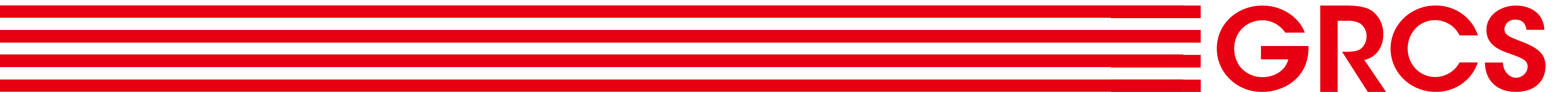


First Six Months of Fiscal Year ending November 30, 2022 (FY2022)

Financial Results Briefing

GRCS Inc. Securities code: 9250

July 14, 2022



GRCS®



Four Lines for Sustainability

Accelerate Evolution

Corporate mission

Keep challenging, keep evolving.

That is only natural.

Accelerate evolution and drive the future. That is the mission of GRCS.

Make the World Simpler with Technology

Corporate vision

Exchange ideas, combine technologies

and work together with people of diverse backgrounds

to make the increasingly intricate world more visible and familiar.

Realize a borderless and seamless society—is what we aim to achieve.

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1. Business Overview
2. Financial Results for First Six Months of FY2022
3. Growth Strategy
4. Appendix

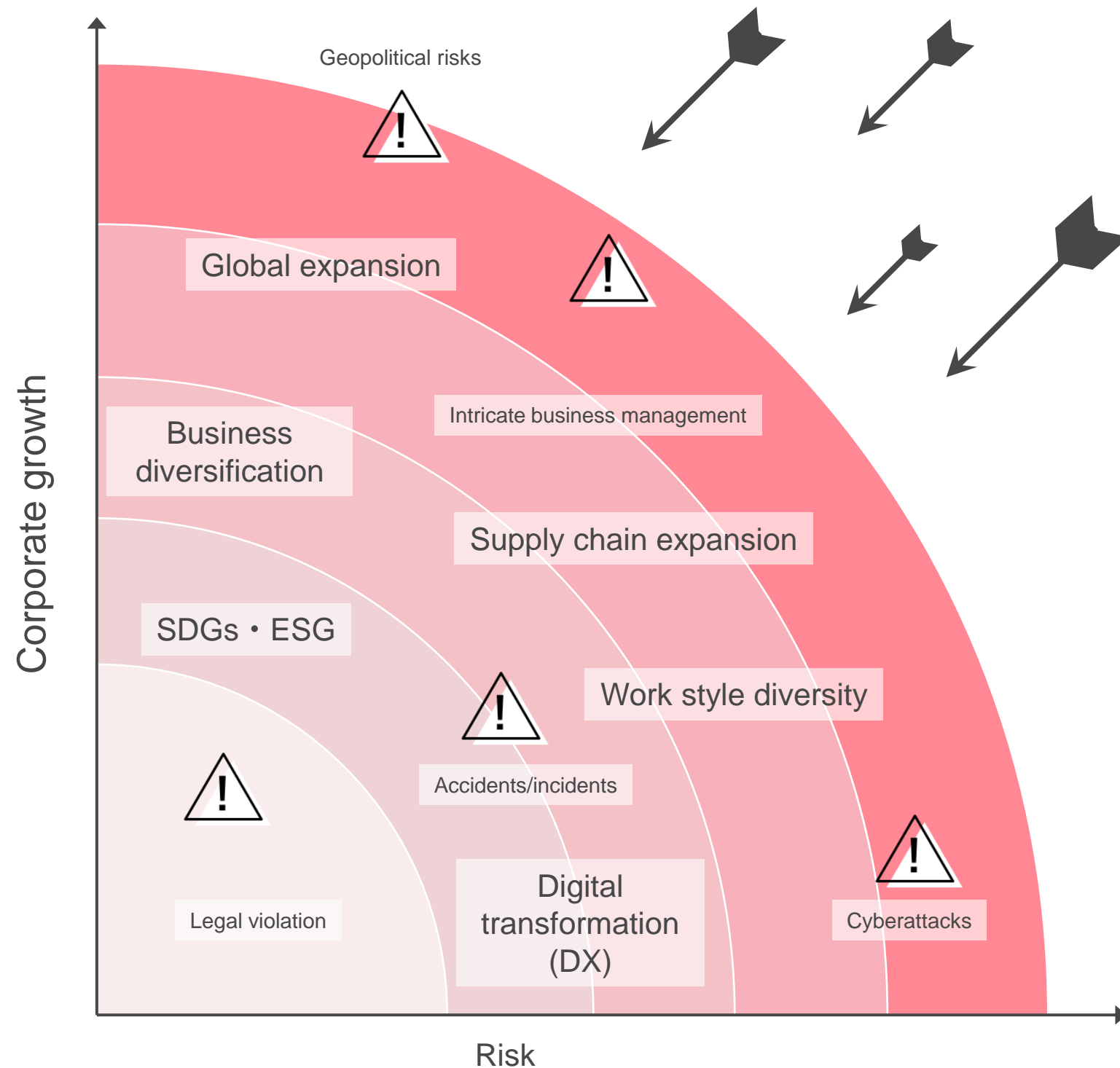
1. Business Overview

Landscape for Japanese Companies

Firms are exposed to more risks as they grow

Japanese companies are inadequately organized to protect themselves

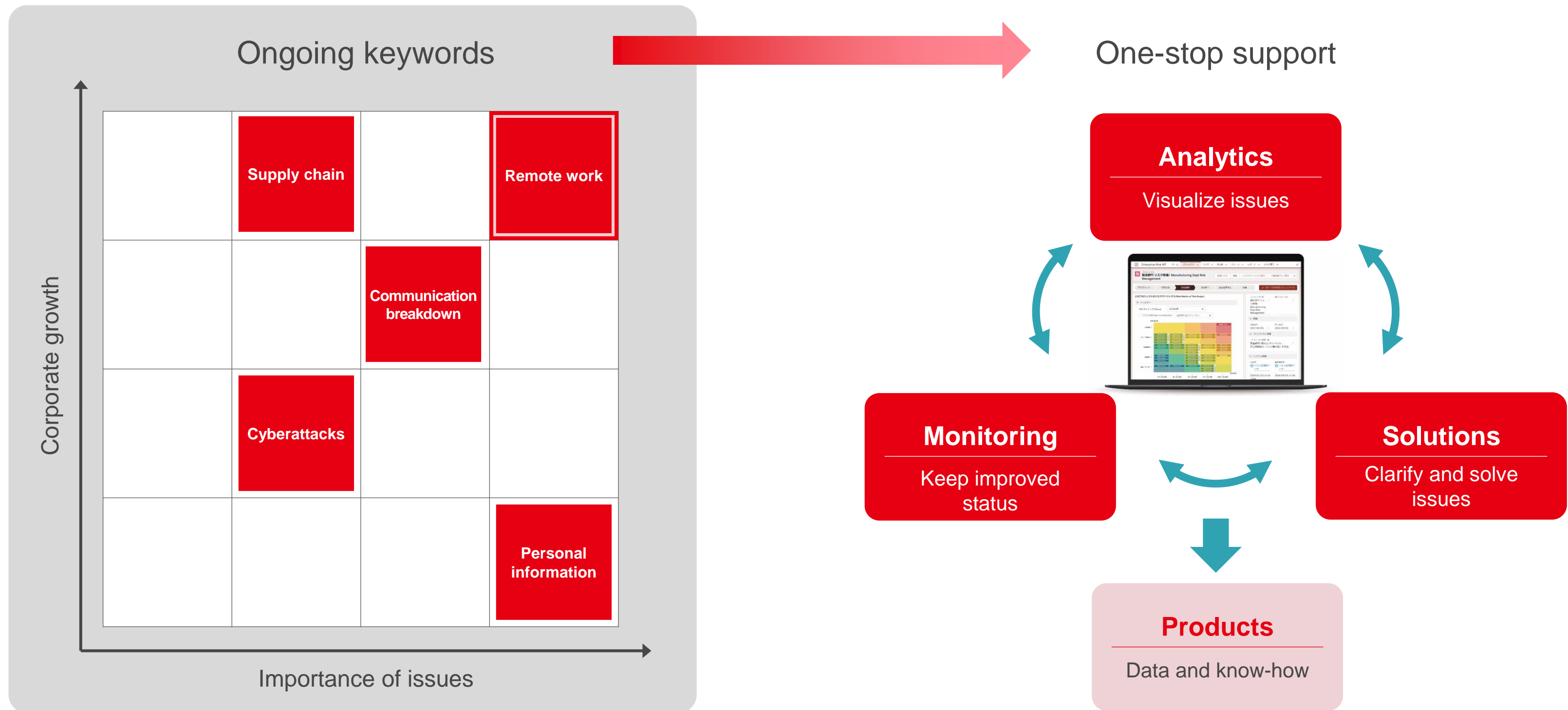
GRCS helps businesses grow **most efficiently** by reducing risks



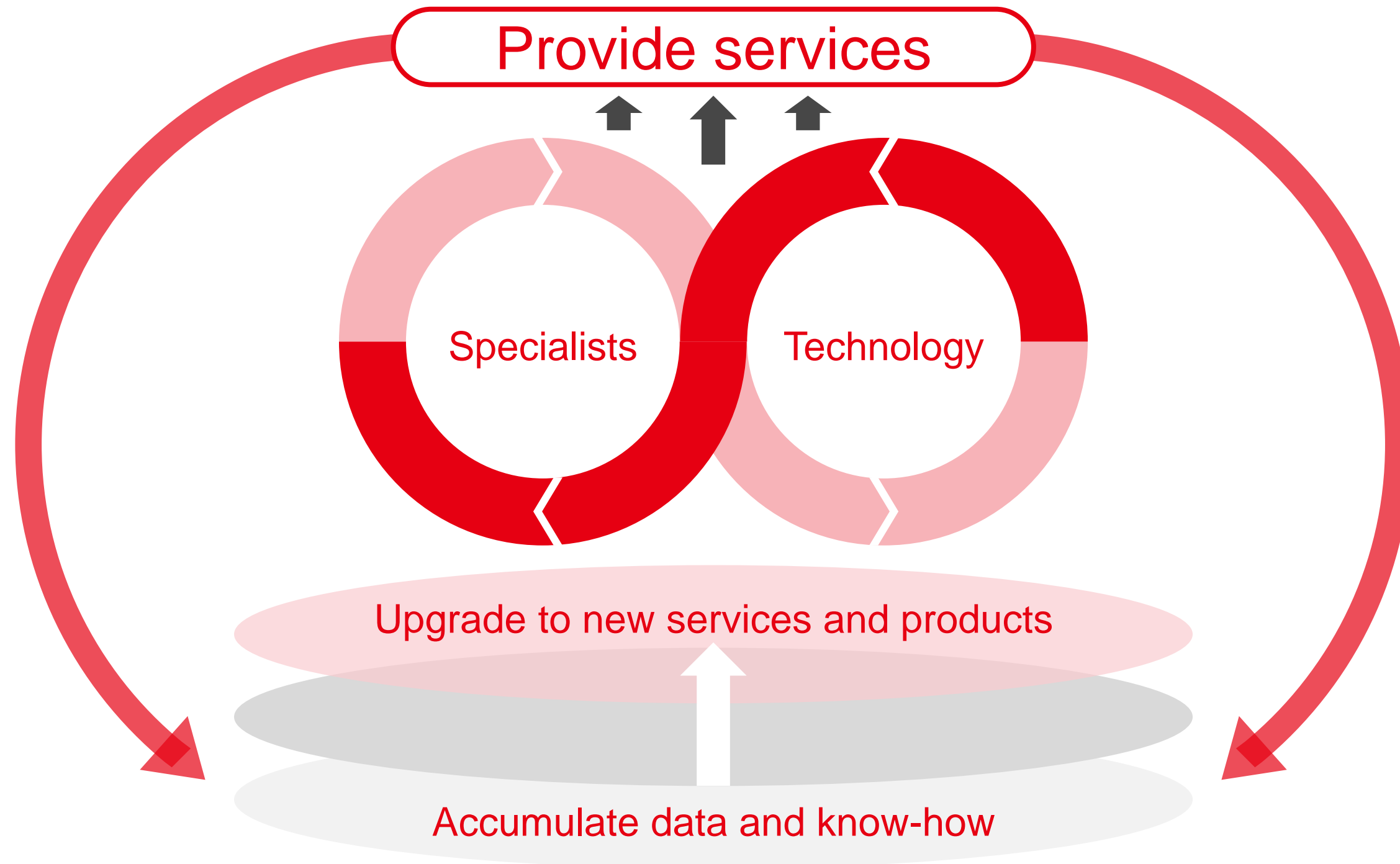
G	Establish governance frameworks
R	Reinforce risk management
C	Enhance compliance mindset
S	Support security measures

Areas and Scheme of Service Provision by GRCS

- ✓ Utilize products for more efficient enterprise information management and sharing ⇒ Visualize business issues
- ✓ Provide one-stop support to analyze/solve issues and improve on them ⇒ Create more projects through continuous PDCA cycles



How GRCS Provides Services



- ✓ About 100 in-house **Specialists**
- ✓ A leading **GRC specialist company** in Japan
- ✓ Track record of **over 10 years**
- ✓ **Once-stop service provider**

Make Things Simpler - to What Degree?



Make things simpler with the power of specialists and technology

Conventional in-house system

After adopting GRCS' services

Takes time to acknowledge risk information



Visualize risk status

Tied up with collecting and compiling information
No time for analysis and countermeasures



Focus on analysis and countermeasures instead of compilation

Obsolete risk information still used
Accuracy of the information unconfirmed



Keep the information updated

Reporting made by Excel files or at meetings



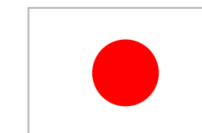
Enable checking at any time and anywhere through cloud services

Market Environment

- ✓ No numerical figure is yet available for the domestic GRC market, but GRC and security controls are a pressing issue for Japanese companies
- ✓ The global GRC market is forecast to grow by 14.0% annually on average; similar growth is anticipated for Japan

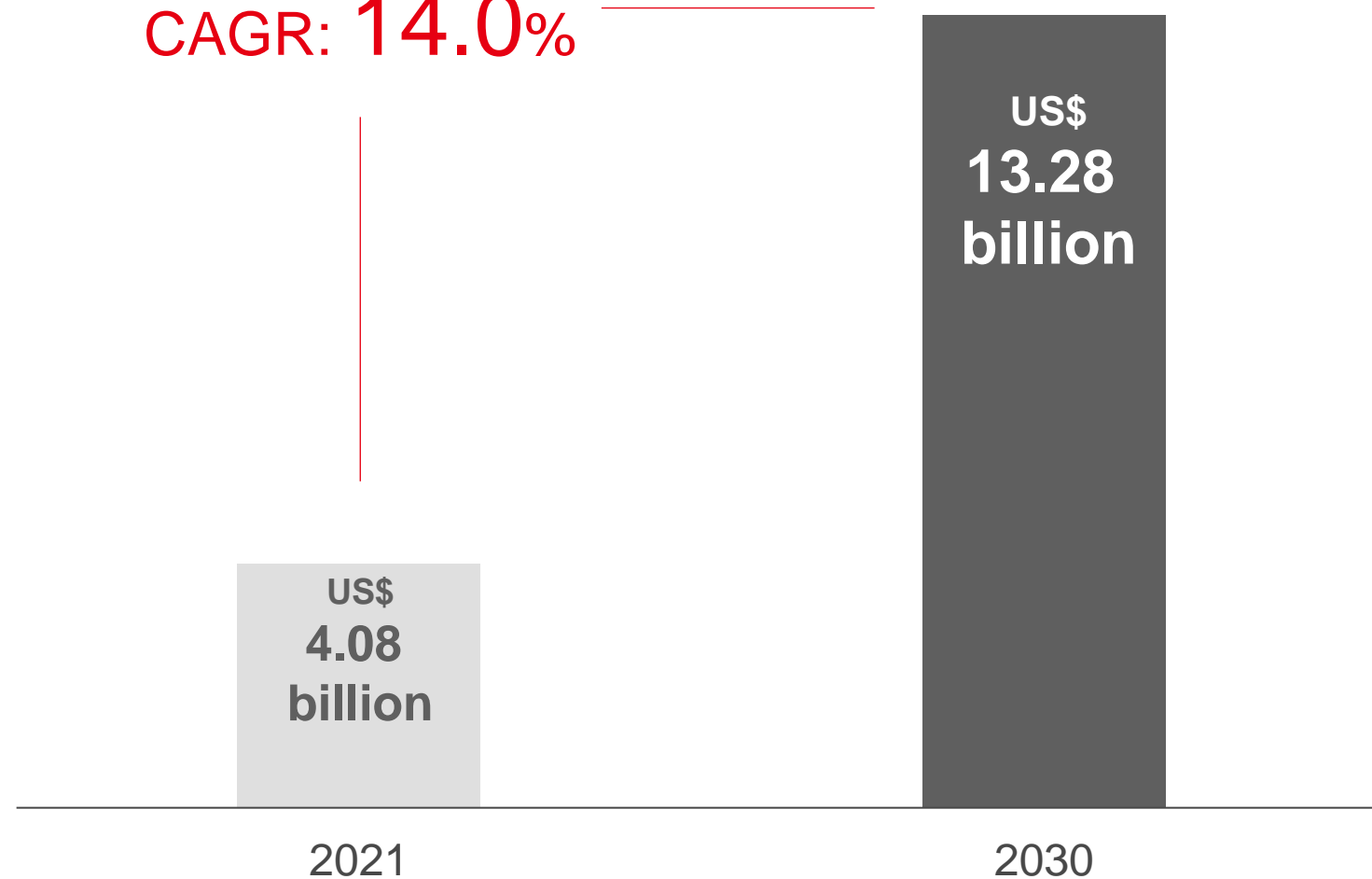


Global GRC market*



Growth of Japanese GRC market

CAGR: 14.0%



To catch up with the Western market, where GRC frameworks are already set in motion in business management, the Japanese market is **likely to grow at a faster speed**



