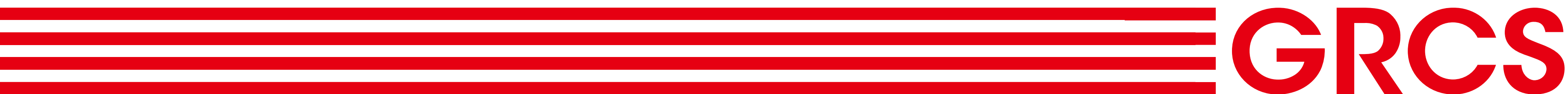


Fiscal Year ended November 30, 2022 (FY2022)

Financial Results Briefing

GRCS Inc. Securities code: 9250

January 13, 2023



Accelerate Evolution

Corporate Mission

Keep challenging, keep evolving.

That is only natural.

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

Tech Makes It Simple

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.

Table of Contents

1. Financial Results for FY2022 Ended November 2022
2. Report on Initiatives Taken in FY2022
3. Progress in Growth Strategy
4. Future Policies
5. Full-Year Earnings Forecast for the FY2023
Ending November 30, 2023
6. Appendix

1. Financial Results for FY2022 Ended November 2022

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: **2,398 million yen (+36.4%** year on year)
- Operating profit: **-187 million yen (-310 million yen** year on year)

Actions take in FY2022

- 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 new clients increased through inbound marketing due to heightened mindset for risk management
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)	FY2021 (ended Nov. 2021)	Composition ratio	FY2022	Composition ratio	Year-on-year change *1
Net sales	1,758	100.0%	2,398	100.0%	36.4%
Gross profit	476	27.1%	436	18.2%	(8.5%)
Selling, general and administrative expenses	353	20.1%	623	26.0%	76.4%
Operating profit (loss)	123	7.0%	(187)	(7.8%)	-
Ordinary profit (loss)	100	5.7%	(187)	(7.8%)	-
Profit attributable to owners of parent *2	143	8.2%	(209)	(8.7%)	-

Comparison of Forecast Figures and Actual Results

Net sales Both GRC solutions and products performed as planned

Profit margin The profit margin of financial technology business, the investment area for FY2022, surpassed expectations

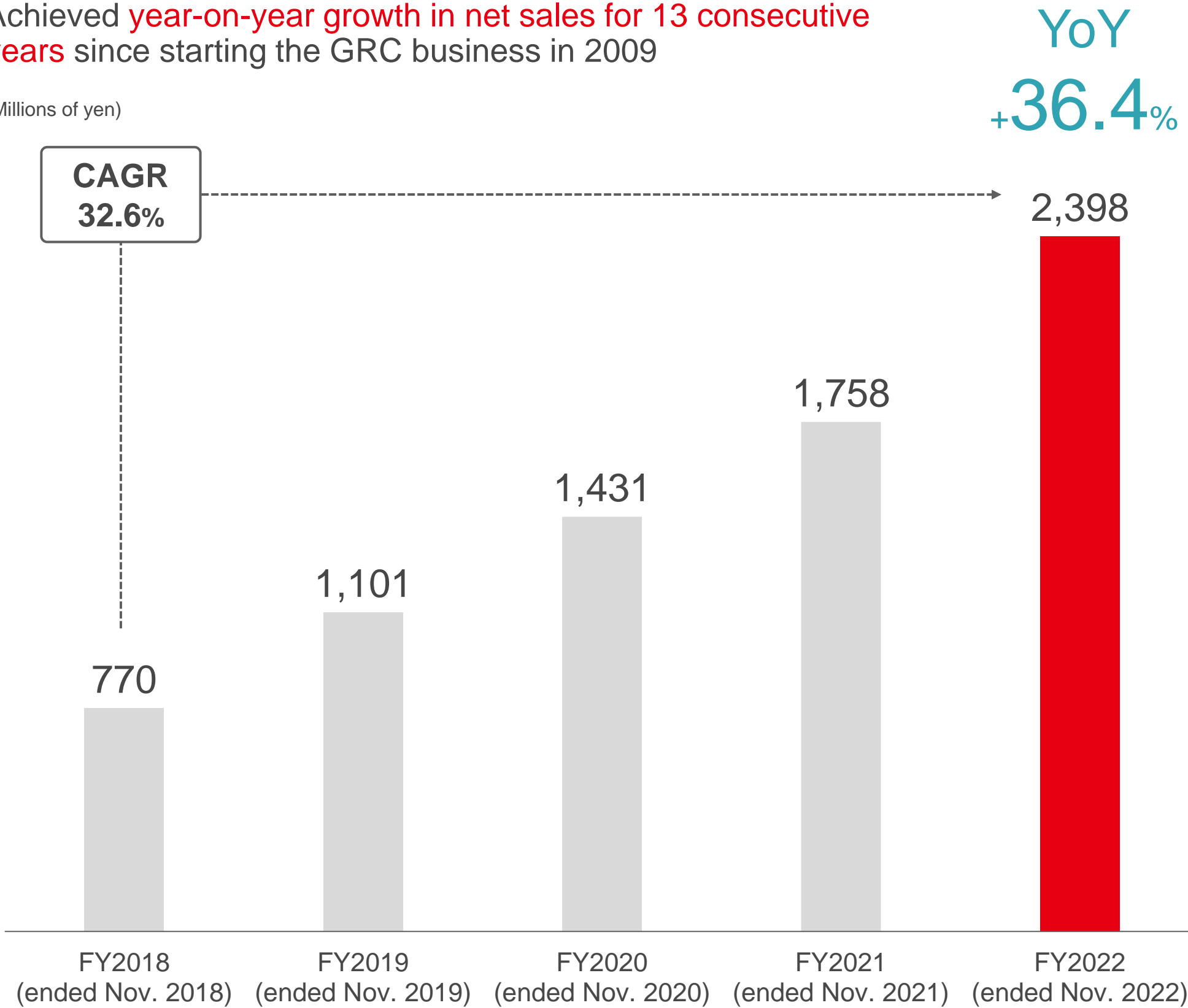
Other Modified income taxes - deferred by re-making tax effect accounting estimates in light of actual business results

(Millions of yen)	FY2022 forecast	Composition ratio	FY2022 actual results	Composition ratio	Achievement rate
Net sales	2,384	100.0%	2,398	100.0%	100.6%
Operating profit (loss)	(227)	(9.5%)	(187)	(7.8%)	-
Ordinary profit (loss)	(241)	(10.1%)	(187)	(7.8%)	-
Profit attributable to owners of parent	(179)	(7.5%)	(209)	(8.7%)	-

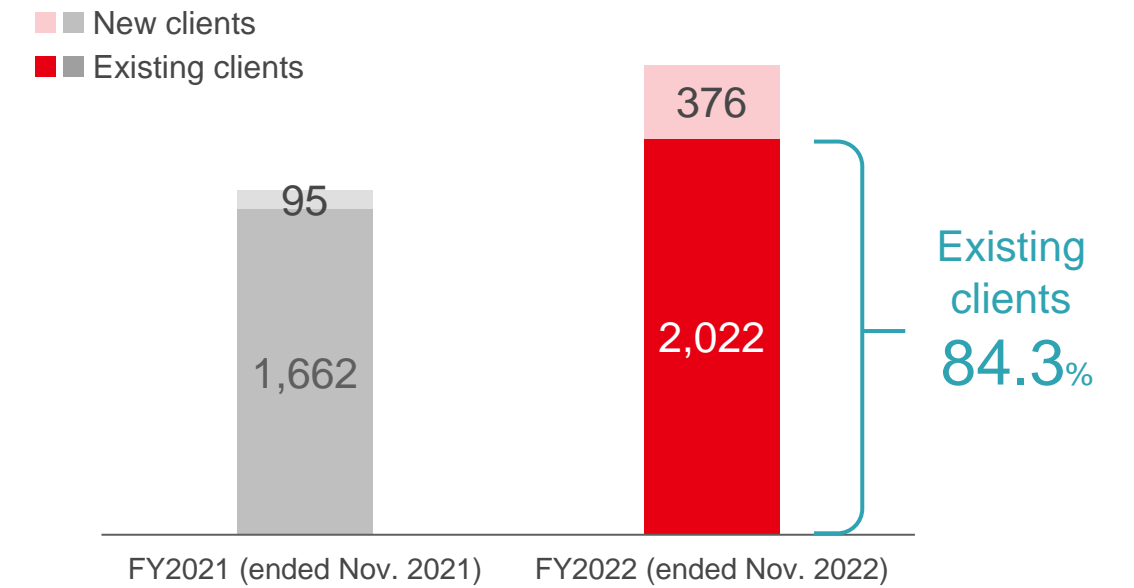
Trends in Net Sales

Achieved **year-on-year growth in net sales for 13 consecutive years** since starting the GRC business in 2009

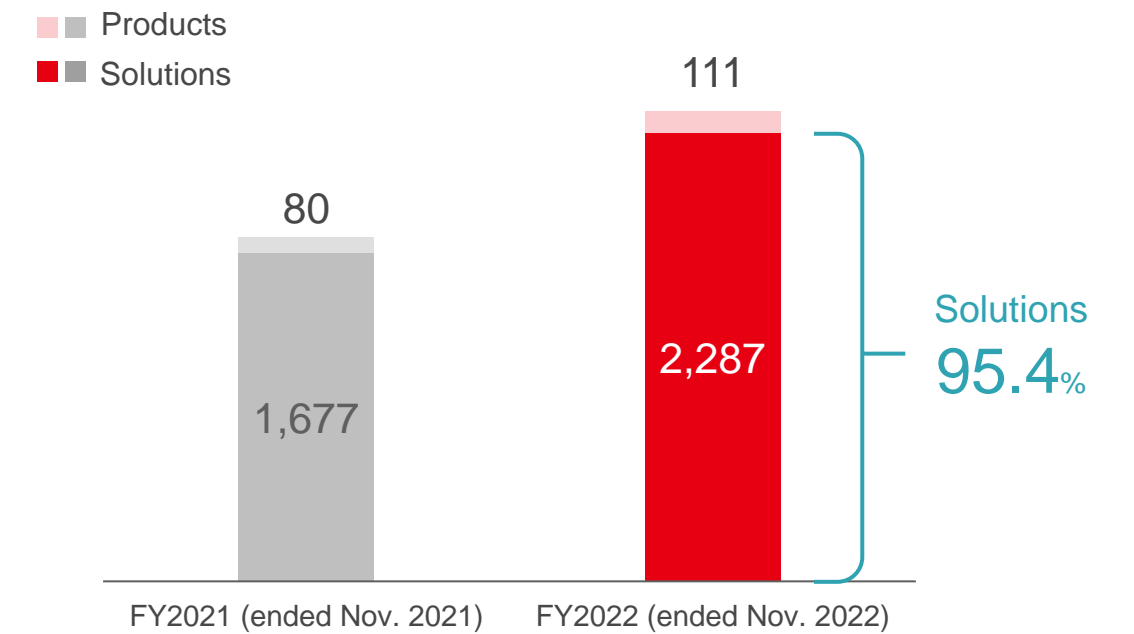
(Millions of yen)



Existing clients and new clients (Millions of yen)



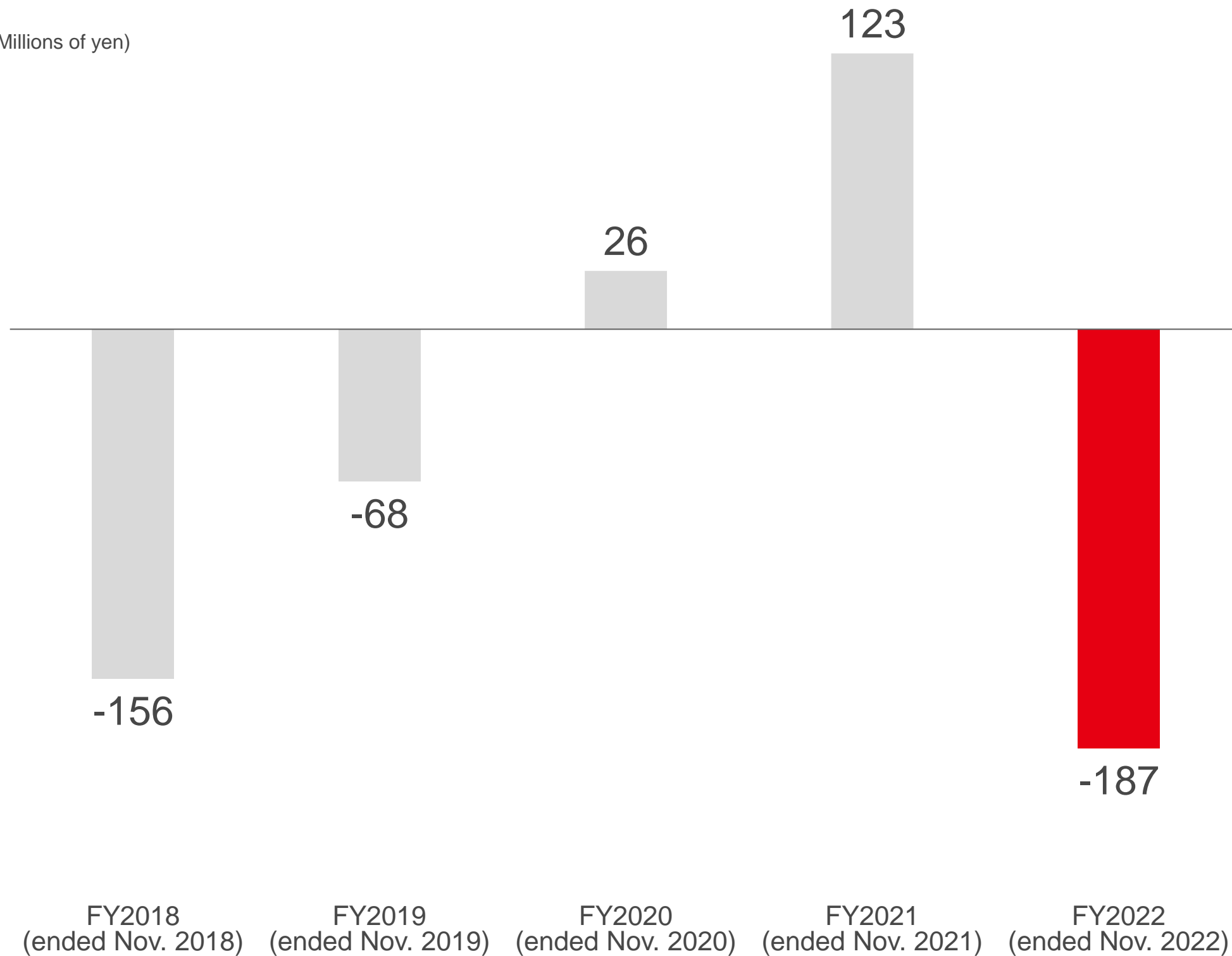
Solutions and products (Millions of yen)



Trends in Operating Profit

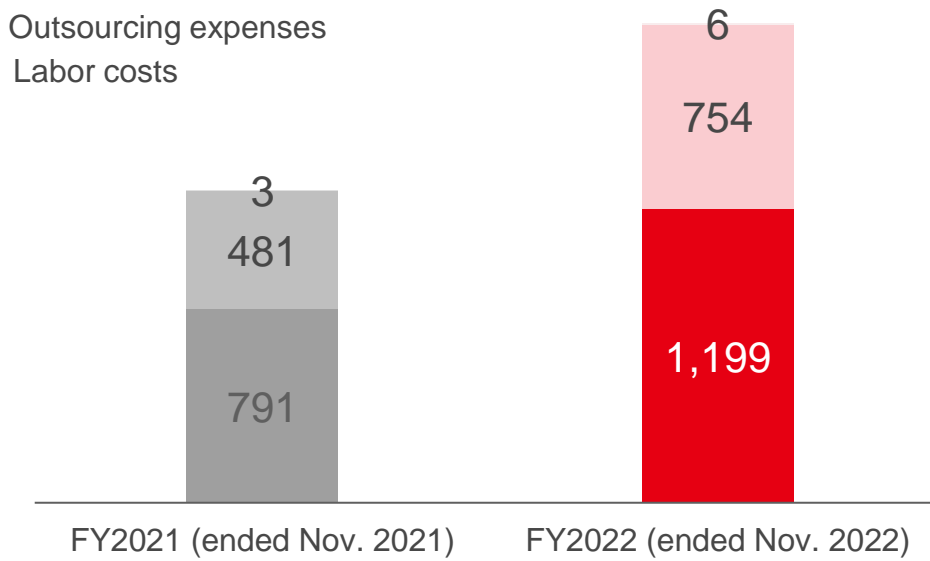
Invested in **financial technology business** to reinforce products for core business operations

