

**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 September 30, 2023**

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)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>5812</b> (Primary Standard Industrial Classification Code Number)	<b>87-3941448</b> (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 11,940,000 shares of class A common stock outstanding, and 1,000,000 shares of class B common stock outstanding as of September 30, 2023.

## TABLE OF CONTENTS

<b><u>PART I FINANCIAL INFORMATION</u></b>	<b>1</b>
<b>Item 1</b> <b><u>Unaudited Consolidated Financial Statements</u></b>	<b>1</b>
<u>Consolidated Balance Sheets</u>	1
<u>Consolidated Statements of Operations</u>	2
<u>Consolidated Statements of Stockholders' Equity</u>	3
<u>Consolidated Statements of Cash Flows</u>	4
<u>Notes to Consolidated Financial Statements</u>	5
<b>Item 2</b> <b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<b>22</b>
<b>Item 3</b> <b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>	<b>34</b>
<b>Item 4</b> <b><u>Controls and Procedures</u></b>	<b>34</b>
<b><u>PART II OTHER INFORMATION</u></b>	<b>35</b>
<b>Item 1</b> <b><u>Legal Proceedings</u></b>	<b>35</b>
<b>Item 2</b> <b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<b>35</b>
<b>Item 6</b> <b><u>Exhibits</u></b>	<b>35</b>
<b><u>Signature</u></b>	<b>36</b>

## 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 annual report on Form 10-K filed with the SEC on March 30, 2023. 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>September 30, 2023</i>	<i>December 31, 2022</i>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 2,525,392	\$ 6,509,121
Inventories	60,509	60,899
Total current assets	<u>2,585,901</u>	<u>6,570,020</u>
<b>Non-Current Assets:</b>		
Property and equipment, net	4,110,092	3,158,428
Operating lease right-of-use asset	5,579,765	5,980,888
Other assets	873,128	308,353
Total non-current assets	<u>10,562,985</u>	<u>9,447,669</u>
<b>Total assets</b>	<b>\$ <u>13,148,886</u></b>	<b>\$ <u>16,017,689</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 666,563	\$ 744,101
Line of credit	800,000	300,000
Current portion of operating lease liabilities	556,106	458,803
Current portion of bank notes payables	93,859	265,943
Current portion of loan payable, EIDL	33,819	39,652
Due to related party	30,614	172,720
Other payables	65,700	5,915
Total current liabilities	2,246,661	1,987,134
Operating lease liabilities, less current portion	5,837,761	6,261,767
Bank notes payables, less current portion	1,380,296	1,020,143
Restaurant revitalization fund	700,454	700,454
Loan payable, EIDL, less current portion	394,832	410,348
Total liabilities	<u>10,560,004</u>	<u>10,379,846</u>
<b>Commitments and Contingencies</b>		
<b>Stockholders' equity</b>		
Class A Common Stock - \$0.0001 par value; 49,000,000 authorized shares; 11,940,000 shares issued and outstanding at September 30, 2023 and December 31, 2022	1,194	1,194
Class B Common Stock - \$0.0001 par value; 1,000,000 authorized shares; 1,000,000 shares issued and outstanding at September 30, 2023 and December 31, 2022	100	100
Additional paid-in capital	11,936,958	11,936,958
Accumulated deficit	(9,349,370)	(6,300,409)
Total stockholders' equity	<u>2,588,882</u>	<u>5,637,843</u>
<b>Total liabilities and stockholders' equity</b>	<b>\$ <u>13,148,886</u></b>	<b>\$ <u>16,017,689</u></b>

See accompanying notes to unaudited consolidated financial statements.

Yoshiharu Global Co.

Unaudited Consolidated Statements of Operations

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenue:</b>				
Food and beverage	\$ 6,714,429	\$ 5,746,336	\$ 2,025,386	\$ 1,772,646
Total revenue	<u>6,714,429</u>	<u>5,746,336</u>	<u>2,025,386</u>	<u>1,772,646</u>
<b>Restaurant operating expenses:</b>				
Food, beverages and supplies	1,787,046	1,493,196	557,705	456,442
Labor	3,129,198	2,644,887	1,125,717	836,646
Rent and utilities	840,389	750,141	285,013	235,717
Delivery and service fees	415,139	373,596	130,189	113,889
Depreciation	396,388	555,224	144,701	90,351
Total restaurant operating expenses	<u>6,568,160</u>	<u>5,817,044</u>	<u>2,243,325</u>	<u>1,733,045</u>
Net operating restaurant operating income (loss)	146,269	(70,708)	(217,939)	39,601
<b>Operating expenses:</b>				
General and administrative	2,700,078	1,902,933	477,732	869,244
Related party compensation	216,308	631,968	92,876	631,968
Advertising and marketing	86,593	78,298	34,051	37,715
Total operating expenses	<u>3,002,979</u>	<u>2,613,199</u>	<u>604,659</u>	<u>1,538,927</u>
<b>Loss from operations</b>	(2,856,710)	(2,683,907)	(822,598)	(1,499,326)
<b>Other income (expense):</b>				
PPP loan forgiveness	-	385,900	-	-
Gain on disposal of fixed asset	8,920	-	-	-
Other income	14,774	6,301	7,784	-
Interest	(186,877)	(61,876)	(48,049)	(20,882)
Total other income (expense), net	<u>(163,183)</u>	<u>330,325</u>	<u>(40,265)</u>	<u>(20,882)</u>
Loss before income taxes	(3,019,893)	(2,353,582)	(862,863)	(1,520,208)
Income tax provision	<u>29,068</u>	<u>12,669</u>	<u>22,080</u>	<u>5,629</u>
<b>Net loss</b>	<u>\$ (3,048,961)</u>	<u>\$ (2,366,251)</u>	<u>\$ (884,943)</u>	<u>\$ (1,525,837)</u>
Loss per share:				
Basic and diluted	<u>\$ (0.24)</u>	<u>(0.24)</u>	<u>(0.07)</u>	<u>(0.15)</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>12,940,000</u>	<u>9,680,950</u>	<u>12,940,000</u>	<u>10,133,549</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	Stock Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2022</b>	<b>11,940,000</b>	<b>\$ 1,194</b>	<b>1,000,000</b>	<b>\$ 100</b>	<b>\$ 11,936,958</b>	<b>\$ -</b>	<b>\$ (6,300,409)</b>	<b>\$ 5,637,843</b>
Net loss	-	-	-	-	-	-	(1,144,489)	(1,144,489)
<b>Balance at March 31, 2023 (unaudited)</b>	<b>11,940,000</b>	<b>\$ 1,194</b>	<b>1,000,000</b>	<b>\$ 100</b>	<b>\$ 11,936,958</b>	<b>\$ -</b>	<b>\$ (7,444,898)</b>	<b>\$ 4,493,354</b>
Net loss	-	-	-	-	-	-	(1,019,529)	(1,019,529)
<b>Balance at June 30, 2023 (unaudited)</b>	<b>11,940,000</b>	<b>\$ 1,194</b>	<b>1,000,000</b>	<b>\$ 100</b>	<b>\$ 11,936,958</b>	<b>\$ -</b>	<b>\$ (8,464,427)</b>	<b>\$ 3,473,825</b>
Net loss	-	-	-	-	-	-	(884,943)	(884,943)
<b>Balance at September 30, 2023 (unaudited)</b>	<b>11,940,000</b>	<b>\$ 1,194</b>	<b>1,000,000</b>	<b>\$ 100</b>	<b>\$ 11,936,958</b>	<b>\$ -</b>	<b>\$ (9,349,370)</b>	<b>\$ 2,588,882</b>
	Class A Shares		Class B Shares		Paid-In Capital	Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
<b>Balance at December 31, 2021</b>	<b>9,450,900</b>	<b>\$ 946</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 553,456</b>	<b>\$ (60,000)</b>	<b>\$ (2,813,042)</b>	<b>\$ (2,318,640)</b>
Payments received for prior year subscription	-	-	-	-	-	60,000	-	60,000
Net loss	-	-	-	-	-	-	(393,792)	(393,792)
<b>Balance at March 31, 2022 (unaudited)</b>	<b>9,450,900</b>	<b>\$ 946</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 553,456</b>	<b>\$ -</b>	<b>\$ (3,206,834)</b>	<b>\$ (2,652,432)</b>
Net loss	-	-	-	-	-	-	(446,622)	(446,622)
<b>Balance at June 30, 2022 (unaudited)</b>	<b>9,450,900</b>	<b>\$ 946</b>	<b>-</b>	<b>\$ -</b>	<b>\$ 553,456</b>	<b>\$ -</b>	<b>\$ (3,653,456)</b>	<b>\$ (3,099,054)</b>
Cancellation of Class A Common Stock	(1,000,000)	(100)	-	-	-	-	-	(100)
Issuance of Class B Common Stock	-	-	1,000,000	100	-	-	-	100
Issuance of Class A Common Stock	3,489,100	348	-	-	11,383,502	-	-	11,383,750
Net loss	-	-	-	-	-	-	(1,525,837)	(1,525,837)
<b>Balance at September 30, 2022 (unaudited)</b>	<b>11,940,000</b>	<b>\$ 1,194</b>	<b>1,000,000</b>	<b>\$ 100</b>	<b>\$ 11,936,958</b>	<b>\$ -</b>	<b>\$ (5,179,293)</b>	<b>\$ 6,758,959</b>

