

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2024**

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

For the transition period from _____ to _____

Commission File Number: **001-41494**

YOSHIHARU GLOBAL CO.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	5812 (Primary Standard Industrial Classification Code Number)	87-3941448 (I.R.S. Employer Identification Number)
6940 Beach Blvd., Suite D-705 Buena Park, CA 90621 (714) 694-2403 (Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)		

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value per share	YOSH	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

The registrant has 1,242,722 shares of class A common stock outstanding, and 100,000 shares of class B common stock outstanding as of August 19, 2024.

TABLE OF CONTENTS

<u>PART I FINANCIAL INFORMATION</u>	1
Item 1 <u>Unaudited Consolidated Financial Statements</u>	1
<u>Consolidated Balance Sheets as of June 30, 2024 and December 31, 2023</u>	1
<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2024 and 2023</u>	2
<u>Consolidated Statements of Stockholders' Equity for the Three and Six Months Ended June 30, 2024 and 2023</u>	3
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2024 and 2023</u>	4
<u>Notes to Consolidated Financial Statements</u>	5
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	32
Item 4 <u>Controls and Procedures</u>	32
<u>PART II OTHER INFORMATION</u>	33
Item 1 <u>Legal Proceedings</u>	33
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
Item 3 <u>Defaults Upon Senior Securities</u>	33
Item 4 <u>Mine Safety Disclosures</u>	33
Item 5 <u>Other Information</u>	33
Item 6 <u>Exhibits</u>	33
<u>Signature</u>	34

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on our management's beliefs and assumptions and on information currently available to management, and which statements involve substantial risk and uncertainties. All statements contained in this Quarterly Report on Form 10-Q other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, market growth and trends, and objectives for future operations such as our ability to achieve in excess of 100% annual unit growth rate over the next three to five years, our hope to generate future comparable restaurant sales growth, our plan to drive high profitability, and our intention to heighten brand awareness are forward-looking statements. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions.

These risks and uncertainties include, among other things, the risk that 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; the risk that we may not be able to maintain or improve our comparable restaurant sales growth; that the restaurant industry is a highly competitive industry with many competitors; that 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; that we have incurred operating losses and may not be profitable in the future; the risk that our plans to maintain and increase liquidity may not be successful; that 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; that our operating results and growth strategies will be closely tied to the success of our future franchise partners and we will have limited control with respect to their operations; the risk that we may face negative publicity or damage to our reputation, which could arise from concerns regarding food safety and foodborne illness or other matters; that minimum wage increases and mandated employee benefits could cause a significant increase in our labor costs; that events or circumstances could cause the termination or limitation of our rights to certain intellectual property critical to our business that is licensed from Yoshiharu Holdings Co., or that we could face infringements on our intellectual property rights and be unable to protect our brand name, trademarks and other intellectual property rights; that 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 future cost and availability of credit and the operations of our third-party vendors and other service providers; the risk that we, or our point of sale and restaurant management platform partners, may fail to secure guests' confidential, personally identifiable, debit card or credit card information or other private data relating to our employees or us; and the impact of the COVID-19 pandemic, or a similar public health threat, on global capital and financial markets, general economic conditions in the United States, and our business and operations.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described elsewhere in this Quarterly Report on Form 10-Q and in the section titled "Risk Factors" in the Company's recently filed registration statement on Form S-1 (File No. 333-262330). We undertake no obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q or to conform such statements to actual results or revised expectations, except as required by law.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

**Yoshiharu Global Co.
Unaudited Consolidated Balance Sheets**

<i>As of</i>	<i>June 30, 2024</i>	<i>December 31, 2023</i>
ASSETS		
Current Assets:		
Cash	\$ 1,194,174	\$ 1,462,326
Accounts receivable	108,348	-
Inventories	111,538	73,023
Total current assets	<u>1,414,060</u>	<u>1,535,349</u>
Non-Current Assets:		
Property and equipment, net	5,239,334	4,092,950
Operating lease right-of-use asset	7,059,187	5,459,708
Intangible asset	517,775	-
Goodwill	1,985,645	-
Other assets	914,424	1,931,357
Total non-current assets	<u>15,716,365</u>	<u>11,484,015</u>
Total assets	\$ <u>17,130,425</u>	\$ <u>13,019,364</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 868,641	\$ 647,811
Line of credit	1,000,000	1,000,000
Current portion of operating lease liabilities	882,627	572,230
Current portion of bank notes payables	617,208	414,378
Current portion of loan payable, EIDL	5,312	10,536
Loans payable to financial institutions	236,148	534,239
Due to related party	1,157,800	24,176
Other payables	65,700	65,700
Total current liabilities	4,833,436	3,269,070
Operating lease liabilities, less current portion	7,007,735	5,689,535
Bank notes payables, less current portion	2,337,285	991,951
Loan payable, EIDL, less current portion	415,362	415,329
Notes payable to related party	600,000	-
Convertible notes to related party	1,200,000	-
Total liabilities	<u>16,393,818</u>	<u>10,365,885</u>
Commitments and Contingencies		
Stockholders' equity		
Class A Common Stock - \$0.0001 par value; 49,000,000 authorized shares; 1,242,722 shares issued and outstanding at June 30, 2024 and 1,230,246 shares issued and outstanding at December 31, 2023	124	123
Class B Common Stock - \$0.0001 par value; 1,000,000 authorized shares; 100,000 shares issued and outstanding at June 30, 2024 and December 31, 2023	10	10
Additional paid-in capital	12,058,267	11,994,119
Accumulated deficit	(11,321,794)	(9,340,773)
Total stockholders' equity	<u>736,607</u>	<u>2,653,479</u>
Total liabilities and stockholders' equity	\$ <u>17,130,425</u>	\$ <u>13,019,364</u>

See accompanying notes to unaudited consolidated financial statements.

Yoshiharu Global Co.

Unaudited Consolidated Statements of Operations

	<i>Six Months Ended June 30,</i>		<i>Three Months Ended June 30,</i>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenue:				
Food and beverage	\$ 6,137,005	\$ 4,689,043	\$ 3,325,396	\$ 2,209,469
Total revenue	<u>6,137,005</u>	<u>4,689,043</u>	<u>3,325,396</u>	<u>2,209,469</u>
Restaurant operating expenses:				
Food, beverages and supplies	1,508,572	1,229,341	840,680	577,895
Labor	2,780,661	2,003,481	1,494,127	865,414
Rent and utilities	769,296	555,376	450,728	256,913
Delivery and service fees	280,916	284,950	137,555	137,113
Depreciation	350,327	251,687	179,645	123,417
Total restaurant operating expenses	<u>5,689,772</u>	<u>4,324,835</u>	<u>3,102,735</u>	<u>1,960,752</u>
Net operating restaurant operating income	<u>447,233</u>	<u>364,208</u>	<u>222,661</u>	<u>248,717</u>
Operating expenses:				
General and administrative	2,012,054	2,222,346	1,091,653	1,161,893
Related party compensation	95,879	123,432	53,725	11,384
Advertising and marketing	58,564	52,542	24,660	26,200
Total operating expenses	<u>2,166,497</u>	<u>2,398,320</u>	<u>1,170,038</u>	<u>1,199,477</u>
Loss from operations	(1,719,264)	(2,034,112)	(947,377)	(950,760)
Other income (expense):				
Gain on disposal of fixed asset	-	8,920	-	8,920
Other income	12,207	6,990	12,207	6,990
Interest	(252,126)	(138,828)	(147,808)	(77,691)
Total other income (expense), net	<u>(239,919)</u>	<u>(122,918)</u>	<u>(135,601)</u>	<u>(61,781)</u>
Loss before income taxes	<u>(1,959,183)</u>	<u>(2,157,030)</u>	<u>(1,082,978)</u>	<u>(1,012,541)</u>
Income tax provision	<u>21,838</u>	<u>6,988</u>	<u>21,838</u>	<u>6,988</u>
Net loss	\$ (1,981,021)	\$ (2,164,018)	\$ (1,104,816)	\$ (1,019,529)
Loss per share:				
Basic and diluted	<u>\$ (1.48)</u>	<u>(1.77)</u>	<u>(0.82)</u>	<u>(0.83)</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>1,342,105</u>	<u>1,223,262</u>	<u>1,342,105</u>	<u>1,223,262</u>

See accompanying notes to unaudited consolidated financial statements.

Yoshiharu Global Co.

Unaudited Consolidated Statements of Stockholders' Equity (Deficit)

	Class A Shares		Class B Shares		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2023	1,230,246	\$ 123	100,000	\$ 10	\$ 11,994,119	\$ (9,340,773)	\$ 2,653,479
Issuance of Class A Common Stock	12,476	1	-	-	64,148	-	64,149
Net loss	-	-	-	-	-	(876,205)	(876,205)
Balance at March 31, 2024 (unaudited)	1,242,722	\$ 124	100,000	\$ 10	\$ 12,058,267	\$ (10,216,978)	\$ 1,841,423
Net loss	-	-	-	-	-	(1,104,816)	(1,104,816)
Balance at June 30, 2024 (unaudited)	1,242,722	\$ 124	100,000	\$ 10	\$ 12,058,267	\$ (11,321,794)	\$ 736,607
	Class A Shares		Class B Shares		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance at December 31, 2022	1,228,846	\$ 123	100,000	\$ 10	\$ 11,938,119	\$ (6,300,409)	\$ 5,637,843
Net loss	-	-	-	-	-	(1,144,489)	(1,144,489)
Balance at March 31, 2023 (unaudited)	1,228,846	\$ 123	100,000	\$ 10	\$ 11,938,119	\$ (7,444,898)	\$ 4,493,354
Net loss	-	-	-	-	-	(1,019,529)	(1,019,529)
Balance at June 30, 2023 (unaudited)	1,228,846	\$ 123	100,000	\$ 10	\$ 11,938,119	\$ (8,464,427)	\$ 3,473,825

See accompanying notes to unaudited consolidated financial statements.

Yoshiharu Global Co.

