys' fees paid or incurred in connection with the collection, enforcement, modification, or administration of this Note or any Loan Document, whether or not suit is filed; and (2) costs of suit and such sum as the court may adjudge as attorneys' fees in any action to enforce payment of this Note or any part of it. In addition to the foregoing award of attorneys' fees, Lender shall be entitled to its attorneys' fees incurred in any post-judgment proceedings to enforce any judgment in connection with this Note or any Loan Document. This provision is separate and several and shall survive the merger of this provision into any judgment.

11. WAIVER OF PRESENTMENT, NOTICE OF DISHONOR, AND PROTEST. Presentment, notice of dishonor, and protest are waived by all makers, sureties, guarantors, and endorsers of this Note.

12. FORBEARANCE NOT A WAIVER. No delay or omission on the part of Lender in exercising any rights under this Note or under the Loan Agreement or any other security agreement given to secure this Note, on default by Borrower, shall operate as a waiver of such right or of any other right under this Note or other agreements, for the same default or any other default. Borrower, any sureties, guarantors, and endorsers of this Note consent to all extensions without notice for any period or periods of time and to the acceptance of partial payments before or after

maturity, and to the acceptance, release, and substitution of security, all without prejudice to Lender. Lender shall similarly have the right to deal in any way, at any time, with one or more of the foregoing parties without notice to any other party, and to grant such party any extensions of time for payments of any of the indebtedness, or to grant any other indulgences or forbearances whatsoever, without notice to any other party and without in any way affecting the personal liability of any such party.

13. LOSS, THEFT, DESTRUCTION OR MUTILATION OF NOTE. In the event of the loss, theft or destruction of this Note, upon Borrower's receipt of a reasonably satisfactory indemnification agreement executed in favor of Borrower by the party who held this Note immediately prior to its loss, theft or destruction, or in the event of the mutilation of this Note, upon Lender's surrender to Borrower of the mutilated Note, Borrower shall execute and deliver to such party or Lender, as the case may be, a new promissory note in form and content identical to this Note in lieu of the lost, stolen, destroyed or mutilated Note.

14. NOTICES. Any notice, request, demand, statement, authorization, approval, or consent required or permitted under this Note shall be in writing and shall be made in accordance with Section 9.5 of the Loan Agreement.

15. GOVERNING LAW. THIS NOTE SHALL BE CONSTRUED AND ENFORCEABLE ACCORDING TO THE LAWS OF THE STATE OF CALIFORNIA. VENUE FOR PURPOSES OF THIS NOTE WILL BE IN ANY COURT SERVICING ORANGE COUNTY AND BORROWER AGREES TO BE SUBJECT TO THE PERSONAL JURISDICTION OF THE STATE OF CALIFORNIA, INCLUDING ANY STATE OR FEDERAL COURT SITTING THEREIN AND ALL COURT RULES THEREOF.

16. WAIVER OF STATUTE OF LIMITATIONS. The pleading of any statute of limitations as a defense to the obligations evidenced by this Note is waived to the fullest extent permissible by law.

17. TIME IS OF THE ESSENCE. Time is of the essence for each and every obligation under this Note.

18. ASSIGNMENT. Lender shall have the right to sell, assign, or otherwise transfer, either in part or in its entirety, this Note, and any other instrument evidencing or securing the indebtedness of this Note without Borrower's consent. Borrower may not assign or otherwise transfer this Note without Lender's prior written consent.

19. SUCCESSORS AND ASSIGNS. This Note and all of the covenants, promises, and agreements contained in it shall be binding on and inure to the benefit of the respective legal and personal representatives, devisees, heirs, successors, and assigns of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Note as of April 9, 2021.

KURA SUSHI USA INC.,
a Delaware corporation

By: /s/ Steven H. Benrubi
Name: Steven H. Benrubi
Title: Chief Financial Officer, Treasurer and Secretary

Address:
17461 Derian Avenue, Suite 200, Irvine, California 92614



For Immediate Release

Kura Sushi USA Announces Fiscal Second Quarter 2021 Financial Results

Irvine, CA. April 13, 2021 – Kura Sushi USA, Inc. (“Kura Sushi” or the “Company”) (NASDAQ: KRUS), a technology-enabled Japanese restaurant concept, today provided a COVID-19 business update and reported fiscal second quarter 2021 financial results for the period ended February 28, 2021.