See accompanying notes to unaudited consolidated financial statements.

Yoshiharu Global Co.

Unaudited Consolidated Statements of Cash Flows

	<i>For the nine months ended</i>	
	<i>September 30,</i>	
	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (3,048,961)	\$ (2,366,251)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	396,388	555,224
Gain on disposal of fixed asset	(8,920)	
PPP loan forgiveness	-	(385,900)
Changes in assets and liabilities:		
Inventories	390	(21,981)
Other assets	(564,775)	(401,011)
Accounts payable and accrued expenses	(3,118)	685,899
Due to related party	(142,106)	(1,383,213)
Other payables	59,785	(15,380)
Net cash used in operating activities	<u>(3,311,317)</u>	<u>(3,332,613)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,339,132)	(457,428)
Net cash used in investing activities	<u>(1,339,132)</u>	<u>(457,428)</u>
<b>Cash flows from financing activities:</b>		
Advance from line of credit	500,000	-
Proceeds from notes payable	812,000	-
Proceeds from borrowings	-	140,000
Repayments on bank notes payables	(645,280)	(138,010)
Proceeds from sale of common shares	-	10,345,650
Net cash provided by financing activities	<u>666,720</u>	<u>10,347,640</u>
Net decrease in cash	(3,983,729)	6,557,599
Cash – beginning of period	<u>6,509,121</u>	<u>1,087,102</u>
<b>Cash – end of period</b>	<b><u>\$ 2,525,392</u></b>	<b><u>\$ 7,644,701</u></b>
<b>Supplemental disclosures of non-cash financing activities:</b>		
Forgiveness of paycheck protection program (PPP) loan	\$ -	\$ 385,900
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the periods for:		
Interest	\$ 186,877	\$ 61,876
Income taxes	<u>\$ 29,068</u>	<u>\$ 12,669</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 did not have significant transactions since formation. Yoshiharu has the following wholly owned subsidiaries:

<u>Name</u>	<u>Date of Formation</u>	<u>Description of Business</u>
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 (“YT”)	December 4, 2020	Ramen store located in Irvine, California.
Yoshiharu Cerritos (“YC”)	January 21, 2021	Ramen store located in Cerritos, California.
Yoshiharu Garden Grove (“YG”)	May 2, 2022	Ramen store to be opened in Garden Grove, California.
Yoshiharu Clemente (“YCT”)	May 2, 2022	Ramen store to be opened in San Clemente, California.
Yoshiharu Laguna (“YL”)	May 2, 2022	Ramen store to be opened 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 Cypress (“YCP”)	January 26, 2023	Ramen store to be opened in Cypress, 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.



## 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 September 30, 2023 and December 31, 2022 and for the three and nine months ended September 30, 2023 and 2022. 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.”

#### *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 \$86,593 and \$78,298 for the nine months period ended September 30, 2023 and 2022, 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 evaluate 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

#### *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 September 30, 2023.

#### *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.

#### *Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable and other receivables arising from its normal business activities. The Company has a diversified customer base. The Company controls credit risk related to accounts receivable through credit approvals, credit limits and monitoring procedures. The Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk, establishes an allowance, if required, for un-collectible accounts and, as a consequence, believes that its accounts receivable related credit risk exposure beyond such allowance is limited.

## 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*

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. ASU 2016-02 also requires new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company evaluated ASU 2016-02 and adopted this guidance as of January 1, 2019.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In July 2018, the FASB issued ASU No. 2018-10, “Codification Improvements to Topic 842, Leases” (“ASU 2018-10”). The amendments in ASU 2018-10 provide additional clarification and implementation guidance on certain aspects of the previously issued ASU 2016-02 and have the same effective and transition requirements as ASU 2016-02. ASU 2018-10 supersedes the current lease guidance in ASC Topic 840, Leases. Under the new guidance, lessees are required to recognize for all leases, with the exception of short-term leases, a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis. Concurrently, lessees are required to recognize a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. ASU 2018-10 is effective for emerging growth companies for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. The guidance is required to be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative periods presented in the financial statements. The Company adopted this guidance as of January 1, 2019.

In July 2018, the FASB issued ASU No. 2018-11, “Leases (Topic 842): Targeted Improvements,” (“ASU 2018-11”). The amendments in ASU 2018-11 related to transition relief on comparative reporting at adoption affect all entities with lease contracts that choose the additional transition method and separating components of a contract affect only lessors whose lease contracts qualify for the practical expedient. The amendments in ASU 2018-11 are effective for emerging growth companies for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company adopted this guidance as of January 1, 2019.