Unaudited Consolidated Statements of Cash Flows

	<i>For the six months ended</i>	
	<i>June 30,</i>	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Net loss	\$ (1,981,021)	\$ (2,164,018)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	363,603	251,687
Gain on disposal of fixed asset	-	(8,920)
Changes in assets and liabilities:		
Accounts receivable	(108,348)	-
Inventories	(25,730)	9,838
Other assets	1,018,133	(650,515)
Accounts payable and accrued expenses	221,197	(104,888)
Due to related party	1,133,624	58,771
Other payables	-	59,785
Net cash provided by (used in) operating activities	<u>621,458</u>	<u>(2,548,260)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(398,641)	(1,040,797)
Acquisition of LV entities	(1,800,000)	-
Net cash used in investing activities	<u>(2,198,641)</u>	<u>(1,040,797)</u>
Cash flows from financing activities:		
Advance from line of credit	-	500,000
Proceeds from borrowings for acquisition of LV entities	900,000	-
Proceeds from borrowings	1,014,830	-
Repayments on bank notes payables	(371,857)	(69,627)
Repayment of loan payable to financial institutions	(298,091)	-
Proceeds from sale of common shares	64,149	-
Net cash provided by financing activities	<u>1,309,031</u>	<u>430,373</u>
Net decrease in cash	(268,152)	(3,158,684)
Cash – beginning of period	<u>1,462,326</u>	<u>6,138,786</u>
Cash – end of period	<u>\$ 1,194,174</u>	<u>\$ 2,980,102</u>
Supplemental disclosures of non-cash financing activities:		
Note payable to related party	\$ 600,000	-
Convertible notes to related party	\$ 1,200,000	-
Supplemental disclosures of cash flow information		
Cash paid during the periods for:		
Interest	\$ 230,777	\$ 138,828
Income taxes	<u>\$ 21,838</u>	<u>\$ 6,988</u>

See accompanying notes to unaudited consolidated financial statements.

YOSHIHARU GLOBAL CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Yoshiharu Global Co. (“Yoshiharu”) was incorporated in the State of Delaware on December 9, 2021. Yoshiharu has the following wholly owned subsidiaries:

Name	Date of Formation	Description of Business
Global JJ Group, Inc. (“JJ”)	January 8, 2015	Ramen stores located in Orange, California and Buena Park, California.
Global AA Group, Inc. (“AA”)	July 21, 2016	Ramen store located in Whittier, California.
Global BB Group, Inc. (“BB”)	May 19, 2017	Ramen store located in Chino Hills, California.
Global CC Group, Inc. (“CC”)	September 23, 2019	Ramen stores located in Eastvale, California and Corona, California.
Global DD Group, Inc. (“DD”)	December 19, 2019	Ramen store located in la Mirada, California.
Yoshiharu Irvine (“YI”)	December 4, 2020	Ramen store located in Irvine, California.
Yoshiharu Cerritos (“YC”)	January 21, 2021	Ramen store located in Cerritos, California.
Yoshiharu Clemente (“YCT”)	May 2, 2022	Ramen store to be opened in San Clemente, California.
Yoshiharu Laguna (“YL”)	May 2, 2022	Ramen store located in Laguna, California.
Yoshiharu Ontario (“YO”)	May 2, 2022	Ramen store to be opened in Ontario, California.
Yoshiharu Menifee (“YM”)	May 2, 2022	Ramen store to be opened in Menifee, California.
Yoshiharu Las Vegas (“YLV”)	Sep 21, 2023	Ramen store and Izakaya stores in Las Vegas, Nevada
Yoshiharu Garden Grove (“YG”)	July 27, 2022	Ramen store located in Garden Grove, California.

The Company owns several restaurants specializing in Japanese ramen and other Japanese cuisines. The Company offers a variety of Japanese ramens, rice bowls, and appetizers. Unless otherwise stated or the context otherwise requires, the terms “Yoshiharu” “we,” “us,” “our” and the “Company” refer collectively to Yoshiharu and, where appropriate, its subsidiaries.

Prior to September 30, 2021, the Yoshiharu business (the “Business”) consisted of the first seven separate entities listed above (collectively, the “Entities”), each wholly owned by James Chae (“Mr. Chae”), and each holding one (1) store, except for JJ, which held two stores and the Business’s intellectual property (the “IP”). Effective October 2021, JJ transferred the IP to Mr. Chae. Effective October 2021, Mr. Chae contributed 100% of the equity interests in each of the Entities to Yoshiharu Holdings Co., a California corporation (“Holdings”), for purposes of consolidating the Business operations into a single entity. Mr. Chae was issued an aggregate 3,205,000 shares in Holdings, which reflected the aggregate number of shares originally issued to Mr. Chae by the Entities, in exchange for 100% of each Entity (on a 1 for 1 share exchange basis). In addition, effective October 2021, Mr. Chae transferred the IP to Holdings in exchange for the issuance of 6,245,900 shares in Holdings in order to bring his total shareholdings in Holdings up to an aggregate 9,450,900 shares.

On December 9, 2021, Yoshiharu completed a share exchange agreement whereby Mr. Chae, the sole stockholder of Holdings, received 9,450,900 shares of Yoshiharu, representing 100% of issued shares at that time, and Yoshiharu received all of the shares of Holdings. This recapitalization was accounted for in accordance with the “Transactions Between Entities Under Common Control” subsections of Accounting Standards Codification (“ASC”) 805-50, Business Combinations, which requires that the receiving entity recognize the net assets received at their historical carrying amounts. A common-control transaction has no effect on the parent’s consolidated financial statements. No value was ascribed to the shares issued for the transfer of the IP since the only relevance of the aggregate number of shares issued to Mr. Chae in Holdings was to effect the 1 for 1 share exchange with Yoshiharu upon its incorporation in Delaware. ASC 805-50 also prescribes that, if the recognition of the net assets results in a “change in the reporting entity,” the receiving entity presents the transfer in its separate financial statements retrospectively. Accordingly, the assets and liabilities and the historical operations that are reflected in these consolidated financial statements are those of the subsidiaries and are recorded at the historical cost basis of the subsidiaries.

On November 22, 2023, the Company filed a Certificate of Amendment (the “Certificate of Amendment”) to the Company’s Amended and Restated Certificate of Incorporation to effect a reverse stock split of its issued Class A common stock and Class B common stock together with the Class A common stock, “Common Stock”, in the ratio of 1-for-10 (the “Reverse Stock Split”) effective at 11:59 p.m. eastern on November 27, 2023. The Common Stock began trading on a split-adjusted basis at the market open on Tuesday, November 28, 2023.

No fractional shares were issued as a result of the Reverse Stock Split. Instead, any fractional shares that would have resulted from the Reverse Stock Split were rounded up to the next whole number. As a result, total of 34,846 shares of Class A common stock were issued and total of 1,230,246 shares of Class A common stock were outstanding as of December 31, 2023. The Reverse Stock Split affected all stockholders uniformly and did not alter any stockholder’s percentage interest in the Company’s outstanding Common Stock, except for adjustments that may result from the treatment of fractional shares. The number of authorized shares of Common Stock of the Company and number of authorized, issued, and outstanding shares of the preferred stock of the Company were not changed.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) as promulgated in the United States of America. The consolidated financial statements include Yoshiharu and its wholly owned subsidiaries instead in Note 1 above as of June 30, 2024 and December 31, 2023 and for the six months ended June 30, 2024 and 2023. All intercompany accounts, transactions, and profits have been eliminated upon consolidation.

Initial Public Offering

In September 2022, the Company consummated its initial public offering (the “IPO”) of 2,940,000 shares of its class A common stock at a public offering price of \$4.00 per share, generating gross proceeds of \$11,760,000. Net proceeds from the IPO were approximately \$10.3 million after deducting underwriting discounts and commissions and other offering expenses of approximately \$1.5 million.

The Company granted the underwriters a 45-day option to purchase up to 441,000 additional shares (equal to 15% of the shares of class A common stock sold in the IPO) to cover over-allotments, if any, which the underwriters did not exercise. In addition, the Company issued to the representative of the underwriters warrants to purchase a number of shares of class A common stock equal to 5.0% of the aggregate number of shares of Class A common stock sold in the IPO (including shares of Class A common stock sold upon exercise of the over-allotment option). The representative’s warrants will be exercisable at any time and from time to time, in whole or in part, during the four-and-½-year period commencing six months from the date of commencement of the sales of the shares of Class A common stock in connection with the IPO, at an initial exercise price per share of \$5.00 (equal to 125% of the initial public offering price per share of class A common stock). No representative’s warrants have been exercised.

On September 9, 2022, the Company’s stock began trading on the Nasdaq Capital Market under the symbol “YOSH.”

YLV Acquisition

On June 12, 2024, the Company consummated the acquisition of assets of three restaurant entities (Jjanga, HJH, and Aku) for an aggregate \$3.6 million, consisting of \$1.8 million in cash, a \$600,000 promissory note, and a \$1.2 million convertible note.

Deferred Offering Costs

Deferred offering costs were expenses directly related to the IPO. These costs consisted of legal, accounting, printing, and filing fees. The deferred offering costs were offset against the IPO proceeds in September 2022 and were reclassified to additional paid-in capital upon completion of the IPO.

Use of Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and the accompanying notes. Such estimates include accounts receivables, accrued liabilities, income taxes, long-lived assets, and deferred tax valuation allowances. These estimates generally involve complex issues and require management to make judgments, involve analysis of historical and future trends that can require extended periods of time to resolve, and are subject to change from period to period. In all cases, actual results could differ materially from estimates.

Marketing

Marketing costs are charged to expense as incurred. Marketing costs were approximately \$59 thousand and \$53 thousand for the six months period ended June 30, 2024 and 2023, respectively, and are included in general expenses in the accompanying consolidated statements of income.