COVID-19 Business Update

As of February 28, 2021, the Company had 28 of its 30 restaurants open in some capacity: indoor dining, outdoor dining or takeout only. Due to changes in local guidelines for public activities, the Company increased certain restaurants’ operating capacities starting in March. As of today, the Company has all 31 restaurants, including one new opening in the fiscal third quarter, operating at indoor capacities of 25% to 100%, depending on local requirements.

During the second quarter of 2021, the Company borrowed \$9.0 million on its revolver and as of February 28, 2021, the Company had cash, cash equivalents and restricted cash of \$2.3 million and \$12.0 million of debt. Subsequent to the end of the fiscal second quarter, the Company borrowed an additional \$2.0 million and on April 9, 2021, the Company increased its revolving line of credit facility to \$45 million from \$35 million. As permitted under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), the Company recognized a \$2.6 million employee retention credit during the fiscal second quarter ended February 28, 2021.

Fiscal Second Quarter 2021 Highlights

- > Total sales were \$9.1 million compared to \$19.4 million in the second quarter of 2020;
- > Operating loss was \$3.8 million, compared to an operating loss of \$0.2 million in the second quarter of 2020;
- > Net loss was \$3.9 million, or (\$0.46) per diluted share, compared to net loss of \$0.1 million, or (\$0.02) per diluted share, in the second quarter of 2020. Adjusted net loss* was \$6.5 million, or (\$0.78) per diluted share, compared to adjusted net loss* of \$0.1 million or (\$0.02) per diluted share, in the second quarter of 2020;
- > Restaurant-level operating loss* was \$1.3 million;
- > Adjusted EBITDA* was (\$4.7) million; and
- > Two new restaurants opened during the second quarter of 2021.

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

Hajime Uba, President and Chief Executive Officer of Kura Sushi, stated, “While our fiscal second quarter results were greatly impacted by the increased severity of COVID restrictions, we have been encouraged to see a rebound in sales, beginning in February with relaxed restrictions. Thanks to our team’s resilience and hard work, our daily sales volumes in February, exclusive of the impact on our Texas restaurants from the winter storm, were among the best we’ve seen since entering the pandemic. Our momentum continued into March with the limited reopening of California dining rooms and the increase of Texas indoor dining capacity to 100%, resulting in March revenue of \$5.2 million, by far our strongest sales month since the pandemic began. While we are still operating in an uncertain environment, we believe there is a light at the end of the tunnel. With COVID cases continuing to decline and vaccines becoming more widely available, our team is ready for post-pandemic recovery and eager to capitalize on pent-up demand for the full Kura Experience.”

Review of Fiscal Second Quarter 2021 Financial Results

Total sales were \$9.1 million compared to \$19.4 million in the second quarter of 2020. Comparable restaurant sales decreased 60% for the second quarter of 2021.

Food and beverage costs as a percentage of sales was 35.0% compared to 31.5% in the second quarter of 2020. The increase is primarily a result of inventory spoilage and geographical mix of sales towards Texas restaurants that have lower sushi plate prices.

Labor and related costs as a percentage of sales decreased to 22.7% from 31.7% in the second quarter of 2020. The decrease is due to a \$2.2 million employee retention credit recognized under the CARES Act extension. Excluding the credit, labor and related costs would have been 46.9%. The increase was primarily due to the effect of lower sales and minimum staffing needed to operate our restaurants at reduced capacities.

Occupancy and related expenses were consistent with the second quarter of 2020 at \$1.6 million.

Other costs as a percentage of sales increased to 22.6% compared to 11.4% in the second quarter of 2020. The increase was primarily due to fixed cost deleverage as a result of the decrease in sales.

General and administrative expenses were \$2.9 million compared to \$2.8 million in the second quarter of 2020. Excluding the impact of the \$0.4 million employee retention credit recognized under the CARES Act extension, general and administrative expenses would have been \$3.3 million. This increase was primarily due to additional compensation-related expenses. As a percentage of sales, general and administrative expenses increased to 31.6% compared to 14.4% in the second quarter of 2020.