Competitive Environment

- ✓ GRCS is the only company in Japan specialized in enterprise management
- ✓ Develop and offer services with an eye to Japan-based global companies

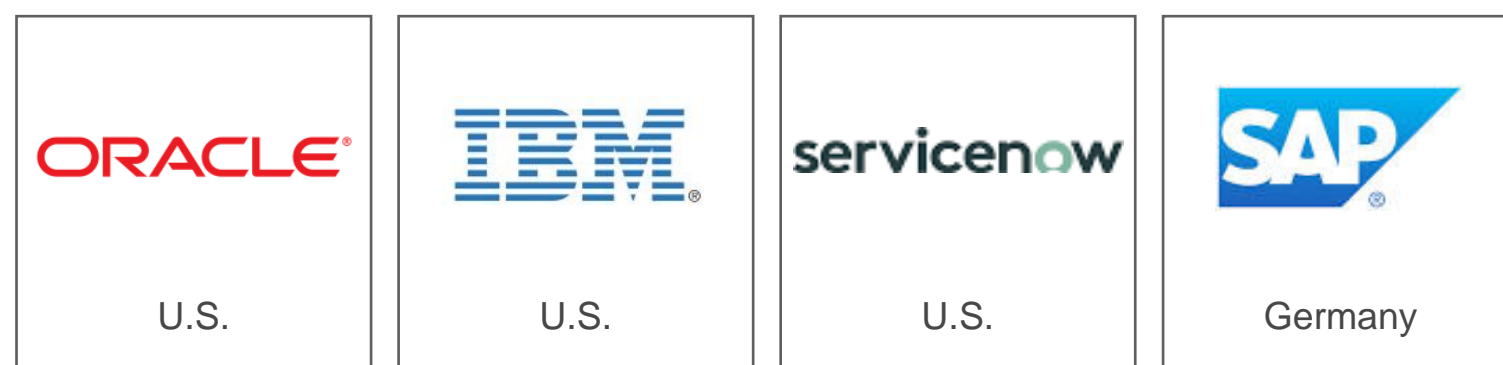
Major foreign accounting consulting firms and solution vendors

All-round and expensive services

Solutions





Products



Specialized in protecting enterprise management

Provide reasonably-priced services in anticipation of continuing contracts



- ✓ Use self-developed products
- ✓ Accumulate know-how for over 10 years

2. Financial Results for First Six Months of FY2022

Executive Summary

Business environment

- Heightened security mindset of Japanese companies due to Russian invasion of Ukraine
- Global companies are urgently required to enhance supply chain management
- Applications to seminars held by GRCS increased **approx. 2.5 times** year on year

Financial results

- Net sales: **1,113 million yen (+33.3% year on year)**
- Operating profit: **-9 million yen (-71 million yen year on year)**

Topics

- Conducted **M&A** for the first time since listing to increase employees by 18 and enhance recruitment
- Invested in **financial technology business** to reinforce products for core business operations

Summary of Financial Results

Net sales Grew steadily through upselling to existing clients. Number of projects for new clients also increased due to heightened risk management mindset in the market.

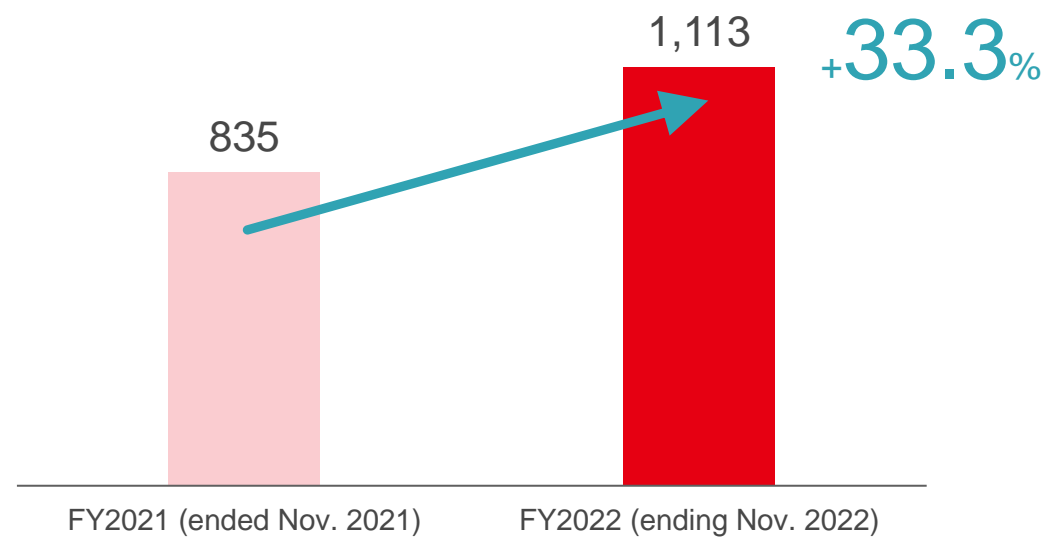
Profit margin Gross profit margin decreased as labor costs of financial technology specialists rose.

Other Costs increased mainly in hiring, education and training expenses and marketing expenses for the financial industry.

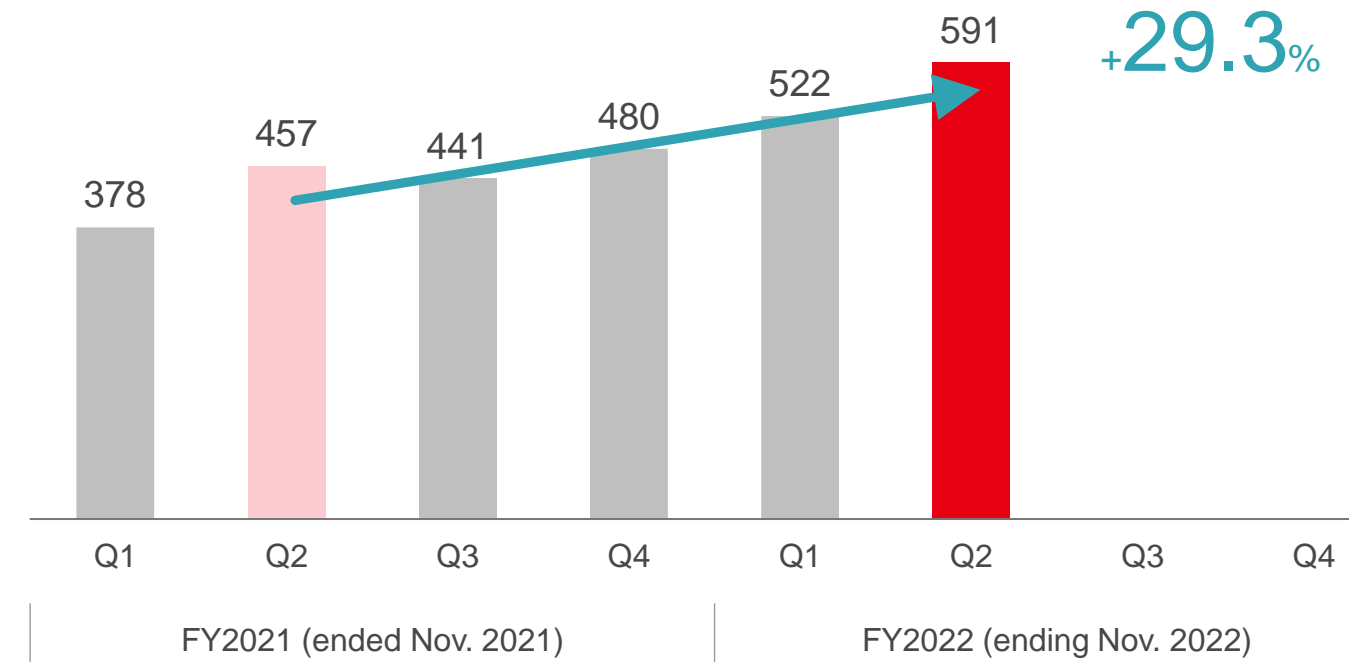
(Millions of yen)	First six months of FY2021	Composition ratio	First six months of FY2022	Composition ratio	Year-on-year change
Net sales	835	100.0%	1,113	100.0%	33.3%
Gross profit	214	25.7%	238	21.4%	10.9%
Selling, general and administrative expenses	153	18.4%	248	22.3%	61.7%
Operating profit (loss)	61	7.3%	(9)	(0.9%)	-
Ordinary profit (loss)	57	6.9%	(16)	(1.5%)	-
Profit (loss)	66	7.9%	(12)	(1.1%)	-

Trends in Net Sales

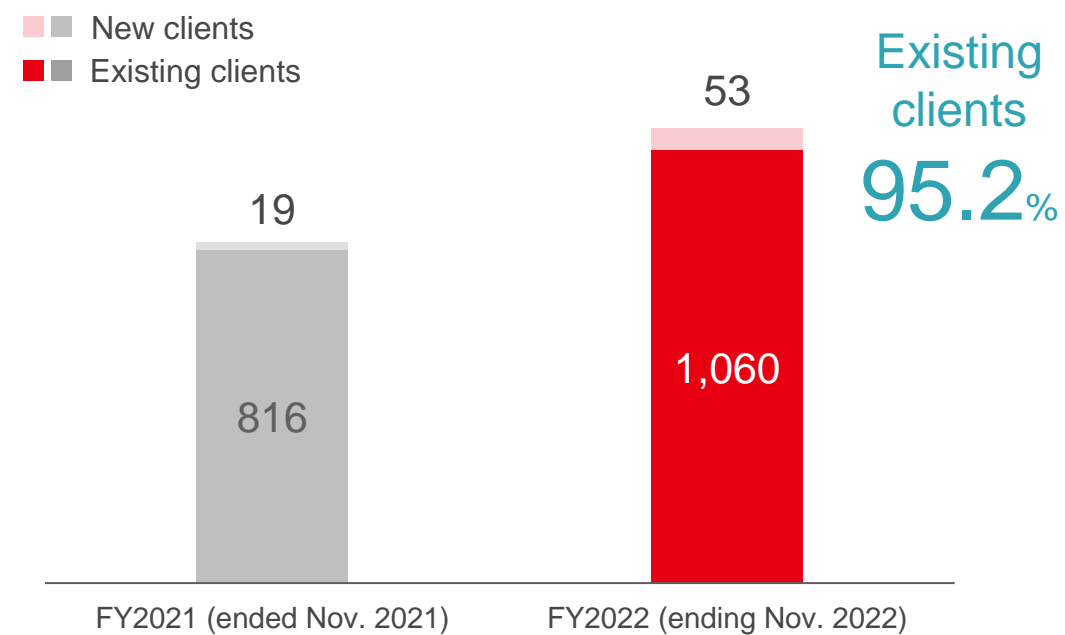
Year-on-year comparison (Millions of yen)



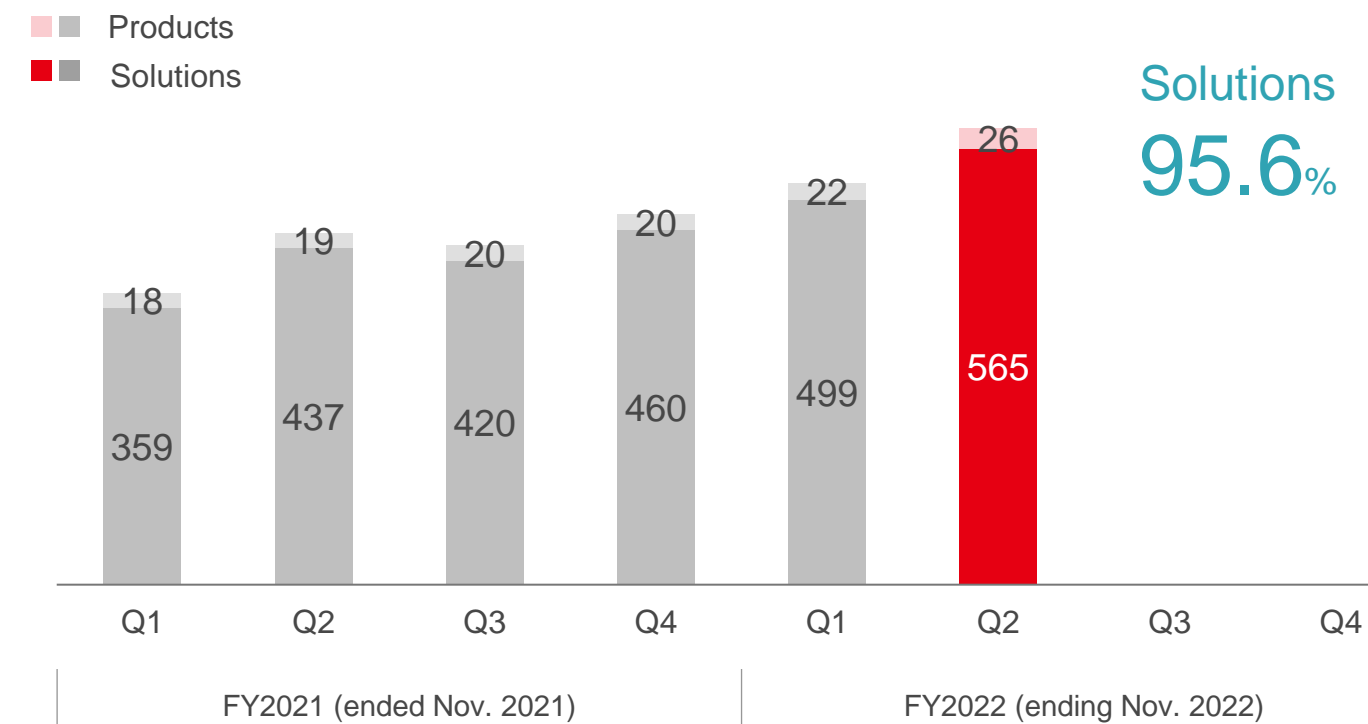
Trends by quarter (Millions of yen)



Existing clients and new clients (Millions of yen)