Delivery Fees Charged by Delivery Service Providers

The Company’s customers may order online through third party service providers such as Uber Eats, Door Dash, and others. These third-party service providers charge delivery and order fees to the Company. Such fees are expensed when incurred. Delivery fees are included in delivery and service fees in the accompanying consolidated statements of operations.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers. The Company’s net revenue primarily consists of revenues from food and beverage sales. Revenues from the sale of food items by Company-owned restaurants are recognized as Company sales when a customer receives the food that they purchased, which is when our obligation to perform is satisfied. The timing and amount of revenue recognized related to Company sales was not impacted by the adoption of ASC 606.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories, which are stated at the lower of cost or net realizable value, consist primarily of perishable food items and supplies. Cost is determined using the first-in, first out method.

Segment Reporting

ASC 280, Segment Reporting, requires public companies to report financial and descriptive information about their reportable operating segments. The Company identifies its operating segments based on how executive decision makers internally evaluates separate financial information, business activities and management responsibility. Accordingly, the Company has one reportable segment, consisting of operating its stores.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Major improvements are capitalized, and minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation and amortization are calculated on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term of the related asset. The estimated useful lives are as follows:

Furniture and equipment	5 to 7 years
Leasehold improvements	Shorter of estimated useful life or term of lease
Vehicle	5 years

Goodwill and Intangible Assets

Goodwill and certain intangible assets were recorded in connection with the YLV asset acquisition in April 2024, and were accounted for in accordance with ASC 805, "Business Combinations." Goodwill represents the excess of the purchase price over the fair value of the tangible and intangible net assets acquired. Intangible assets are recorded at their fair value at the date of acquisition. Goodwill and other intangible assets are accounted for in accordance with ASC 350, "Goodwill and Other Intangible Assets." Goodwill and other intangible assets are tested for impairment at least annually and any related impairment losses are recognized in earnings when identified. No impairment was recognized during the three and six months ended June 30, 2024.

Income Taxes

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company had no unrecognized tax benefits identified or recorded as liabilities as of June 30, 2024.

Impairment of Long-Lived Assets

When circumstances, such as adverse market conditions, indicate that the carrying value of a long-lived asset may be impaired, the Company performs an analysis to review the recoverability of the asset's carrying value, which includes estimating the undiscounted cash flows (excluding interest charges) from the expected future operations of the asset. These estimates consider factors such as expected future operating income, operating trends and prospects, as well as the effects of demand, competition and other factors. If the analysis indicates that the carrying value is not recoverable from future cash flows, an impairment loss is recognized to the extent that the carrying value exceeds the estimated fair value. Any impairment losses are recorded as operating expenses, which reduce net income.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Company utilizes ASC 820-10, Fair Value Measurement and Disclosure, for valuing financial assets and liabilities measured on a recurring basis. Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company's financial instruments consisted of cash, operating lease right-of-use assets, net, accounts payable and accrued expenses, notes payables, and operating lease liabilities. The estimated fair value of cash, operating lease right-of-use assets, net, and notes payables approximate its carrying amount due to the short maturity of these instruments.

Leases

In accordance with ASC 842, Leases, the Company determines whether an arrangement contains a lease at inception. A lease is a contract that provides the right to control an identified asset for a period of time in exchange for consideration. For identified leases, the Company determines whether it should be classified as an operating or finance lease. Operating leases are recorded in the balance sheet as: right-of-use asset ("ROU asset") and operating lease liability. An ROU asset represents the Company's right to use an underlying asset for the lease term and an operating lease liability represents the Company's obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at the commencement date of the lease and measured based on the present value of lease payments over the lease term. The ROU asset also includes deferred rent liabilities. The Company's lease arrangements generally do not provide an implicit interest rate. As a result, in such situations the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company includes options to extend or terminate the lease when it is reasonably certain that it will exercise that option in the measurement of its ROU asset and operating lease liability. Lease expense for the operating lease is recognized on a straight-line basis over the lease term. The Company has a lease agreement with lease and non-lease components, which are accounted for as a single lease component.

Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on our financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

3. ACQUISITION UNDER ASSET PURCHASE

On June 12, 2024, the Company consummated the closing of the transactions contemplated by an Asset Purchase Agreement (“APA”) with Mr. Jihyuck Hwang (“Seller”) (see Note 9 Related Party Transactions) via the Company’s wholly owned subsidiary, Yoshiharu Las Vegas (“YLV”). The APA provided for the purchase of specific assets of the three restaurant businesses, including inventory, security deposits, fixed assets and lease assignment effective as of April 20, 2024. The Company considered the guidance in ASC 805, Business Combinations, and determined the transaction was an asset acquisition. As a result, the estimated fair value of the assets acquired, and amount of liabilities assumed are included in the accompanying balance sheet as of June 30, 2024. The three restaurants consist of one Japanese ramen restaurant, and two Izakaya style restaurants offering sushi & steak along with Japanese ramen.

The condensed consolidated financial statements include the results of the YLV from the date of acquisition. The purchase price has been allocated based on estimated fair values as of the acquisition date. The purchase price was allocated as follows:

Preliminary Purchase Price	<i>April 20, 2024</i>	
Cash	\$	900,000
Promissory note to Seller		600,000
Bank notes payables		900,000
Convertible note to Seller		1,200,000
Total purchase price	\$	3,600,000
Preliminary Purchase Price Allocation		
Fixed assets	\$	1,098,070
Inventory and other assets		13,985
Operating lease right-of-use asset, net		1,409,288
Goodwill		1,985,645
Intangible assets		531,051
Operating lease liabilities		(1,438,039)
Acquired assets, net	\$	3,600,000

The purchase price allocation has been prepared on a preliminary basis based on the information that was available to the Company at the time the condensed consolidated financial statements were prepared, and revisions to the preliminary purchase price allocation may result as additional information becomes available.

In determining the purchase price allocation, management considered, among other factors, the Company’s intention to use the acquired assets. The intangible assets are being amortized based upon the pattern in which the economic benefits of the intangible assets are being utilized, with no expected residual value.

4. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	<i>Life</i>	<i>Average Remining Life</i>	<i>June 30, 2024</i>	<i>April 20, 2024</i>
Brand & non-compete	10 years	9.9 years	\$ 531,051	\$ 531,051
Less – accumulated amortization			(13,276)	-
Total intangible assets, net			\$ 517,775	\$ 531,051

Estimated future amortization of intangible assets is as follows:

<i>Years ending December 31,</i>	<i>Amount</i>
2024	\$ 26,553
2025	53,105
2026	53,105
2027	53,105
2028	53,105
Thereafter	292,078
Total	\$ 531,051

Amortization expense on intangible assets amounted to \$13,276 and \$0 for the six months ended June 30, 2024 and 2023.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<i>June 30, 2024</i>	<i>December 31, 2023</i>
Leasehold Improvement	\$ 5,342,300	\$ 4,447,705
Furniture and equipment	1,504,852	902,736
Vehicle	438,521	438,521
Total property and equipment	7,285,673	5,788,962
Accumulated depreciation	(2,046,339)	(1,696,012)
Total property and equipment, net	\$ 5,239,334	\$ 4,092,950

Total depreciation was \$350,327 and \$545,549 for the six month period ended June 30, 2024 and for the year ended December 31, 2023, respectively.

6. OTHER ASSETS

Other assets consisted of the following:

	<i>June 30, 2024</i>	<i>December 31, 2023</i>
Escrow deposit to acquire assets from Las Vegas restaurants	\$ -	\$ 729,352
Security deposits	209,929	209,844
Tenant improvement receivable	370,335	370,335
Loan to Won Zo Whittier	100,300	100,300
Others	233,860	521,526
Total other assets	\$ 914,424	\$ 1,931,357

7. LINE OF CREDIT

The Company has a \$1,000,000 bank line of credit. The line bears a fixed interest rate at 5.50% per annum. It is secured by a \$1,000,000 certificate of deposit at the same bank. The line of credit expires in December 2024. The Company is in compliance with certain non-financial covenants imposed by the line of credit agreement. At June 30, 2024 and December 31, 2023, the outstanding balance was \$1,000,000 and \$1,000,000, respectively.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. BANK NOTES PAYABLES

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
November 27, 2018 (\$780,000) – JJ	\$ 271,733	\$ 331,022
September 14, 2021 (\$197,000) – CC	157,418	164,418
April 22, 2022 (\$195,000) – Cerritos	167,890	174,492
May 22, 2023 (\$138,000) – BB	110,406	121,951
May 22, 2023 (\$196,000) – CC	156,775	173,169
May 22, 2023 (\$178,000) – DD	143,322	158,309
September 13, 2023 (\$150,000) – Garden Grove	129,106	141,484
September 13, 2023 (\$150,000) – Laguna	131,193	141,484
March 22, 2024 (\$150,000) – YM	143,910	-
March 22, 2024 (\$150,000) – YCT	142,740	-
January 30, 2024 (\$500,000) – Yoshiharu	500,000	-
June 4, 2024 (\$900,000) – YLV	900,000	-
	<u>2,954,493</u>	<u>1,406,329</u>
Total bank notes payables	2,954,493	1,406,329
Less - current portion	(617,208)	(414,378)
Total bank notes payables, less current portion	<u>\$ 2,337,285</u>	<u>\$ 991,951</u>

The following table provides future minimum payments as of June 30, 2024:

<i>For the years ended</i>	<i>Amount</i>
2024 (remaining six months)	\$ 617,208
2025	814,591
2026	469,484
2027	436,237
2028	336,869
Thereafter	280,104
Total	\$ 2,954,493

November 27, 2018 – \$780,000 – Global JJ Group, Inc.

On November 27, 2018, Global JJ Group, Inc. (the “JJ”) executed the standard loan documents required for securing a loan of \$780,000 from the SBA, with proceeds to be used for working capital purposes. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$271,733 and \$331,022, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$12,571.15 per month which includes principal and interest with an interest rate of 10.25% per year. The balance of principal and interest is payable on December 1, 2025.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. BANK NOTES PAYABLES (Continued)

September 14, 2021 – \$197,000 – Global CC Group, Inc.