(Millions of yen)

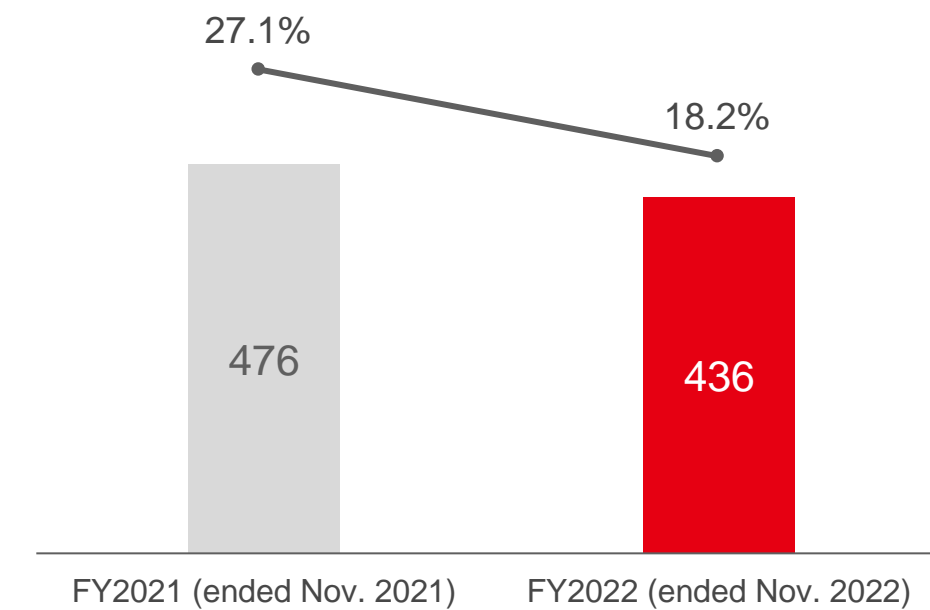


Cost of sales (Millions of yen)

- Other
- Outsourcing expenses
- Labor costs



Gross profit/gross profit margin (Millions of yen)

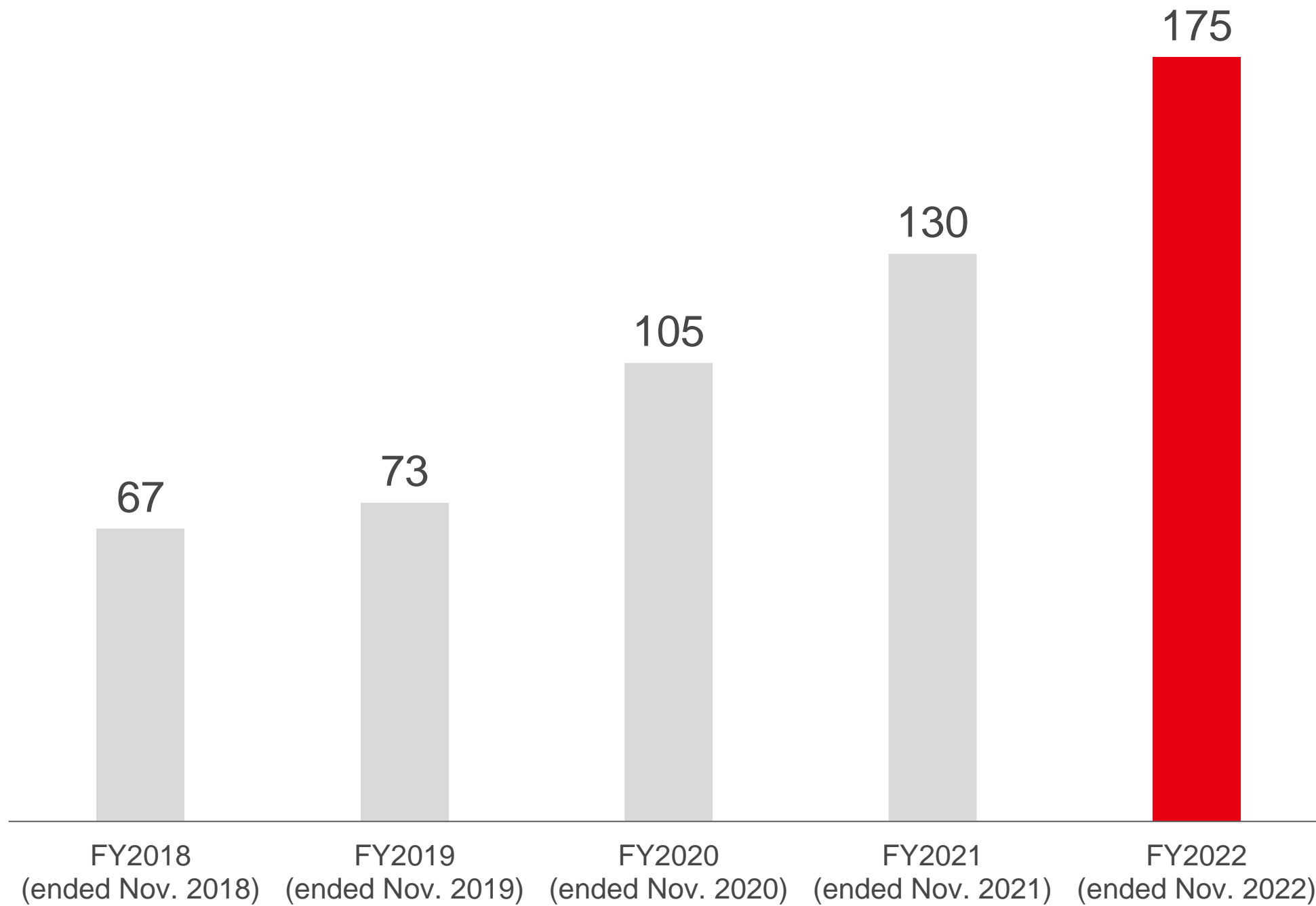


Headcount Trends

Headcount increased significantly due to M&A, the first one since listing, on top of a net increase due to proactive hiring

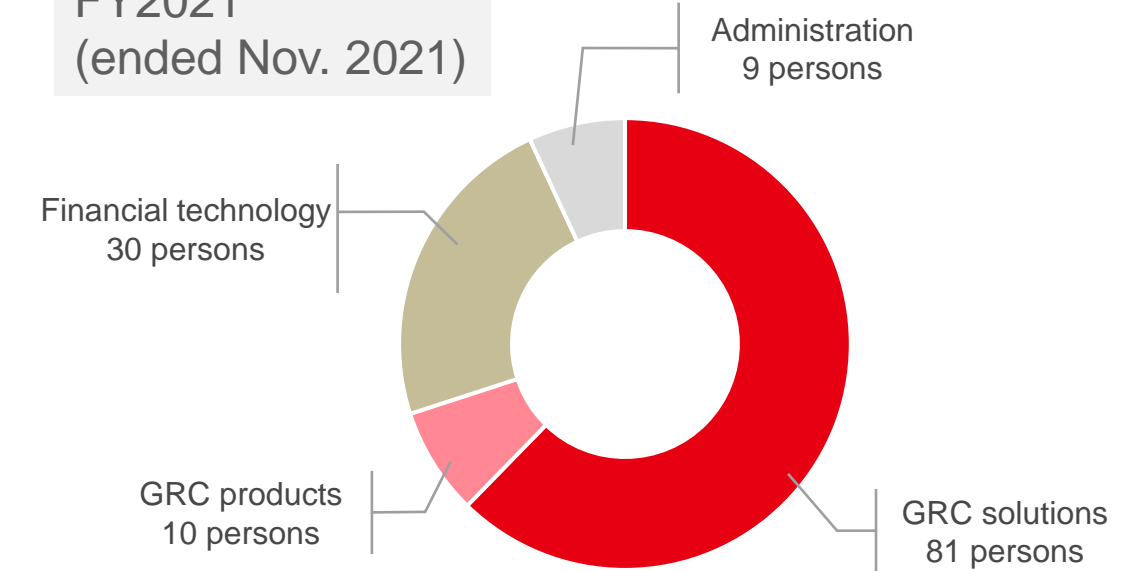
(Persons)

YoY
+45 persons

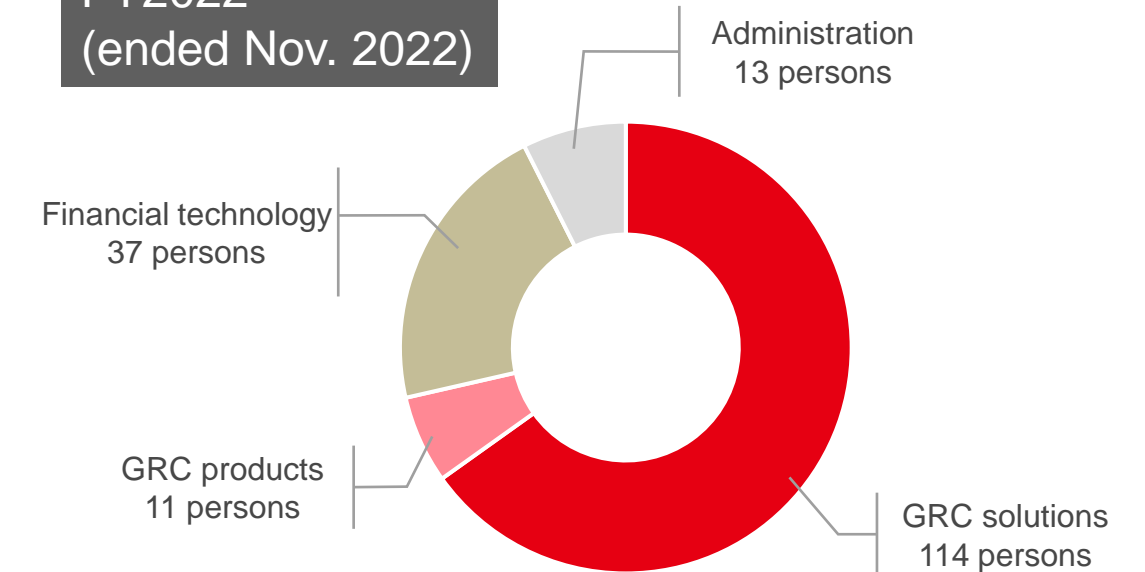


Personnel allocation

FY2021
(ended Nov. 2021)

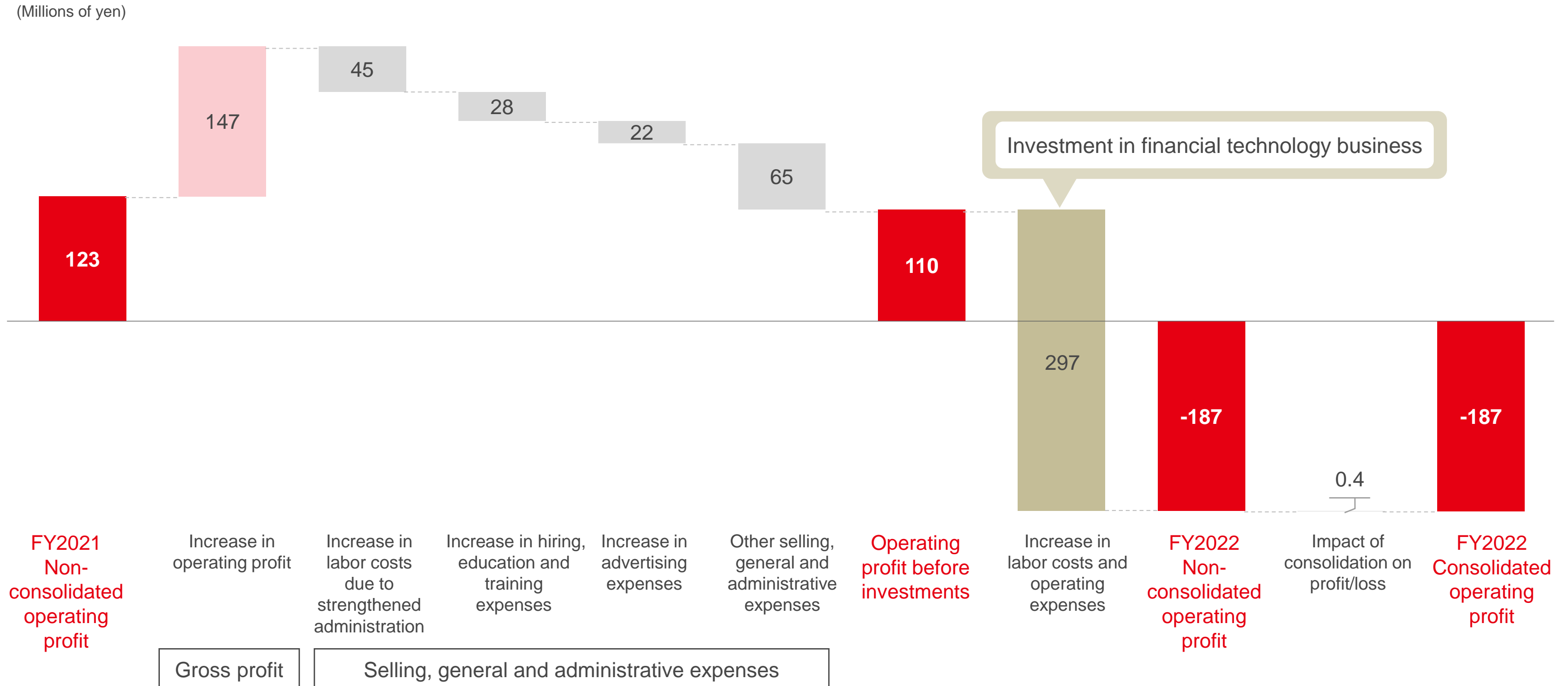


FY2022
(ended Nov. 2022)