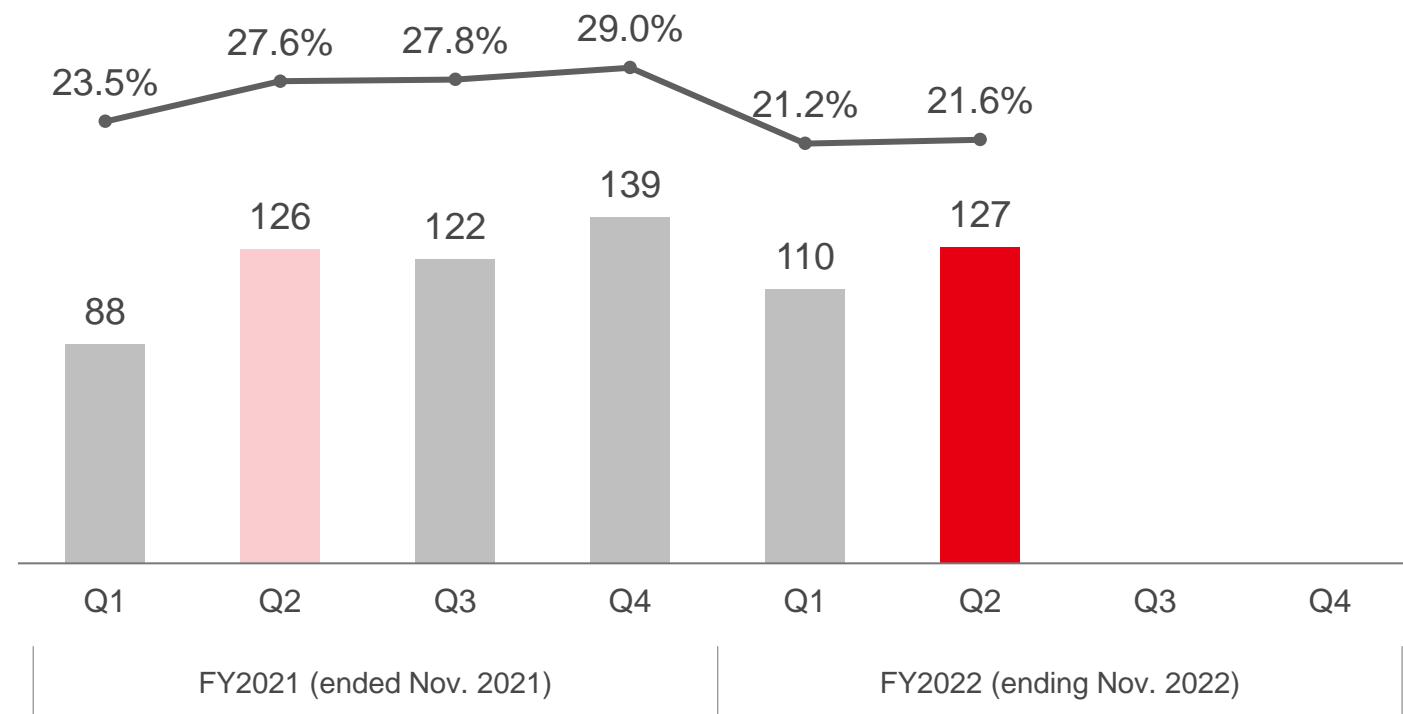


Solutions and products (Millions of yen)

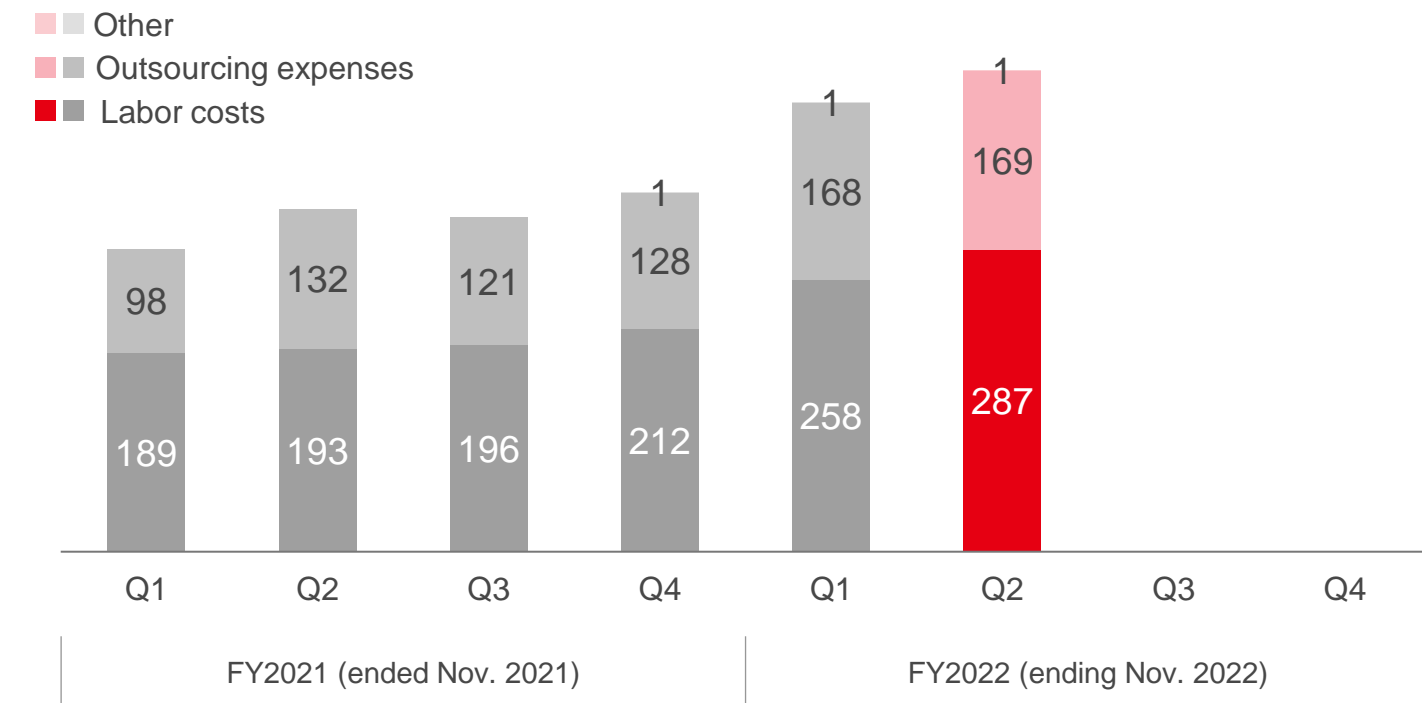


Trends in Gross Profit

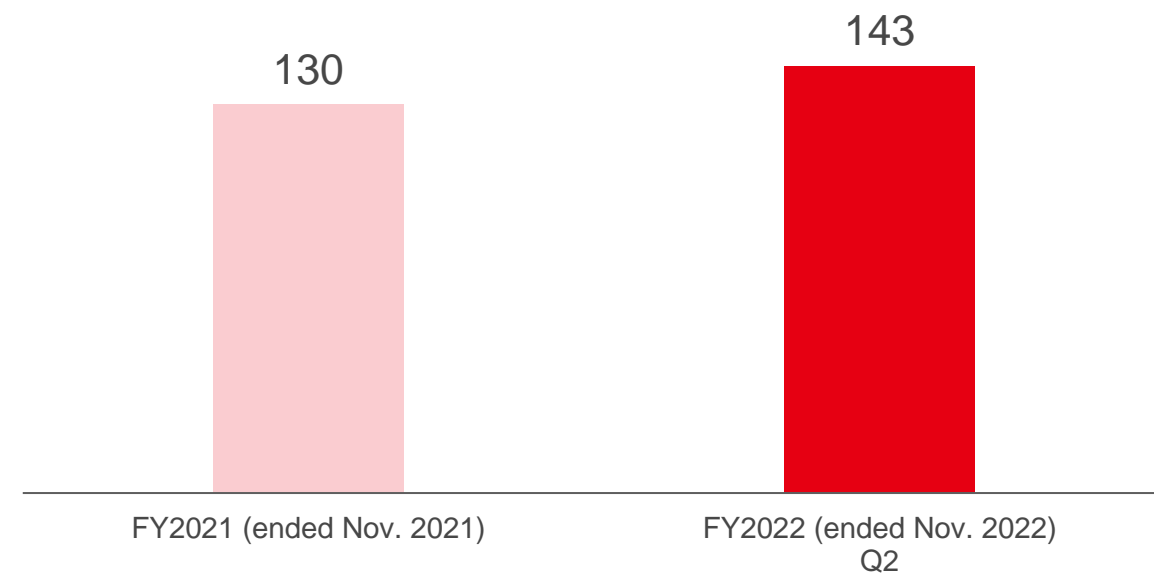
Gross profit/gross profit margin (Millions of yen)



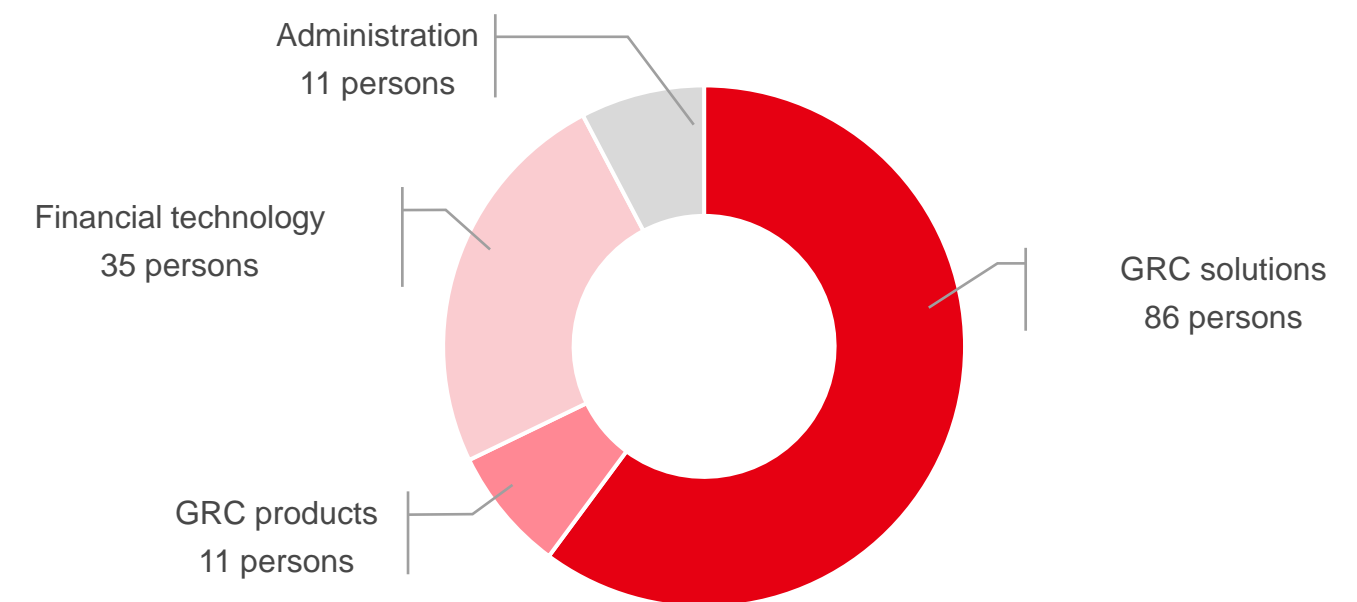
Cost of sales (Millions of yen)



Headcount trends (Persons)

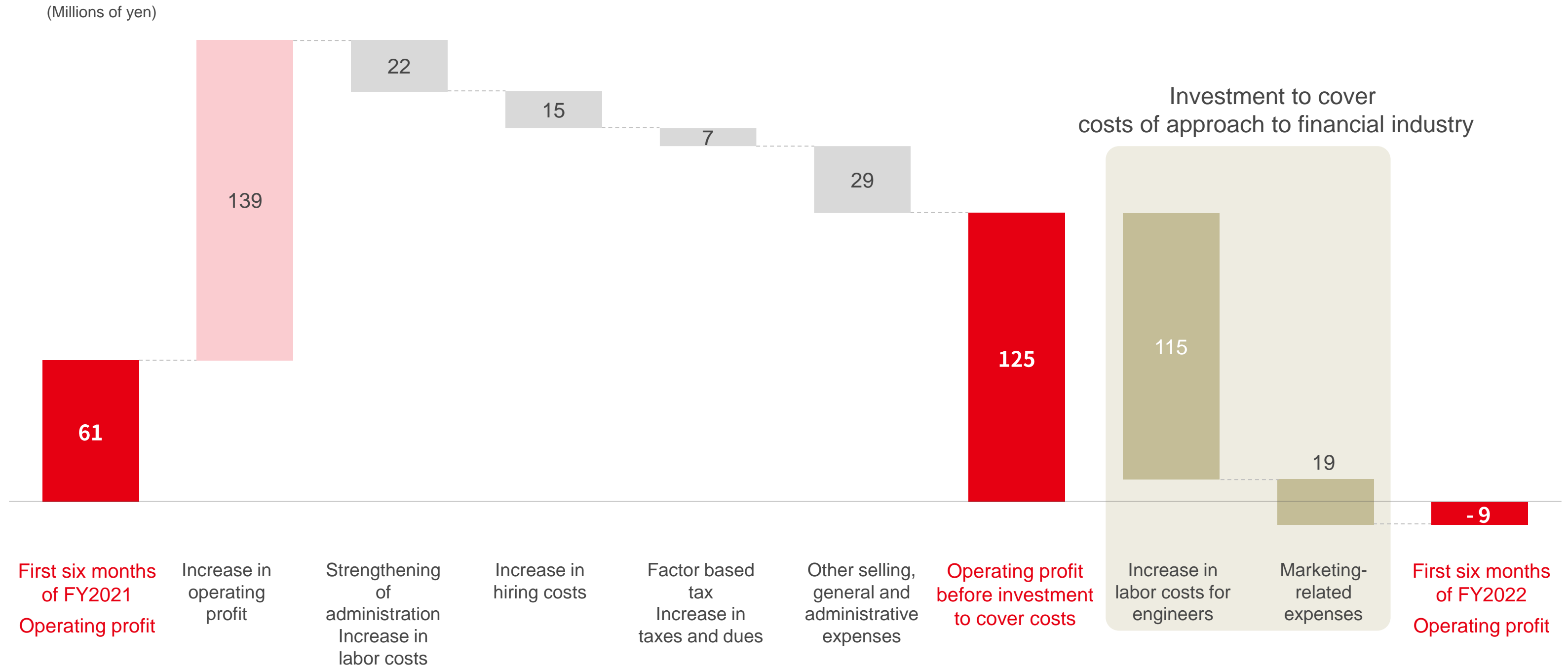


Personnel allocation



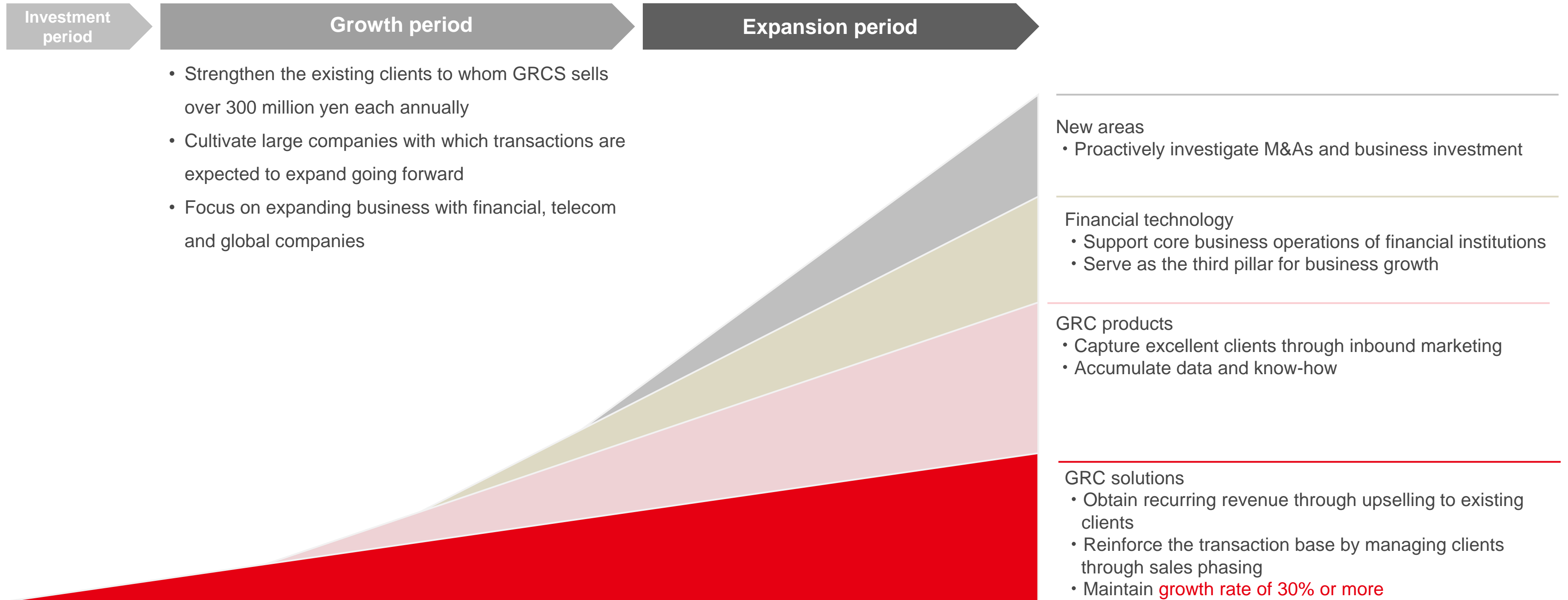
Analysis of Operating Profit Change

- ✓ Invested in labor costs for specialists to enhance our service structure for the front office operations of the financial industry that help increase the industry's revenues
- ✓ Focused on cultivating promising potential clients in the financial industry, such as banks and stockbrokers