On September 14, 2021, the CC executed the standard loan documents required for securing a loan of \$197,000 from the SBA, with proceeds to be used for working capital purposes. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$ 157,418 and \$164,418, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$2,576.63 per month which includes principal and interest with an interest rate of 10.50%. The balance of principal and interest is payable on September 14, 2031.

April 22, 2022– \$195,000 – Yoshiharu Cerritos.

On April 22, 2022, Yoshiharu Cerritos (the “YC”) executed the standard loan documents required for securing a loan of \$195,000 from the SBA, with proceeds to be used for working capital purposes. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$ 167,890 and \$174,492, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$2,599.66 per month which includes principal and interest with an initial interest rate of 10.50%. The balance of principal and interest is payable on April 22, 2032.

May 22, 2023– \$138,000 – Global BB Group, Inc.

On May 22, 2023, Global BB Group, Inc. (the “BB”) executed the standard loan documents required for securing a loan of \$138,000 from a commercial bank, with proceeds to be used for working capital purposes. With the proceeds, BB paid off the existing SBA loan borrowed by Global AA Group, Inc on September 17, 2017. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$110,406 and \$121,951, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$2,892.36 per month which includes principal and interest with an initial interest rate of 9.75%. The balance of principal and interest is payable on April 22, 2028.

May 22, 2023– \$196,000 – Global CC Group, Inc.

On May 22, 2023, Global CC Group, Inc. (the “CC”) executed the standard loan documents required for securing a loan of \$196,000 from a commercial bank, with proceeds to be used for working capital purposes. With the proceeds, CC paid off the existing SBA loan borrowed by CC on February 13, 2020. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$156,775 and \$173,169, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$4,107.11 per month which includes principal and interest with an initial interest rate of 9.75%. The balance of principal and interest is payable on April 22, 2028.

May 22, 2023– \$178,000 – Global DD Group, Inc.

On May 22, 2023, Global DD Group, Inc. (the “DD”) executed the standard loan documents required for securing a loan of \$178,000 from a commercial bank, with proceeds to be used for working capital purposes. With the proceeds, DD paid off the existing SBA loan borrowed by DD on September 15, 2021. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$143,322 and \$158,309, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$3,754.68 per month which includes principal and interest with an initial interest rate of 9.75%. The balance of principal and interest is payable on April 22, 2028.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. BANK NOTES PAYABLES (Continued)

September 13, 2023– \$150,000 – Yoshiharu Garden Grove

On September 13, 2023, Yoshiharu Garden Grove (the “YG”) executed the standard loan documents required for securing a loan of \$150,000 from a commercial bank, with proceeds to be used for working capital purposes. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$129,106 and \$141,484, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$3,160.82 per month which includes principal and interest with an initial interest rate of 9.50%. The balance of principal and interest is payable on September 13, 2028.

September 13, 2023– \$150,000 – Yoshiharu Laguna

On September 13, 2023, Yoshiharu Laguna (the “YL”) executed the standard loan documents required for securing a loan of \$150,000 from a commercial bank, with proceeds to be used for working capital purposes. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$131,193 and \$141,484, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$3,160.82 per month which includes principal and interest with an initial interest rate of 9.50%. The balance of principal and interest is payable on September 13, 2028.

March 22, 2024– \$150,000 – Yoshiharu Menifee

On March,22, 2024, Yoshiharu Menifee (the “YM”) executed the standard loan documents required for securing a loan of \$150,000 from a commercial bank, with proceeds to be used for working capital purposes. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$143,910 and \$0, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$3,160.96 per month which includes principal and interest with an initial interest rate of 9.50%. The balance of principal and interest is payable on March 22, 2029.

March 22, 2024– \$150,000 – Yoshiharu San Clemente

On March,22, 2024, Yoshiharu San Clemente (the “YCT”) executed the standard loan documents required for securing a loan of \$150,000 from a commercial bank, with proceeds to be used for working capital purposes. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$142,740 and \$0, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$3,160.96 per month which includes principal and interest with an initial interest rate of 9.50%. The balance of principal and interest is payable on March 22, 2029.

January 30, 2024– \$500,000 – Yoshiharu

On January 30, 2024, Yoshiharu Global Co. (the “Yoshiharu”) executed the standard loan documents required for securing a loan of \$500,000 from a commercial bank, with proceeds to be used for working capital purposes. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$500,000 and \$0, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$3,958.33 per month which includes interest with an initial interest rate of 9.50%. The balance of principal and interest is payable on September 13, 2028.

June 4, 2024– \$900,000 – Yoshiharu Las Vegas

On June 4, 2024, Yoshiharu Las Vegas (the “YLV”) executed the standard loan documents required for securing a loan of \$900,000 from a commercial bank, with proceeds to be used to acquire certain assets of three restaurants in Las Vegas. As of June 30, 2024 and December 31, 2023, the balance of the loan is \$900,000 and \$0, respectively.

Pursuant to that certain Loan Authorization and Agreement, interest accrues at a variable rate that is subject to change from time to time based on changes in an independent index which is the Prime Rate as published in the Wall Street Journal per annum and will accrue only on funds actually advanced from the date of each advance. The loan requires a payment of \$18,964.14 per month which includes principal and interest with an initial interest rate of 9.50%. The balance of principal and interest is payable on December 6, 2028.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

9. LOAN PAYABLES, EIDL

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
June 13, 2020 (\$150,000 - EIDL) - AA	\$ 140,376	\$ 142,104
June 13, 2020 (\$150,000 - EIDL) - BB	140,392	142,119
July 15, 2020 (\$150,000 - EIDL) - JJ	<u>139,906</u>	<u>141,642</u>
Total loans payables, EIDL	420,674	425,865
Less - current portion	<u>(5,312)</u>	<u>(10,536)</u>
Total loans payables, EIDL, less current portion	<u>\$ 415,362</u>	<u>\$ 415,329</u>

The following table provides future minimum payments as of June 30, 2024:

<i>For the years ended</i>	<i>Amount</i>
2024 (remaining nine months)	\$ 5,312
2025	10,928
2026	11,345
2027	11,777
2028	12,227
Thereafter	<u>369,085</u>
Total	\$ 420,674

June 13, 2020 – \$150,000 – Global AA Group, Inc.

On June 13, 2020, Global AA Group, Inc. (the “AA”) executed the standard loan documents required for securing a loan (the “EIDL Loan”) from the SBA under its Economic Injury Disaster Loan (“EIDL”) assistance program in light of the impact of the COVID-19 pandemic on the AA’s business.

Pursuant to that certain Loan Authorization and Agreement, the AA borrowed an aggregate principal amount of the AA EIDL Loan of \$150,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly since May 14, 2021 (twelve months from the date of the AA EIDL Loan) in the amount of \$731. The balance of principal and interest is payable thirty years from the date of the AA EIDL Loan. In connection therewith, the AA also received a \$10,000 grant, which does not have to be repaid.

In connection therewith, the AA executed (i) a loan for the benefit of the SBA, which contains customary events of default and (ii) a security agreement, granting the SBA a security interest in all tangible and intangible personal property of the AA, which also contains customary events of default.

June 13, 2020 – \$150,000 – Global BB Group, Inc.

On June 13, 2020, Global BB Group, Inc. (the “BB”) executed the standard loan documents required for securing an EIDL loan (the “BB EIDL Loan”) from the SBA in light of the impact of the COVID-19 pandemic on the BB’s business.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

9. LOAN PAYABLES, EIDL (Continued)

Pursuant to that certain Loan Authorization and Agreement, the BB borrowed an aggregate principal amount of the BB EIDL Loan of \$150,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly since May 14, 2021 (twelve months from the date of the BB EIDL Loan) in the amount of \$731. The balance of principal and interest is payable thirty years from the date of the BB EIDL Loan. In connection therewith, the BB also received a \$10,000 grant, which does not have to be repaid.

In connection therewith, the BB executed (i) a loan for the benefit of the SBA, which contains customary events of default and (ii) a security agreement, granting the SBA a security interest in all tangible and intangible personal property of the BB, which also contains customary events of default.

July 15, 2020 – \$150,000 – Global JJ Group, Inc.

On July 15, 2020, Global JJ Group, Inc. (the “JJ”) executed the standard loan documents required for securing an EIDL loan (the “JJ EIDL Loan”) from the SBA in light of the impact of the COVID-19 pandemic on the JJ’s business.

Pursuant to that certain Loan Authorization and Agreement, the JJ borrowed an aggregate principal amount of the JJ EIDL Loan of \$150,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 3.75% per annum and will accrue only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly since May 14, 2021 (twelve months from the date of the JJ EIDL Loan) in the amount of \$731. The balance of principal and interest is payable thirty years from the date of the JJ EIDL Loan.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

10. LOANS PAYABLE TO FINANCIAL INSTITUTIONS

Loans payable to financial institutions consist of the following:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
November 17, 2023 (\$76,400) – AA Loan agreement with principal amount of \$76,400 and repayment rate of 44.17% for a total of \$93,972. The loan payable matures on November 11, 2024	21,396	65,896
November 17, 2023 (\$115,600) - BB Loan agreement with principal amount of \$115,600 and repayment rate of 43.01% for a total of \$142,188. The loan payable matures on November 11, 2024	43,611	101,649
November 21, 2023 (\$91,000) - CC (CO) Loan agreement with principal amount of \$91,000 and repayment rate of 46.27% for a total of \$113,750. The loan payable matures on November 15, 2024	54,918	85,080
November 30, 2023 (\$132,100) - CC (EV) Loan agreement with principal amount of \$132,100 and repayment rate of 43.39% for a total of \$162,483. The loan payable matures on November 24, 2024	65,120	123,276
November 20, 2023 (\$89,400) - JJ (BP) Loan agreement with principal amount of \$89,400 and repayment rate of 44.54% for a total of \$110,856. The loan payable matures on November 14, 2024	29,675	81,299
November 20, 2023 (\$90,900) - JJ (OR) Loan agreement with principal amount of \$90,900 and repayment rate of 43.99% for a total of \$111,807. The loan payable matures on November 14, 2024	21,428	77,039
Total loan payable	\$ 236,148	\$ 534,239

11. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

- **Due to related party** – From time to time, the Company loaned money to APIIS Financial Group, a company owned by James Chae, who is also the majority stockholder and CEO of the Company. The balance is non-interest bearing and due on demand. As of June 30, 2024 and December 31, 2023, the balance was \$1,157,800 and \$24,176, respectively.
- **Related party compensation** – For the six months ended June 30, 2024 and 2023, the compensation to James Chae was \$95,879 and \$123,432, respectively.
- **Notes payable and Convertible notes to related party** –. On June 12, 2024, the Company consummated the acquisition of certain assets in three Las Vegas restaurants from Mr. Jihyuck Hwang. Total acquisition cost was \$3.6 million, consisting of \$1.8 million in cash, issuance of a \$600,000 promissory note and issuance of a \$1.2 million convertible note to Mr. Hwang. The promissory note will be repaid in two equal installments without interest, while the convertible note, maturing one year from closing, accrues 0.5% interest annually and allows conversion into Class A common stock based on a specific price formula. As of June 30, 2024, the balances were \$600,000 and \$1.2 million for the promissory note and the convertible note, respectively. The balances were zero as of December 31, 2023.
- **Combination of Entities Under Common Control** - Effective October 2021, JJ transferred IP assets to James Chae, and then Mr. Chae contributed 100% of the equity interests in each of the Entities (as defined in Note 1 above) to Yoshiharu Holdings Co., a California corporation (“Holdings”), for purposes of consolidating the Business operations into a single entity. Mr. Chae was issued an aggregate 3,205,000 shares in Holdings, which reflected the aggregate number of shares originally issued to Mr. Chae by the Entities, in exchange for 100% of each Entity (on a 1 for 1 share exchange basis). In addition, effective October 2021, Mr. Chae transferred the IP to Holdings in exchange for the issuance of 6,245,900 shares in Holdings in order to bring his total shareholdings in Holdings up to an aggregate 9,450,900 shares. On December 9, 2021, the Company’s sole director at the time, James Chae, approved (a) a share exchange agreement whereby Mr. Chae, as the sole stockholder of Holdings, received 9,450,900 shares of Yoshiharu, representing 100% of issued shares at that time, and Yoshiharu received all of the shares of Holdings, and (b) the redemption of 670,000 shares of Yoshiharu’s class A common stock from Mr. Chae whereby Yoshiharu would repurchase such shares from Mr. Chae at par value.
- **Private Placement** - In December 2021, the Company received subscriptions for the sale of 670,000 shares of class A common stock to investors for \$2.00 per share, for total expected proceeds of \$1,340,000. Many of these investors are friends and family of James Chae. As of March 31, 2022, the Company had received \$1,340,000 of the expected proceeds.
- **Exchange class A common stock for class B common stock** - Immediately prior to the IPO in September 2022, the Company exchanged 1,000,000 shares of class A common stock held by James Chae into 1,000,000 shares of class B common stock.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. INCOME TAX

Total income tax (benefit) expense consists of the following:

<i>For the Six Months Ended June 30,</i>	<u>2024</u>	<u>2023</u>
Current provision (benefit):		
Federal	\$ -	\$ -
State	21,838	6,988
Total current provision (benefit)	<u>21,838</u>	<u>6,988</u>
Deferred provision (benefit):		
Federal	-	-
State	-	-
Total deferred provision (benefit)	<u>-</u>	<u>-</u>
Total tax provision (benefit)	\$ <u>21,838</u>	\$ <u>6,988</u>

A reconciliation of the Company's effective tax rate to the statutory federal rate is as follows:

<i>June 30,</i>	<u>2024</u>	<u>2023</u>
Statutory federal rate	21.00%	21.00%
State income taxes net of federal income tax benefit and others	8.84%	8.84%
Permanent differences for tax purposes and others	-%	-%
Change in valuation allowance	<u>-29.84%</u>	<u>-29.84%</u>
Effective tax rate	0.00%	0%

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

12. INCOME TAX (Continued)

The income tax benefit differs from the amount computed by applying the U.S. federal statutory tax rate of 21% and California state income taxes of 8.84% due to the change in the valuation allowance.

	<i>June 30, 2024</i>	<i>December 31, 2023</i>
Deferred tax assets:		
Net operating loss	\$ 1,854,000	\$ 1,438,000
Other temporary differences	-	-
Total deferred tax assets	1,854,000	1,438,000
Less – valuation allowance	(1,854,000)	(1,438,000)
Total deferred tax assets, net of valuation allowance	\$ -	\$ -

Deferred income taxes reflect the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of deferred tax assets and liabilities are as follows:

As of December 31, 2023, the Company had available net operating loss carryovers of approximately \$6,849,000. Per the Tax Cuts and Jobs Act (TCJA) implemented in 2018, the two-year carryback provision was removed and now allows for an indefinite carryforward period. The carryforwards are limited to 80% of each subsequent year's net income. As a result, net operating loss may be applied against future taxable income and expires at various dates subject to certain limitations. The Company has a deferred tax asset arising substantially from the benefits of such net operating loss deduction and has recorded a valuation allowance for the full amount of this deferred tax asset since it is more likely than not that some or all of the deferred tax asset may not be realized.

The Company files income tax returns in the U.S. federal jurisdiction and California and is subject to income tax examinations by federal tax authorities for tax year ended 2018 and later and subject to California authorities for tax year ended 2017 and later. The Company currently is not under examination by any tax authority. The Company's policy is to record interest and penalties on uncertain tax positions as income tax expense. As of June 30, 2024 and December 31, 2023, the Company has no accrued interest or penalties related to uncertain tax positions.

As of June 30, 2024, the Company had cumulative net operating loss carryforwards for federal tax purposes of approximately \$8,830,000. In addition, the Company had state tax net operating loss carryforwards of the same amount. The carryforwards may be applied against future taxable income and expires at various dates subject to certain limitations.

13. COMMITMENTS AND CONTINGENCIES

Commitments

Operating lease right-of-use ("ROU") assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Generally, the implicit rate of interest in arrangements is not readily determinable and the Company utilizes its incremental borrowing rate in determining the present value of lease payments. The Company's incremental borrowing rate is a hypothetical rate based on its understanding of what its credit rating would be. The operating lease ROU asset includes any lease payments made and excludes lease incentives. Our variable lease payments primarily consist of maintenance and other operating expenses from our real estate leases. Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components. The Company has elected to account for these lease and non-lease components as a single lease component.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENCIES (Continued)

In accordance with ASC 842, the components of lease expense were as follows:

	<i>June 30,</i>	
<i>For the six months ended</i>	<i>2024</i>	<i>2023</i>
Operating lease expense	\$ 591,643	\$ 457,959
Total lease expense	\$ 591,643	\$ 457,959

In accordance with ASC 842, other information related to leases was as follows:

	<i>2024</i>	<i>2023</i>
<i>For the six months ended</i>		
Operating cash flows from operating leases	\$ 542,277	\$ 389,270
Cash paid for amounts included in the measurement of lease liabilities	\$ 542,277	\$ 389,270
Weighted-average remaining lease term—operating leases		6.8 Years
Weighted-average discount rate—operating leases		7%

	Operating Lease
<i>Year ending:</i>	
2024 (remaining six months)	\$ 675,014
2025	1,203,909
2026	1,205,462
2027	1,175,514
2028	1,120,321
Thereafter	4,014,262
Total undiscounted cash flows	\$ 9,394,482

Reconciliation of lease liabilities:	
Weighted-average remaining lease terms	6.8 Years
Weighted-average discount rate	7%
Present values	\$ 7,890,362
Lease liabilities—current	882,627
Lease liabilities—long-term	7,007,735
Lease liabilities—total	\$ 7,890,362
Difference between undiscounted and discounted cash flows	\$ 1,504,120

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

14. STOCKHOLDERS' EQUITY

Class A Common Stock

The Company has authorization to issue and have outstanding at any one time 49,000,000 shares of class A common stock with a par value of \$0.0001 per share. Each share of class A common stock entitles its holder to one vote on all matters to be voted on by stockholders generally.

See Note 1 and Note 8 above for details regarding the issuance and redemption of shares of the Company's class A common stock to and from James Chae, the Company's majority stockholder, in December 2021.

In December 2021, the Company received subscriptions for the sale of 670,000 shares of class A common stock to investors for \$2.00 per share, for total expected proceeds of \$1,340,000. As of March 31, 2022, the Company had received \$1,340,000 of the expected proceeds.

In September 2022, the Company consummated its initial public offering (the "IPO") of 2,940,000 shares of its class A common stock at a public offering price of \$4.00 per share, generating gross proceeds of \$11,760,000. Net proceeds from the IPO was approximately \$10.3 million after deducting underwriting discounts and commissions and other offering expenses of approximately \$1.5 million.

Immediately prior to the IPO, the Company issued 549,100 shares of class A common stock as compensation to directors and consultants. The Company has accrued approximately \$1.1 million of compensation expense at December 31, 2021 for the 549,100 shares at \$2.00 per share, which the Company's board of directors determined to reflect the then current fair market value of the Company's Class A common stock. Upon the issuance of the 549,100 shares, the accrued liability was adjusted to additional paid-in-capital.

The Company also granted the underwriters a 45-day option to purchase up to 441,000 additional shares (equal to 15% of the shares of class A common stock sold in the IPO) to cover over-allotments, if any, which the underwriters did not exercise. In addition, the Company issued to the representative of the underwriters warrants to purchase a number of shares of class A common stock equal to 5.0% of the aggregate number of shares of Class A common stock sold in the IPO (including shares of Class A common stock sold upon exercise of the over-allotment option). The representative's warrants will be exercisable at any time and from time to time, in whole or in part, during the four-and-1/2-year period commencing six months from the date of commencement of the sales of the shares of Class A common stock in connection with the IPO, at an initial exercise price per share of \$5.00 (equal to 125% of the initial public offering price per share of class A common stock). No representative's warrants have been exercised.