In March 2019, the FASB issued ASU 2019-01, “Leases (Topic 842): Codification Improvements” (“Topic 842”) (“ASU 2019-01”). These amendments align the guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers in Topic 842 with that of existing guidance. As a result, the fair value of the underlying asset at lease commencement is its cost, reflecting any volume or trade discounts that may apply. However, if there has been a significant lapse of time between when the underlying asset is acquired and when the lease commences, the definition of fair value (in Topic 820, Fair Value Measurement) should be applied (Issue 1). ASU 2019-01 also requires lessors within the scope of Topic 942, Financial Services—Depository and Lending, to present all “principal payments received under leases” within investing activities (Issue 2). Finally, the ASU exempts both lessees and lessors from having to provide certain interim disclosures in the fiscal year in which a company adopts the new leases standard (Issue 3). The transition and effective date provisions apply to Issue 1 and Issue 2. They do not apply to Issue 3 because the amendments for that Issue are to the original transition requirements in Topic 842. This amendment is for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company evaluated ASU 2019-01 and adopted this guidance as of January 1, 2019.

#### ***COVID-19 Impact on Concentration of Risk***

The novel coronavirus (“COVID-19”) pandemic has significantly impacted health and economic conditions throughout the United States and globally, as public concern about becoming ill with the virus has led to the issuance of recommendations and/or mandates from federal, state and local authorities to practice social distancing or self-quarantine. The Company is continually monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, and its impact on operations, financial position, cash flows, inventory, supply chains, purchasing trends, customer payments, and the industry in general, in addition to the impact on its employees. We have experienced significant disruptions to our business due to the COVID-19 pandemic and related suggested and mandated social distancing and shelter-in-place orders.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**3. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<i>September 30, 2023</i>	<i>December 31, 2022</i>
Leasehold Improvement	\$ 4,418,064	\$ 3,533,609
Furniture and equipment	800,358	639,424
Vehicle	438,521	161,821
<b>Total property and equipment</b>	<b>5,656,943</b>	<b>4,334,854</b>
Accumulated depreciation	(1,546,851)	(1,176,426)
<b>Total property and equipment, net</b>	<b>\$ 4,110,092</b>	<b>\$ 3,158,428</b>

Total depreciation was \$396,388 and \$658,371 for the nine-month period ended September 30, 2023 and for the year ended December 31, 2022, respectively.

**4. 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 2023 and it is management's intention to renew the facility. The Company is in compliance with certain non-financial covenants imposed by the line of credit agreement. At September 30, 2023 and December 31, 2022, the outstanding balance was \$800,000 and \$300,000, respectively.

**5. BANK NOTES PAYABLES**

	<i>September 30, 2023</i>	<i>December 31, 2022</i>
September 22, 2017 (\$250,000) - AA	\$ -	\$ 141,684
November 27, 2018 (\$780,000) - JJ	359,589	441,735
February 13, 2020 (\$255,000) - CC	-	197,700
September 14, 2021 (\$197,000) - CC	167,782	138,778
September 15, 2021 (\$199,000) - DD	-	178,905
April 22, 2022 (\$195,000) - Cerritos	177,665	187,284
May 22, 2023 (\$138,000) - BB	127,530	-
May 22, 2023 (\$196,000) - CC	181,091	-
May 22, 2023 (\$178,000) - DD	165,552	-
September 13, 2023 (\$150,000) - Garden Grove	147,473	-
September 13, 2023 (\$150,000) - Laguna	147,473	-
<b>Total bank notes payables</b>	<b>1,474,155</b>	<b>1,286,086</b>
Less - current portion	(93,859)	(265,943)
<b>Total bank notes payables, less current portion</b>	<b>\$ 1,380,296</b>	<b>\$ 1,020,143</b>

The following table provides future minimum payments as of September 30, 2023:

<i>For the years ended</i>	<i>Amount</i>
2023 (remaining three months)	\$ 93,859
2024	375,432
2025	361,602
2026	209,468
2027	209,468
Thereafter	224,326
<b>Total</b>	<b>\$ 1,474,155</b>

**September 22, 2017 – \$250,000 – Global AA Group, Inc.**

On September 22, 2017, Global AA Group, Inc. (the "AA") executed the standard loan documents required for securing a loan of \$250,000 from the U.S. Small Business Administration (the "SBA"), with proceeds to be used for working capital purposes. The Company refinanced the loan with a commercial bank on May 22, 2023 under the Global BB Group, Inc. As of September 30, 2023 and December 31, 2022, the balance of the loan is zero and \$141,684, respectively.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 5. BANK NOTES PAYABLES (Continued)

#### *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 September 30, 2023 and December 31, 2022, the balance of the loan is \$359,589 and \$441,735, 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.

#### *February 13, 2020 – \$255,000 – Global CC Group, Inc.*

On February 13, 2020, Global CC Group, Inc. (the “CC”) executed the standard loan documents required for securing a loan of \$255,000 from the SBA, with proceeds to be used for working capital purposes. The Company refinanced the loan with a commercial bank on May 22, 2023 under the Global CC Group, Inc. As of September 30, 2023 and December 31, 2022, the balance of the loan is zero and \$197,700, respectively.

#### *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 September 30, 2023 and December 31, 2022, the balance of the loan is \$167,782 and \$138,778, 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 \$2,551.60 per month which includes principal and interest with an initial interest rate of 10.25%. The balance of principal and interest is payable on September 14, 2031.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 5. BANK NOTES PAYABLES (Continued)

#### ***September 15, 2021– \$199,000 – Global DD Group, Inc.***

On September 15, 2021, Global DD Group, Inc. (the “DD”) executed the standard loan documents required for securing a loan of \$199,000 from the SBA, with proceeds to be used for working capital. The Company refinanced the loan with a commercial bank on May 22, 2023 under the Global DD Group, Inc. As of September 30, 2023 and December 31, 2022, the balance of the loan is zero and \$178,905, respectively.

#### ***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 September 30, 2023 and December 31, 2022, the balance of the loan is \$177,665 and \$187,284, 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 \$2,573.20 per month which includes principal and interest with an initial interest rate of 10.25%. 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 September 30, 2023, the balance of the loan is \$127,530.

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 September 30, 2023, the balance of the loan is \$181,091.

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 September 30, 2023, the balance of the loan is \$165,552.

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.

#### ***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 September 30, 2023, the balance of the loan is \$147,473.

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 September 30, 2023, the balance of the loan is \$147,473.

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.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 6. LOAN PAYABLES, PPP

#### *February 16, 2021 – \$131,600 – Global AA Group, Inc.*

On February 16, 2021, Global AA Group, Inc. (the “AA”) executed the standard loan documents required for securing a Paycheck Protection Program Loan (the “AA PPP Loan”) of \$131,600 from the SBA under its Paycheck Protection Program (the “PPP”) in light of the impact of the COVID-19 pandemic on the AA’s business.