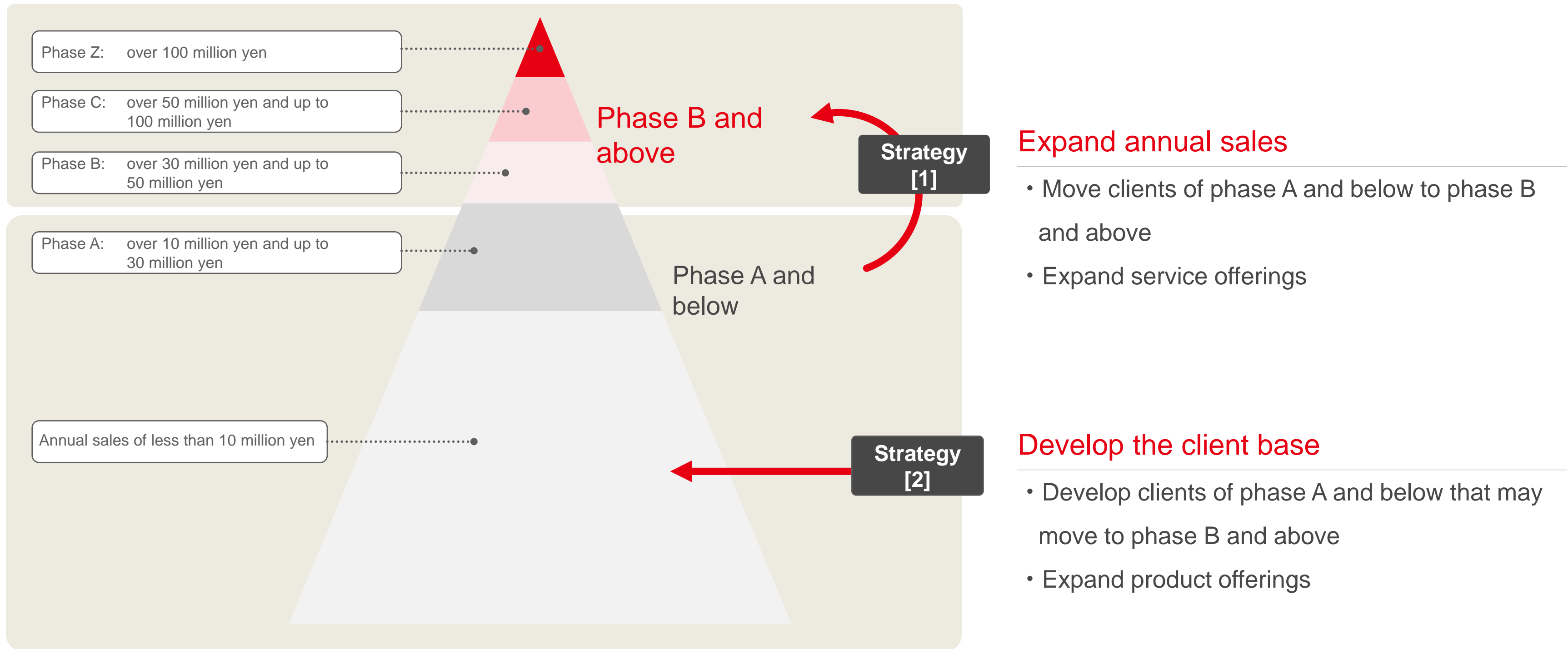


3. Growth Strategy

Illustrative Drawing of Growth Path



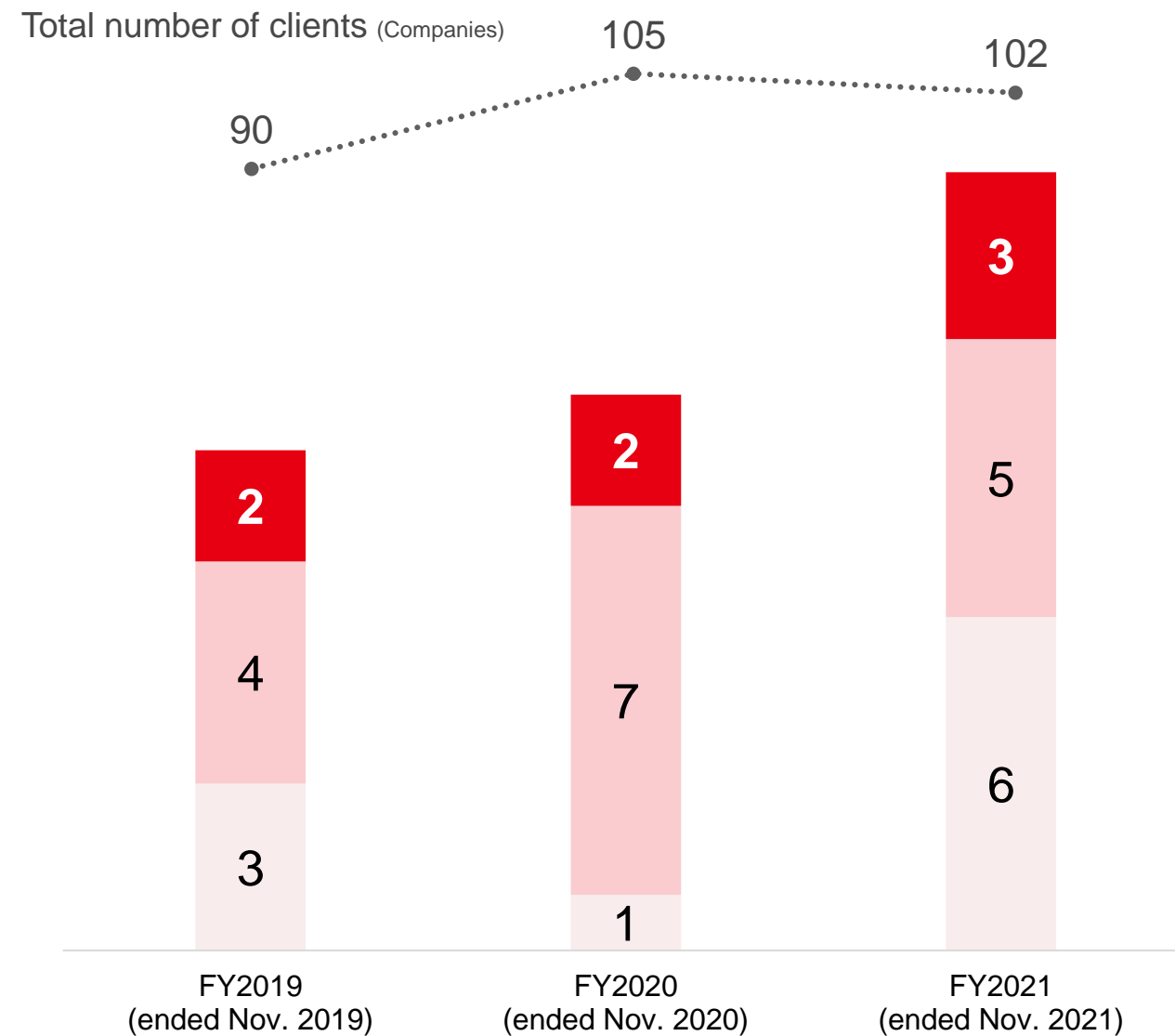
Overview of Growth Strategy



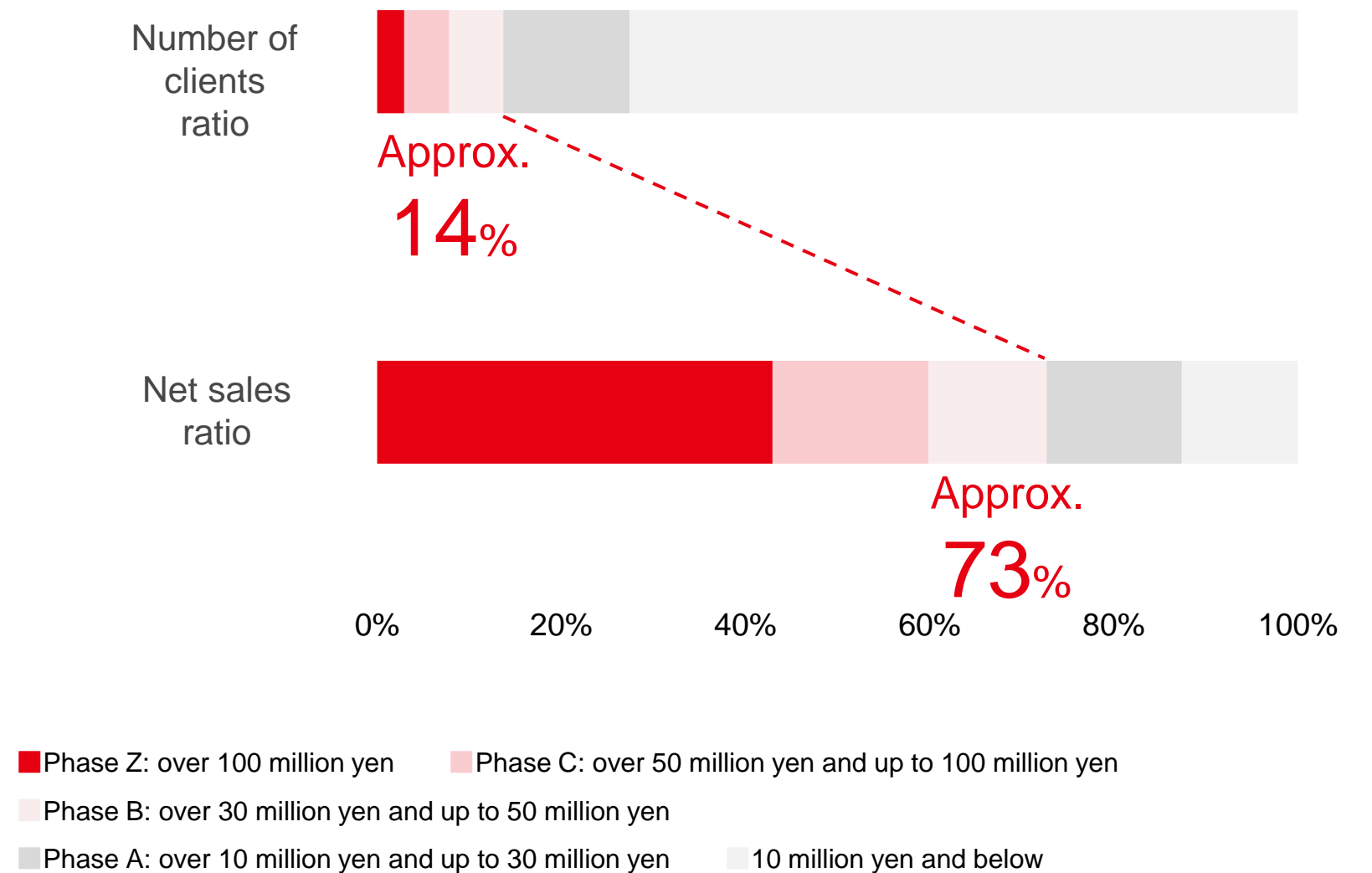
Sales by Phased Client

- ✓ The number of clients with annual GRCS sales of 30 million yen and above per each is 14 for FY2021, standing at approx. 73% (approx. 1.3 billion yen) of total net sales.
- ✓ Of the remaining 88 clients out of the total client base (102), about a half may possibly have similar transaction volume. As such, current focus is placed on upselling to existing clients

Number of clients at phase B and above (Companies)



Composition ratio by phase (FY2021 results)



Strategy [1]: Expand Service Offerings

- ✓ Provide **one-stop** services in all areas to meet identified needs of clients by reinforcing coordination among respective solutions
- ✓ Expand transaction value through **cross-selling and upselling** with newly developed services

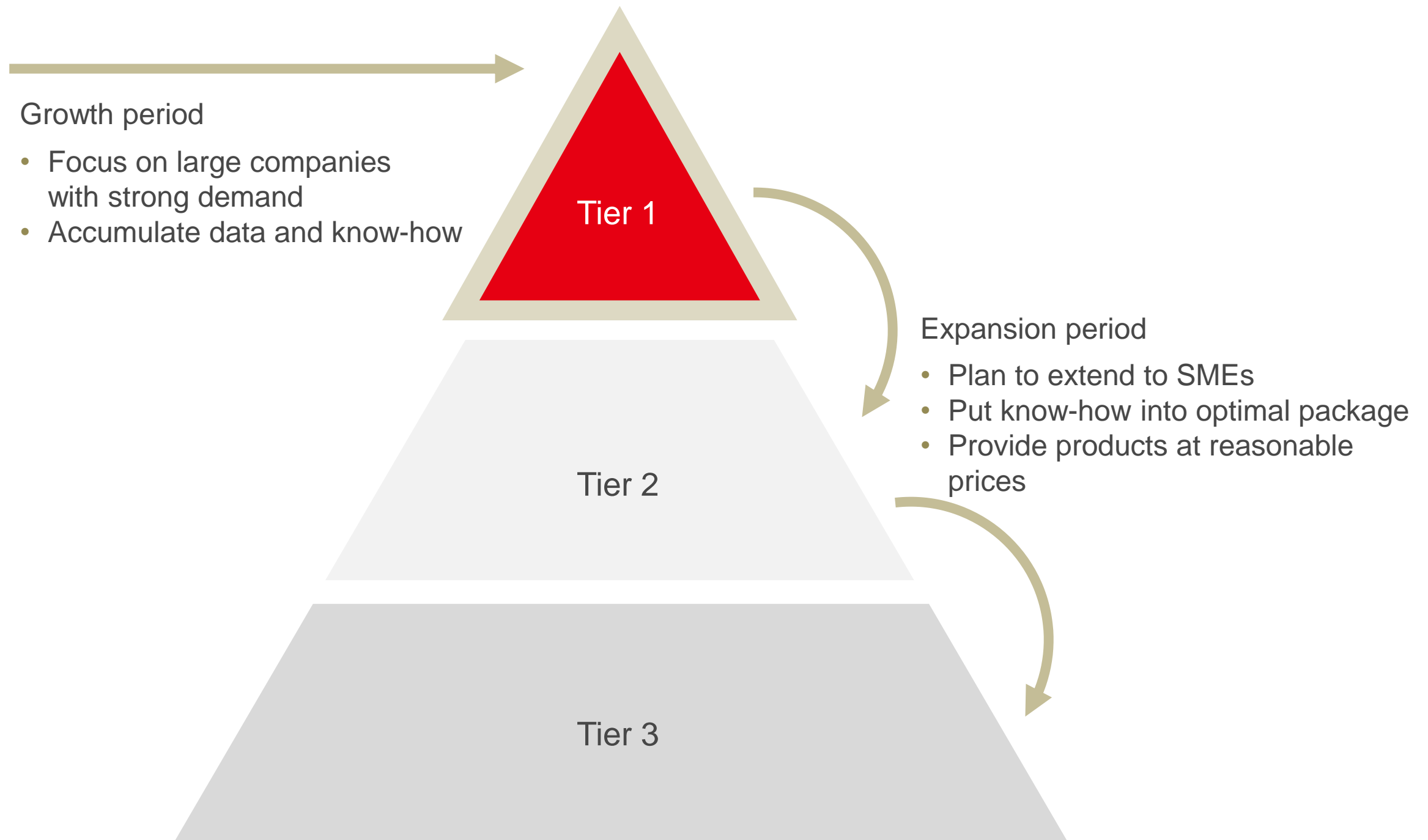
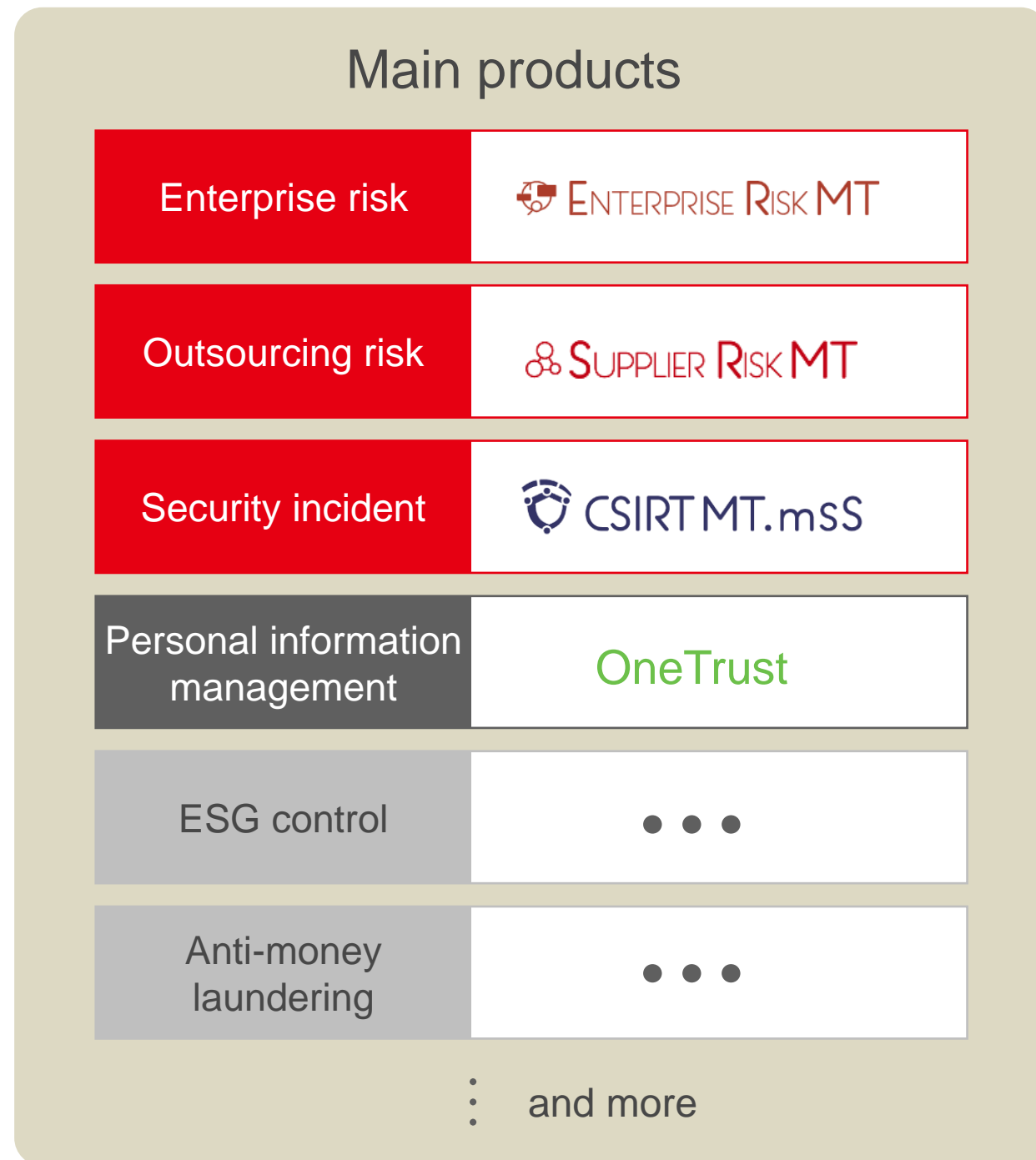