Operating loss was \$3.8 million, compared to an operating loss of \$0.2 million in the second quarter of 2020.

Income tax expense was \$29 thousand compared to income tax expense of \$30 thousand in the second quarter of 2020.

Net loss was \$3.9 million, or (\$0.46) per diluted share, compared to net loss of \$0.1 million, or (\$0.02) per diluted share, in the second quarter of 2020.

Adjusted net loss* was \$6.5 million, or (\$0.78) per diluted share, compared to adjusted net loss* of \$0.1 million, or (\$0.02) per diluted share, in the second quarter of 2020.

Restaurant-level operating loss* was \$1.3 million, compared to restaurant-level operating profit* of \$3.9 million in the second quarter of 2020.

Adjusted EBITDA* was (\$4.7) million, compared to \$1.0 million in the second quarter of 2020.

Restaurant Development

During the second quarter of fiscal 2021, two new restaurants were opened in Aventura, FL and Troy, MI. Subsequent to February 28, 2021, the Company opened one new restaurant in Sherman Oaks, CA.

Conference Call

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

Interested parties may listen to the conference call via telephone by dialing 201-689-8471. A telephone replay will be available shortly after the call has concluded and can be accessed by dialing 412-317-6671; the passcode is 13718276. The replay will be available until April 20, 2021. The webcast will be available at www.kurasushi.com under the investor relations section and will be archived on the site shortly after the call has concluded.

About Kura Sushi USA, Inc.

Kura Sushi USA, Inc. is a technology-enabled Japanese restaurant concept with 31 locations in eight states and Washington DC. The Company offers guests a distinctive dining experience built on authentic Japanese cuisine and an engaging revolving sushi service model. Kura Sushi USA, Inc. was established in 2008 as a subsidiary of Kura Sushi, Inc., a Japan-based revolving sushi chain with over 450 restaurants and 35 years of brand history. For more information, please visit www.kurasushi.com.

Key Financial Definitions

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

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

Adjusted EBITDA, a non-GAAP measure, is defined as EBITDA plus stock-based compensation expense, non-cash lease expense, asset disposals, closure costs and restaurant impairments, as well as certain items, such as employee retention credit and certain executive transition costs, that the Company believes are not indicative of its core operating results. Adjusted EBITDA margin is defined as adjusted EBITDA divided by sales.

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

Comparable Restaurant Sales Performance refers to the change in year-over-year sales for the comparable restaurant base. The Company includes restaurants in the comparable restaurant base that have been in operation for at least 18 months prior to the start of the accounting period presented, including those temporarily closed for renovations during the year. For restaurants that were temporarily closed for renovations during the year, the Company makes fractional adjustments to sales such that sales are annualized in the associated period. Performance in comparable restaurant sales represents the percent change in sales from the same period in the prior year for the comparable restaurant base. The Company did not make any adjustments for the temporary restaurant closures due to COVID-19.

Non-GAAP Financial Measures

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

The Company believes that the use of these non-GAAP measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. However, you should be aware that restaurant-level operating profit (loss) and restaurant-level operating profit (loss) margin are financial

measures which are not indicative of overall results for the Company, and restaurant-level operating profit (loss) and restaurant-level operating profit (loss) margin do not accrue directly to the benefit of stockholders because of corporate-level expenses excluded from such measures. In addition, you should be aware when evaluating these non-GAAP measures that in the future the Company may incur expenses similar to those excluded when calculating these measures. The Company's presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of these non-GAAP measures may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate these non-GAAP measures in the same fashion. Because of these limitations, these non-GAAP measures should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. The Company compensates for these limitations by relying primarily on its GAAP results and using these non-GAAP measures on a supplemental basis.