Analysis of Operating Profit Change

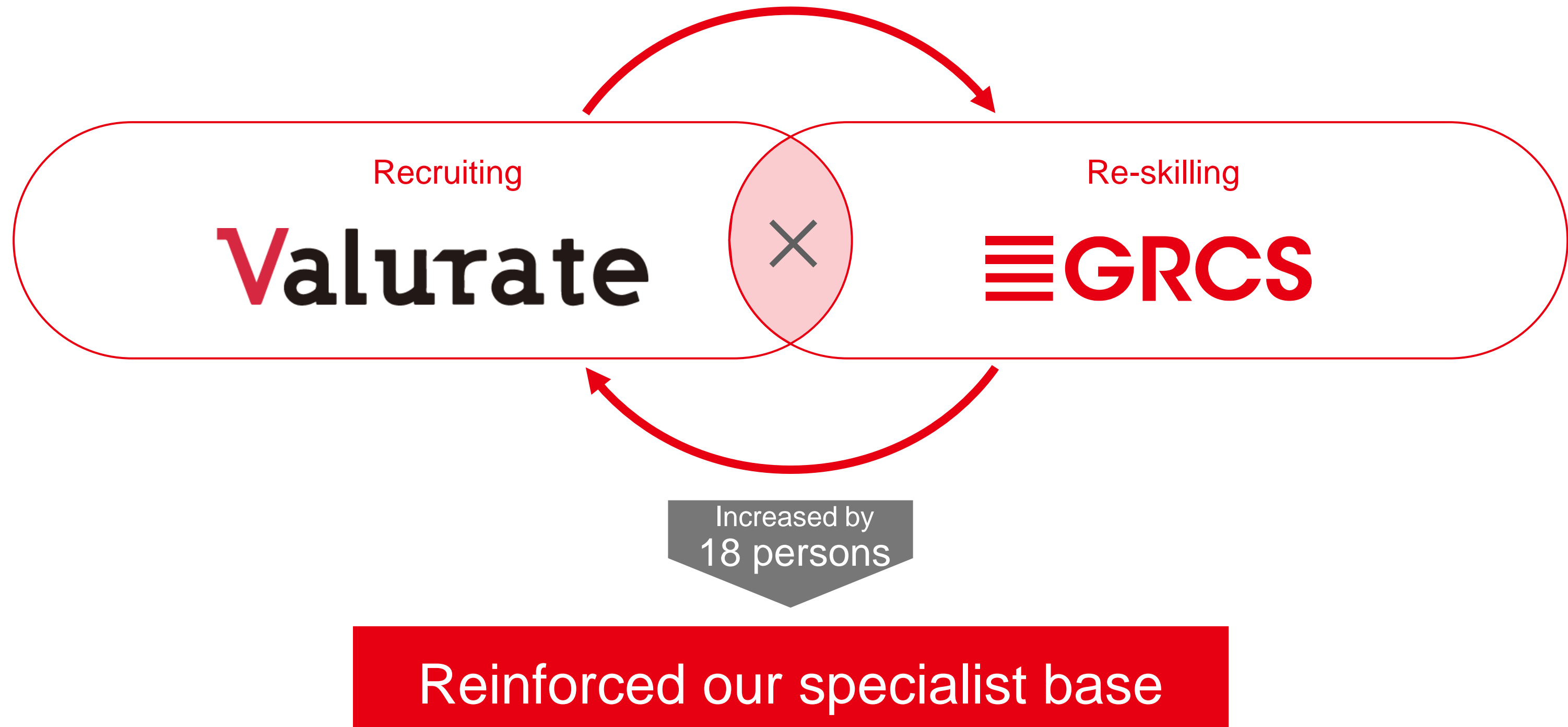
- ✓ Invested in labor costs for specialists to enhance our service structure for the front office operations of the financial industry that help increase the industry's revenues
- ✓ Focused on cultivating promising potential clients in the financial industry, such as banks and stockbrokers



2. Report on Initiatives Taken in FY2022

Action 1. : Reinforcement of the Growth Base through M&A

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

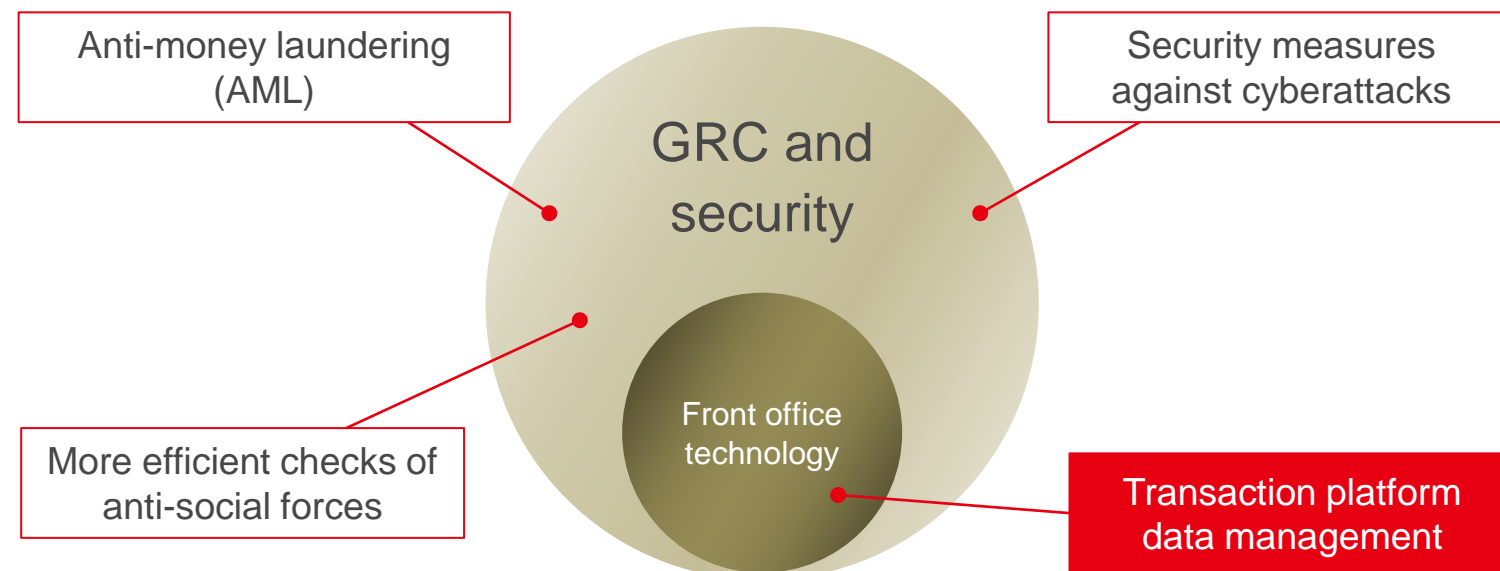


Action 2 .: Investment in Financial Technology Business

Focused on financial technology business that continues to evolve and grow rapidly and will help the market to expand

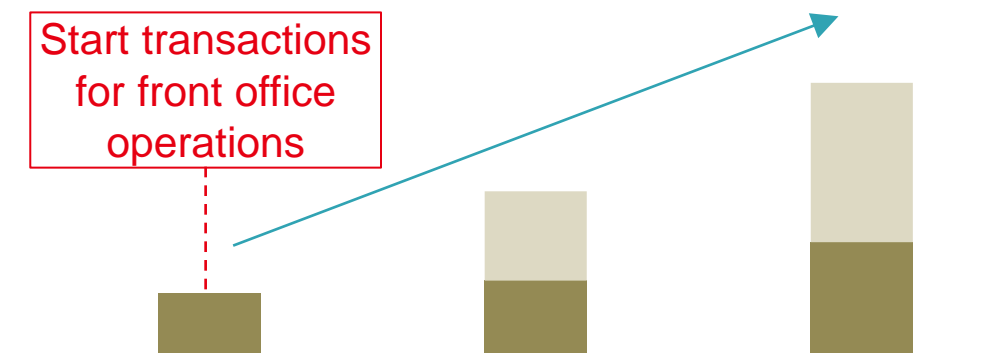
- ✓ Technology for the front office operations that directly lead to revenues of financial institutions is highly advanced and evolving rapidly
- ✓ The level of issues in the GRC and security areas has also been elevated along with changes in the front office operations
- ✓ Worked on full-scale services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

(Reference 1) Top Management of the Financial Technology Section

- ✓ 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.

(Reference 2) Track Record of the Team of the Financial Technology Section

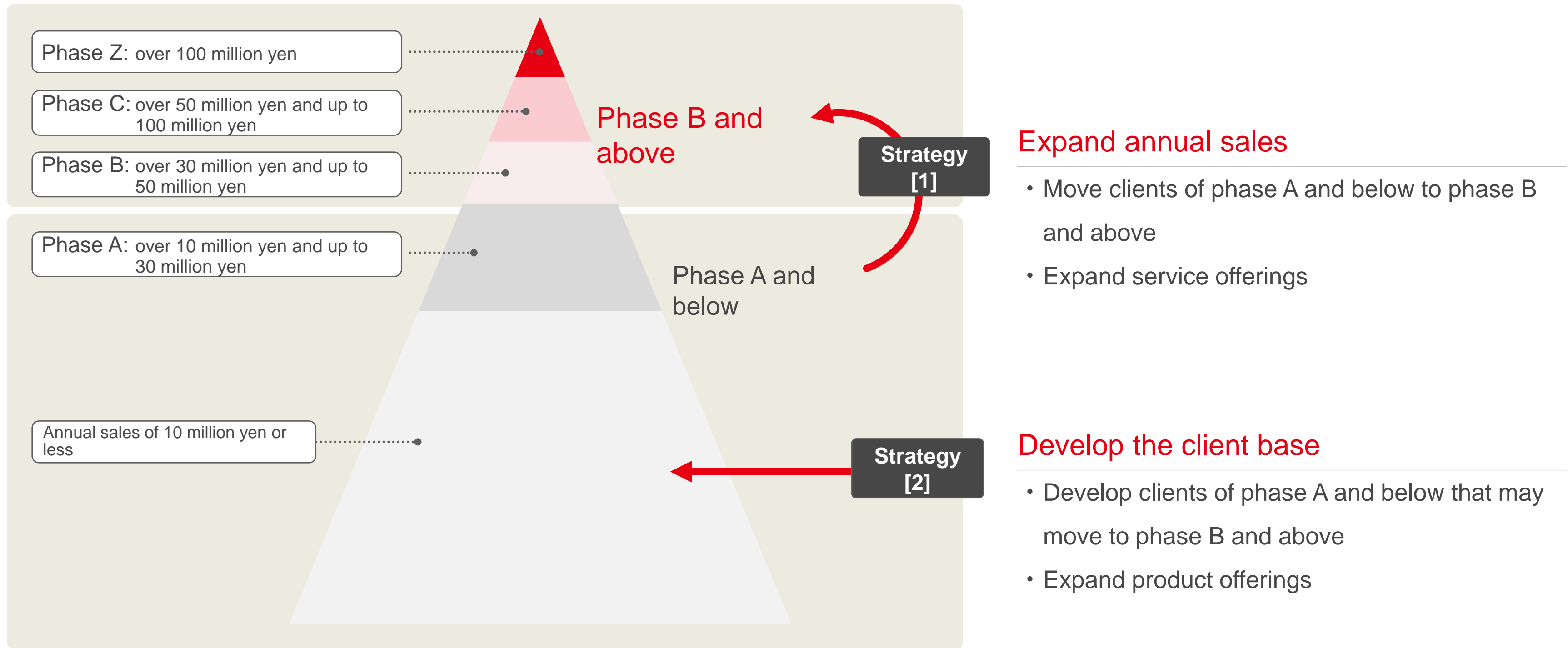
- ✓ A **world-class development team** that continues to provide high-specification products to the global market
- ✓ An operation team that monitors and supports clients' systems around the clock by bilingual staff
- ✓ A project management team that covers requirement definition, development and implementation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