The AA PPP Loan is administered by the SBA. The interest rate of the loan is 1.00% per annum and accrues on the unpaid principal balance computed on the basis of the actual number of days elapsed in a year of 365 days. Commencing ten months after the effective date of the AA PPP Loan, the Company is required to pay the Lender equal monthly payments of principal and interest as required to fully amortize any unforgiven principal balance of the loan by the five-year anniversary of the effective date of the AA PPP Loan. The AA PPP Loan contains customary events of default relating to, among other things, payment defaults, making materially false or misleading representations to the SBA or the Lender, or breaching the terms of the PPP Loan. The occurrence of an event of default may result in the repayment of all amounts outstanding under the AA PPP Loan, collection of all amounts owing from the Company, or filing suit and obtaining judgment against the Company. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities. Recent modifications to the PPP by the U.S. Treasury and Congress have extended the time period for loan forgiveness beyond the original eight-week period, making it possible for the Company to apply for forgiveness of its PPP loans.

On February 1, 2022, \$131,600 in principal and \$1,262 in interest was forgiven by the SBA.

#### *February 16, 2021 – \$166,700 – Global JJ Group, Inc.*

On February 16, 2021, Global JJ Group, Inc. (the “JJ”) executed the standard loan documents required for securing a PPP loan (the “JJ PPP Loan”) of \$166,700 from the SBA in light of the impact of the COVID-19 pandemic on the JJ’s business.



## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 6. LOAN PAYABLES, PPP (Continued)

The JJ PPP Loan is administered by the SBA. The interest rate of the loan is 1.00% per annum and accrues on the unpaid principal balance computed on the basis of the actual number of days elapsed in a year of 365 days. Commencing ten months after the effective date of the JJ PPP Loan, the Company is required to pay the Lender equal monthly payments of principal and interest as required to fully amortize any unforgiven principal balance of the loan by the five-year anniversary of the effective date of the JJ PPP Loan. The JJ PPP Loan contains customary events of default relating to, among other things, payment defaults, making materially false or misleading representations to the SBA or the Lender, or breaching the terms of the JJ PPP Loan. The occurrence of an event of default may result in the repayment of all amounts outstanding under the JJ PPP Loan, collection of all amounts owing from the Company, or filing suit and obtaining judgment against the Company.

On February 9, 2022, \$87,600 in principal and \$859 in interest was forgiven by the SBA.

#### ***February 16, 2021 – \$87,600 – Global BB Group, Inc.***

On February 16, 2021, Global BB Group, Inc. (the “BB”) executed the standard loan documents required for securing a PPP loan (the “BB PPP Loan”) of \$87,600 from the SBA in light of the impact of the COVID-19 pandemic on the BB’s business.

The BB PPP Loan is administered by the SBA. The interest rate of the loan is 1.00% per annum and accrues on the unpaid principal balance computed on the basis of the actual number of days elapsed in a year of 365 days. Commencing ten months after the effective date of the BB PPP Loan, the Company is required to pay the Lender equal monthly payments of principal and interest as required to fully amortize any unforgiven principal balance of the loan by the five-year anniversary of the effective date of the BB PPP Loan. The BB PPP Loan contains customary events of default relating to, among other things, payment defaults, making materially false or misleading representations to the SBA or the Lender, or breaching the terms of the BB PPP Loan. The occurrence of an event of default may result in the repayment of all amounts outstanding under the BB PPP Loan, collection of all amounts owing from the Company, or filing suit and obtaining judgment against the Company.

On February 24, 2022, \$166,700 in principal and \$1,704 in interest was forgiven by the SBA.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

7. LOAN PAYABLES, EIDL

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
June 13, 2020 (\$150,000 - EIDL) – AA	\$ 143,036	\$ 150,000
June 13, 2020 (\$150,000 - EIDL) – BB	143,037	150,000
July 15, 2020 (\$150,000 - EIDL) - JJ	142,578	150,000
Total loans payables, EIDL	428,651	450,000
Less - current portion	(33,819)	(39,652)
Total loans payables, EIDL, less current portion	<u>\$ 394,832</u>	<u>\$ 410,348</u>

The following table provides future minimum payments as of September 30, 2023:

<i>For the years ended</i>	<i>Amount</i>
2023 (remaining three months)	\$ 29,940
2024	15,516
2025	15,516
2026	15,516
2027	15,516
Thereafter	336,647
<b>Total</b>	<b>\$ 428,651</b>

**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.

As of September 30, 2023 and December 31, 2022, the balance of the loan is \$143,036 and \$150,000, respectively.

**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

### 7. 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.

As of September 30, 2023 and December 31, 2022, the balance of the loan is \$143,037 and \$150,000, respectively

#### *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.

As of September 30, 2023 and December 31, 2022, the balance of the loan is \$142,578 and \$150,000, respectively.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. RESTAURANT REVITALIZATION FUND

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
June 1, 2021 (700,454 - Restaurant Revitalization Fund) – JJ	\$ 700,454	\$ 700,454
Total restaurant revitalization fund	\$ 700,454	\$ 700,454
Less - current portion	-	-
<b>Total restaurant revitalization fund, less current portion</b>	<b>\$ 700,454</b>	<b>\$ 700,454</b>

The following table provides future minimum payments as of September 30, 2023:

<i>For the years ended</i>	<i>Amount</i>
2023 (remaining three months)	\$ -
2024	700,454
2025	-
2026	-
2027	-
Thereafter	-
<b>Total</b>	<b>\$ 700,454</b>

**June 1, 2021 – \$700,454 – Global JJ Group, Inc.**

On June 1, 2021, Global JJ Group, Inc. (the “JJ”) executed the documents required for securing a Restaurant Revitalization Fund (the “RRF Loan”) of \$700,454 from the SBA under the American Rescue Plan Act in light of the impact of the COVID-19 pandemic on the JJ’s business.

The RRF Loan is administered by the SBA. The interest rate of the RRF Loan is 0.00% per annum and accrues on the unpaid principal balance computed on the basis of the actual number of days elapsed in a year of 365 days. No later than March 11, 2023 (the “Maturity Date”), the Company is required to pay the Lender any unused funds as well as any funds used for non-eligible expenses. The RRF Loan contains customary events of default relating to, among other things, payment defaults, making materially false or misleading representations to the SBA or the Lender, or breaching the terms of the RRF Loan. The occurrence of an event of default may result in the repayment of all amounts outstanding under the RRF Loan, collection of all amounts owing from the Company, or filing suit and obtaining judgment against the Company. Under the terms of the American Rescue Plan Act, RRF loan recipients can apply for and be granted forgiveness for all or a portion of the funds granted. Such forgiveness will be determined, subject to limitations, based on the use of the loan proceeds for payments of payroll costs, business mortgage obligation, rent, debt, utility, maintenance, construction of outdoor seating, supplies, food and beverage, supplier costs, and other business operating expenses.

As of September 30, 2023, none of the notes payables, loans payables, and RRF loan noted above are in default.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 9. 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 September 30, 2023 and December 31, 2022, the balance was \$30,614 and \$172,720, respectively.
- **Related party compensation** - For the nine months ended September 30, 2023 and 2022, the compensation to James Chae was \$148,000 and \$631,968, respectively.
- **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

10. 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.