Forward-Looking Statements

Except for historical information contained herein, the statements in this press release or otherwise made by our management in connection with the subject matter of this press release are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) and involve risks and uncertainties and are subject to change based on various important factors. This press release includes forward-looking statements that are based on management's current estimates or expectations of future events or future results. These statements are not historical in nature and can generally be identified by such words as "target," "may," "might," "will," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "design," "estimate," "continue," "predict," "potential," "plan," "anticipate" or the negative of these terms, and similar expressions. Management's expectations and assumptions regarding future results are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements included in this press release. These risks and uncertainties include but are not limited to: risks related to the COVID-19 outbreak; our ability to successfully resume and maintain increases in our comparable restaurant sales; our ability to successfully execute our growth strategy and open new restaurants that are profitable; our ability to expand in existing and new markets; our projected growth in the number of our restaurants; macroeconomic conditions and other economic factors; our ability to compete with many other restaurants; our reliance on vendors, suppliers and distributors, including our parent company Kura Sushi, Inc.; concerns regarding food safety and foodborne illness; changes in consumer preferences and the level of acceptance of our restaurant concept in new markets; minimum wage increases and mandated employee benefits that could cause a significant increase in our labor costs; the failure of our automated equipment or information technology systems or the breach of our network security; the loss of key members of our management team; the impact of governmental laws and regulations; volatility in the price of our common stock; and other risks and uncertainties as described in our filings with the Securities and Exchange Commission ("SEC"). These and other factors that could cause results to differ materially from those described in the forward-looking statements contained in this press release can be found in the Company's other filings with the SEC. Undue reliance should not be placed on forward-looking statements, which are only current as of the date they are made. The Company assumes no obligation to update or revise its forward-looking statements, except as may be required by applicable law.

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Investor Relations Contact:
Fitzhugh Taylor or Steven Boediarto
(657) 333-4010
investor@kurausa.com

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

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Sales	\$ 9,082	\$ 19,388	\$ 18,496	\$ 36,828
Restaurant operating costs:				
Food and beverage costs	3,175	6,106	6,228	11,799
Labor and related costs	2,061	6,144	6,421	11,785
Occupancy and related expenses	1,627	1,637	3,317	3,076
Depreciation and amortization expenses	1,002	712	1,929	1,375
Other costs	2,051	2,210	4,130	4,257
Total restaurant operating costs	9,916	16,809	22,025	32,292
General and administrative expenses	2,874	2,783	6,395	6,109
Depreciation and amortization expenses	94	36	169	58
Total operating expenses	12,884	19,628	28,589	38,459
Operating loss	(3,802)	(240)	(10,093)	(1,631)
Other expense (income):				
Interest expense	53	33	87	67
Interest income	(3)	(170)	(7)	(367)
Loss before income taxes	(3,852)	(103)	(10,173)	(1,331)
Income tax expense	29	30	58	26
Net loss	\$ (3,881)	\$ (133)	\$ (10,231)	\$ (1,357)
Net loss per Class A and Class B shares				
Basic	\$ (0.46)	\$ (0.02)	\$ (1.22)	\$ (0.16)
Diluted	\$ (0.46)	\$ (0.02)	\$ (1.22)	\$ (0.16)
Weighted average Class A and Class B shares outstanding				
Basic	8,379	8,336	8,363	8,335
Diluted	8,379	8,336	8,363	8,335

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

	February 28, 2021	August 31, 2020
Selected Balance Sheet Data:		
Cash, cash equivalents and restricted cash	\$ 2,271	\$ 9,259
Total assets	\$ 118,409	\$ 118,379
Loan from affiliate	\$ 12,000	—
Total liabilities	\$ 81,986	\$ 72,666
Total stockholders' equity	\$ 36,423	\$ 45,713

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Selected Operating Data:				
Restaurants at the end of period	30	25	30	25
Comparable restaurant sales performance	(60.2)%	10.8%	(55.2)%	8.9%
EBITDA	\$ (2,706)	\$ 508	\$ (7,995)	\$ (198)
Adjusted EBITDA	\$ (4,696)	\$ 980	\$ (8,961)	\$ 638
Adjusted EBITDA margin	(51.7)%	5.1%	(48.4)%	1.7%
Operating loss	\$ (3,802)	\$ (240)	\$ (10,093)	\$ (1,631)
Operating loss margin	(41.9)%	(1.2)%	(54.6)%	(4.4)%
Restaurant-level operating (loss) profit	\$ (1,345)	\$ 3,875	\$ (2,487)	\$ 6,899
Restaurant-level operating (loss) profit margin	(14.8)%	20.0%	(13.4)%	18.7%