On November 22, 2023, the Company filed the Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation to effect the Reverse Stock Split of its issued Common Stock in the ratio of 1-for-10 effective at 11:59 p.m. eastern on November 27, 2023. The Common Stock began trading on a split-adjusted basis at the market open on Tuesday, November 28, 2023.

No fractional shares were issued as a result of the Reverse Stock Split. Instead, any fractional shares that would have resulted from the Reverse Stock Split were rounded up to the next whole number. As a result, a total of 34,846 shares of Class A common stock were issued and total of 1,230,246 shares of Class A common stock were outstanding as of December 31, 2023. The Reverse Stock Split affected all stockholders uniformly and did not alter any stockholder's percentage interest in the Company's outstanding Common Stock, except for adjustments that may result from the treatment of fractional shares. The number of authorized shares of Common Stock of the Company and number of authorized, issued, and outstanding shares of the preferred stock of the Company were not changed.

On January 5, 2024, the Company entered into a Securities Purchase Agreement with Alumni Capital LP, an accredited investor ("the Investor"), allowing the Company to sell up to \$5,000,000 in Class A common stock to the Investor, subject to certain conditions including SEC approval of a registration statement. The Company controls the timing and amount of these sales until June 30, 2024, influenced by market conditions and trading prices. The shares will be sold at either 85% or 96% of the lowest trading price over the five days prior to closing, with specific limits on the amounts for each price option. The total shares sold cannot exceed 237,885 without stockholder approval, and the Investor's ownership is capped at 9.99% of the outstanding shares. As consideration, the Company will issue 24,950 shares of Common Stock to the Investor, divided into two tranches.

On January 9, 2024, Yoshiharu Global Co. issued 12,745 shares of Class A Common Stock as commitment shares pursuant to this agreement.

On April 18, 2024, the Company amended the Securities Purchase Agreement with Alumni Capital LP to extended the commitment period ending on the earlier of (i) December 31, 2024, or (ii) the date on which the Investor shall have purchased Securities pursuant to the Securities Purchase Agreement for an aggregate purchase price of the commitment amount.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

14. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

Class B Common Stock

The Company has authorization to issue and have outstanding at any one time 1,000,000 shares of Class B common stock with a par value of \$0.0001 per share. The holders of class B common stock are entitled to 10 votes per share, and to vote together as a single class with holders of class A common stock with respect to any question or matter upon which holders of class A common stock have the right to vote, unless otherwise required by applicable law or our amended and restated certificate of incorporation.

The holders of class B common stock are entitled to dividends as declared by the Company's Board of Directors from time to time at the same rate per share as the class A common stock.

The holders of the class B common stock have the following conversion rights with respect to the class B common stock into shares of class A common stock:

- all of the shares of class B common stock will automatically convert into class A common stock on a one-for-one basis upon the earlier of (A) the date such shares cease to be beneficially owned by James Chae and (B) 5:00 p.m. Pacific Time on the date that James Chae ceases to beneficially own at least 25% of the voting power of all the outstanding shares of capital stock of the Company; and
- at the election of the holder of class B common stock, any share of class B common stock may be voluntarily converted into one share of class A common stock.

Immediately prior to the IPO in September 2022, the Company exchanged 1,000,000 shares of class A common stock held by James Chae into 1,000,000 shares of class B common stock.

On November 22, 2023, the Company filed the Certificate of Amendment to the Company's Amended and Restated Certificate of Incorporation to effect the Reverse Stock Split of its issued Class B common stock in the ratio of 1-for-10 to be effective at 11:59 p.m. eastern on November 27, 2023. As a result, a total of 100,000 shares of Class B common stock were issued and outstanding as of June 30, 2024 and December 31, 2023.

15. EARNINGS PER SHARE

The Company calculates earnings per share in accordance with FASB ASC 260, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share are computed using the weighted average number of shares outstanding during the fiscal year. The Company did not have any dilutive common shares for the six months ended June 30, 2024 and 2023.

16. SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after June 30, 2024 up through the date the unaudited consolidated financial statements were available to be issued. During this period, the Company did not have any material recognizable subsequent events required to be disclosed as of and for the six-month period ended June 30, 2024.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K/A for the year ending December 31, 2023. As discussed in the section titled “Note Regarding Forward-Looking Statements,” the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled “Risk Factors” in our Annual Report on Form 10-K/A for the year ending December 31, 2023.

Overview of Yoshiharu

Yoshiharu is a fast-growing Japanese restaurant operator and was borne out of the idea of introducing the modernized Japanese dining experience to customers all over the world. Specializing in Japanese ramen, Yoshiharu gained recognition as a leading ramen restaurant in Southern California within six months of our 2016 debut and has continued to expand our top-notch restaurant service across Southern California, currently owning and operating 14 restaurant stores with an additional 3 restaurant stores under construction/development/acquisition as of June 30, 2024.

We take pride in our warm, hearty, smooth, and rich bone broth, which is slowly boiled for over 12 hours. Customers can taste and experience supreme quality and deep flavors. Combining the broth with the fresh, savory, and highest-quality ingredients, Yoshiharu serves the perfect, ideal ramen, as well as offers customers a wide variety of sushi rolls, bento menu and other favorite Japanese cuisine. Our acclaimed signature Tonkotsu Black Ramen has become a customer favorite with its slow cooked pork bone broth and freshly made, tender chashu (braised pork belly).

Our mission is to bring our Japanese ramen and cuisine to the mainstream, by providing a meal that customers find comforting. Since the inception of the business, we have been making our own ramen broth and other key ingredients such as pork chashu and flavored eggs from scratch, whereby upholding the quality and taste of our foods, including the signature texture and deep, rich flavor of our handcrafted broth. Moreover, we believe that slowly cooking the bone broth makes it high in collagen and rich in nutrients. Yoshiharu also strives to present food that is not only healthy, but also affordable. We feed, entertain and delight our customers, with our active kitchens and bustling dining rooms providing happy hours, student and senior discounts, and special holiday events. As a result of our vision, customers can comfortably enjoy our food in a friendly and welcoming atmosphere.

We operate in a large and rapidly growing market. We believe the consumer appetite for Asian cuisine is widespread across many demographics and grants us the opportunity to expand in both existing and new U.S. markets, as well as internationally.

Our Growth Strategies

Pursue New Restaurant Development.

We have pursued a disciplined new corporate owned growth strategy. Having expanded our concept and operating model across varying restaurant sizes and geographies, we plan to leverage our expertise opening new restaurants to fill in existing markets and expand into new geographies. While we currently aim to achieve in excess of 100% annual unit growth rate over the next three to 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 but not limited to landlord delays; competition in existing and new markets, including competition for restaurant sites; and the lack of development and overall decrease in commercial real estate due to macroeconomic decline. 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 recent periods. We believe we will be able to generate future comparable restaurant sales growth by growing traffic through increased brand awareness, consistent delivery of a satisfying 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, including the potential of a larger format restaurant with a sake bar concept. In addition to the strategies stated above, we expect to initiate sales of franchises in 2024.

Increase Profitability.

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 AUV's 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. We also are exploring the development of instant ramen noodles which we would distribute through retail channels. We intend to explore partnerships with grocery retailers to provide small-format Yoshiharu kiosks in stores to promote a limited selection of Yoshiharu cuisine.

Experienced Management Team Dedicated to Growth.

Our team is led by experienced and passionate senior management who are committed to our mission. We are led by our Chief Executive Officer, James Chae. Mr. Chae founded Yoshiharu in 2016 and leads a team of talented professionals with deep financial, operational, culinary, and real estate experience.

Components of Our Results of Operations

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

Labor. Labor includes 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 increase. 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.

Rent and utilities. Rent and utilities 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 ten years.

Delivery and service fees. The Company's customers may order online through third party service providers such as Uber Eats, Door Dash, Grubhub and others. These third-party service providers charge delivery and order fees to the Company.

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.

Advertising and marketing expenses. Advertising and marketing expenses include expenses associated with marketing campaigns and periodic advertising. Advertising and marketing expenses are expected to grow leading up to the planned openings of restaurant locations and is expected to stabilize as an average by location as our sales grow.

Interest expense. Interest expense includes non-cash charges related to our capital lease obligations and bank notes payable.

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

Results of Operations

The following table presents selected comparative results of operations from our unaudited financial statements for the six months ended June 30, 2024 compared to six months ended June 30, 2023. 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.