Major achievements of the development team



3. Progress in Growth Strategy

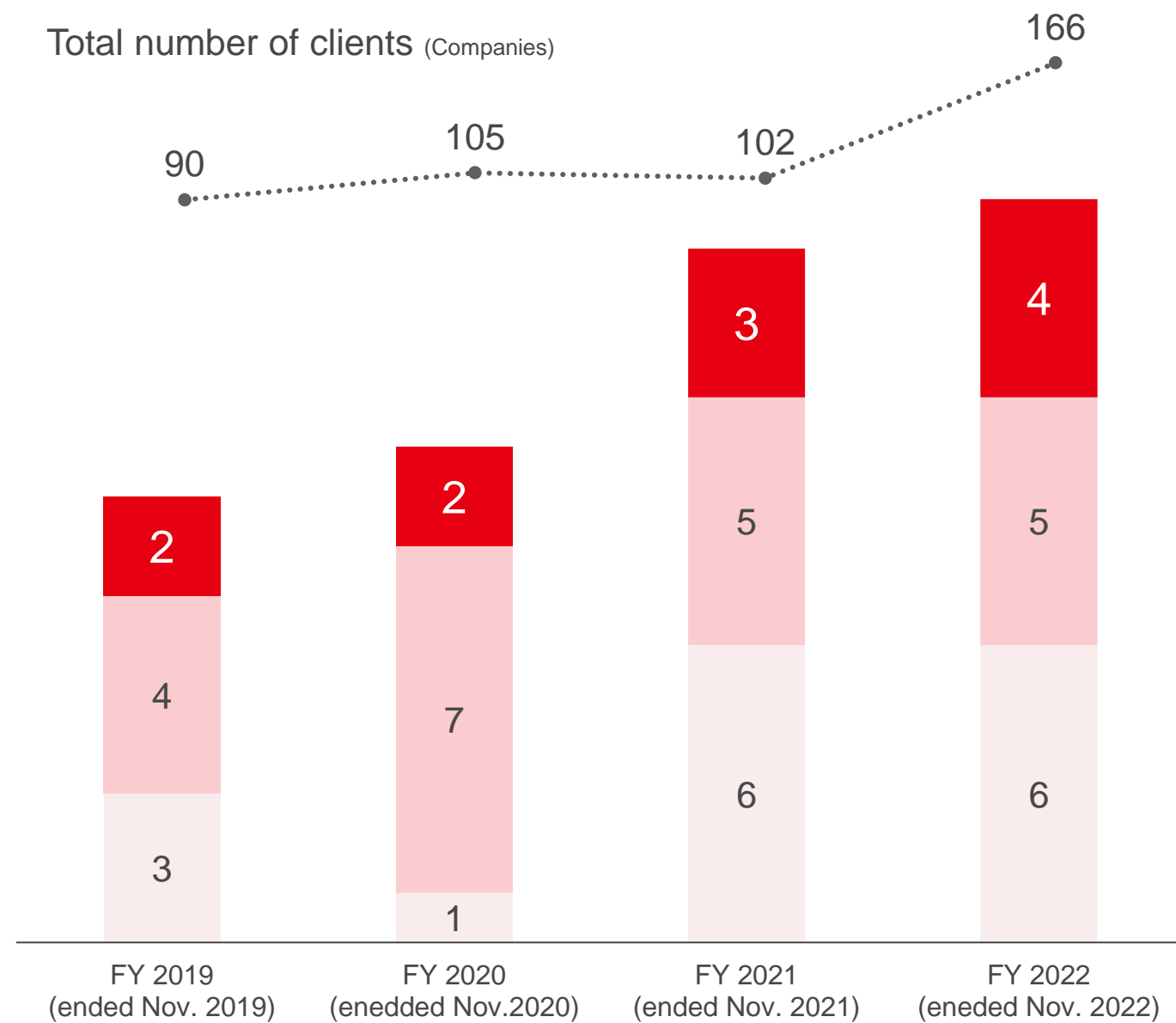
Overview of Growth Strategy



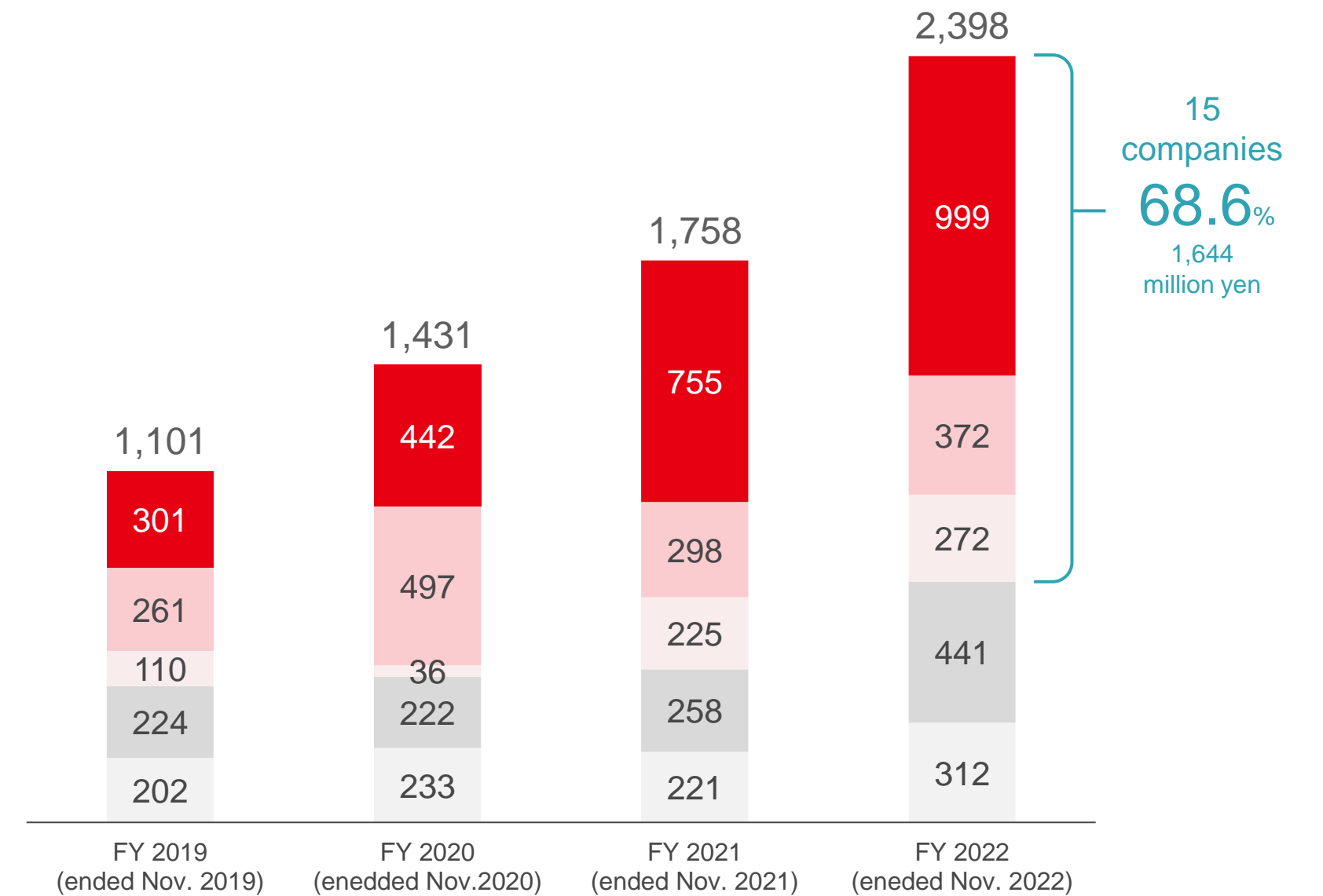
Sales by Phased Client

- ✓ Focus on upselling as there are many existing clients with whom annual transaction volume may grow to 30 million yen or more
- ✓ The number of clients increased through M&A of Valurate Co., Ltd.

Number of clients at phase B and above (Companies)







Composition ratio by phase (Millions of yen)



■ Phase Z: over 100 million yen
 ■ Phase C: over 50 million yen and up to 100 million yen
 ■ Phase B: over 30 million yen and up to 50 million yen
■ Phase A: over 10 million yen and up to 30 million yen
 ■ 10 million yen and below

Targets by Industry

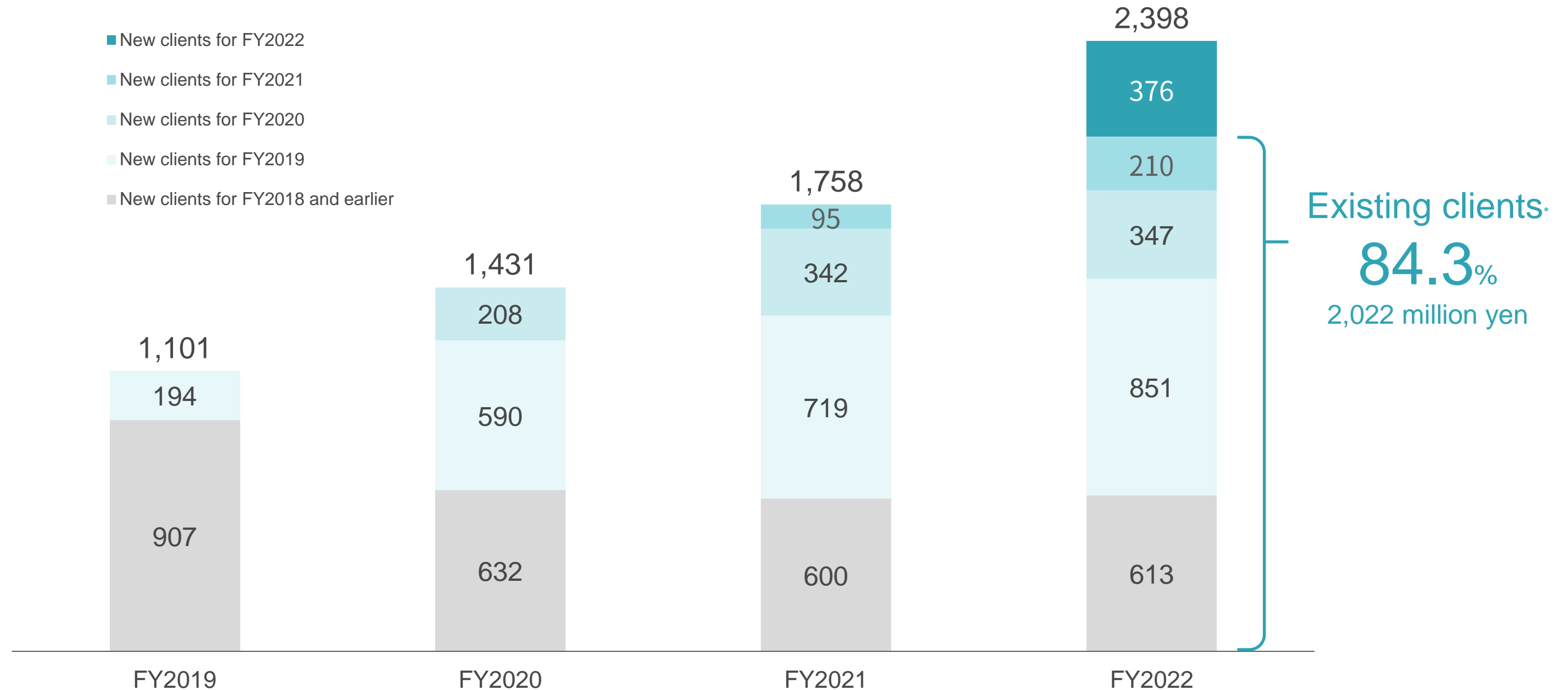
- ✓ Continue to focus on **financial, telecom and global companies** with increasingly apparent demand
- ✓ Even among clients of phase A and below, companies that are within our target range have already emerged

			Financial 	Telecom 	Global 	Others 
Phase Z (over 100 million yen)	4 companies	999 million yen	1 company	1 company	1 company	1 company
Phase C (over 50 million yen and up to 100 million yen)	5 companies	372 million yen	1 company	1 company	1 company	2 companies
Phase B (over 30 million yen and up to 50 million yen)	6 companies	272 million yen	1 company	0 company	2 companies	3 companies
Phase A (over 10 million yen and up to 30 million yen)	22 companies	441 million yen	1 company	0 company	7 companies	14 companies
Annual sales of 10 million yen or less	129 companies	312 million yen	129 companies			

Earnings Structure to Materialize High Growth Potential and Achieve Stability

- ✓ Net sales steadily increased due to upselling to new clients acquired in each fiscal year
- ✓ Continue operation support as an earnings base and build up projects to meet new client needs
- ✓ The earnings structure is a **stock-based model** and similar to a **recurring model**

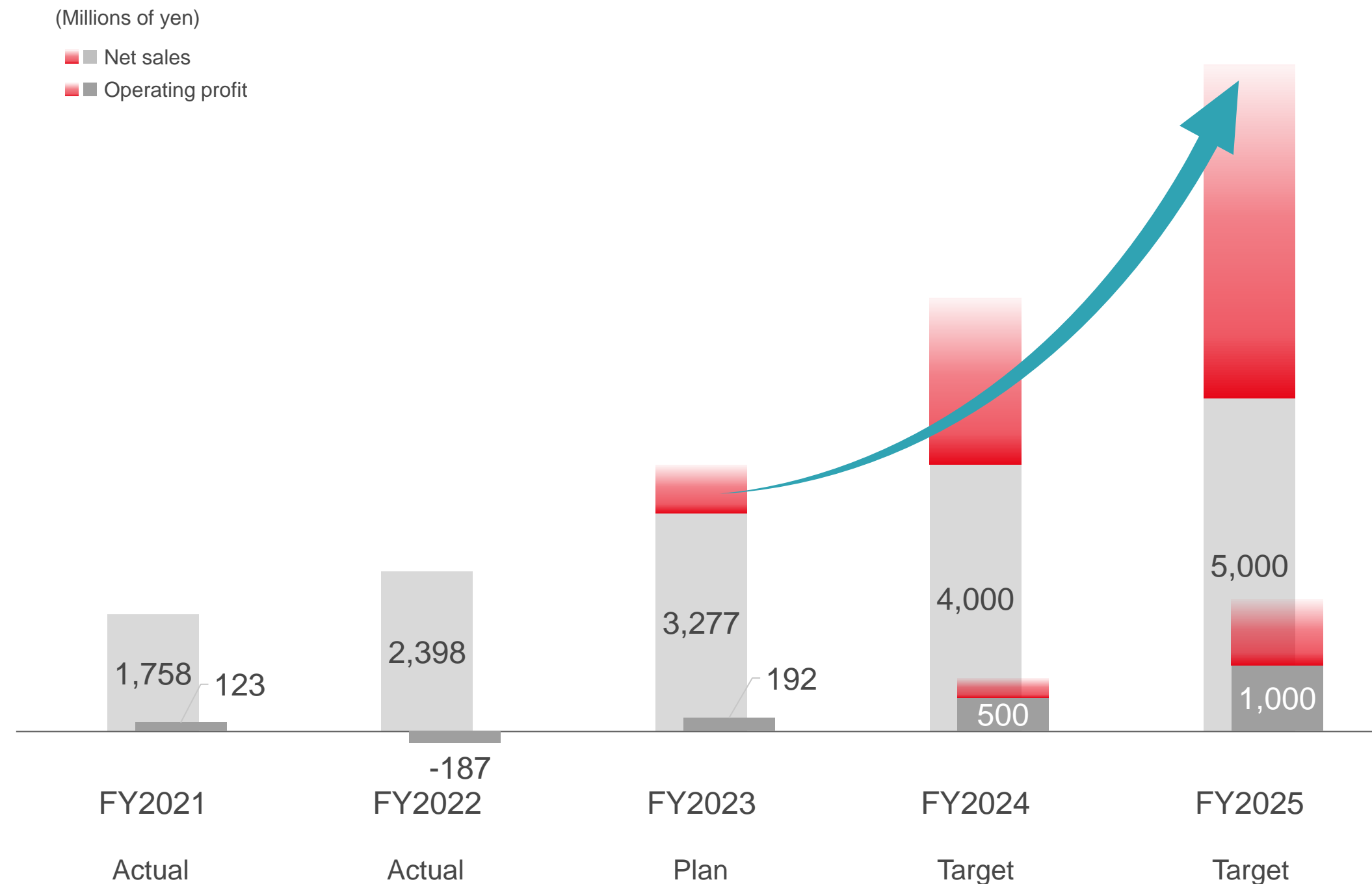
Trends in sales to new clients (millions of yen)



4. Future Policies

What We Aim to Be in 2025: “GRCS100”

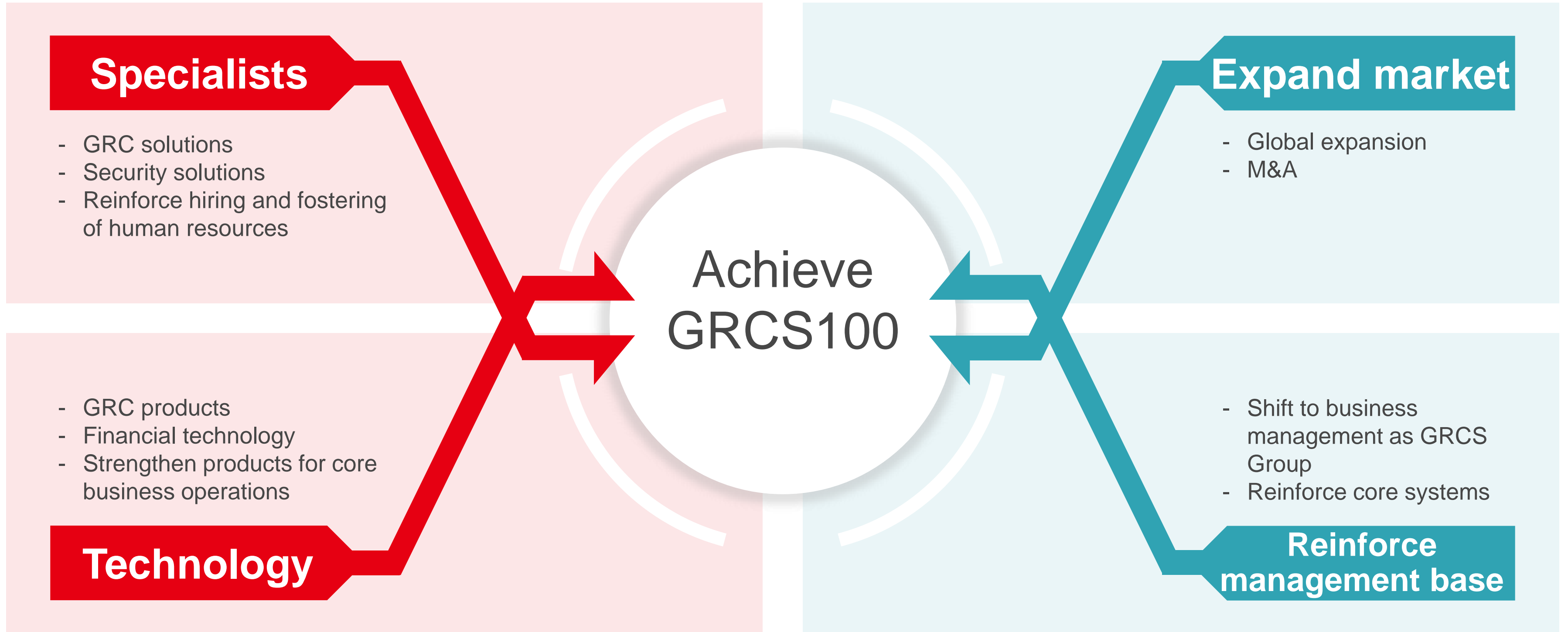
- ✓ Aim to achieve organic growth of 30%, attaining net sales of 5 billion yen and operating profit of 1 billion yen in FY2025 as a target
- ✓ Challenge to achieve net sales of 10 billion yen and operating profit of 2 billion yen with new businesses by way of M&As and global expansion, on top of the growth of existing businesses