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

<i>For the nine months ended</i>	<i>September 30,</i>	
	<i>2023</i>	<i>2022</i>
Operating lease expense	\$ 683,947	\$ 440,144
Total lease expense	\$ 683,947	\$ 440,144

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

<i>For the nine months ended</i>	<i>2023</i>	<i>2022</i>
Operating cash flows from operating leases	\$ 607,429	\$ 341,775
Cash paid for amounts included in the measurement of lease liabilities	\$ 607,429	\$ 341,775
Weighted-average remaining lease term—operating leases		8.2 Years
Weighted-average discount rate—operating leases		7%

<i>Year ending:</i>	<b>Operating Lease</b>
2023 (remaining three months)	\$ 218,878
2024	893,761
2025	923,862
2026	919,143
2027	882,733
Thereafter	4,294,398
Total undiscounted cash flows	\$ 8,132,775
Reconciliation of lease liabilities:	
Weighted-average remaining lease terms	8.2 Years
Weighted-average discount rate	7%
Present values	\$ 6,393,867
Lease liabilities—current	556,106
Lease liabilities—long-term	5,837,761
Lease liabilities—total	\$ 6,393,867
Difference between undiscounted and discounted cash flows	\$ 1,738,908

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 11. 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.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 11. 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.

### 12. 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 three months ended September 30, 2023 and 2022.

### 13. SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after September 30, 2023 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 nine-month period ended September 30, 2023.



## **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 Prospectus on Form S-1 (File No. 333-262330). 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 Prospectus filed on Form S-1.

### **Overview of Yoshiharu**

Yoshiharu is a fast-growing Japanese restaurant operator 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 9 restaurant stores with an additional 5 new restaurant stores under construction/development as of September 30, 2023.

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 by 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 position 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 average revenues per restaurant 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.

#### *Appointment of New Director*

On February 17, 2023, the Company accepted independent director Helen Lee's formal resignation, effective immediately. Ms. Lee's decision to resign was not due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices (financial or otherwise). She was replaced on the same day by Ms. Harinne Kim who will fill her vacancy with a term expiring at our annual meeting of stockholders in 2023 or until her successor is duly elected and qualified or until her earlier resignation, removal or death.

#### **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**

### ***Three and nine months ended September 30, 2023 Compared to three and nine months ended September 30, 2022***

The following table presents selected comparative results of operations from our unaudited financial statements for the three and nine months ended September 30, 2023 compared to three and nine months ended September 30, 2022. 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.

	<i>Nine months ended September 30,</i>		<i>Increase / (Decrease)</i>	
	<i>2023</i>	<i>2022</i>	<i>\$</i>	<i>%</i>
<b>Revenue</b>	\$ 6,714,429	\$ 5,746,336	\$ 968,093	16.8%
<b>Restaurant operating expenses:</b>				
Food, beverages and supplies	1,787,046	1,493,196	293,850	19.7%
Labor	3,129,198	2,644,887	484,311	18.3%
Rent and utilities	840,389	750,141	90,248	12.0%
Delivery and service fees	415,139	373,596	41,543	11.1%
Depreciation	396,388	555,224	(158,836)	-28.6%
Total restaurant operating expenses	6,568,160	5,817,044	751,116	12.9%
Net restaurant operating income (loss)	146,269	(70,708)	216,977	-306.9%
General and administrative	2,700,078	1,902,933	797,145	41.9%
Compensation to related party	216,308	631,968	(415,660)	-65.8
Advertising and marketing	86,593	78,298	8,295	10.6%
Total operating expenses	3,002,979	2,613,199	389,780	14.9%
<b>Loss from operations</b>	<b>(2,856,710)</b>	<b>(2,683,907)</b>	<b>(172,803)</b>	<b>6.4%</b>
<b>Other income (expense):</b>				
PPP loan forgiveness	-	385,900	(385,900)	-100.0%
Gain on disposal of fixed asset	8,920	-		
Other income	14,774	6,301	8,473	134.5%
Interest	(186,877)	(61,876)	(125,001)	202.0%
<b>Loss before income taxes</b>	<b>(3,019,893)</b>	<b>(2,353,582)</b>	<b>(666,311)</b>	<b>28.3%</b>
Income tax provision	29,068	12,669	16,399	129.4%
<b>Net loss</b>	<b>\$ (3,048,961)</b>	<b>\$ (2,366,251)</b>	<b>\$ (682,710)</b>	<b>28.9%</b>

	<i>Three months ended September 30,</i>		<i>Increase / (Decrease)</i>	
	<i>2023</i>	<i>2022</i>	<i>\$</i>	<i>%</i>
<b>Revenue</b>	\$ 2,025,386	\$ 1,772,646	\$ 252,740	14.3%
<b>Restaurant operating expenses:</b>				
Food, beverages and supplies	557,705	456,442	101,263	22.2%
Labor	1,125,717	836,646	289,071	34.6%
Rent and utilities	285,013	235,717	49,296	20.9%
Delivery and service fees	130,189	113,889	16,300	14.3%
Depreciation	144,701	90,351	54,350	60.2%
Total restaurant operating expenses	2,243,325	1,733,045	510,280	29.4%
Net restaurant operating income (loss)	(217,939)	39,601	(257,540)	-650.3%
General and administrative	477,732	869,244	(391,512)	-45.0%
Compensation to related party	92,876	631,968	(539,092)	-85.3
Advertising and marketing	34,051	37,715	(3,664)	-9.7%
Total operating expenses	604,659	1,538,927	(934,268)	-60.7%
<b>Loss from operations</b>	<b>(822,598)</b>	<b>(1,499,326)</b>	<b>676,728</b>	<b>-45.1%</b>
<b>Other income (expense):</b>				
Other income	7,784	-	7,784	N/A%
Interest	(48,049)	(20,882)	(27,167)	130.1%
<b>Loss before income taxes</b>	<b>(862,863)</b>	<b>(1,520,208)</b>	<b>657,345</b>	<b>-43.2%</b>
Income tax provision	22,080	5,629	16,451	292.3%
<b>Net loss</b>	<b>\$ (884,943)</b>	<b>\$ (1,525,837)</b>	<b>\$ 640,894</b>	<b>-42.0%</b>

