

Risk Factors Comparison 2025-03-27 to 2024-04-01 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

• We have incurred operating losses and may not be profitable in the future. Our plans to maintain and increase liquidity may not be successful. • Our long- term success is highly dependent on our ability to successfully identify and secure appropriate sites and timely develop and expand our operations in existing and new markets. • New restaurants, once opened, may not be profitable, and the increases in average restaurant sales and comparable restaurant sales that we have experienced in the past may not be indicative of future results. • Our 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. • Our sales and profit growth could be adversely affected if comparable restaurant sales are less than we expect. • Negative publicity relating to one of our restaurants could reduce sales at some or all of our other restaurants. • The minimum wage, particularly in California, continues to increase and is subject to factors outside of our control. • New information or attitudes regarding diet and health could result in changes in regulations and consumer consumption habits that could adversely affect our business, financial condition or results of operations. • We are subject to all of the risks associated with leasing space subject to long- term non- cancelable leases. • Delays In Obtaining Construction Permits Can Have A Material Adverse Effect on Our Business. • We may become involved in lawsuits involving Yoshiharu Holdings Co. as the owner of intellectual property, or us as a licensee of intellectual property from Yoshiharu Holdings Co., to protect or enforce intellectual property rights, which could be expensive, time consuming, and unsuccessful. • A breach of security of confidential consumer information related to our electronic processing of credit and debit card transactions, as well as a breach of security of our employee information, could substantially affect our reputation, business, financial condition of results of operations. • Our marketing programs may not be successful, and our new menu items, advertising campaigns and restaurant designs and remodels may not generate increased sales or profits. • We could be party to litigation that could adversely affect us by distracting management, increasing our expenses or subjecting us to material money damages and other remedies. • Our current insurance may not provide adequate levels of coverage against claims. • Failure to obtain and maintain required licenses and permits or to comply with alcoholic beverage or food control regulations could lead to the loss of our liquor and food service licenses and, thereby, harm our business, financial condition or results of operations. • If we fail to develop and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in our company. • We will incur increased costs as a result of being a public company. • We are an “ emerging growth company, ” and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors. • Our management does not have experience managing a U. S. public company and our current resources may not be sufficient to fulfill our public company obligations. • Pursuant to the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act for so long as we are an “ emerging growth company. ” iii PART I Item 1. Business. Overview of Yoshiharu We are a fast- growing Japanese restaurant operator and was borne out of the idea of introducing the modernized Japanese dining experience to customers all over the world. Specializing in Japanese ramen, we gained recognition as a leading ramen restaurant in Southern California within six months of our 2016 debut and have continued to expand our top- notch restaurant service across Southern California, currently operating ten restaurants with an additional three new restaurant stores under construction / development. Further, we entered into a material definitive agreement to acquire three existing restaurants in Las Vegas and expect to complete the acquisition in early second quarter 2024. We take pride in our warm, hearty, smooth, and rich bone broth, which is slowly boiled for over twelve hours. Customers can taste and experience supreme quality and deep flavors. Combining the broth with the fresh, savory, and highest- quality ingredients, we serve 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. We also strive 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. In September 2022, we consummated our initial public offering (the “ IPO ”) of 2, 940, 000 shares of our Class A common stock **(pre- Reverse Stock Split)**, par value \$ 0. 0001 per share (“ 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 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, we 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 are 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 our Class A Common Stock began trading on the Nasdaq Capital Market under the symbol “ YOSH. ” On November 22, 2023, we filed a Certificate of Amendment (the “ Certificate of Amendment ”) to our Amended and Restated Certificate of Incorporation to effect a reverse stock split of our Class A Common Stock and Class B common stock, par value \$ 0. 0001 per share (“ Class B Common Stock ” and, together with Class A common Stock, “ Common Stock ”), in the ratio of 1- for- 10 (the “ Reverse Stock Split ”) effective at 11: 59 p. m. eastern on November 27, 2023. The Class A Common Stock began trading on a split- adjusted basis at the market open on Tuesday, November 28, 2023. No fractional shares were issued as a result of the Reverse Stock Split. Instead, any fractional shares that would have resulted from the Reverse Stock Split were rounded up to the next whole number. As a result, a total of 34, 846 shares of Class A Common Stock were issued and total of 1, 230, 246 shares of Class A Common Stock were outstanding as of December 31, 2023. The Reverse Stock Split affects all stockholders uniformly and did not alter any stockholder' s percentage interest in our outstanding Common Stock, except for adjustments that may result from the treatment of fractional shares. The number of authorized shares of Common Stock and number of authorized, issued, and outstanding shares of the preferred **our Class B common** stock were not changed. Supply Chain Disruption and Inflation Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs, especially in light of recent supply chain disruptions. We believe we have experienced higher costs due to increased