Three and Six Months ended June 30, 2024 Compared to Three and Six Months ended June 30, 2023

	<i>Six Months ended June 30,</i>		<i>Increase / (Decrease)</i>	
	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
Revenue	\$ 6,137,005	\$ 4,689,043	\$ 1,447,962	30.9%
Restaurant operating expenses:				
Food, beverages and supplies	1,508,572	1,229,341	279,231	22.7%
Labor	2,780,661	2,003,481	777,180	38.8%
Rent and utilities	769,296	555,376	213,920	38.5%
Delivery and service fees	280,916	284,950	(4,034)	-1.4%
Depreciation	350,327	251,687	98,640	39.2%
Total restaurant operating expenses	5,689,772	4,324,835	1,364,937	31.6%
Net restaurant operating income	447,233	364,208	(46,163)	-12.7%
General and administrative	2,012,054	2,222,346	(210,292)	-9.5%
Compensation to related party	95,879	123,432	(27,553)	-22.3%
Advertising and marketing	58,564	52,542	6,022	11.5%
Total operating expenses	2,166,497	2,398,320	(231,823)	-9.7%
Loss from operations	(1,719,264)	(2,034,112)	314,848	-15.5%
Other income (expense):				
Gain on disposal of fixed asset	-	8,920	(8,920)	-100.0%
Other income	12,207	6,990	5,217	74.6%
Interest	(252,126)	(138,828)	(113,298)	81.6%
Loss before income taxes	(1,959,183)	(2,157,030)	197,847	-9.2%
Income tax provision	21,838	6,988	14,850	212.5%
Net loss	\$ (1,981,021)	\$ (2,164,018)	\$ 182,997	-8.5%

	<i>Three Months ended June 30,</i>		<i>Increase / (Decrease)</i>	
	<u>2024</u>	<u>2023</u>	<u>\$</u>	<u>%</u>
Revenue	\$ 3,325,396	\$ 2,209,469	\$ 1,115,927	50.5%
Restaurant operating expenses:				
Food, beverages and supplies	840,680	577,895	262,785	45.5%
Labor	1,494,127	865,414	628,713	72.6%
Rent and utilities	450,728	256,913	193,815	75.4%
Delivery and service fees	137,555	137,113	442)	0.3%
Depreciation	179,645	123,417	56,228	45.6%
Total restaurant operating expenses	3,102,735	1,960,752	1,141,983	58.2%
Net restaurant operating income	222,661	248,717	(26,056)	-10.5%
General and administrative	1,091,653	1,161,893	(70,240)	-6.0%
Compensation to related party	53,725	11,384	42,341	371.9%
Advertising and marketing	24,660	26,200	(1,540)	-5.9%
Total operating expenses	1,170,038	1,199,477	(29,439)	-2.5%
Loss from operations	(947,377)	(950,760)	3,383	-0.4%
Other income (expense):				
Gain on disposal of fixed asset	-	8,920	(8,920)	-100.0%
Other income	12,207	6,990	5,217	74.6%
Interest	(147,808)	(77,691)	(70,117)	90.3%
Loss before income taxes	(1,082,978)	(1,012,541)	(70,437)	7.0%
Income tax provision	21,838	6,988	14,850	212.5%
Net loss	\$ (1,104,816)	\$ (1,019,529)	\$ (85,287)	8.4%

Revenues. Revenues were \$6.1 million for the six months ended June 30, 2024 compared to \$4.7 million for the six months ended June 30, 2023, representing an increase of approximately \$1.4 million, or 30.9%. The increase in revenue for the six-month period was primarily driven by the three new Las Vegas restaurants acquired in April 2024 which represents a \$1.3 million increase in revenues compared to the prior period.

Revenues. Revenues were \$3.3 million for the three months ended June 30, 2024 compared to \$2.2 million for the three months ended June 30, 2023, representing an increase of approximately \$1.1 million, or 50.5%. The increase in revenue for the three-month period was primarily driven by the three new Las Vegas restaurants acquired in April 2024 which represents a \$1.3 million increase in revenues compared to the prior period.

Food, beverage and supplies. Food, beverage and supplies costs were approximately \$1.5 million for the six months ended June 30, 2024 compared to \$1.2 million for the six months ended June 30, 2023, representing an increase of approximately \$0.3 million, or 22.7%. The increase in costs for the six-month period was primarily driven by increases in revenues from the three new Las Vegas restaurants acquired. As a percentage of sales, food, beverage and supply costs stayed comparable at 22.7% in the six months ended June 30, 2024 and at 24.6% in the six months ended June 30, 2023.

Food, beverage and supplies. Food, beverage and supplies costs were approximately \$0.8 million for the three months ended June 30, 2024 compared to \$0.6 million for the three months ended June 30, 2023, representing an increase of approximately \$0.2 million, or 45.5%. The increase in costs for the three-month period was primarily driven by increases in revenues from the three new Las Vegas restaurants acquired. As a percentage of sales, food, beverage and supply costs stayed comparable at 25.3% in the three months ended June 30, 2024 and at 26.2% in the three months ended June 30, 2023.

Labor. Labor and related costs were approximately \$2.8 million for the six months ended June 30, 2024 compared to \$2.0 million for the six months ended June 30, 2023, representing an increase of approximately \$0.8 million, or 38.8%. The increase in costs was largely driven by additional labor costs incurred with respect to the three new Las Vegas restaurants acquired. As a percentage of sales, labor and related costs was 45.3% in the six months ended June 30, 2024 compared to 42.7% in the six months ended June 30, 2023.

Labor. Labor and related costs were approximately \$1.5 million for the three months ended June 30, 2024 compared to \$0.9 million for the three months ended June 30, 2023, representing an increase of approximately \$0.6 million, or 72.6%. The increase in costs was largely driven by additional labor costs incurred with respect to the three new Las Vegas restaurants acquired. As a percentage of sales, labor and related costs was 44.9% in the three months ended June 30, 2024 compared to 39.2% in the three months ended June 30, 2023.

Rent and utilities. Rent and utilities expenses were approximately \$769 thousand for the six months ended June 30, 2024 compared to \$555 thousand for the six months ended June 30, 2023, representing an increase of approximately \$214 thousand, or 38.5%. The increase was primarily a result of the three new Las Vegas restaurants acquired. As a percentage of sales, rent and utilities ratio for the six months ended June 30, 2024 was 12.5% which is comparable to 11.8% in the prior period.

Rent and utilities. Rent and utilities expenses were approximately \$451 thousand for the three months ended June 30, 2024 compared to \$257 thousand for the three months ended June 30, 2023, representing an increase of approximately \$194 thousand, or 75.4%. The increase was primarily a result of the three new Las Vegas restaurants acquired. As a percentage of sales, rent and utilities ratio for the three months ended June 30, 2024 was 13.6% which is comparable to 11.6% in the prior period.

Delivery and service fees. Delivery and service fees incurred were approximately \$281 thousand for the six months ended June 30, 2024 compared to \$285 thousand for the six months ended June 30, 2023, representing a comparable expenses as more customers preferred in-dining rather than take-out during the post-Covid period. As a percentage of sales, delivery and service fees ratio for the six months ended June 30, 2024 decreased to 4.6% compared to 6.1% in the prior period due to the decrease of take-out sales in the sales mix between the in-dining and take-out.

Delivery and service fees. Delivery and service fees incurred were approximately \$138 thousand for the three months ended June 30, 2024 compared to \$137 thousand for the three months ended June 30, 2023, representing a comparable expenses as more customers preferred in-dining rather than take-out during the post-Covid period. As a percentage of sales, delivery and service fees ratio for the three months ended June 30, 2024 decreased to 4.1% compared to 6.2% in the prior period due to the decrease of take-out sales in the sales mix between the in-dining and take-out.

Depreciation and amortization expenses. Depreciation and amortization expenses incurred were approximately \$350 thousand for the six months ended June 30, 2024 compared to \$252 thousand for the six months ended June 30, 2023, representing an increase of approximately \$99 thousand, or 39.2%. The increase was primarily due to the three new Las Vegas restaurants acquired in April 2024 and three more restaurants opened in April 2023, December 2023, and February 2024.

Depreciation and amortization expenses. Depreciation and amortization expenses incurred were approximately \$180 thousand for the three months ended June 30, 2024 compared to \$123 thousand for the three months ended June 30, 2023, representing an increase of approximately \$56 thousand, or 45.6%. The increase was primarily due to the three new Las Vegas restaurants acquired in April 2024 and three more restaurants opened in April 2023, December 2023, and February 2024.

General and administrative expenses. General and administrative expenses were approximately \$2.0 million for the six months ended June 30, 2024 compared to \$2.2 million for the six months ended June 30, 2023, representing a decrease of approximately \$0.2 million or 9.5%. This decrease in general and administrative expenses was primarily due to the management efforts to control various professional service fees and corporate-level costs while maintaining the corporate level support for the restaurant operations. As a percentage of sales, general and administrative expenses decreased to 32.8% in the six months ended June 30, 2024 from 47.4% in the six months ended June 30, 2023, primarily due to the management efforts.

General and administrative expenses. General and administrative expenses were approximately \$1.1 million for the three months ended June 30, 2024 compared to \$1.2 million for the three months ended June 30, 2023, representing a decrease of approximately \$70 thousand or 6.0%. This decrease in general and administrative expenses was primarily due to the management efforts to control various professional service fees and corporate-level costs while maintaining the corporate level support for the restaurant operations. As a percentage of sales, general and administrative expenses decreased to 32.8% in the three months ended June 30, 2024 from 52.6% in the three months ended June 30, 2023, primarily due to the management efforts.

Related party compensation: Compensation to James Chae was approximately \$96 thousand for the six months ended June 30, 2024 compared to \$123 thousand for the six months ended June 30, 2023, representing a decrease of approximately \$28 thousand in an effort to control the expenses. As a percentage of sales, related party compensation was 1.6% in the six months ended June 30, 2024 and 2.6% in the six months ended June 30, 2023.

Related party compensation: Compensation to James Chae was approximately \$54 thousand for the three months ended June 30, 2024 compared to \$11 thousand for the three months ended June 30, 2023, representing an increase of approximately \$42 thousand. As a percentage of sales, related party compensation was 1.6% in the three months ended June 30, 2024 and 0.5% in the three months ended June 30, 2023.

Key Performance Indicators

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

Revenue

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

We believe that the use of EBITDA, and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. However, you should be aware when evaluating EBITDA, 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 loss to EBITDA, and Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.

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

	<i>Six Months ended June 30,</i>	
	<u>2024</u>	<u>2023</u>
Net loss, as reported	\$ (1,981,021)	\$ (2,164,018)
Interest, net	252,126	138,828
Taxes	21,838	6,988
Depreciation and amortization	363,603	251,687
EBITDA	<u>(1,343,454)</u>	<u>(1,766,515)</u>
Restaurants opening costs (a)	121,300	404,356
Gain on disposal of fixed asset	-	(8,920)
Adjusted EBITDA	<u>\$ (1,222,154)</u>	<u>\$ (1,371,079)</u>

(a) Represents expenses incurred to secure the restaurant locations under development and costs to reserve back-office managers to manage those restaurants.