	Governance	Risk	Compliance	Security
Company A • Provide solutions • Provide products	Solved Unaddressed	Unaddressed Unaddressed	Solved Arising needs	Solved Solved
Company B • Provide solutions • Provide products	Unaddressed Unaddressed	Solved Solved	Arising needs Unaddressed	Unaddressed Unaddressed
Company C • Provide solutions • Provide products	Arising needs Unaddressed	Unaddressed Unaddressed	Solved Solved	Unaddressed Unaddressed
Services to be offered	ESG	Global	AML	Zero Trust

*: "Unaddressed" refers to "issues not yet addressed"; "Arising needs" refers to "needs to improve unaddressed issues arising"; "Solved" refers to "issues already addressed and solved"
 *: The chart is an illustrative drawing of expansion of service offerings and does not reflect actual cases.

Strategy [2]: Expand Product Offerings

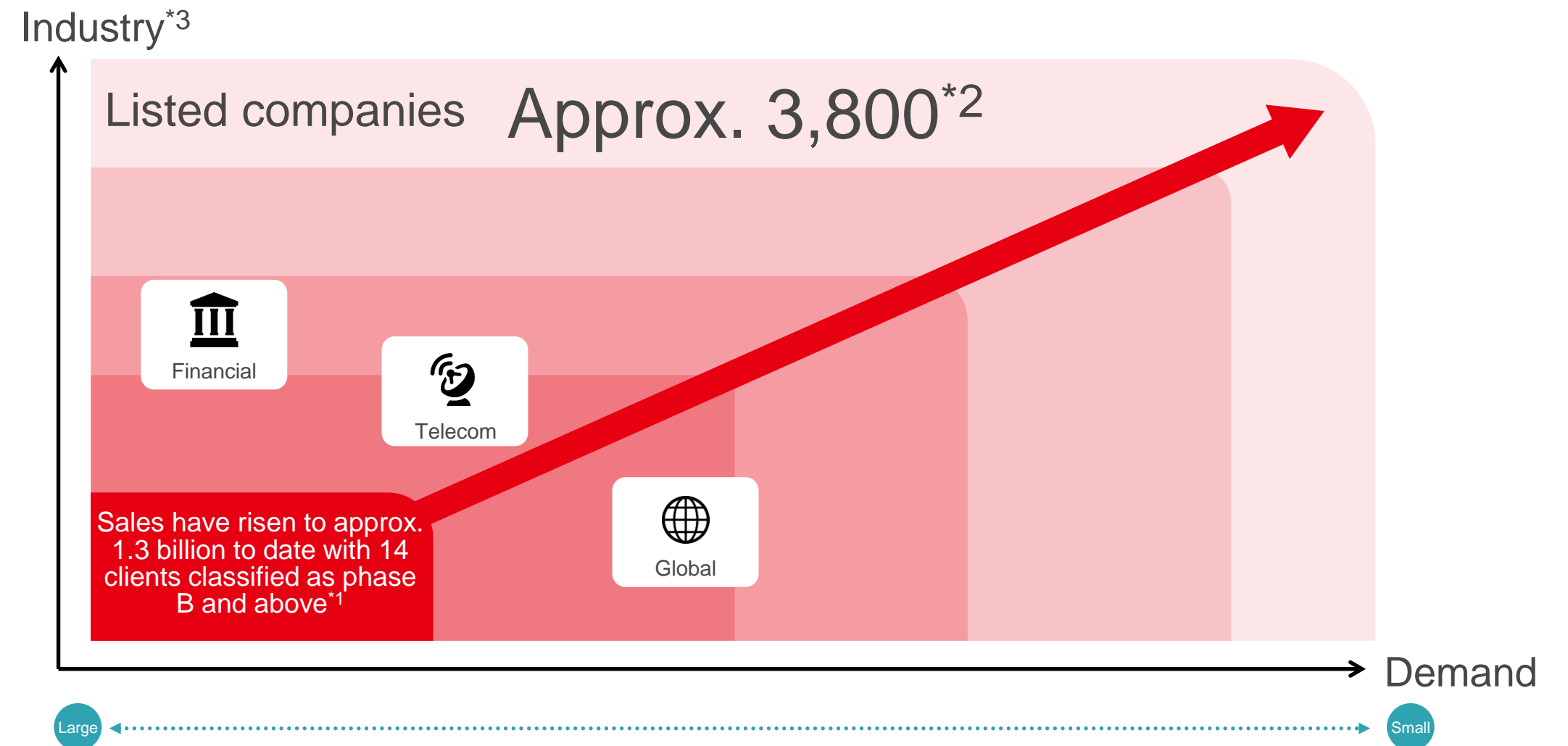
- ✓ Currently, demand is strong from large companies, and most of the client inflow is through **inbound marketing**
- ✓ Enhance lineup of offerings through coordination with overseas companies to address **global** and **timely** issues



Growth Potential over the Short Term

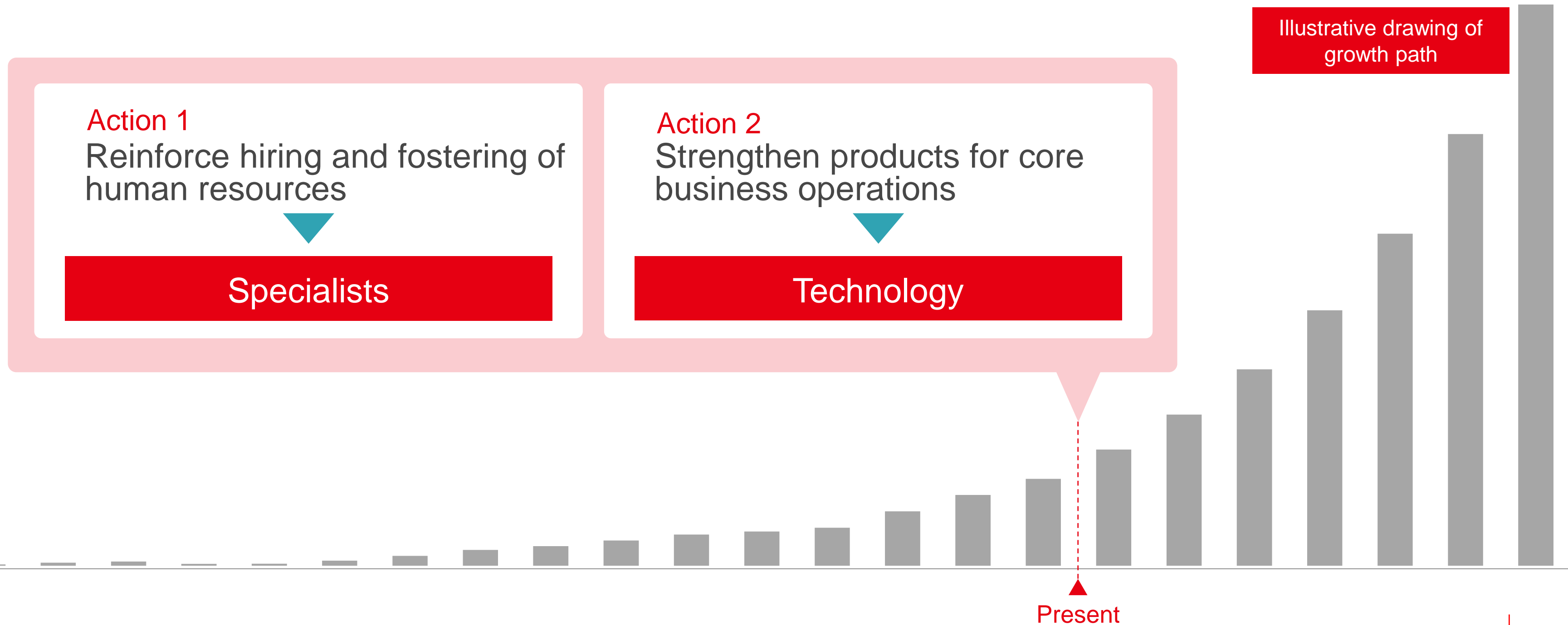
- ✓ With the importance of risk management only increasing for listed companies, our main target, there is huge room left for us to expand
- ✓ For now, focus on **financial, telecom and global companies** with increasingly apparent demand


Demand is strong from industries under **stricter regulations** than others, such as those subject to overseas regulations or supervised by government agencies, as they require a high-level risk management scheme



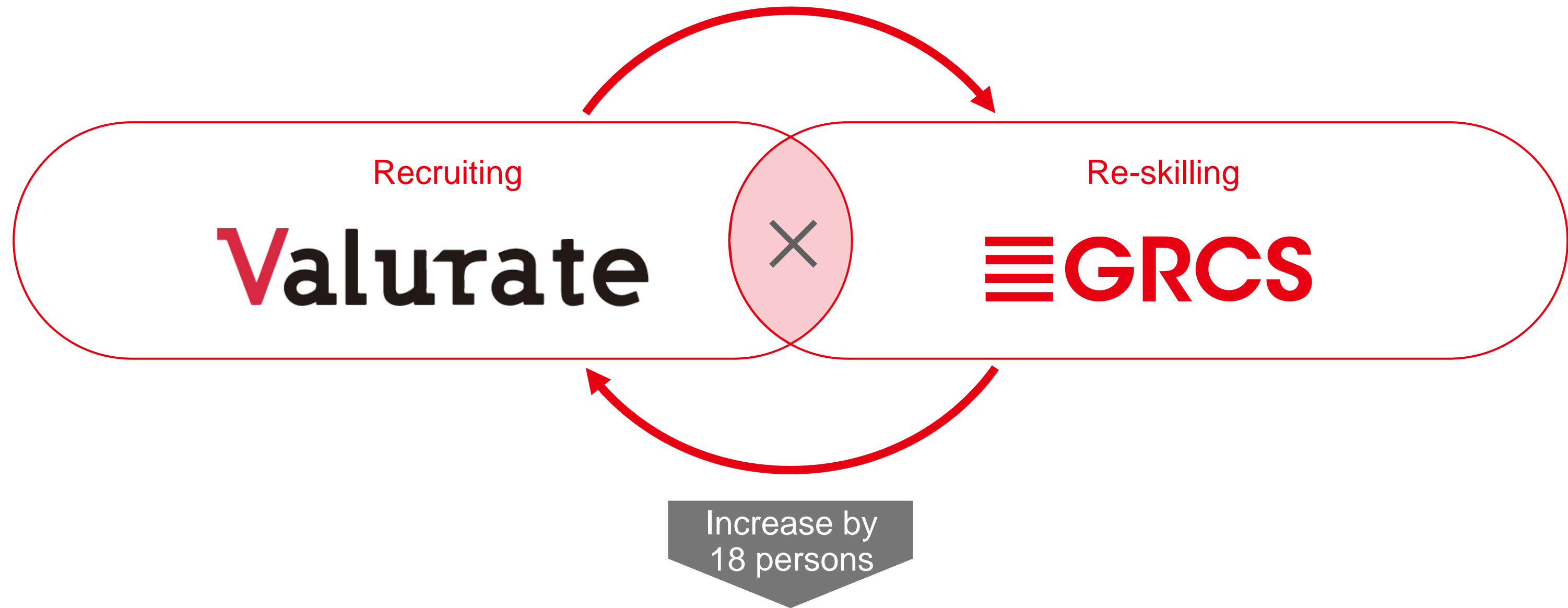
Endeavors to Reinforce the Growth Base and Two Challenges

- Target** Keep net sales to **grow by 30% or more** going forward
- Challenge 1** Securing and fostering specialists is essential for business expansion
- Challenge 2** Reinforce the business position to cover areas of proactive initiatives on top of conventional areas of protection



Reinforcing the Growth Base: Action 1 M&A

- ✓ Increase staff by 18 persons from Valurate Co., Ltd. and foster them into specialists through **re-skilling** at GRCS Academy
- ✓ With the participation of Valurate Co., Ltd. that has a track record of supporting recruitment, reinforce GRCS's **recruiting capability**



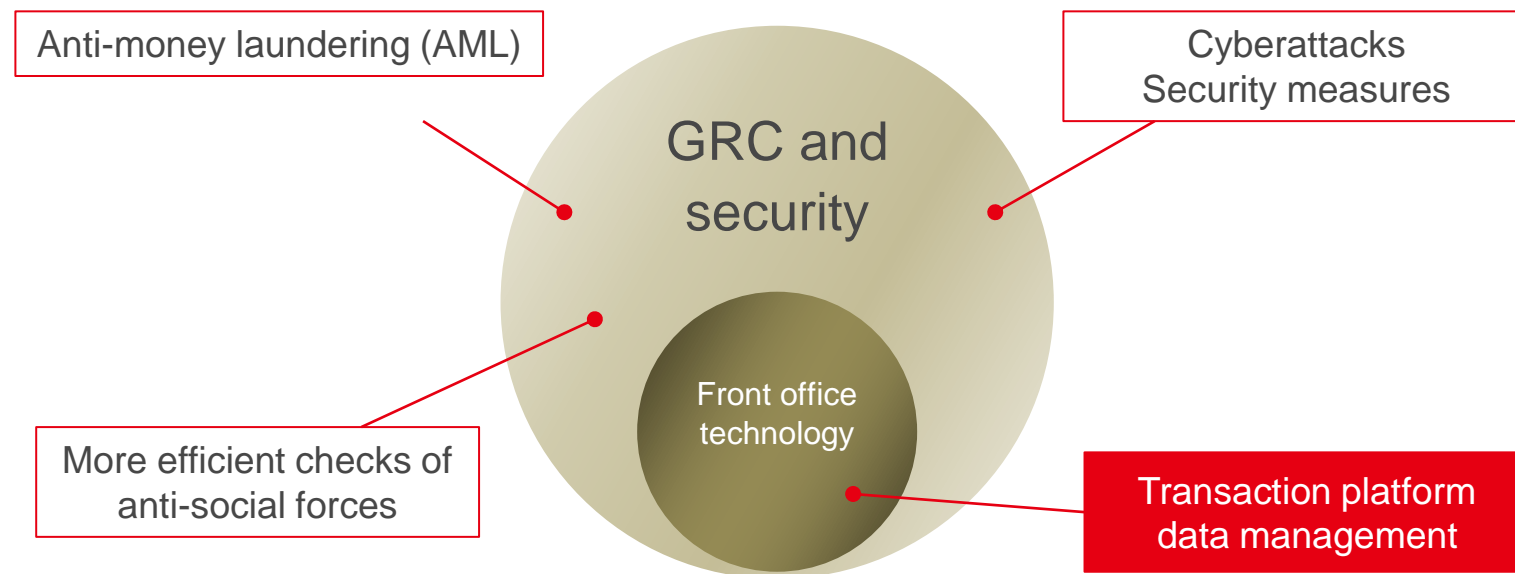
Reinforce our specialist base

Reinforcing the Growth Base: Action 2 Financial Technology

Focus on financial technology business that continue to evolve and grow rapidly and will help the market to expand