commodity prices and challenges sourcing our supplies due in part to global supply chain disruptions. Although historically, and as of December 31, **2023-2024**, global supply chain disruptions have not materially adversely affected our business, a substantial increase in the cost of, or inability to procure, the food products most critical to our menu, such as canola oil, rice, meats, fish and other seafood, as well as fresh vegetables, could materially and adversely affect our business, financial condition or results from operations. Because we provide moderately priced food, we may choose not to, or may be unable to, pass along commodity price increases to consumers. These potential changes in supply costs could materially adversely affect our business, financial condition or results of operations. Historically and as of the date hereof, inflation has not had a material effect on our results of operations. Severe increases in inflation, however, could affect the global and U. S. economies and could have a materially adverse impact on our business, financial condition or results of operations. Furthermore, future volatile, negative, or uncertain economic conditions and recessionary periods or periods of significant inflation may adversely impact consumer spending at our restaurants, which would materially adversely affect our business, financial condition and results of operations. Such effects can be especially pronounced during periods of economic contraction or slow economic growth. To the extent that we are unable to offset such cost inflation through increased menu prices or increased efficiencies in our operations and cost savings, there could be a negative impact on our business, sales and margin performance, net income, cash flows and the trading price of our common shares. We have been able to offset to some extent these inflationary and other cost pressures through actions such as increasing menu prices and supply chain initiatives, however, we expect these inflationary and other cost pressures to continue into **and throughout** the year **2024-2025**. Our Strengths 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 has helped grow the business since that time. Mr. Chae leads a team of talented professionals with deep financial, operational, culinary, and real estate experience. Compelling Value Proposition with Broad Appeal. Guests can enjoy our signature ramen dishes or select from our variety of fresh sushi rolls, bento, and other Japanese cuisine. The high- quality dishes at affordable prices are the result of our efficient operations. In addition, we believe our commitment to high- quality and fresh ingredients in our food is at the forefront of current dining trends as customers continue to seek healthy food options. Attractive Restaurant- Level Economics. At Yoshiharu, we believe our rapid customer turnover, combined with our ability to deliver in 2 major day parts with lunch and dinner, allows for robust and efficient sales in each of our restaurants. Our average unit volume (“ AUV ”, as defined herein) was \$ 1. ~~2~~**1** million in **2022-2023** and \$ 1. ~~1~~**0** million in **2023-2024**. Quality of Food and Excellence in Customer Service. We place a premium on serving high- quality, authentic Japanese cuisine. We believe in customer convenience and satisfaction and have created strong, loyal and repeat customers who help expand the Yoshiharu network to their friends, family and co- workers. Our Growth Strategies Pursue New Restaurant Development. We have pursued a disciplined new corporate owned growth strategy. Having expanded our concept and operating model across varying restaurant sizes and geographies, we plan to leverage our expertise opening new restaurants to fill in existing markets and expand into new geographies. While we currently aim to achieve in excess of 100 % annual unit growth rate over the next three to five years, we cannot predict the time period of which we can achieve any level of restaurant growth or whether we will achieve this level of growth at all. Our ability to achieve new restaurant growth is impacted by a number of risks and uncertainties beyond our control, including those described under the caption “ Risk Factors. ” In particular, see “ Risk Factors — Our long- term success is highly dependent on our ability to successfully identify and secure appropriate sites and timely develop and expand our operations in existing and new markets ” for specific risks that could impede our ability to achieve new restaurant growth in the future. We believe there is a significant opportunity to employ this strategy to open additional restaurants in our existing markets and in new markets with similar demographics and retail environments. Deliver Consistent Comparable Restaurant Sales Growth. We have achieved positive comparable restaurant sales growth in recent periods. We believe we will be able to generate future comparable restaurant sales growth by growing traffic through increased brand awareness, consistent delivery of a satisfying dining experience, new menu offerings, and restaurant renovations. We will continue to manage our menu and pricing as part of our overall strategy to drive traffic and increase average check. We are also exploring initiatives to grow sales of alcoholic beverages at our restaurants, including the potential of a larger format restaurant with a sake bar concept. In addition to the strategies stated above, we expect to initiate sales of franchises in 2024. Increase Profitability. We have invested in our infrastructure and personnel, which we

believe positions us to continue to scale our business operations. As we continue to grow, we expect to drive higher profitability both at a restaurant- level and corporate- level by taking advantage of our increasing buying power with suppliers and leveraging our existing support infrastructure. Additionally, we believe we will be able to optimize labor costs at existing restaurants as our restaurant base matures and AUVs increase. We believe that as our restaurant base grows, our general and administrative costs will increase at a slower rate than our sales. Heighten Brand Awareness. We intend to continue to pursue targeted local marketing efforts and plan to increase our investment in advertising. 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 for small- format Yoshiharu kiosks in stores to promote a limited selection of Yoshiharu cuisine. 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. Properties