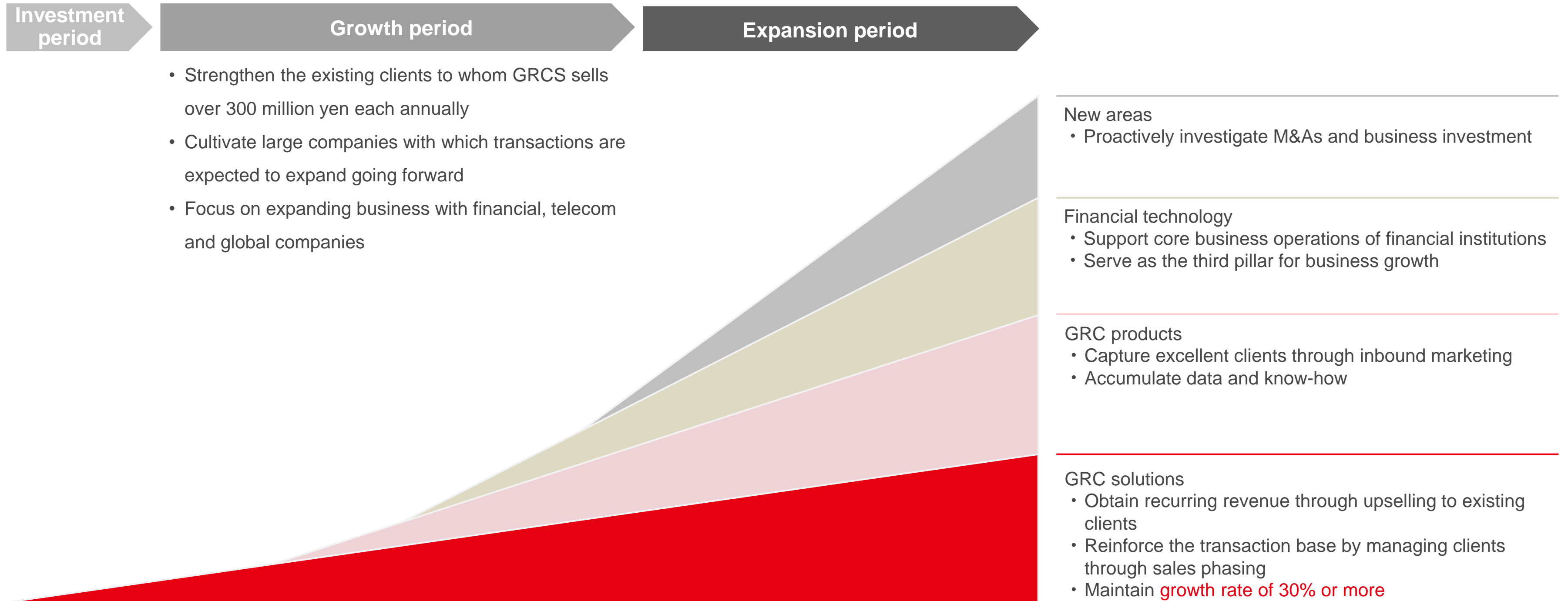
《GRCS100》

Target net sales
10.0 billion yen

Target operating profit
2.0 billion yen



Illustrative Drawing of Growth Path



5. Full-Year Earnings Forecast for the FY2023 Ending November 30, 2023

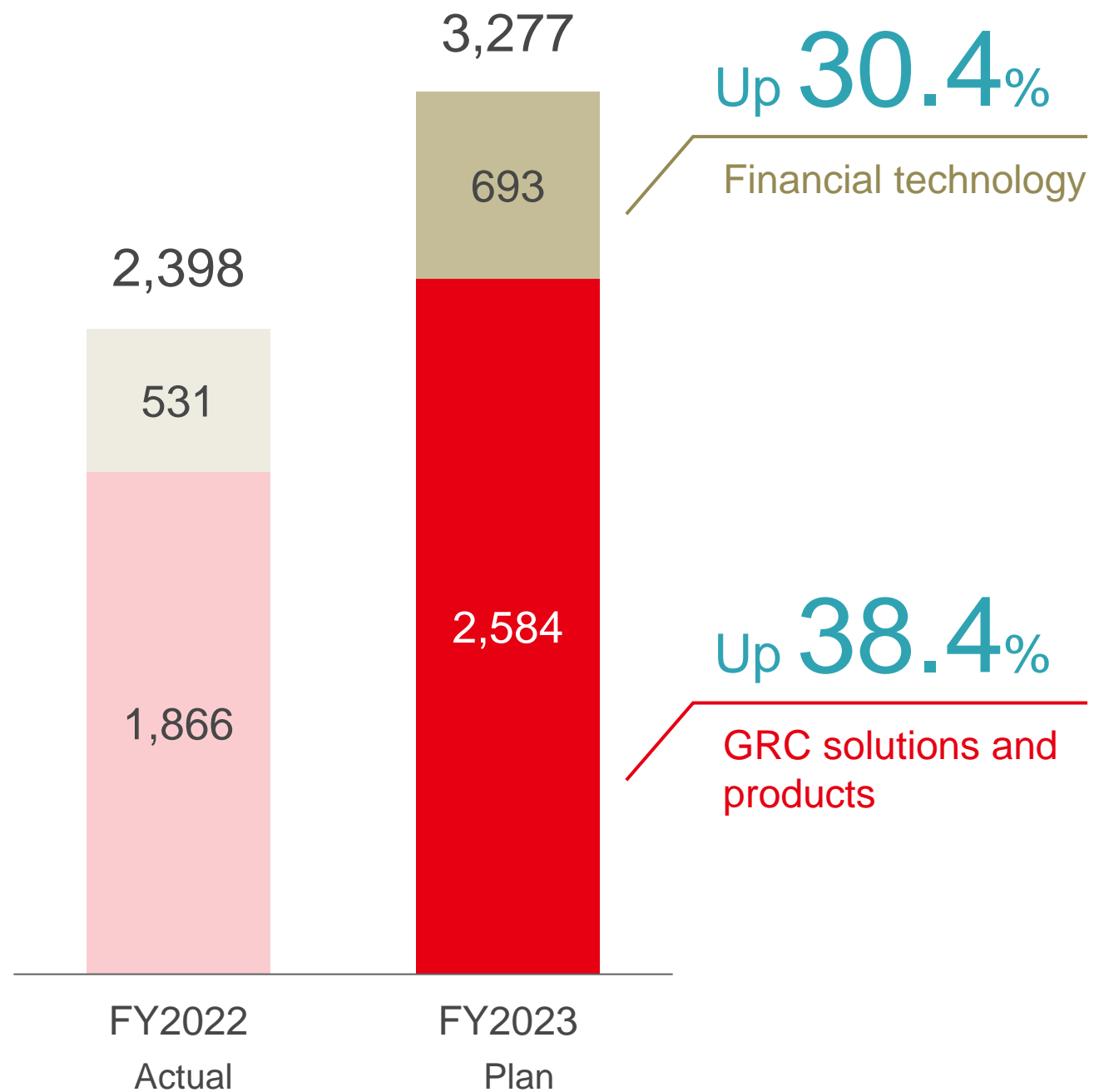
Full-Year Earnings Forecast for the FY2023 Ending November 30, 2023

- Net sales** Increase net sales as companies continuously heighten their mindset for risk management, and focus on cultivating new clients for the financial technology business
- Profit margin** Anticipate the financial technology business to become profitable by improving its earnings structure and profit margin through business acquisition
- Other** Assume an increase in hiring, education and training expenses due to establishment of HR Development Department, and an increase in personnel expenses associated with the establishment of Solution Strategy Department

(Millions of yen)	FY2022	Composition ratio	FY2023 forecast	Composition ratio	Year on year change
Net sales	2,398	100.0%	3,277	100.0%	36.6%
Operating profit	(187)	(7.8%)	192	5.9%	-
Ordinary profit (loss)	(187)	(7.8%)	182	5.6%	-
Profit (loss) attributable to owners of parent	(209)	(8.7%)	116	3.6%	-

Key Measures for FY2023

Net sales (Millions of yen)



Key measures

Financial technology

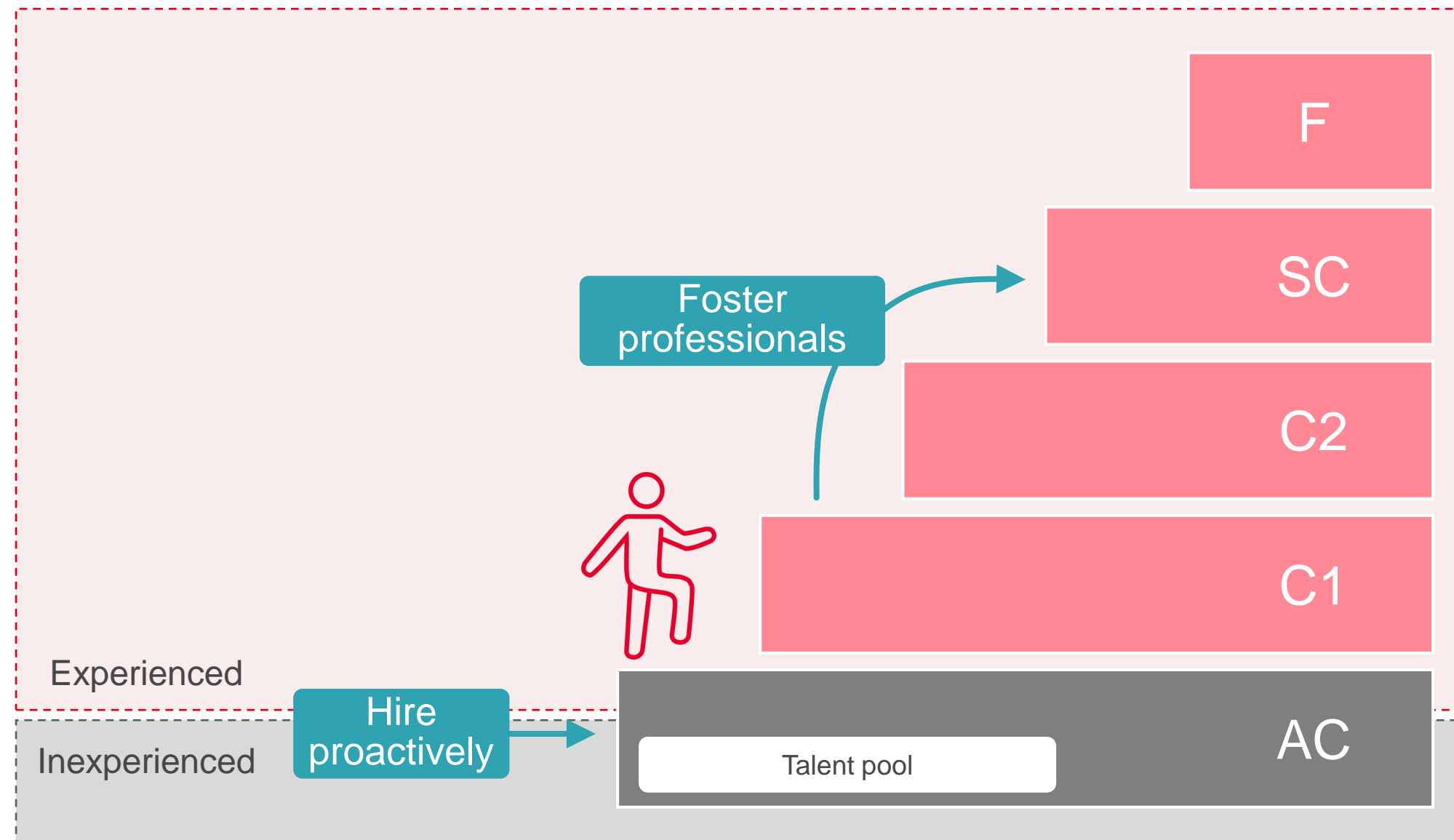
- ✓ Cultivate the 7 major companies with which transactions are anticipated to expand
- ✓ Acquire new clients by offering AML services
- ✓ Implement services that are anticipated to generate recurring revenue
- ✓ Improve earnings structure through business acquisition

GRC solutions and products

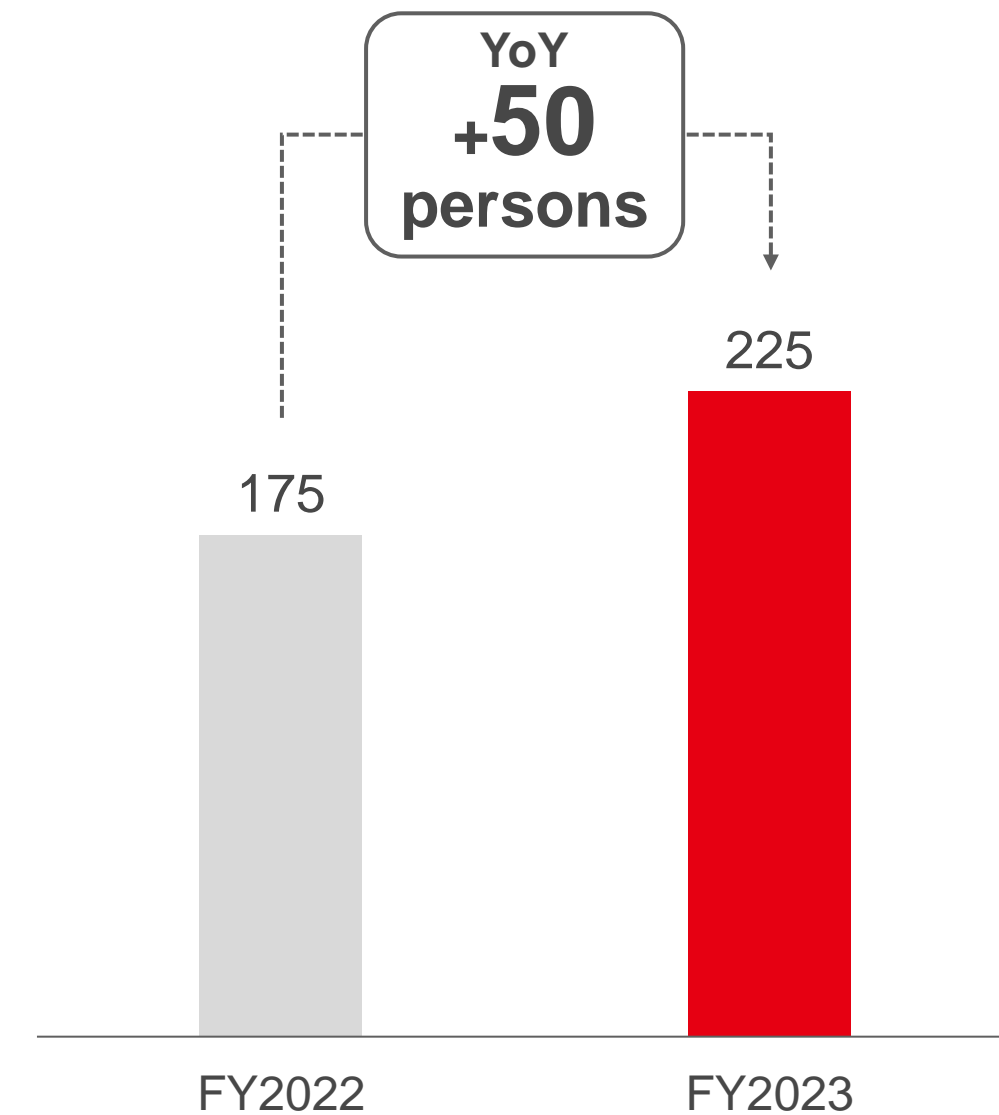
- ✓ Devise new solutions
- ✓ Reinforce hiring and fostering of human resources
- ✓ Expand partnerships with outsourcing parties
- ✓ Strengthen the brand power of in-house products

Reinforce Hiring and Fostering of Human Resources

- ✓ Newly establish **HR Development Department** for the purpose of reinforcing hiring and fostering talents, in an effort to identify the right person for the right job and achieve higher service quality
- ✓ Evaluate specialists by job level and **structure the process of hiring and fostering them**
- ✓ Proactively hire talents of C1 and AC levels and foster them to specialists



Headcount plan (Persons)



6. Appendix

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	Palace Building 5F, 1-1-1 Marunouchi, Chiyoda-ku, Tokyo		Osamu Yamano, Outside Director
No. of employees	175 (as of November 30, 2022, consolidated)		Koshi Oizumi, Auditor
			Yasuo Shimada, Auditor
			Shino Asayama, Auditor