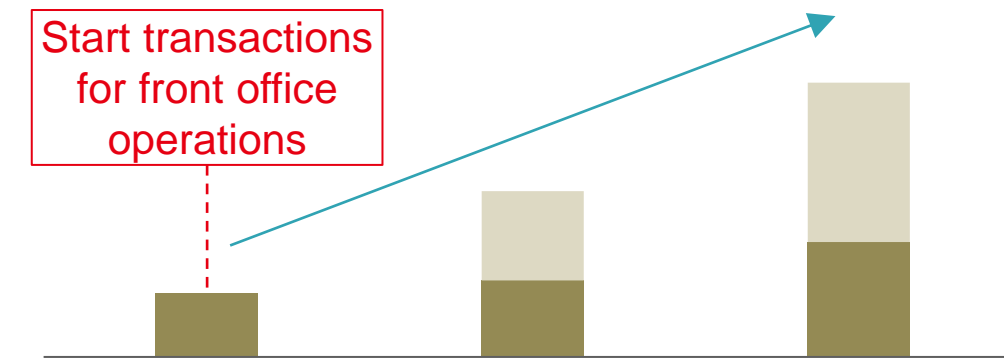
- ✓ Technology for the front office operations that directly lead to revenues of financial institutions is highly advanced and evolving rapidly
- ✓ The level of issues in the GRC and security areas has also been elevated along with changes in the front office operations
- ✓ Work on full-scale services for the front office operations to accelerate our business development in the financial industry by efficiently providing services

How service areas will expand



- ① Conduct transactions starting with front office operations of financial business
- ② Expand transactions in GRC and security areas through one-stop services
- ③ Address technological progress and business landscape changes in both areas to exert synergy

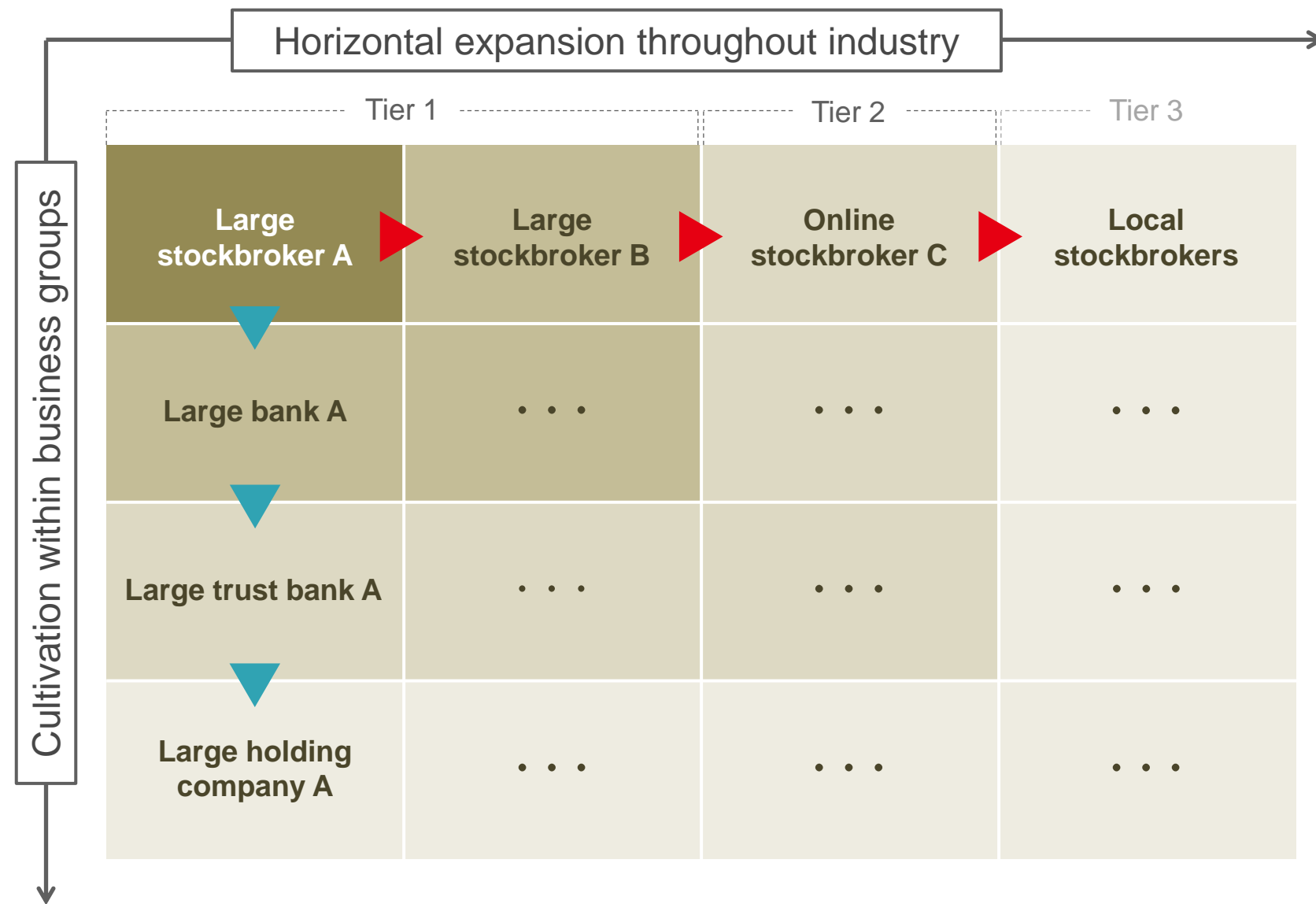
Illustrative drawing of business growth



Start transactions mainly related to technology for front office areas
Also expand transactions in GRC and security areas through related services

Financial Technology: Business Strategy

- ✓ With its extremely big size, the financial industry contains promising potential clients to whom we can propose various services and products
- ✓ Provide one-stop services from consultation to design, development, implementation and maintenance, significantly reducing clients' costs



▶ Capital market solutions

- Provide technology solutions in the business for the financial and capital markets
- Secure long-term transactions by providing for front office operations that contribute to revenues of financial institutions

▼ Partnership business

- Adopt state-of-the-art technologies of the world to the Japanese financial and capital markets
- Conduct business by concluding partnerships with overseas startups

■ Global operations business

- Provide monitoring services for core systems of financial institutions
- Establish the Yokohama Global Center as the base

Financial Technology: Top Management

- ✓ Comprises talents having a variety of achievements in the global financial industry
- ✓ Quickly obtains state-of-the-art technologies in the world through a network of experienced specialists



Tse Man Chun

Engaged in the development of cutting-edge technologies in the capital market for over 30 years, leading many projects successfully as top engineer in the development of transaction matching systems, market access and order routing systems that are required to achieve especially high performance. He was in charge of many projects at Thomson Reuters as Head of professional services, and engaged in various system developments at Cicada for DBAG (Deutsche Börse), Euronext, SGX (Singapore Exchange) and CFETS (China Foreign Exchange Trade System), etc. Subsequently, he led all transaction platforms of Chi-X Globa as its Chief Technology Officer.



Joji Watanabe

Joined Nomura Securities Co., Ltd. in 1989. After conducting marketing for high-net-worth customers at domestic branches, he studied at Claremont Graduate University in the U.S. in 1994. Subsequently, he was engaged in research marketing for local institutional investors at three bases in Europe for about 10 years. Since 2008, he managed Instinet Incorporated, a Nomura group company, as President and CEO. He then served as head of Execution Service and executive officer of Asia-Pacific equity at Nomura Securities, and left the company in 2016. Moved to Mizuho Securities Co., Ltd. in the year, leading its equity business as head of equity division. He left the company in 2019, and led a consulting business related to fund procurement of startups.

Financial Technology Business: Track Record of the Team

- ✓ A **world-class development team** that continues to provide high-specification products to the global market
- ✓ An operation team that monitors and supports clients' systems around the clock by bilingual staff
- ✓ A project management team that covers requirement definition, development and implementation in a straight manner

Major achievements of the development team

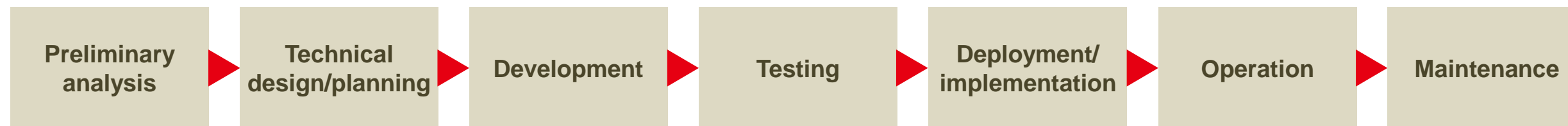


Financial Technology Business: Features and Strengths

- ✓ **Professional services** in a straight manner by experienced specialists
- ✓ Transaction platforms that have low latency, high availability and scalability
- ✓ High-specification products employing cutting-edge technologies

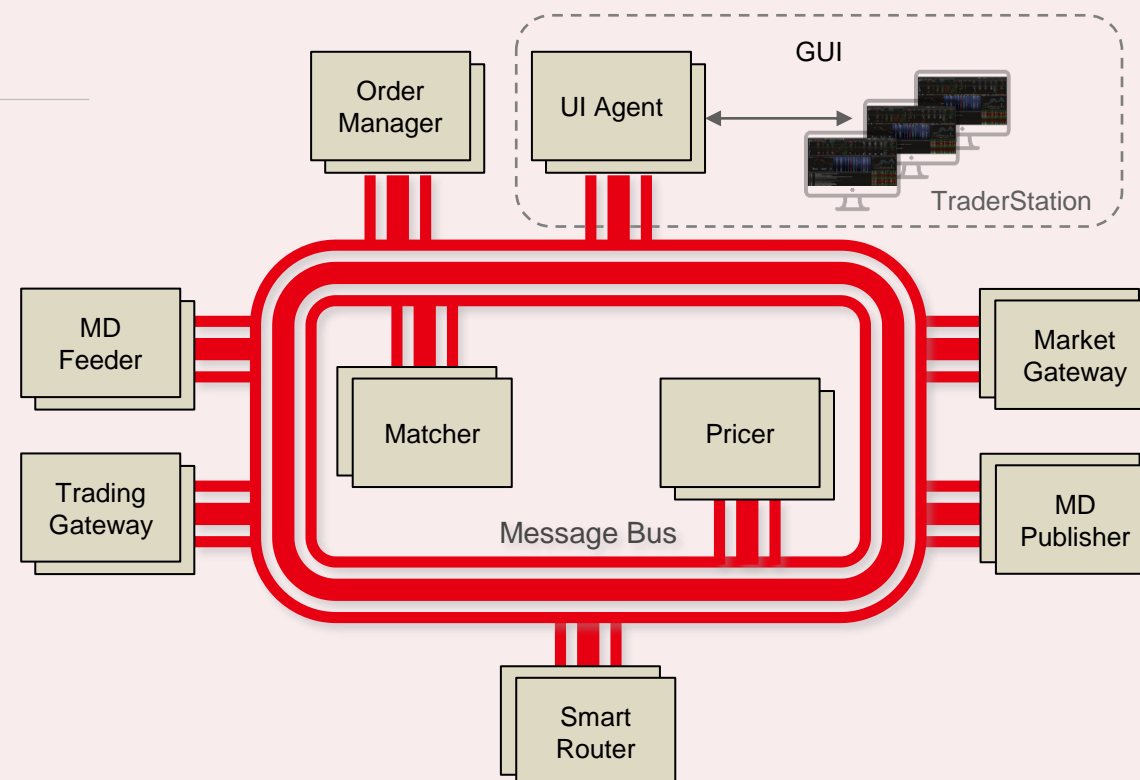
Solutions

- Provide full-range services through the entire processes of a project
- Manage lead time and flexibility



Products

- Transaction platform
- Data management

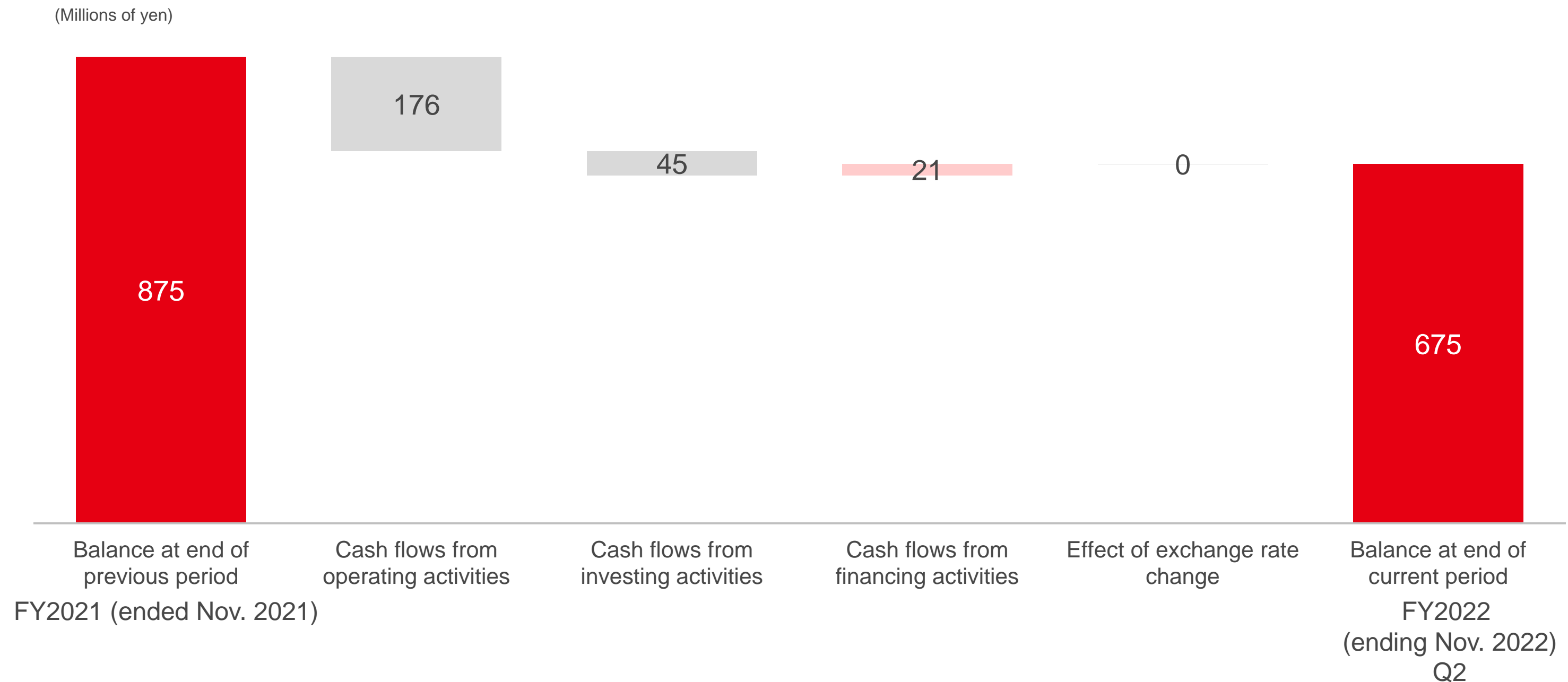


- Matching engine
- Smart order router
- Market data system
- Trading gateway
- Pricing engine
- GUI (graphical user interface)