	<i>Nine months ended September 30,</i>		<i>Three months ended September 30,</i>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<i>(as a percentage of revenues)</i>		<i>(as a percentage of revenues)</i>	
<b>Revenue</b>	100.0%	100.0%	100.0%	100.0%
<b>Restaurant operating expenses:</b>				
Food, beverages and supplies	26.6%	26.0%	27.5%	25.7%
Labor	46.6%	46.0%	55.6%	47.2%
Rent and utilities	12.5%	13.1%	14.1%	13.3%
Delivery and service fees	6.2%	6.5%	6.4%	6.4%
Depreciation	5.9%	9.7%	7.1%	5.1%
Total restaurant operating expenses	97.8%	101.2%	110.8%	97.8%
Net operating restaurant operating income (loss)	2.2%	-1.2%	-10.8%	2.2%
General and administrative	40.2%	33.1%	23.6%	49.0%
Compensation to related party	3.2%	11.0%	4.6%	35.7%
Advertising and marketing	1.3%	1.4%	1.7%	2.1%
Total operating expenses	44.7%	45.5%	29.9%	86.8%
<b>Loss from operations</b>	-42.5%	-46.7%	-40.6%	-84.6%
<b>Other income (expense):</b>				
PPP loan forgiveness	0.0%	6.7%	0.0%	0.0%
Gain on disposal of fixed asset	0.1%	0.0%	0.0%	0.0%
Other income	0.2%	0.1%	0.4%	0.0%
Interest	-2.8%	-1.1%	-2.4%	-1.2%
<b>Loss before income taxes</b>	-45.0%	-41.0%	-42.6%	-85.8%
Income tax provision	0.4%	0.2%	1.1%	0.3%
<b>Net loss</b>	-45.4%	-41.2%	-43.7%	-86.1%

*Revenues.* Revenues were \$6.7 million for the nine months ended September 30, 2023 compared to \$5.7 million for the nine months ended September 30, 2022, representing an increase of approximately \$1.0 million, or 16.8%. The increase in sales for the nine-month period was partially driven by \$0.4 million in sales for the period from one new restaurant opened in July 2022 and another \$0.5 million in sales from a new restaurant opened in April 2023. The remainder of the increase of \$0.1 million can be attributed to the increase in sales from the existing restaurants. The seven restaurant locations that were open through all of 2022 experienced a sales growth in in general during the nine months ended September 30, 2023. Combined average monthly sales for these locations increased by 3% for the nine-month period ended September 30, 2023 from the comparable period in the prior year. Revenues were \$2.0 million for the three months ended September 30, 2023 compared to \$1.8 million for the three months ended September 30, 2022, representing an increase of approximately \$0.2 million, or 14.3% primarily due to the one new restaurant opened in April 2023.

*Food, beverage and supplies.* Food, beverage and supplies costs were approximately \$1.8 million for the nine months ended September 30, 2023 compared to \$1.5 million for the nine months ended September 30, 2022, representing an increase of approximately \$0.3 million, or 19.7%. The increase in costs for the nine-month period was primarily driven by increases in revenues from the new restaurant opened in April 2023. As a percentage of sales, food, beverage and supply costs were comparable during the nine months ended September 30, 2023 and September 30, 2022. Food, beverage and supplies costs were approximately \$558 thousand for the three months ended September 30, 2023 compared to \$456 thousand for the three months ended September 30, 2022, representing an increase of approximately \$101 thousand or 22.2% due to the new restaurant opened in April 2023.

*Labor.* Labor and related costs were approximately \$3.1 million for the nine months ended September 30, 2023 compared to \$2.6 million for the nine months ended September 30, 2022, representing an increase of approximately \$0.5 million, or 18.3%. The increase in costs was largely driven by additional labor costs incurred with respect to a new restaurant opened in April 2023. As a percentage of sales, labor and related costs were comparable during the nine months ended September 30, 2023 and September 30, 2022. Labor and related costs were approximately \$1.1 million for the three months ended September 30, 2023 compared to \$837 thousand for the three months ended September 30, 2022, representing an increase of approximately \$289 thousand, or 34.6%. The increase in costs was mainly due to the new restaurant opened in April 2023.

*Rent and utilities.* Rent and utilities expenses were approximately \$840 thousand for the nine months ended September 30, 2023 compared to \$750 thousand for the nine months ended September 30, 2022, representing an increase of approximately \$90 thousand or 12.0%. The increase was primarily a result of additional occupancy expenses incurred with respect to a new restaurant opened in April 2023. As a percentage of sales, rent and utilities expenses decreased to 12.5% in the nine months ended September 30, 2023, compared to 13.1% for the nine months ended September 30, 2022. The decrease in costs as a percentage of sales was primarily driven by the increases in sales volume from both existing restaurants and a new location. Rent and utilities expenses were approximately \$285 thousand for the three months ended September 30, 2023 compared to \$236 thousand for the three months ended September 30, 2022, representing an increase of approximately \$49 thousand, or 20.9% due to the new restaurant opened in April 2023.

*Delivery and service fees.* Delivery and service fees incurred were approximately \$415 thousand for the nine months ended September 30, 2023 compared to \$374 thousand for the nine months ended September 30, 2022, representing an increase of approximately \$41 thousand or 11.1%, primarily due to an increase in food sales via delivery during the comparable period. As a percentage of sales, delivery and service fees ratio for the nine months ended September 30, 2023 was comparable to the ratio in the prior year due to comparable sales mix between the in-dining and take-out. Delivery and service fees incurred were approximately \$130 thousand the three months ended September 30, 2023 compared to \$114 thousand for the three months ended September 30, 2022, representing an increase of approximately \$16 thousand or 14.3% primarily due to an increase in food sales via delivery during the comparable period.

*Depreciation and amortization expenses.* Depreciation and amortization expenses incurred were approximately \$396 thousand for the nine months ended September 30, 2023 compared to \$555 thousand for the nine months ended September 30, 2022, representing a decrease of approximately \$159 thousand, or 28.6%. The decrease was primarily due to the changes in estimated depreciable lives for existing restaurants during the first quarter in 2022. As a result, the depreciation and amortization expenses as a percentage of sales decreased to 5.9% for the nine months ended September 30, 2023 compared to 9.7% for the comparable period in the prior year. Depreciation and amortization expenses incurred were approximately \$145 thousand for the three months ended September 30, 2023 compared to \$90 thousand for the three months ended September 30, 2022, representing an increase of approximately \$55 thousand or 60.2% due to the increase in fixed assets during the comparable period.

*General and administrative expenses.* General and administrative expenses were approximately \$2.7 million for the nine months ended September 30, 2023 compared to \$1.9 million for the nine months ended September 30, 2022, representing an increase of approximately \$0.8 million or 41.9%. This increase in general and administrative expenses was primarily due to the hiring of additional administrative employees, increases in professional services and corporate-level costs to support growth plans, and the construction/development of new restaurants. As a percentage of sales, general and administrative expenses increased to 40.2% in the nine months ended September 30, 2023 from 33.1% in the nine months ended September 30, 2022, primarily due to the significant increase in necessary corporate costs mentioned above outpacing the increase in sales. General and administrative expenses were approximately \$0.5 million for the three months ended September 30, 2023 compared to \$0.9 million for the three months ended September 30, 2022, representing a decrease of approximately \$0.4 million or 45.0%. This decrease in general and administrative expenses was due to the non-recurring expenses incurred for the IPO in September 2022.