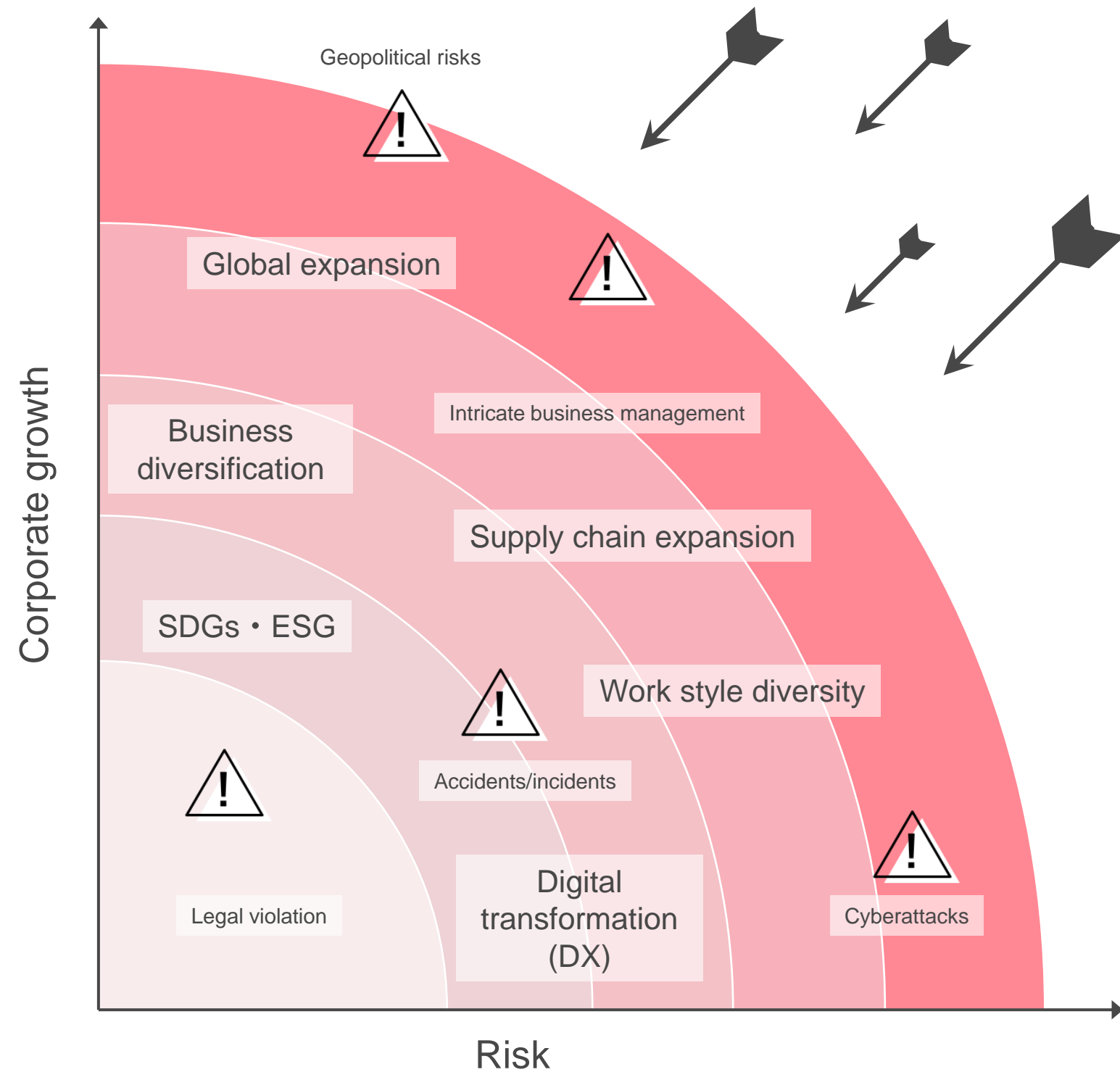


President & Representative Director

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).

Landscape for Japanese Companies

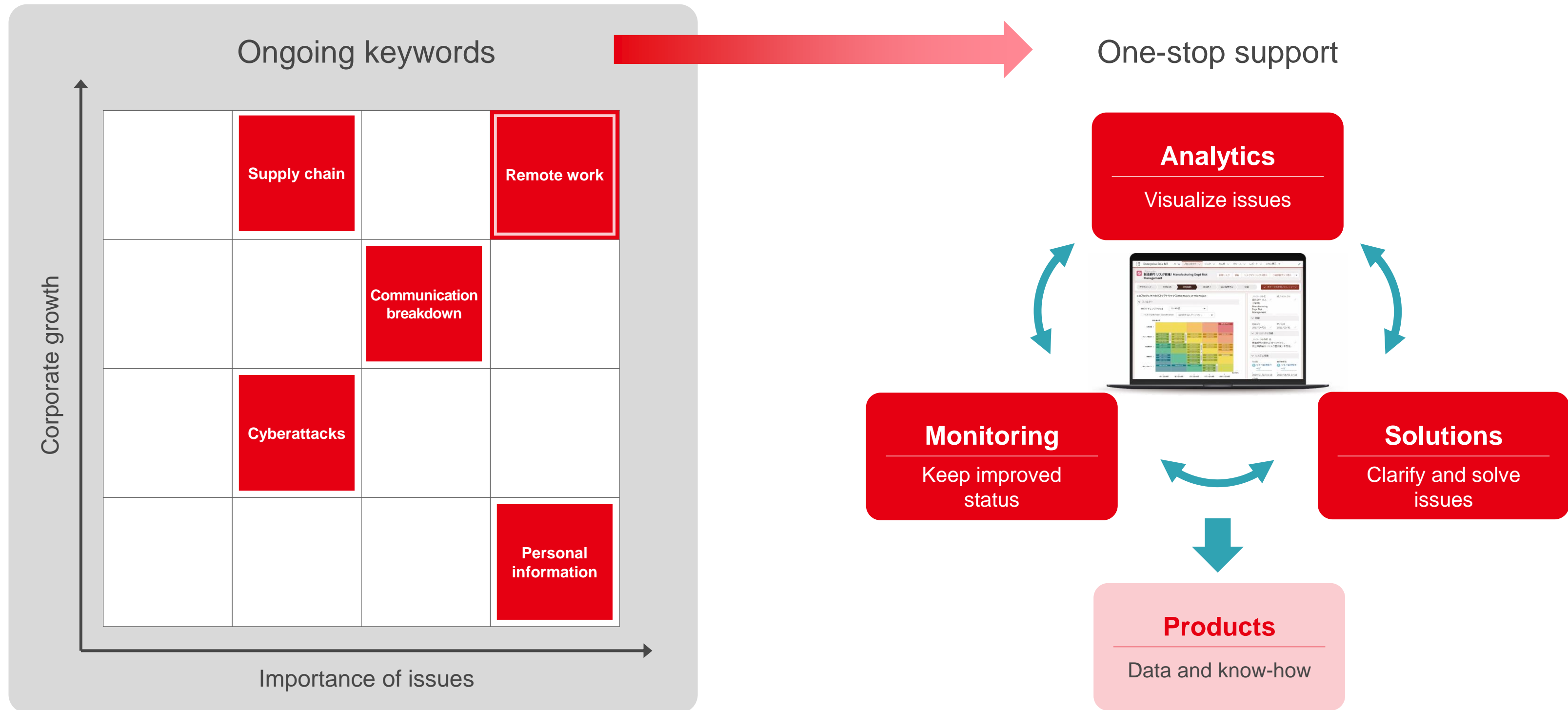


Firms are exposed to more risks as they grow
Japanese companies are inadequately organized to protect themselves
 GRCS helps businesses grow **most efficiently** by reducing risks

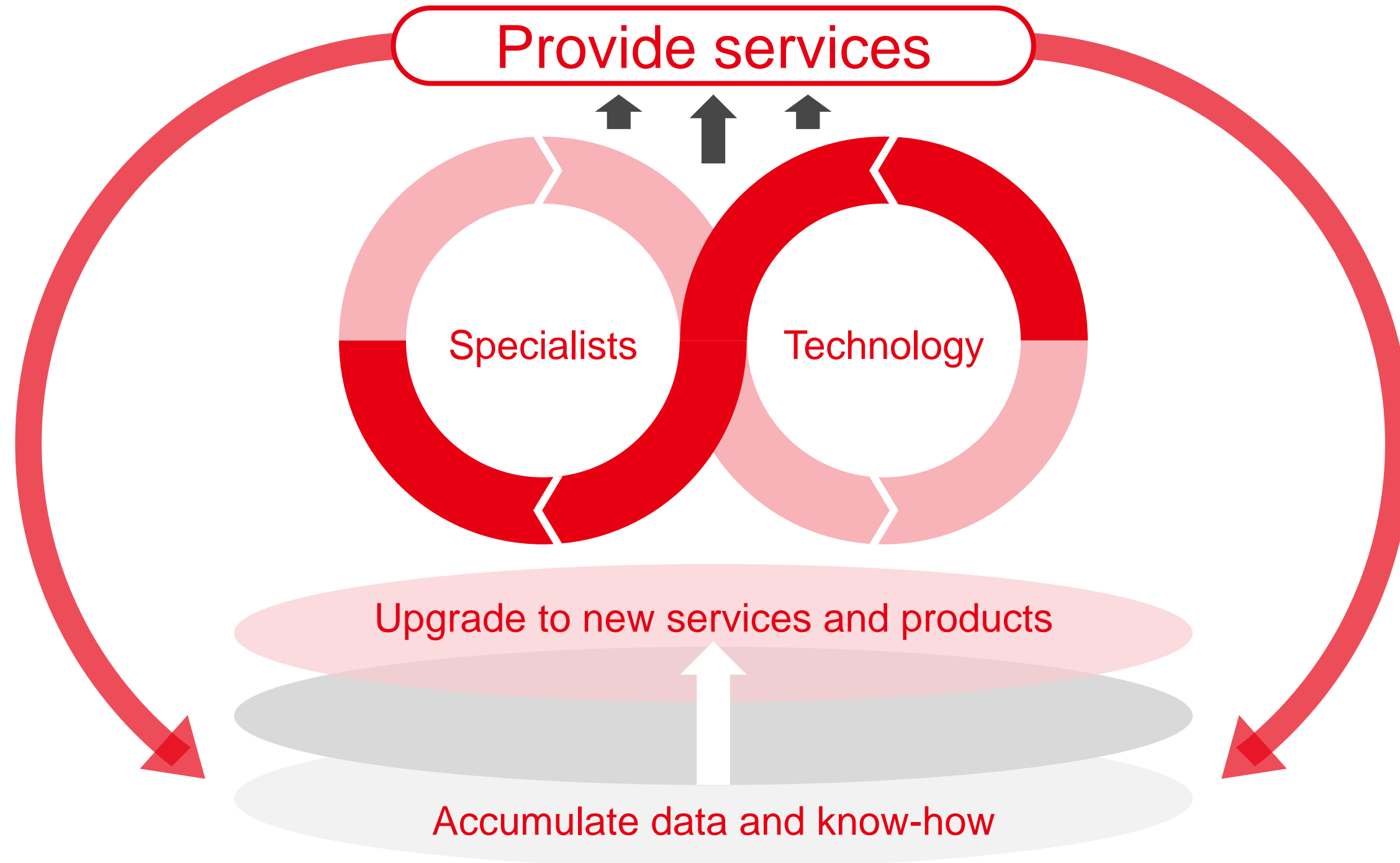
- G** Establish governance frameworks
- R** Reinforce risk management
- C** Enhance compliance mindset
- S** Support security measures

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



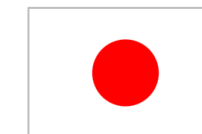
Enable checking at any time and anywhere through cloud services

Market Environment

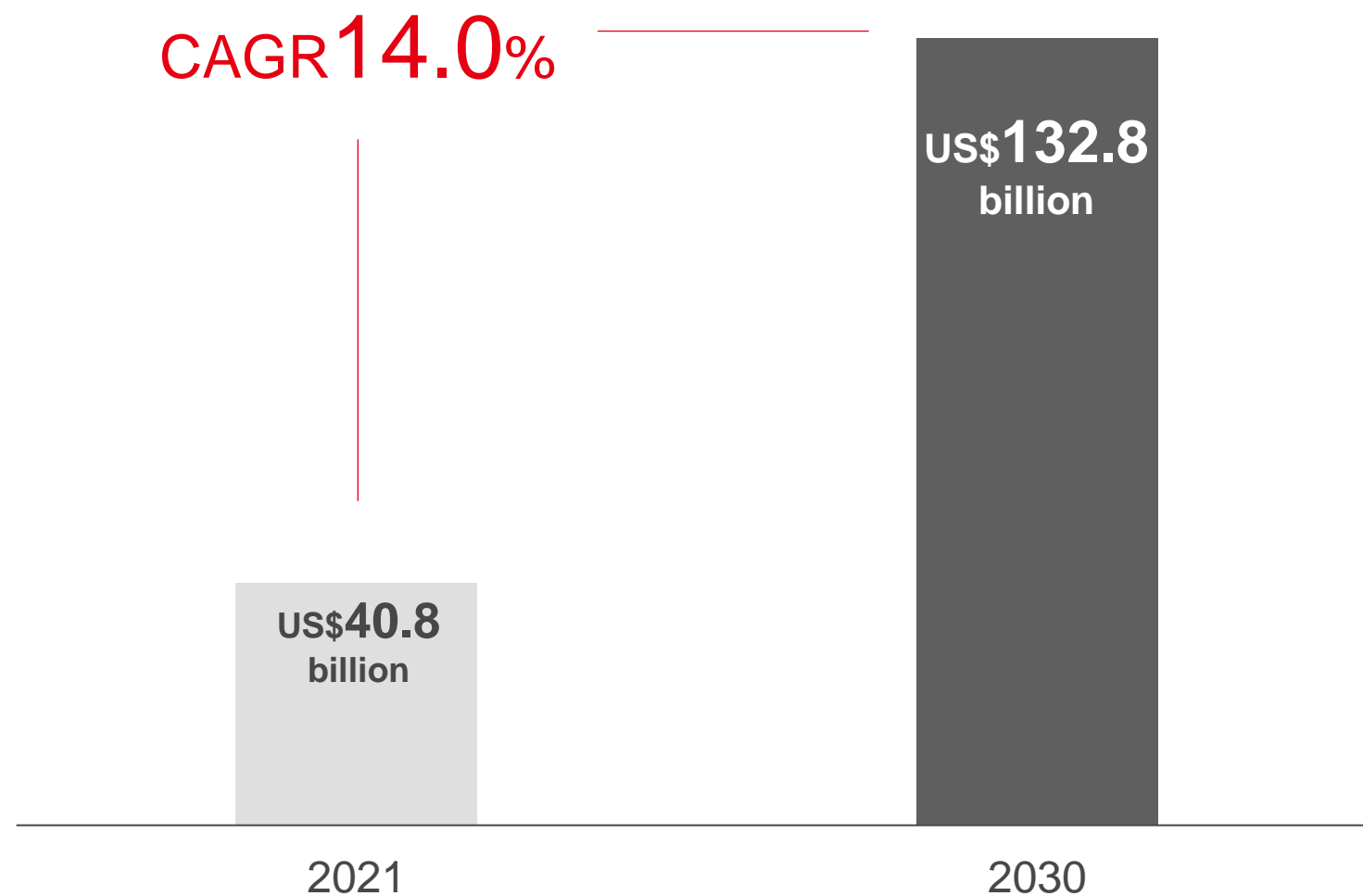
- ✓ No numerical figure is yet available for the domestic GRC market, but GRC and security controls are a pressing issue for Japanese companies
- ✓ The global GRC market is forecast to grow by 14.0% annually on average; similar growth is anticipated for Japan



Global GRC market*



Growth of Japanese GRC market



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 protecting enterprise management
- ✓ Develop and offer services with an eye to Japan-based global companies