**Reconciliation of Net Loss and Loss Per Diluted Share to
Adjusted Net Loss and Adjusted Loss Per Diluted Share
(in thousands, except loss per share amounts; unaudited)**

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Net loss	\$ (3,881)	\$ (133)	\$ (10,231)	\$ (1,357)
Executive transition costs ⁽⁴⁾	—	—	390	—
Employee retention credit ⁽⁵⁾	(2,635)	—	(2,635)	—
Adjusted net loss	<u>\$ (6,516)</u>	<u>\$ (133)</u>	<u>\$ (12,476)</u>	<u>\$ (1,357)</u>
Net loss per Class A and Class B shares				
Loss per diluted share	\$ (0.46)	\$ (0.02)	\$ (1.22)	\$ (0.16)
Executive transition costs ⁽⁴⁾	—	—	0.05	—
Employee retention credit ⁽⁵⁾	(0.32)	—	(0.32)	—
Adjusted loss per diluted share	<u>\$ (0.78)</u>	<u>\$ (0.02)</u>	<u>\$ (1.49)</u>	<u>\$ (0.16)</u>
Weighted average Class A and Class B shares outstanding				
Diluted shares	<u>8,379</u>	<u>8,336</u>	<u>8,363</u>	<u>8,335</u>
Adjusted diluted shares	<u>8,379</u>	<u>8,336</u>	<u>8,363</u>	<u>8,335</u>

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

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Net loss	\$ (3,881)	\$ (133)	\$ (10,231)	\$ (1,357)
Interest expense (income), net	50	(137)	80	(300)
Income tax expense	29	30	58	26
Depreciation and amortization expenses	1,096	748	2,098	1,433
EBITDA	(2,706)	508	(7,995)	(198)
Stock-based compensation expense(1)	309	211	575	332
Non-cash lease expense(2)	336	261	704	504
Executive transition costs(4)	—	—	390	—
Employee retention credit(5)	(2,635)	—	(2,635)	—
Adjusted EBITDA	<u>\$ (4,696)</u>	<u>\$ 980</u>	<u>\$ (8,961)</u>	<u>\$ 638</u>

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

	Three Months Ended		Six Months Ended	
	February 28, 2021	February 29, 2020	February 28, 2021	February 29, 2020
Operating loss	\$ (3,802)	\$ (240)	\$ (10,093)	\$ (1,631)
Depreciation and amortization expenses	1,096	748	2,098	1,433
Stock-based compensation expense ⁽¹⁾	309	211	575	332
Non-cash lease expense ⁽²⁾	336	261	704	504
Pre-opening costs ⁽³⁾	326	303	561	448
Employee retention credit ⁽⁵⁾	(2,635)	—	(2,635)	—
General and administrative expenses	2,874	2,783	6,395	6,109
Corporate-level stock-based compensation and employee retention credit included in general and administrative expenses	151	(191)	(92)	(296)
Restaurant-level operating (loss) profit	<u>\$ (1,345)</u>	<u>\$ 3,875</u>	<u>\$ (2,487)</u>	<u>\$ 6,899</u>

- (1) Stock-based compensation expense includes non-cash stock-based compensation, which is comprised of restaurant-level stock-based compensation included in other costs in the statements of operations and corporate-level stock-based compensation included in general and administrative expenses in the statements of operations.
- (2) Non-cash lease expense includes lease expense from the date of possession of our restaurants that did not require cash outlay in the respective periods.
- (3) Pre-opening costs consist of labor costs and travel expenses for new employees and trainers during the training period, recruitment fees, legal fees, cash-based lease expenses incurred between the date of possession and opening day of our restaurants, and other related pre-opening costs.
- (4) Executive transition costs include severance and search fees associated with the transition of our Chief Financial Officer. The income tax impact of this adjustment was immaterial.
- (5) Employee retention credit includes a refundable credit recognized under the CARES Act extension. The income tax impact of this adjustment was immaterial.