*Related party compensation:* Compensation to James Chae was approximately \$216 thousand for the nine months ended September 30, 2023 compared to \$632 thousand for the nine months ended September 30, 2022, representing a decrease of approximately \$416 thousand. With the IPO in September 2022, the board has approved a success bonus to James Chae for the amount and the employment contract was made with James Chae in November 2022 for the management of the Company. As a percentage of sales, related party compensation was 3.2% in the nine months ended September 30, 2023 and 11.2% in the nine months ended September 30, 2022. Compensation to James Chae was approximately \$93 thousand for the three months ended September 30, 2023 per the employment contract made in November 2022.

## **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 on our statements of income. Several factors affect our restaurant sales in any given period including the number of restaurants in operation, guest traffic and average check.

### ***EBITDA and Adjusted EBITDA***

EBITDA is defined as net income (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>Nine Months Ended September 30,</i>		<i>Three Months Ended September 30,</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Net loss, as reported	\$ (3,048,961)	\$ (2,366,251)	\$ (884,943)	\$ (1,525,837)
Interest, net	186,877	61,876	48,049	20,882
Taxes	29,068	12,669	22,080	5,629
Depreciation and amortization	396,388	555,224	144,701	90,351
EBITDA	(2,436,628)	(1,736,482)	(670,113)	(1,408,975)
PPP loan forgiveness (a)	-	(385,900)	-	-
Restaurants opening costs (b)	431,072	66,563	130,312	66,563
Gain on disposal of fixed asset	(8,920)	-	-	-
Compensation to related party (c)	-	631,968	-	631,968
Professional fees (d)	-	103,689	-	103,689
Adjusted EBITDA	\$ (2,014,476)	\$ (1,320,162)	\$ (539,801)	\$ (606,755)

- (a) Represents income recorded upon the forgiveness of payroll protection loans from the SBA.
- (b) Represents expenses incurred to secure the restaurant locations under development and costs to reserve back-office managers to manage those restaurants.
- (c) Represents non-recurring IPO success bonus in September 2022.
- (d) Represents non-recurring professional expenses incurred for the IPO preparation

#### ***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 nine months and three months ended September 30, 2023 and 2022:

	<i>Nine Months Ended September 30,</i>		<i>Three Months Ended September 30,</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Net restaurant operating income (loss), as reported	\$ 146,269	\$ (70,708)	\$ (217,939)	\$ 39,601
Depreciation and amortization	396,388	555,224	144,701	90,351
Restaurant-level Contribution	<u>\$ 542,657</u>	<u>\$ 484,516</u>	<u>\$ (73,238)</u>	<u>\$ 129,952</u>
Operating profit margin	2.2%	-1.2%	-10.8%	2.2%
Restaurant-level Contribution Margin (a)	8.1%	8.4%	-3.6%	7.3%

(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 nine months ended September 30, 2023 and September 30, 2022, respectively:

	<i>Nine months ended September 30,</i>	
	<i>2023</i>	<i>2022</i>
Average Unit Volumes	\$ 1,126,728	\$ 1,082,237

#### *Comparable Restaurant Sales Growth*

Comparable restaurant sales growth represents the change in year-over-year sales for restaurants open for at least 3 months prior to the start of the accounting period presented, including those temporarily closed for renovations during the year. Measuring our comparable restaurant sales growth allows us to evaluate the performance of our existing restaurant base. Various factors impact comparable restaurant sales, including:

- consumer recognition of our brand and our ability to respond to changing consumer preferences;
- overall economic trends, particularly those related to consumer spending;
- our ability to operate restaurants effectively and efficiently to meet consumer expectations;
- pricing;
- guest traffic;
- per-guest spend and average check;
- marketing and promotional efforts;
- local competition; and
- opening of new restaurants in the vicinity of existing locations.

The following table shows the comparable restaurant sales growth for the nine months ended September 30, 2023 and September 30, 2022:

	<i>Nine months ended September 30,</i>	
	<u>2023</u>	<u>2022</u>
Comparable restaurant sales growth (%)	2.9%	9.8%
Comparable restaurant base	7	5

#### ***Number of Restaurant Openings***

The following table shows the growth in our restaurant base for the nine months ended September 30, 2023 and September 30, 2022:

	<i>Nine months ended September 30,</i>	
	<u>2023</u>	<u>2022</u>
Restaurant activity:		
Beginning of period	8	6
Openings	1	2
Closing	-	-
End of period	9	8

#### **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.

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.

We believe that the expected cash flow from operations and the proceeds from the IPO 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:

	Nine Months Ended September 30,	
	2023	2022
<b>Statement of Cash Flow Data:</b>		
Net cash used in operating activities	\$ (3,311,317)	\$ (3,332,613)
Net cash used in investing activities	(1,339,797)	(457,428)
Net cash provided by financing activities	666,720	10,347,640

### Cash Flows Used in Operating Activities

Net cash used in operating activities during the nine-month period ended September 30, 2023 was \$3,311,317, which resulted from net loss of \$3,048,961, non-cash charges of \$387,478 for the net of depreciation and amortization and gain on disposal of fixed asset, and net cash outflows of \$649,824 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 \$564,775, a decrease in due to related party of \$142,106 and a decrease in payables of \$3,118, which was offset by decreases in inventory and other payables. The increase in other assets of \$564,775 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.

Net cash used in operating activities during the nine-month period ended September 30, 2022 was \$3,332,613, which resulted from net loss of \$2,366,251, non-cash charges of \$555,224 for depreciation and amortization which was offset by the PPP loan forgiveness of \$385,900, and net cash outflows of \$1,135,686 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 expense. The net cash outflows from changes in operating assets and liabilities were primarily the result of a decrease of \$1,383,213 in due to related party, and an increase of \$401,011 in other assets, partially offset by an increase of \$685,899 in accounts payable and accrued expenses. The decreases in payables to related parties and stockholder were the result of repayment of expenditures incurred by the related parties and stockholder in connection with the opening of new restaurants. The increase in accounts payable was primarily due to the three new restaurants opened in July 2021, February 2022 and July 2022.

### Cash Flows Used in Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2023 and 2022 was \$1,339,797 and \$457,428, respectively. These 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 nine months ended September 30, 2023 was \$666,720 due to \$500,000 cash received through line of credit and two additional bank loans in total of \$300,00, offset by the repayment of bank borrowings.

Net cash provided by financing activities during the nine months ended September 30, 2022 was \$10,347,640, primarily due to \$10,285,650 in net proceeds from the sale of 2,940,000 shares of class A common stock after deducting underwriting discounts and commissions and other offering expenses in September 2022, \$60,000 in proceeds from the sale of class A common stock in December 2021, and \$140,000 cash received through borrowings from banks, offset by \$138,010 of repayment of borrowings.