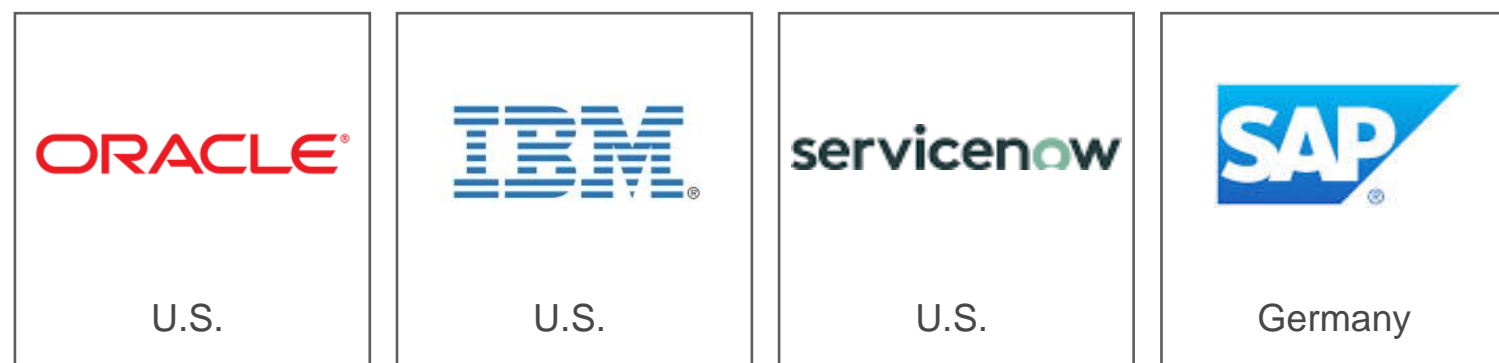
Major foreign accounting consulting firms and solution vendors

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

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



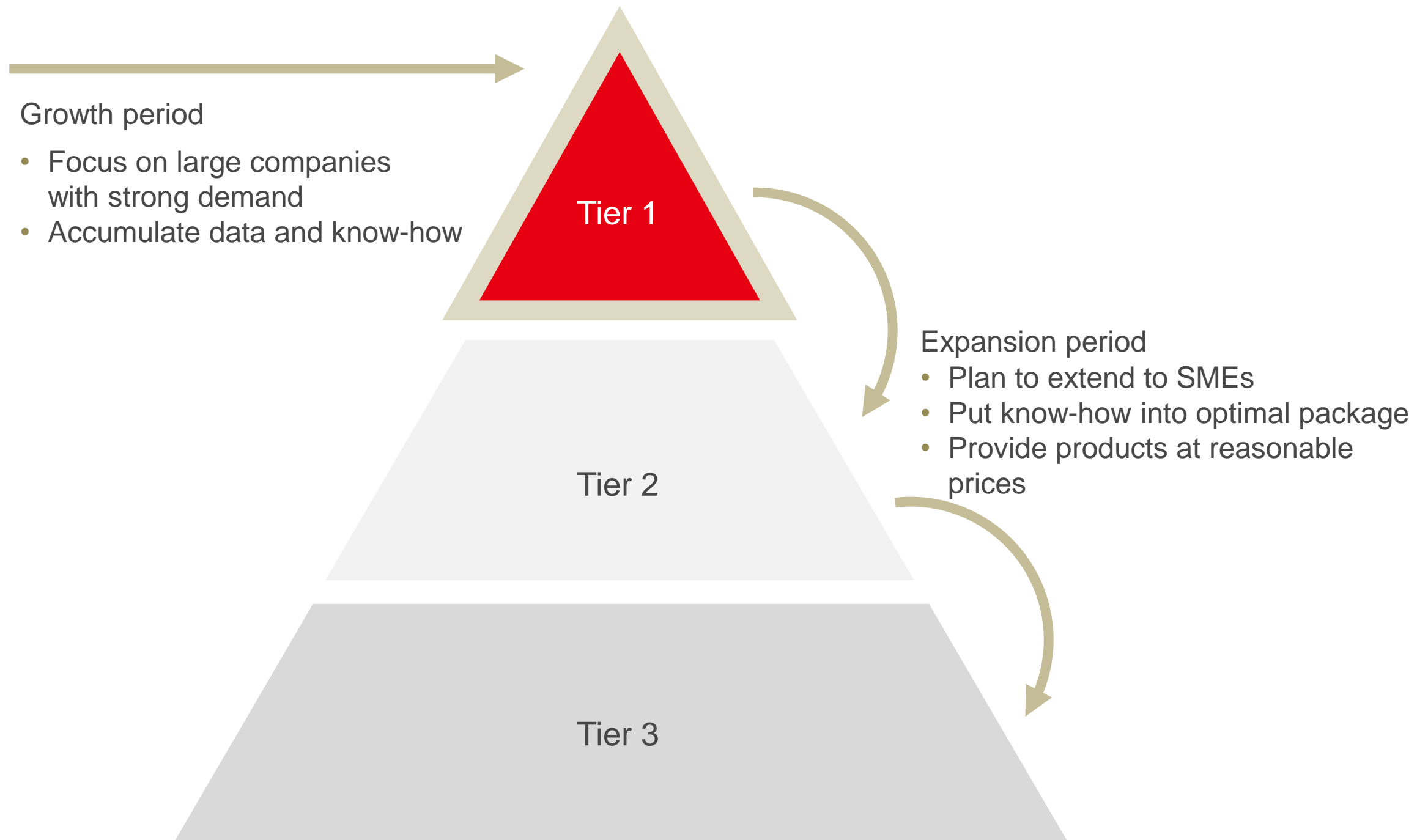
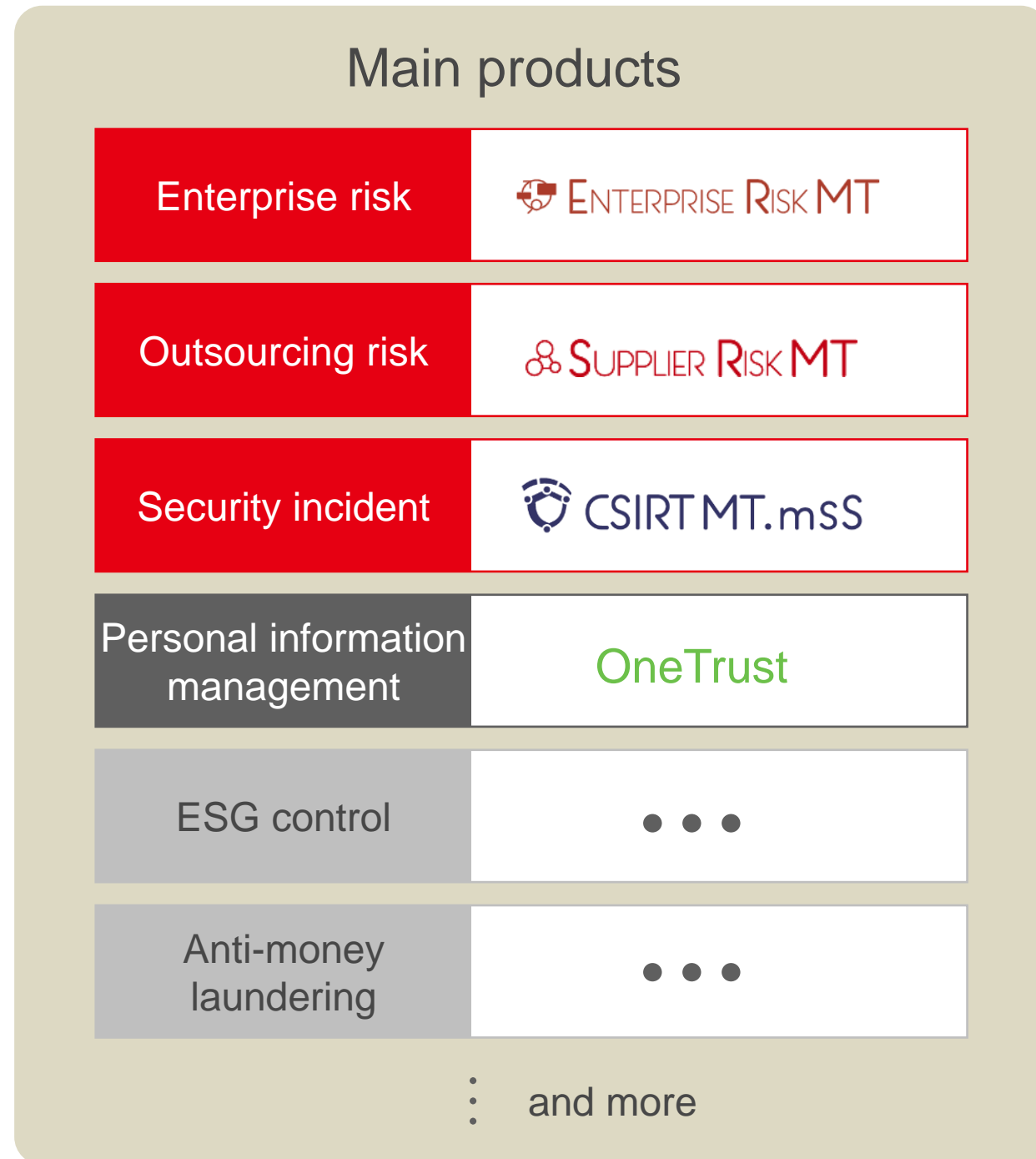
	Governance	Risk	Compliance	Security
Company A • Provide solutions • Provide products	Solved Unaddressed	Unaddressed Unaddressed	Solved Arising needs	Solved Solved
Company B • Provide solutions • Provide products	Unaddressed Unaddressed	Solved Solved	Arising needs Unaddressed	Unaddressed Unaddressed
Company 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

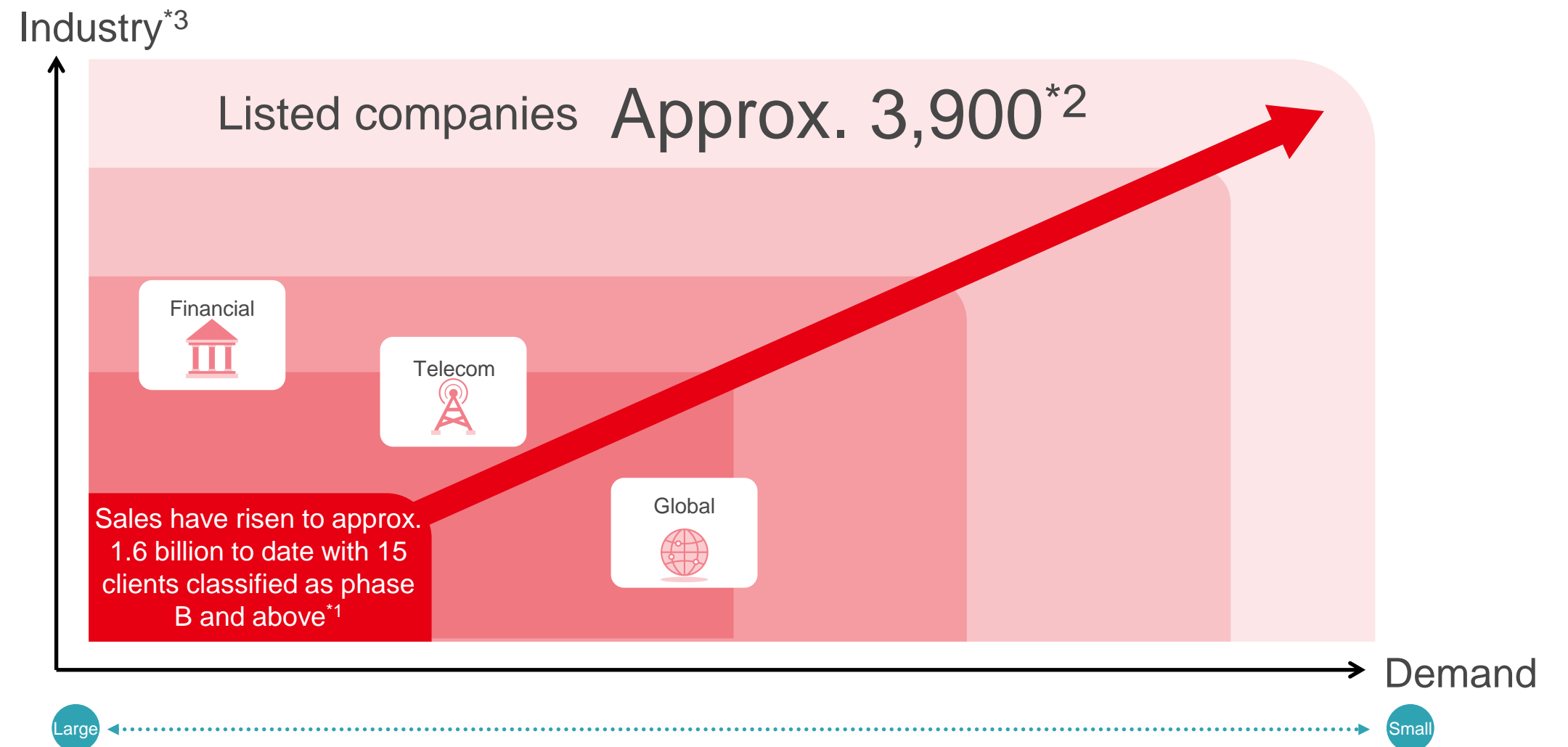


Growth Potential over the Short Term

- ✓ 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



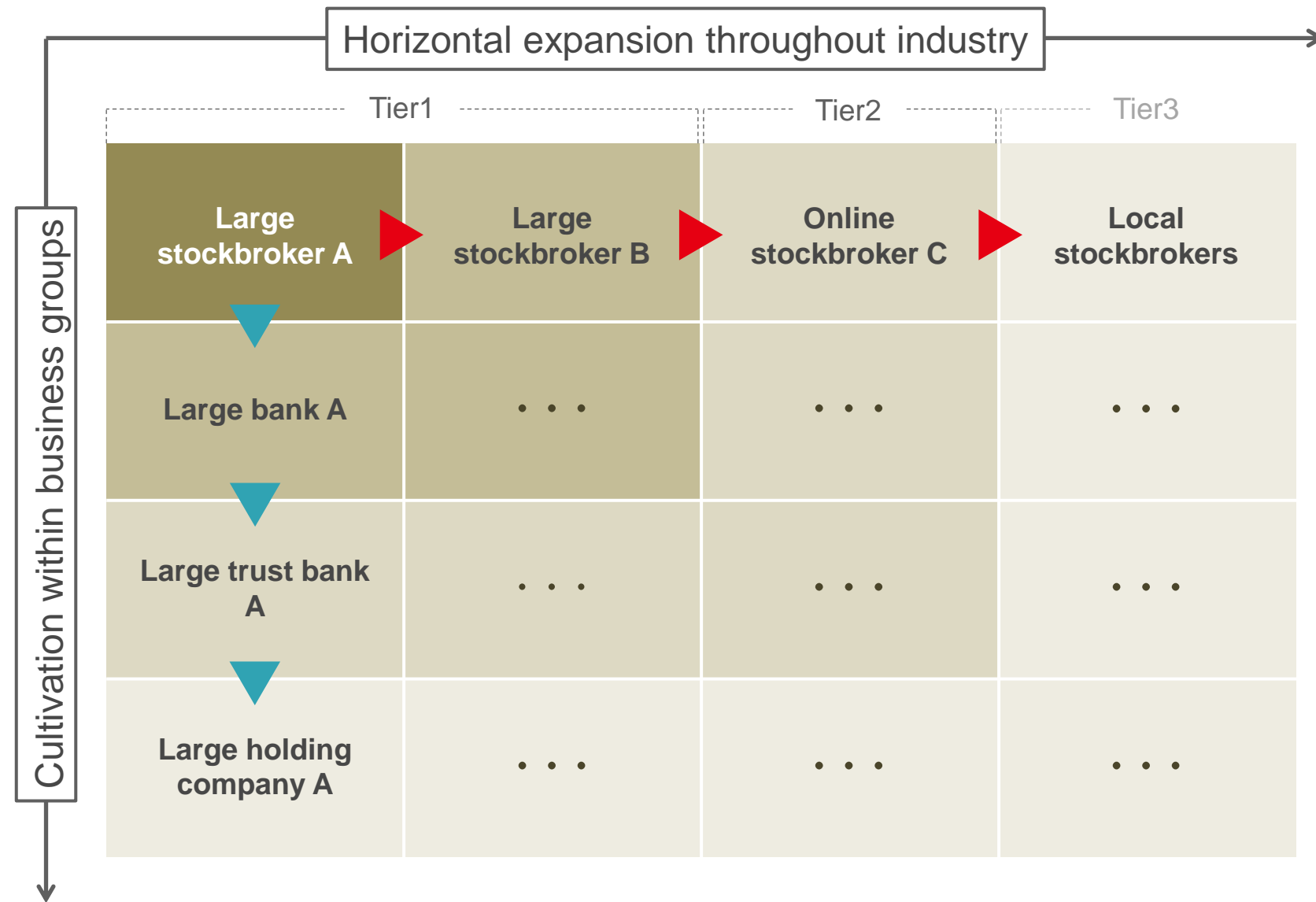
*1: Phase B and above refers to clients with annual GRCS sales of over 300 million yen