4. Appendix

Statements of Cash Flows

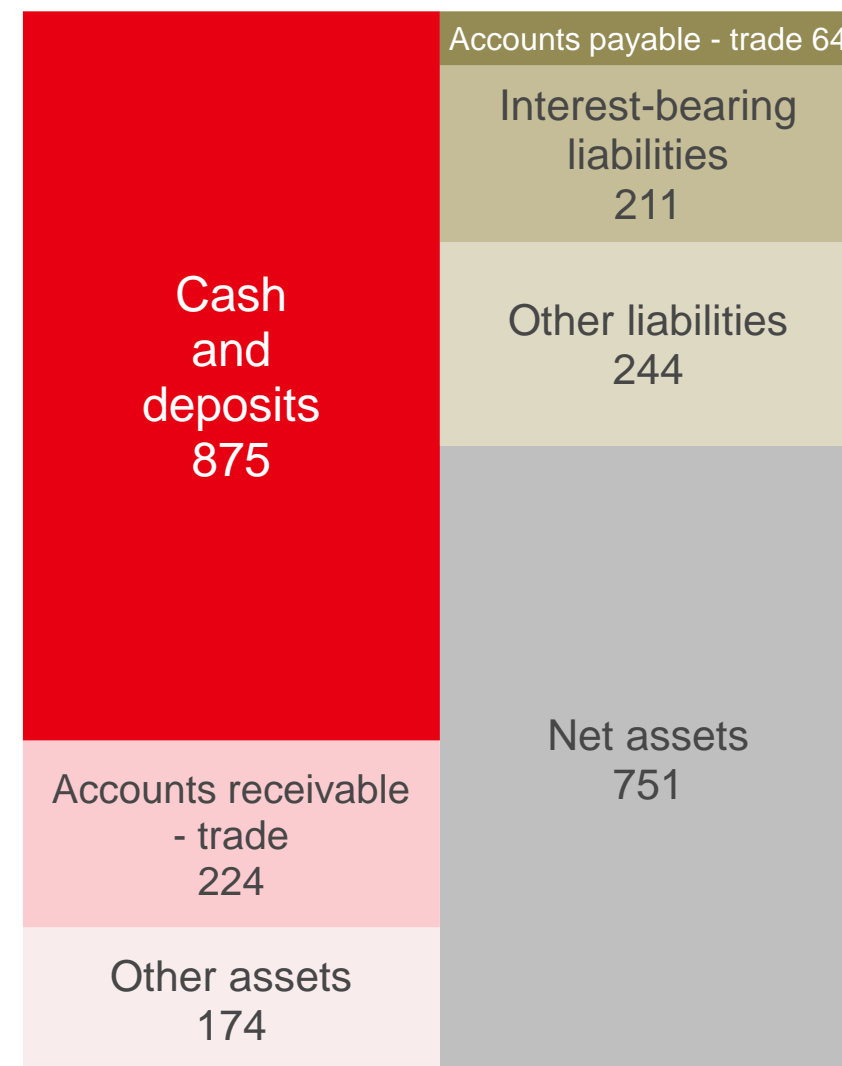
- ✓ Cash outflow through Increase in trade receivables of 143 million yen due to recording of receivables from long-term service contracts, etc.
- ✓ Cash outflow through income taxes paid of 19 million yen



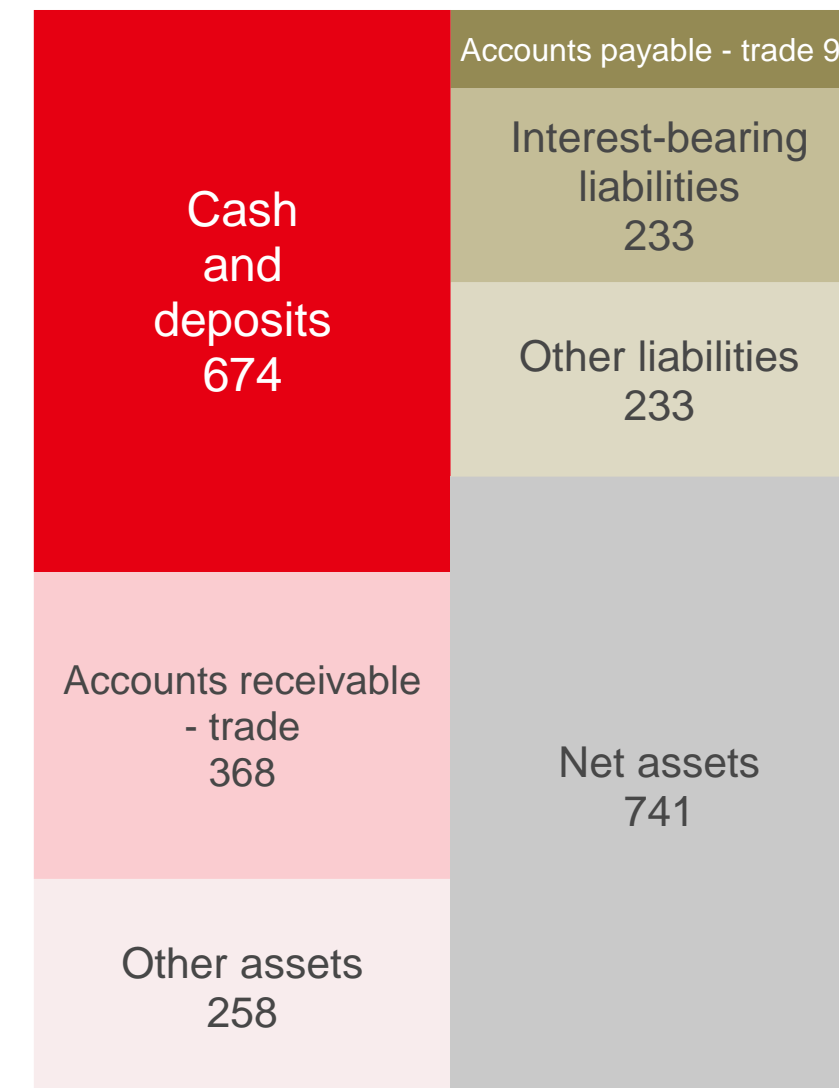
Balance Sheets

- ✓ Cash and deposits decreased mainly due to an increase in accounts receivable - trade and payment of income taxes
- ✓ Equity ratio remained at a high level of 56.9%

(Millions of yen)



FY2021 (ended Nov. 2021)

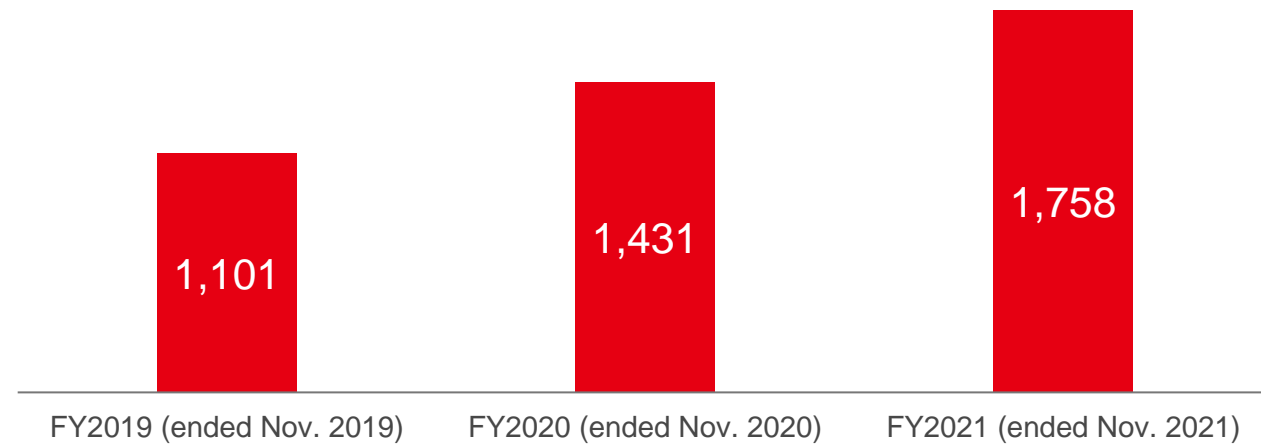


FY2022 (ending Nov. 2022)
Q2

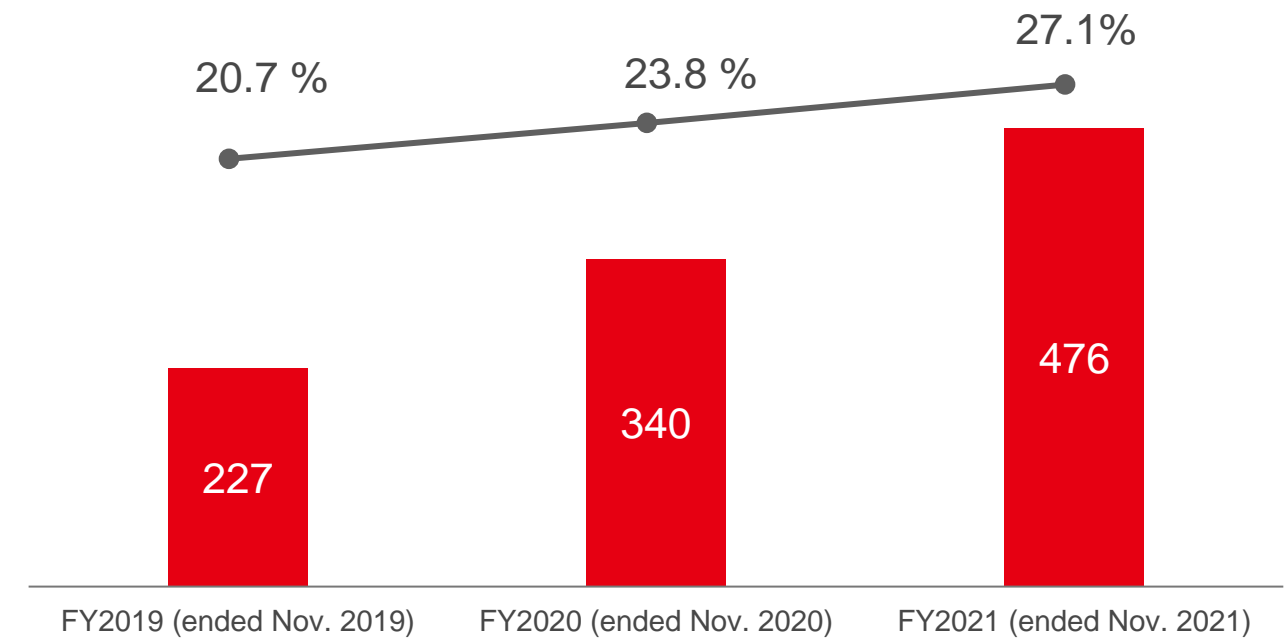
Total assets:
1,301 million yen
Equity ratio:
56.9%

Financial Highlights

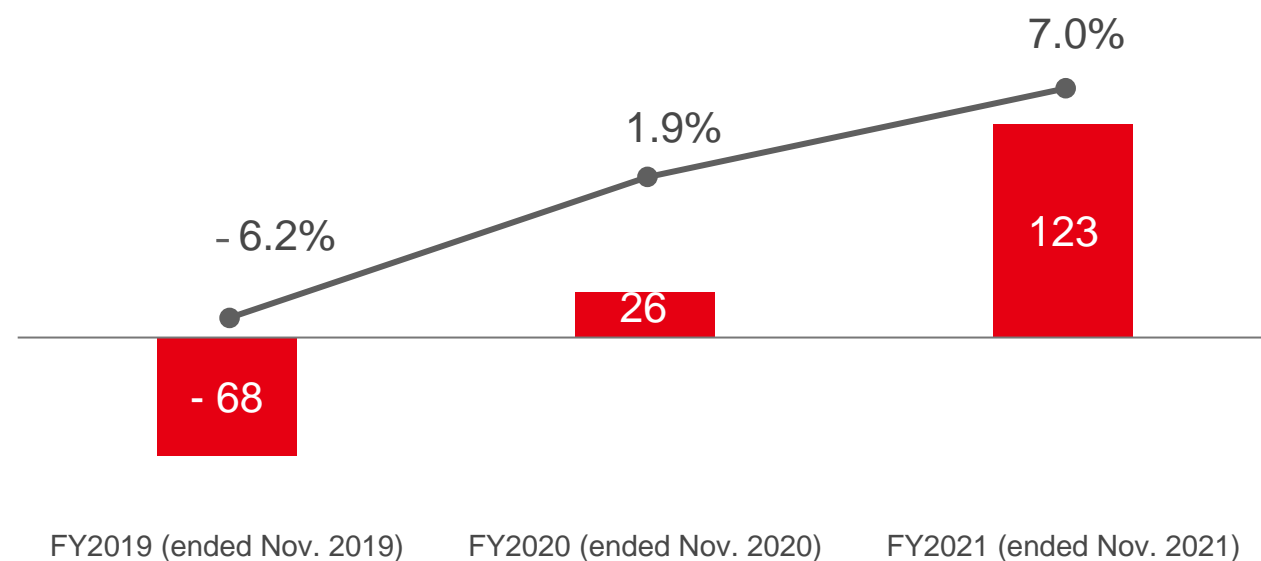
Net sales (Millions of yen)



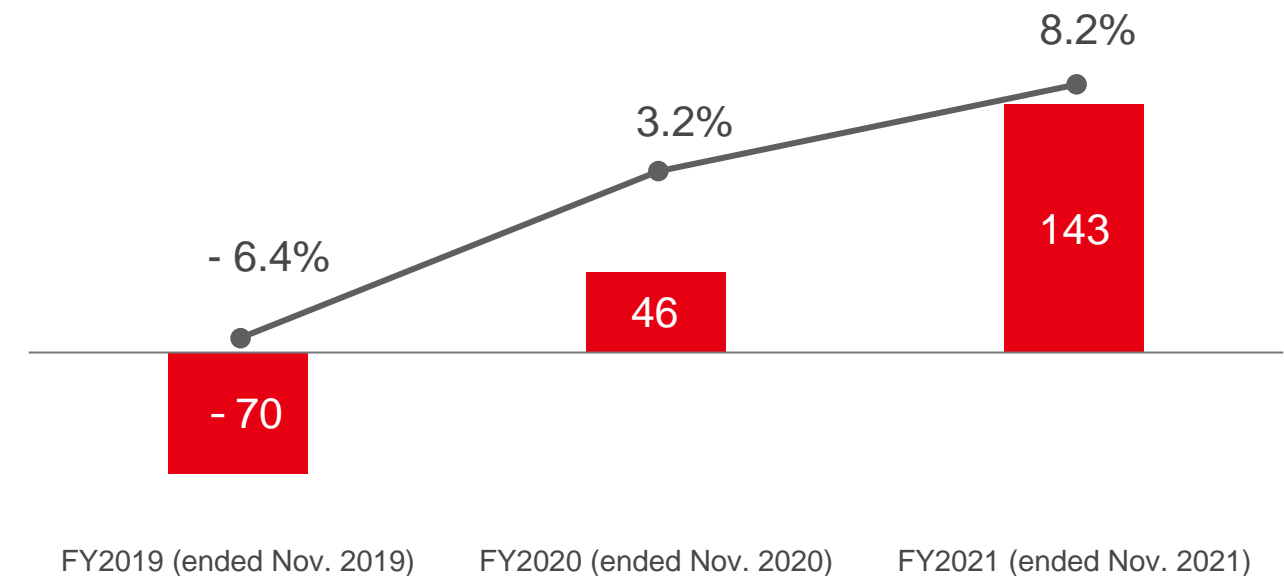
Gross profit/gross profit margin (Millions of yen)



Operating profit/operating margin (Millions of yen)