## Contractual Obligations

The following table presents our commitments and contractual obligations as of September 30, 2023, as well as our long-term obligations:

	Payments due by period as of September 30, 2023				
	Total	2023 (remaining three months)	2024-2025	2026-2027	Thereafter
Capital lease payments	\$ 8,132,775	\$ 218,878	\$ 1,817,623	\$ 1,801,876	\$ 4,294,398
Bank note payables	1,474,155	93,859	737,034	418,936	224,326
EIDL loan payables	428,651	29,940	31,032	31,032	336,647
Restaurant revitalization fund loan payable	700,454	-	700,454	-	-
<b>Total contractual obligations</b>	<b>\$ 10,736,035</b>	<b>\$ 342,677</b>	<b>\$ 3,286,143</b>	<b>\$ 2,251,844</b>	<b>\$ 4,855,371</b>

## 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 September 30, 2023, 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 September 30, 2023. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of September 30, 2023, 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 the 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 September 30, 2023 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 September 30, 2023 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 5. Other Information.

On June 16, 2023, the Company received a notification letter from the Nasdaq Listing Qualifications Staff of The Nasdaq Stock Market LLC (“Nasdaq”) notifying the Company that the minimum bid price per share for its common stock has been below \$1.00 for a period of 30 consecutive business days and the Company therefore no longer meets the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2). The notification received has no immediate effect on the listing of the Company’s common stock on Nasdaq. Under Nasdaq Listing Rule 5810(c)(3)(A), the Company has until December 13, 2023 to regain compliance with the minimum bid price continued listing standard. If at any time during such 180-day period the closing bid price of the Company’s common stock is at least \$1.00 for a minimum of ten consecutive business days, Nasdaq will provide the Company written confirmation of compliance.

If the Company does not regain compliance during such 180-day period, the Company may be eligible for an additional 180 calendar days to regain compliance, provided that the Company (i) meets the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market, except for Nasdaq Listing Rule 5550(a)(2), and (ii) provides a written notice of its intention to cure this deficiency during the second compliance period, by effecting a reverse stock split, if necessary. If the Company meets these requirements, Nasdaq will inform the Company that it has been granted an additional 180 calendar days to regain compliance. However, if it appears to the Listing Qualifications Staff that the Company will not be able to cure the deficiency, or if the Company is otherwise not eligible, Nasdaq will provide notice that the Company’s securities will be subject to delisting. In the event of such notification, the Company may appeal Nasdaq’s determination to delist its securities, but there can be no assurance that Nasdaq would grant the Company’s request for continued listing.

The Company is monitoring the bid price of its common stock and may, if appropriate, evaluate various courses of action to achieve compliance with the minimum bid price continued listing standard. However, there can be no assurance that the Company will be able to regain compliance with the minimum bid price continued listing standard or will otherwise be in compliance with other Nasdaq listing criteria.

On July 27, 2023, the Company registered 1,500,000 shares of the Company’s Class A common stock issuable pursuant to the Company’s 2022 Omnibus Incentive Plan via the Registration Statement on Form S-8 (SEC File No. 333- 273489).

On September 1, 2023, the Board of Directors of the Company approved the repurchase of up to \$1,000,000 worth of the Company’s common stock under a potential share repurchase program. The Company may repurchase shares from time to time through open market purchases, in privately negotiated transactions or by other means, including accelerated share repurchase transactions or other structured repurchase transactions, block trades or pursuant to trading plans intended to comply with Rule 10b5-1 of the Exchange Act. The actual timing and amount of the future repurchases are subject to business and market conditions, corporate and regulatory requirements, stock price, acquisition opportunities and other factors.

### Item 6. Exhibits.

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

- 3.1 [Amended and Restated Certificate of Incorporation of Registrant \(incorporated by reference to Exhibit 3.3 to Amendment No. 1 to our Registration Statement on Form S-1 filed on February 9, 2022\)](#)
- 3.2 [Bylaws of Registrant \(incorporated by reference to Exhibit 3.2 to Amendment No. 1 to our Registration Statement on Form S-1 filed on February 9, 2022\)](#)
- 4.1 [Specimen Class A Common Stock Certificate \(incorporated by reference to Exhibit 4.2 to our Registration Statement on Form S-1 filed on January 25, 2022\)](#)
- 4.2 [Form of Representative’s Warrant \(incorporated by reference to Exhibit 4.2 to Quarterly report on Form 10-Q filed on November 14, 2022\)](#)
- 10.1 [Form of IPO Lock-Up Agreement \(incorporated by reference to Exhibit 10.1 to Amendment No. 3 to our Registration Statement on Form S-1 filed on May 31, 2022\)](#)
- 10.2 [Form of Director and Officer Indemnity Agreement \(incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-1 filed on January 25, 2022\)](#)
- 10.3 [Lease agreement by and between SVAP II Chapman, LLC and Yoshiharu Garden Grove, dated as of July 15, 2022 \(incorporated by reference to Exhibit 10.3 to Quarterly report on Form 10-Q filed on November 14, 2022\)](#)
- 10.4 [Lease by and between Ocean Ranch II, LLC and Yoshiharu Global Co., dated July 18, 2022 \(incorporated by reference to Exhibit 10.18 to Amendment No. 5 to our Registration Statement on Form S-1 filed on August 29, 2022\)](#)
- 17.1 [Resignation Letter of Helen Lee](#)
- 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 the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<hr/> <i>/s/ James Chae</i> <hr/> James Chae	Chief Executive Officer <i>(Principal Executive Officer)</i>	November 14, 2023
<hr/> <i>/s/ Soojae Ryan Cho</i> <hr/>	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	November 14, 2023
<hr/> 36 <hr/>		

RESIGNATION LETTER OF HELEN LEE

Helen Y. Lee  
506 Brower Ave  
Placentia, CA 92870

January 27, 2023

Yoshiharu Global Co.  
6940 Beach Blvd., Suite D-705  
Buena Park, CA 90621

Dear Mr. Chae,

This letter is to officially inform you that I am resigning from the position of a member of the Board of Directors in Yoshiharu Global Co., effective January 31, 2023.

It has been a great experience working with you and the team at Yoshiharu Global Co. I am grateful for having the opportunity to serve on the Board, and I offer my best wishes for its continued success.

Sincerely,



Helen Y. Lee, CPA

---



## CERTIFICATION

I, James Chae, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") for the quarterly period ended September 30, 2023 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 officers 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)) 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. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];
  - 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: November 14, 2023

By: */s/ James Chae*

James Chae

Chief Executive Officer (Principal Executive Officer)

---

## CERTIFICATION

I, Soojae Ryan Cho, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") for the quarterly period ended September 30, 2023 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 officers 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)) 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. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];
  - 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: November 14, 2023

By: /s/ Soojae Ryan Cho

Soojae Ryan Cho

Chief Financial Officer (Principal Financial and Accounting Officer)

---

**CERTIFICATION**

In connection with the Quarterly Report of Yoshiharu Global Co. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, 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: November 14, 2023

By: /s/ James Chae

James Chae  
Chief Executive Officer (Principal Executive Officer)

---

**CERTIFICATION**

In connection with the Quarterly Report of Yoshiharu Global Co. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, 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: November 14, 2023

By: /s/ Soojae Ryan Cho

Soojae Ryan Cho

Chief Financial Officer (Principal Financial and Accounting Officer)

---