Restaurant-level Contribution and Restaurant-level Contribution Margin

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 net restaurant operating income to Restaurant-level Contribution and Restaurant-level Contribution margin for the years ended June 30, 2024 and June 30, 2023:

	<i>Six Months ended June 30,</i>	
	<i>2024</i>	<i>2023</i>
Net restaurant operating income, as reported	\$ 447,233	\$ 364,208
Depreciation	350,327	251,687
Restaurant-level Contribution	<u>\$ 668,372</u>	<u>\$ 615,895</u>
Operating profit margin	7.3%	7.8%
Restaurant-level Contribution Margin (a)	13.0%	13.1%

(a) Represents restaurant-level contribution divided by revenue.

Average Unit Volumes (AUVs)

“Average Unit Volumes” or “AUVs” consist of the average annual sales of all restaurants that have been open for 3 months or longer at the end of the period presented. AUVs are calculated by dividing (x) annual sales for the 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 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 following table shows the AUVs for the six months ended June 30, 2024 and June 30, 2023, respectively:

	<i>Six Months ended June 30,</i>	
	<i>2024</i>	<i>2023</i>
Average Unit Volumes	\$ 1,088,764	\$ 1,172,261

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, borrowings from banks, and sales of common shares.

We believe that the expected cash flow from operations and the proceeds from the sales of equity to Alumni pursuant to our equity line agreement will be adequate to fund operating lease obligations, capital expenditures and working capital obligations for at least the next 12 months and thereafter.

Summary of Cash Flows

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

	Six Months Ended June 30,	
	2024	2023
Statement of Cash Flow Data:		
Net cash provided by (used in) operating activities	\$ 621,458	\$ (2,548,260)
Net cash used in investing activities	(2,198,641)	(1,040,797)
Net cash provided by financing activities	1,309,031	430,373

Cash Flows Provided by (Used in) Operating Activities

Net cash provided by operating activities during the six-month period ended June 30, 2024 was \$621,458 which resulted from net loss of \$1,981,021, non-cash charges of \$363,603 for depreciation and amortization and net cash inflows of \$2,238,876 from changes in operating assets and liabilities. The net loss was lower for the period relative to prior periods as a result of management efforts to control general and administrative expenses. The net cash inflows from changes in operating assets and liabilities were the result of increases in due to related party by \$1,133,624 and accounts payable and accrued expenses by \$221,197 and a decrease in other assets by \$1,018,133 which was offset by the increases in accounts receivable by \$108,348 and inventory by \$25,730.

Net cash used in operating activities during the six-month period ended June 30, 2023 was \$2,548,260, which resulted from net loss of \$2,164,018, non-cash charges of \$242,767 for depreciation and amortization and net cash outflows of \$627,009 from changes in operating assets and liabilities. The net loss was significantly higher for the period relative to prior periods as a result of restaurant startup costs and increased general and administrative expenses. The net cash outflows from changes in operating assets and liabilities were primarily the result of an increase in other assets by \$650,515 and decreases in payables of \$45,103, which was offset by decreases in inventory and an increase in due to related party of \$68,609. The increase in other assets of \$650,515 primarily consists of a payment of \$294,276 in escrow to purchase a restaurant in Southern California and an investment of \$300,000 in a financial company for a fixed interest income.

Cash Flows Used in Investing Activities

Net cash used in investing activities during the six months ended June 30, 2024 and 2023 was \$2,198,641 and \$1,040,797, respectively. For the acquisition of Las Vegas restaurants in total price of \$3.6 million, the Company used total \$1.8 million of cash with non-cash financing for \$1.8 million for the six-month period ended June 30, 2024. Excluding the acquisition of Las Vegas restaurants, expenditures in each period are primarily related to purchases of property and equipment in connection with current and future restaurant openings.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities during the six months ended June 30, 2024 was \$1,309,031 due to \$1,914,830 cash received through bank borrowings, offset by \$669,948 of repayment of bank borrowings and loan payable to financial institutions.

Net cash provided by financing activities during the six months ended June 30, 2023 was \$412,785 due to \$500,000 cash received through line of credit, offset by \$69,627 of repayment of bank borrowings.

Contractual Obligations

The following table presents our commitments and contractual obligations as of June 30, 2024, as well as our long-term obligations:

	Payments due by period as of June 30, 2024				
	Total	2024 (remaining six months)	2025-2026	2027-2028	Thereafter
Capital lease payments	\$ 9,394,482	\$ 675,014	\$ 2,409,371	\$ 2,295,835	\$ 4,014,262
Bank note payables	2,954,493	617,208	1,284,075	773,106	280,104
EIDL loan payables	420,674	5,312	22,273	24,004	369,085
Loans payable to financial institutions	236,148	236,148	-	-	-
Total contractual obligations	\$ 13,005,797	\$ 1,533,682	\$ 3,715,719	\$ 3,092,945	\$ 4,663,451

Income Taxes

The Company files income tax returns in the U.S. federal and California state jurisdictions.

We are considered a U.S. corporation and a regarded entity for U.S. federal, state and local income taxes. Accordingly, a provision will be recorded for the anticipated tax consequences of our reported results of operations for U.S. federal, state and foreign income taxes.

JOBS Act Accounting Election

We are an “emerging growth company,” as defined in the JOBS Act, and may take advantage of certain exemptions from various public company reporting requirements for up to five years or until we are no longer an emerging growth company, whichever is earlier. The JOBS Act provides that an “emerging growth company” can delay adopting new or revised accounting standards until those standards apply to private companies. We have elected to use this extended transition period under the JOBS Act. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

Off Balance Sheet Arrangements

As of June 30, 2024, we did not have any material off-balance sheet arrangements.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to utilize estimates and make judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. These estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. The estimates are evaluated by management on an ongoing basis, and the results of these evaluations form a basis for making decisions about the carrying value of assets and liabilities that are not readily apparent from other sources. Although actual results may differ from these estimates under different assumptions or conditions, management believes that the estimates used in the preparation of our financial statements are reasonable. The critical accounting policies affecting our financial reporting are summarized in Note 2 to the financial statements included elsewhere in this Quarterly Report.

Recent Accounting Pronouncements

We have determined that all other issued, but not yet effective accounting pronouncements are inapplicable or insignificant to us and once adopted are not expected to have a material impact on our financial position.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by 17 C.F.R. 229.10(f)(1) and are not required to provide information under this item.

Item 4. Controls and Procedures.**Evaluation of Disclosure Controls and Procedures**

Our management has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of June 30, 2024. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2024, our disclosure controls and procedures were ineffective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (a) is recorded, processed, summarized and reported within the time periods specified by Securities and Exchange Commission (“SEC”) rules and forms and (b) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding any required disclosure.

Management has identified control deficiencies regarding inadequate accounting resources, the lack of segregation of duties and the need for a stronger internal control environment. Management of the Company believes that these material weaknesses are due to the small size of the Company’s accounting staff. The small size of the Company’s accounting outsourced staff may prevent adequate controls in the future due to the cost/benefit of such remediation.

To mitigate the current limited resources and limited employees, we rely heavily on direct management oversight of transactions, along with the use of external legal and accounting professionals. As we grow, we expect to increase our number of employees, which will enable us to implement adequate segregation of duties within the internal control framework.

These control deficiencies could result in a misstatement of account balances that would result in a reasonable possibility that a material misstatement to our financial statements may not be prevented or detected on a timely basis. In light of this material weakness, we performed additional analyses and procedures in order to conclude that our financial statements for the quarter ended June 30, 2024 included in this Quarterly Report on Form 10-Q were fairly stated in accordance with GAAP. Accordingly, management believes that despite our material weaknesses, our financial statements for the quarter ended June 30, 2024 are fairly stated, in all material respects, in accordance with GAAP.

Internal Control Over Financial Reporting

This annual report does not include a report of management’s assessment regarding internal control over financial reporting or an attestation report of the company’s registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

In the future, the Company may be subject to various legal proceedings from time to time as part of its business. We and our subsidiaries are not currently a party, nor is our property subject, to any material pending legal proceedings.

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

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended June 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” as such terms are defined under Item 408 of Regulation S-K.

Item 6. Exhibits.

The following exhibits are included herein or incorporated herein by reference :

- 10.1 [Amendment to Securities Purchase Agreement, dated April 18, 2024, by and between the Company and Alumni Capital LP. \(incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 13, 2024\).](#)
- 10.2 [Amended and Restated Asset Purchase Agreement by and between the Company and Jihyuck Hwang \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 17, 2024\).](#)
- 10.3 [Seller Carry Loan Note issued by the Company to Jihyuck Hwang \(incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed on November 27, 2023\).](#)
- 10.4 [Convertible Note Agreement entered into by and between the Company and Jiyuck Hwang \(incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on November 27, 2023\).](#)
- 10.5 [Employment Offer Letter issued by the Company to Jihyuck Hwang \(incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K filed on November 27, 2023\).](#)
- 31.1* [Certification of James Chae pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2* [Certification of Soojae Ryan Cho pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1** [Certification of James Chae pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2** [Certification of Soojae Ryan Cho pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.INS* Inline XBRL Instance Document
- 101.SCH* Inline XBRL Taxonomy Extension Schema Document
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

August 19, 2024

YOSHIHARU GLOBAL CO.

By: /s/ James Chae

Name: James Chae

Title: *Chairman of the Board of Directors, President and Chief Executive Officer and Principal Executive Officer* (Principal Executive Officer)

**CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, James Chae, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") for the quarterly period ended June 30, 2024 of Yoshiharu Global Co.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principle;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 19, 2024

By: /s/ James Chae
James Chae
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION
PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Soojae Ryan Cho, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") for the quarterly period ended June 30, 2024 of Yoshiharu Global Co.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principle;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d. Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: August 19, 2024

By: /s/ Soojae Ryan Cho
Soojae Ryan Cho
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of Yoshiharu Global Co. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Chae, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 19, 2024

/s/ James Chae

Name: James Chae
Title: Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of Yoshiharu Global Co. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Soojae Ryan Cho, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 19, 2024

/s/ Soojae Ryan Cho

Name: Soojae Ryan Cho
Title: Chief Financial Officer (Principal Financial and Accounting Officer)