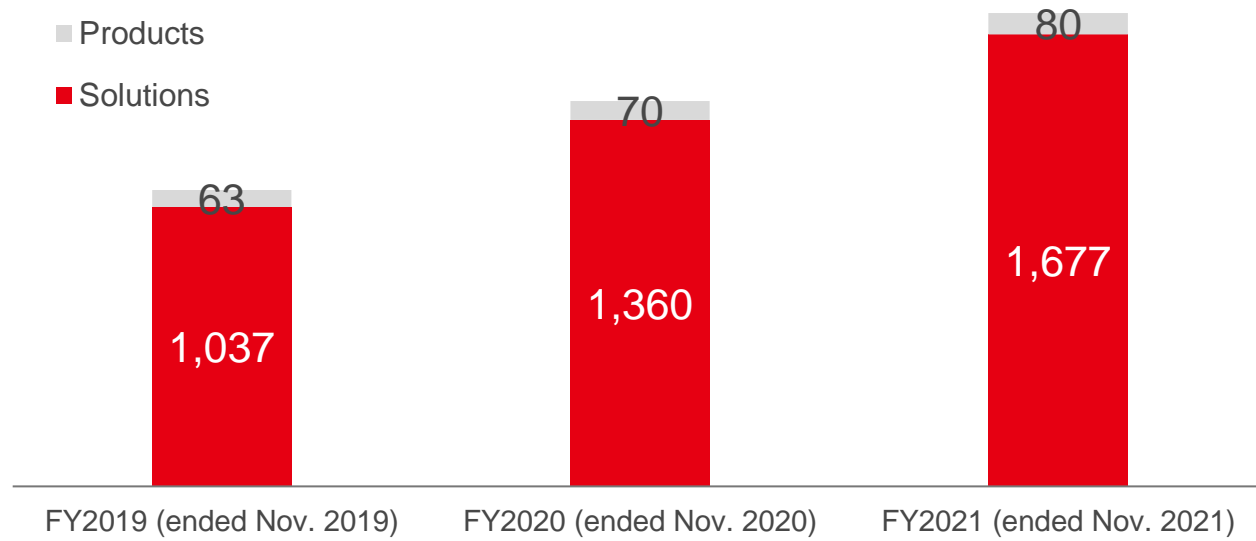


Profit/profit margin (Millions of yen)

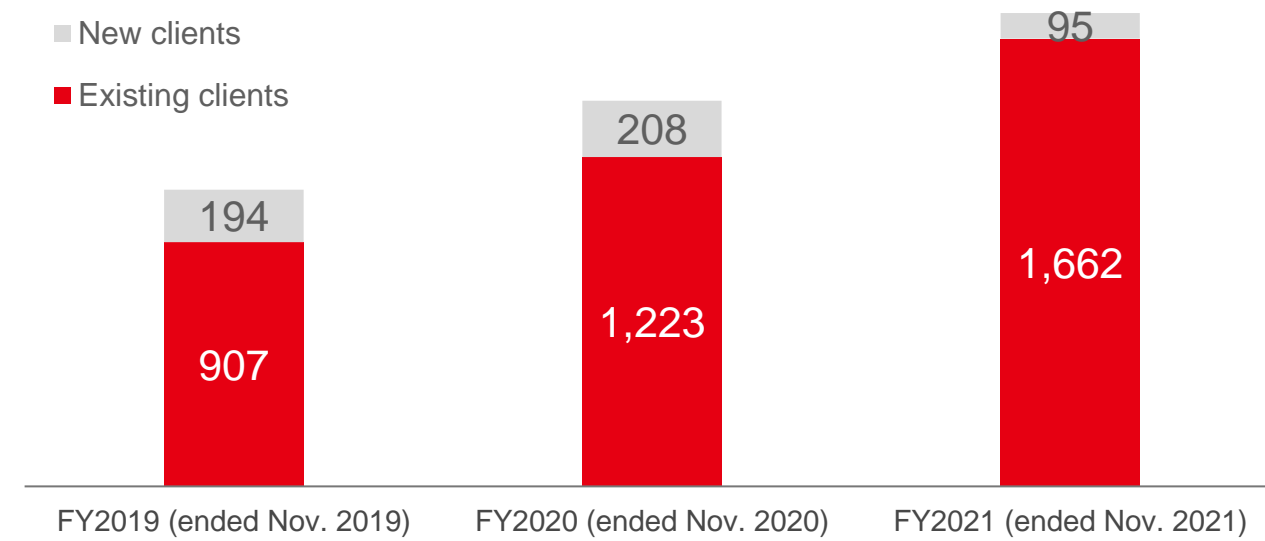


Financial Highlights

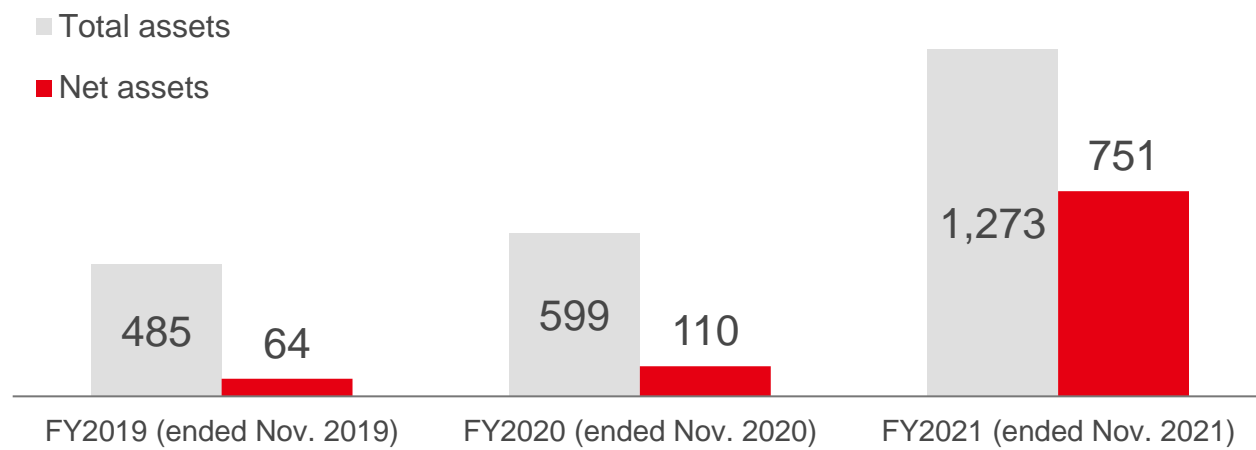
Solutions and products (Millions of yen)



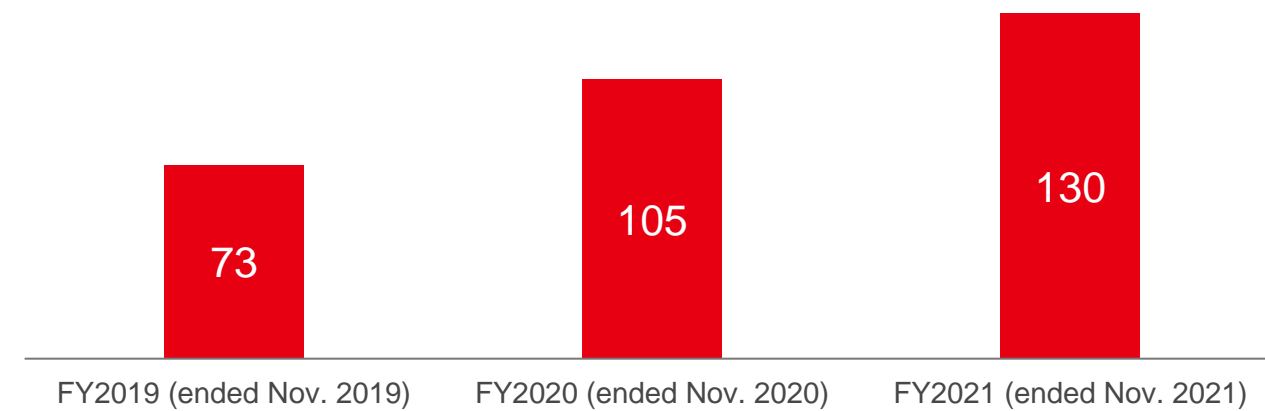
Sales to existing clients and new clients (Millions of yen)



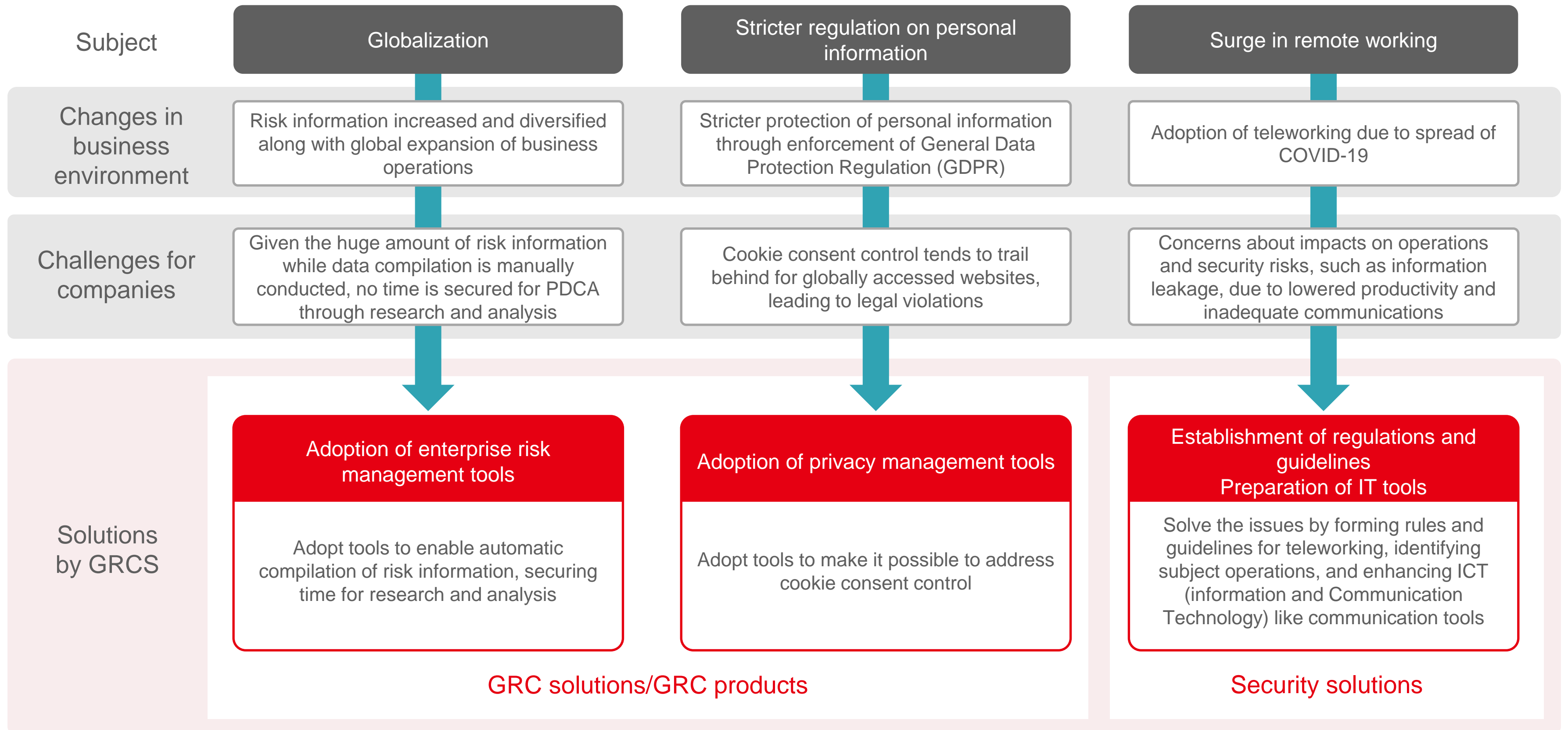
Total assets/net assets (Millions of yen)



Headcount trends (Persons)



Transaction Cases



Potential Clients

- ✓ Potential clients are from all industries and all business types

Major clients

Financial



Large Japanese stockbrokers
Large Japanese banks
Large Japanese life insurers

Telecom



Large Japanese cellular companies
Large Japanese telecom companies

Global



Large Japanese car manufacturers
Large Japanese home electronics manufacturers
Large Japanese materials manufactures

Major partners

Auditing firms



Large foreign consulting firms

Japanese IT companies



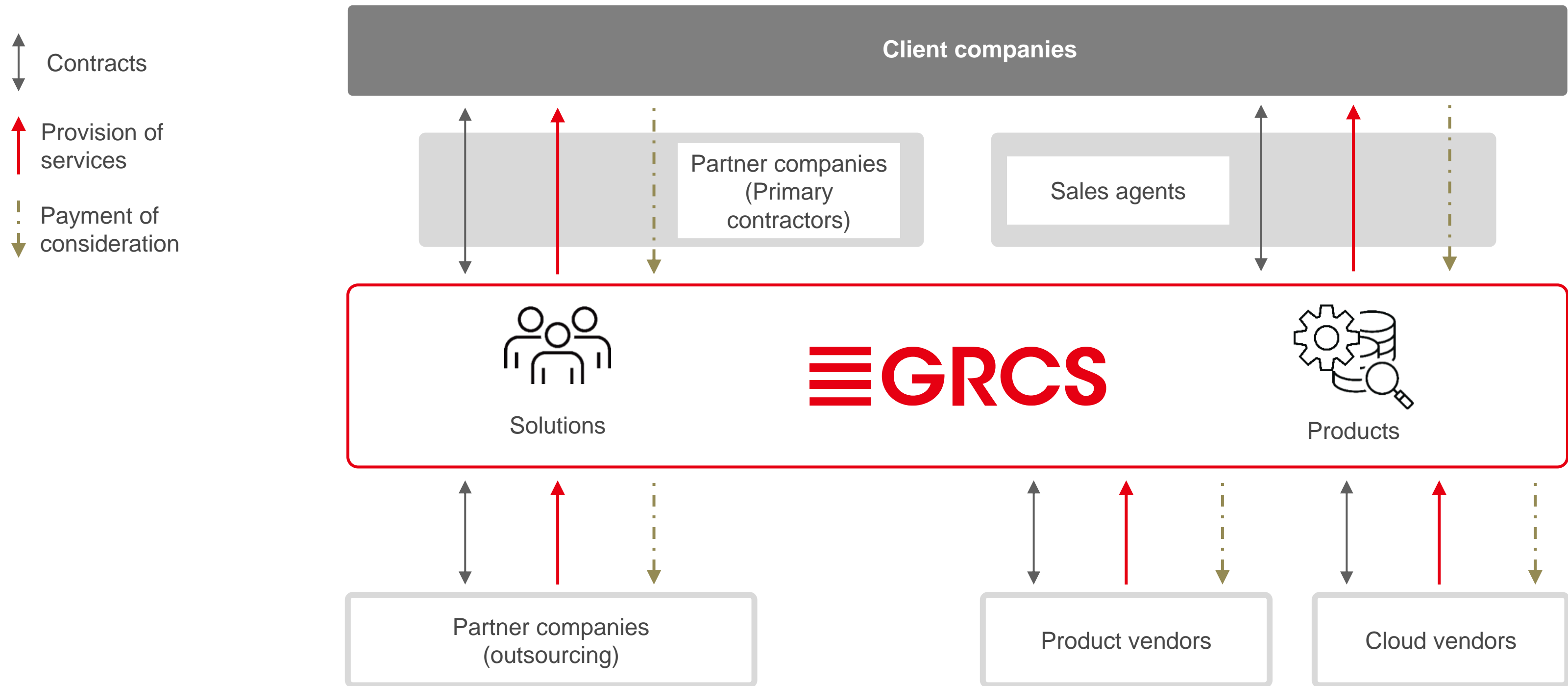
Large Japanese vendors

Foreign IT companies



Large foreign vendors

Business Diagram



Company Profile

Company name	GRCS Inc.	Officers	Yoshikazu Sasaki, President & Representative Director
Founded	March 2005		Takuya Tsukamoto, Director
Fiscal year	November each year		Ikue Tanaka, Director
Paid-in capital	299 million yen		Keiichi Kubo, Outside Director
Address	1-9 Gobancho, Chiyoda-ku, Tokyo		Osamu Yamano, Outside Director
No. of employees	143 (as of May 31, 2022)		Koshi Oizumi, Auditor
			Yasuo Shimada, Auditor
			Shino Asayama, Auditor



President & Representative Director

Yoshikazu Sasaki

Born in Iwate Prefecture in 1976. Graduated from the Department of Computer Science, University of Southern California in 2001. Joined Hewlett-Packard Japan Co., Ltd. and engaged in security consulting. Established Frontier X Frontier Co., Ltd. in March 2005 (trade name changed to GRCS Inc. in 2018).

Disclaimer

This material contains forward-looking statements based on estimations. These forward-looking statements are based on the information available as of the date of publication of this material, and should not be construed as a guarantee of future results or performance figures. Such forward-looking statements may include known and unknown risks and uncertainties. Consequently, actual results and financial conditions may differ significantly from the forecasts of future performance and results explicitly or implicitly indicated by the forward-looking statements.

Factors that may cause significant differences from results described in such statements include, but are not limited to, changes in domestic and international economic conditions and trends in the industries in which we operate.

In addition, information regarding matters and organizations other than ourselves is based on publicly available information. Note that we have not verified, or guarantee, the accuracy or appropriateness of such publicly available information.



www.grcs.co.jp

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