*2: The number of listed companies is as of December 31, 2022

*3: The industries on the vertical axis represent the number of industries with which GRCS conducts business

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

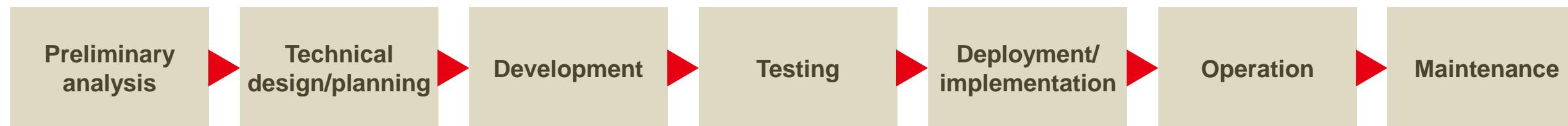
- Provide monitoring services for core systems of financial institutions
- Establish the Yokohama Global Center as the base

Strengths of Financial Technology Business

- ✓ **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

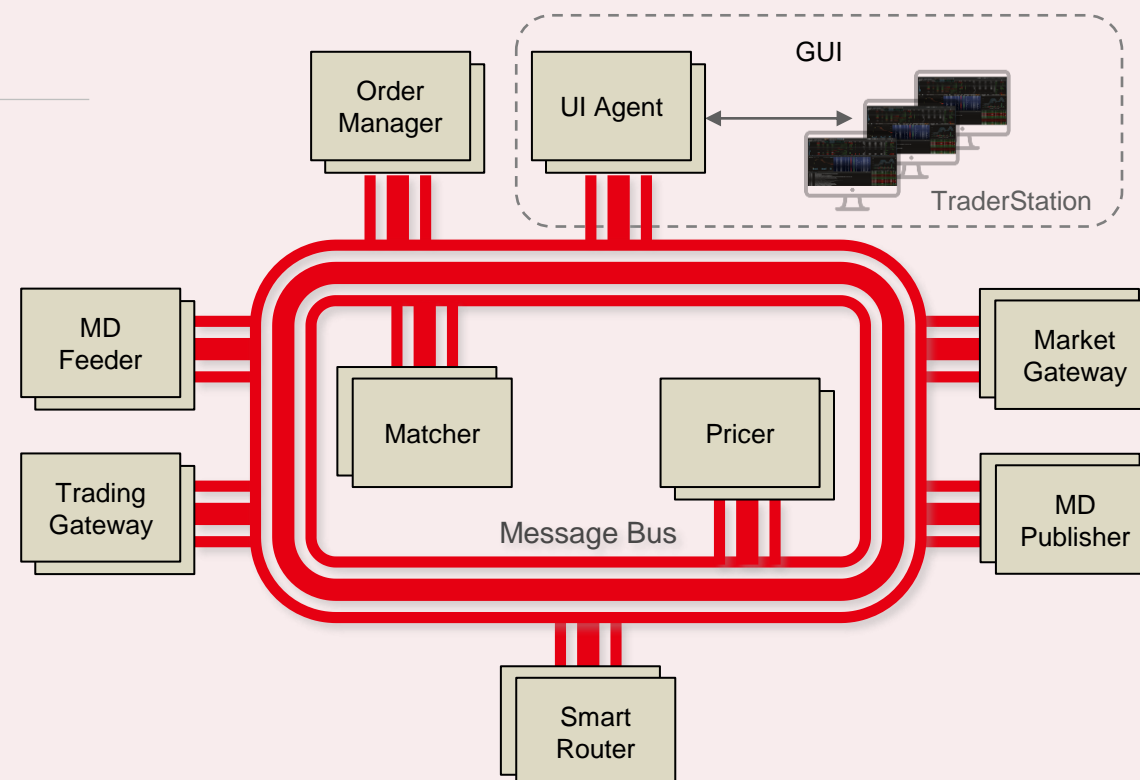
Solutions

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



Products

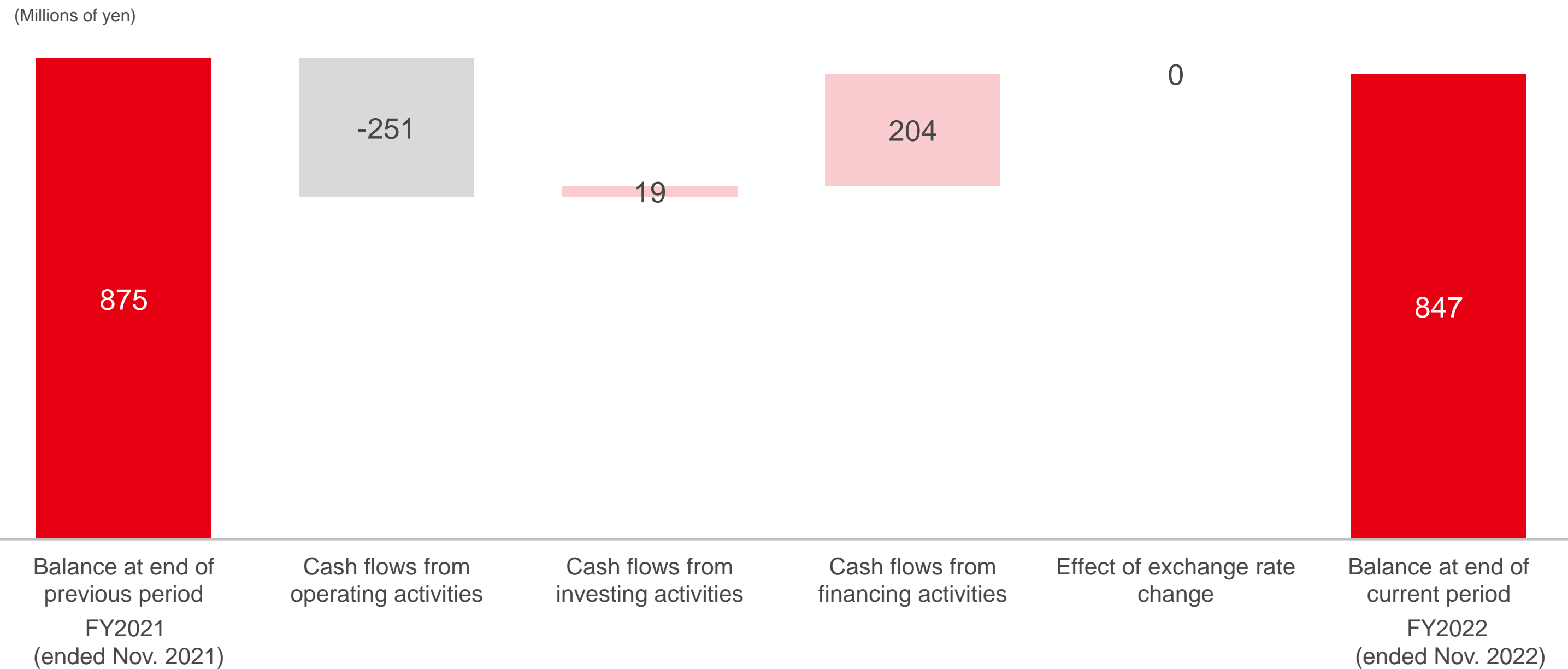
- Transaction platform
- Data management



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

Statements of Cash Flows

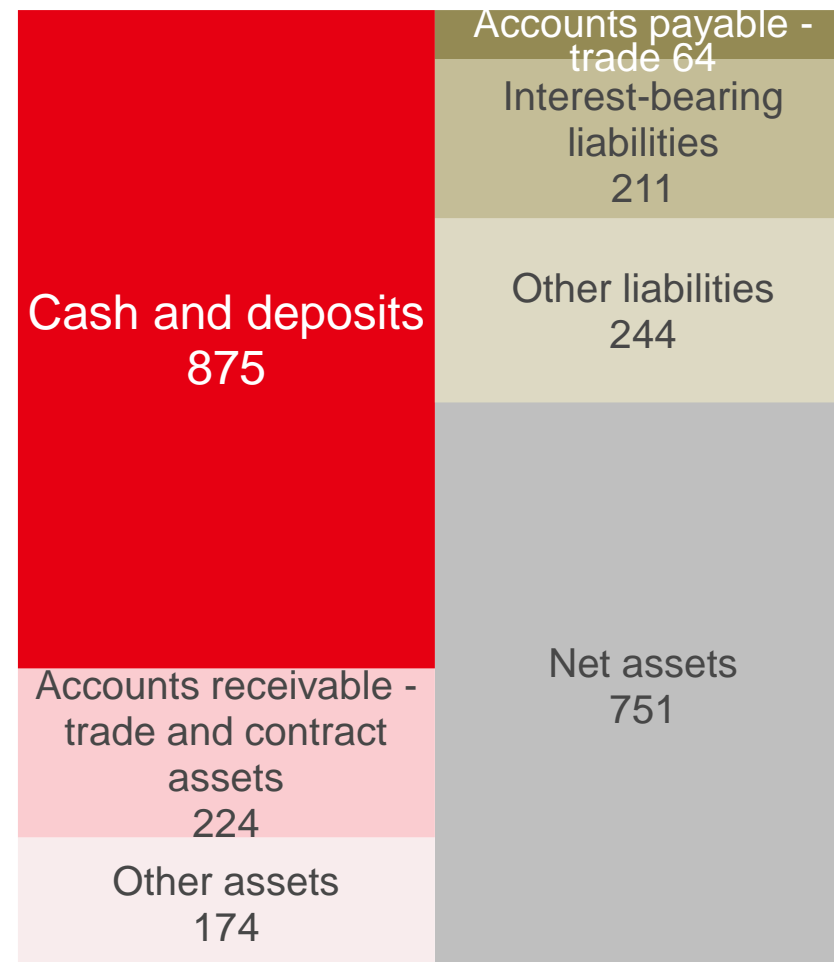
- ✓ Recorded loss before income taxes of 191 million yen
- ✓ Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation amounting to 61 million yen



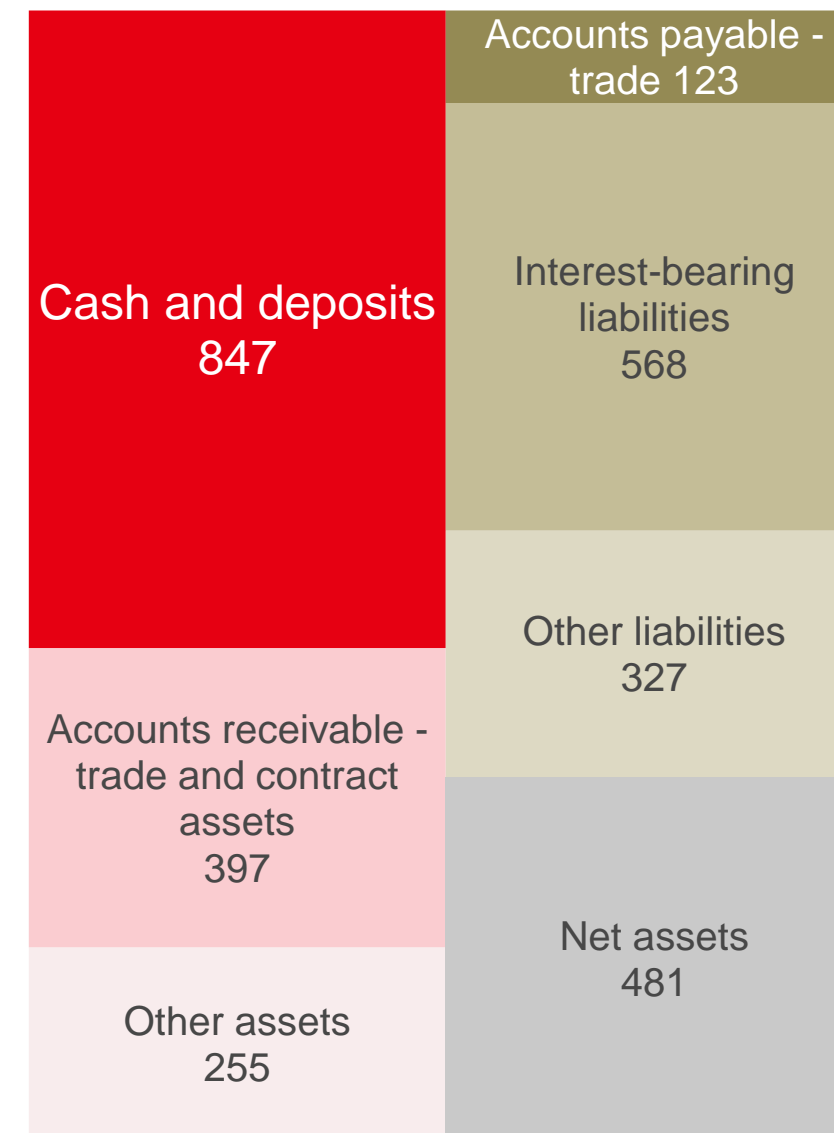
Balance Sheets

- ✓ Net assets decreased due to recording of loss attributable to owners of parent
- ✓ Procured funds from financial institutions to meet funding needs for M&A, etc.

(Millions of yen)



FY2021 (ended Nov. 2021)

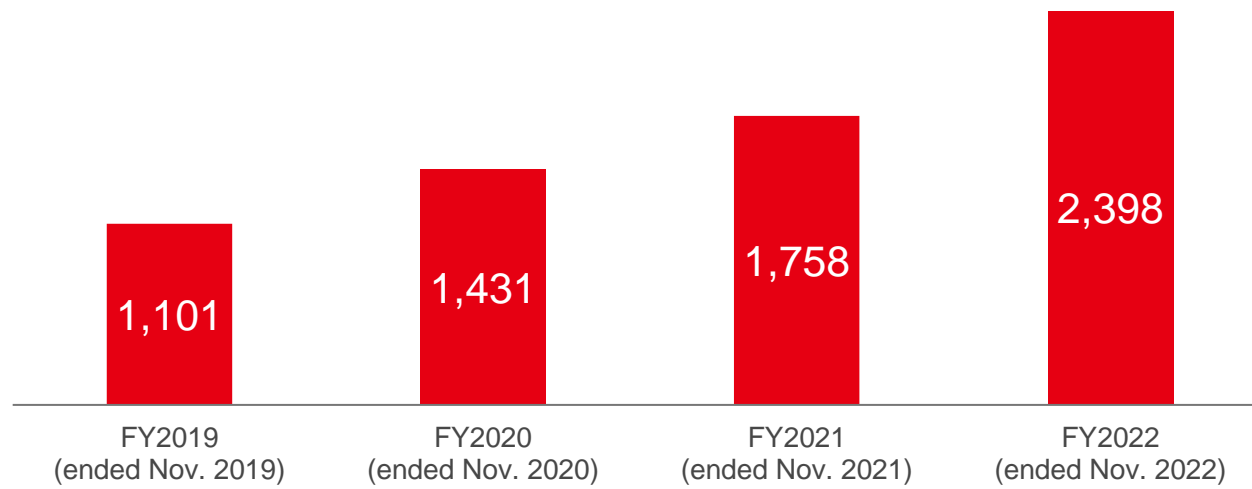


FY2022 (ended Nov. 2022)

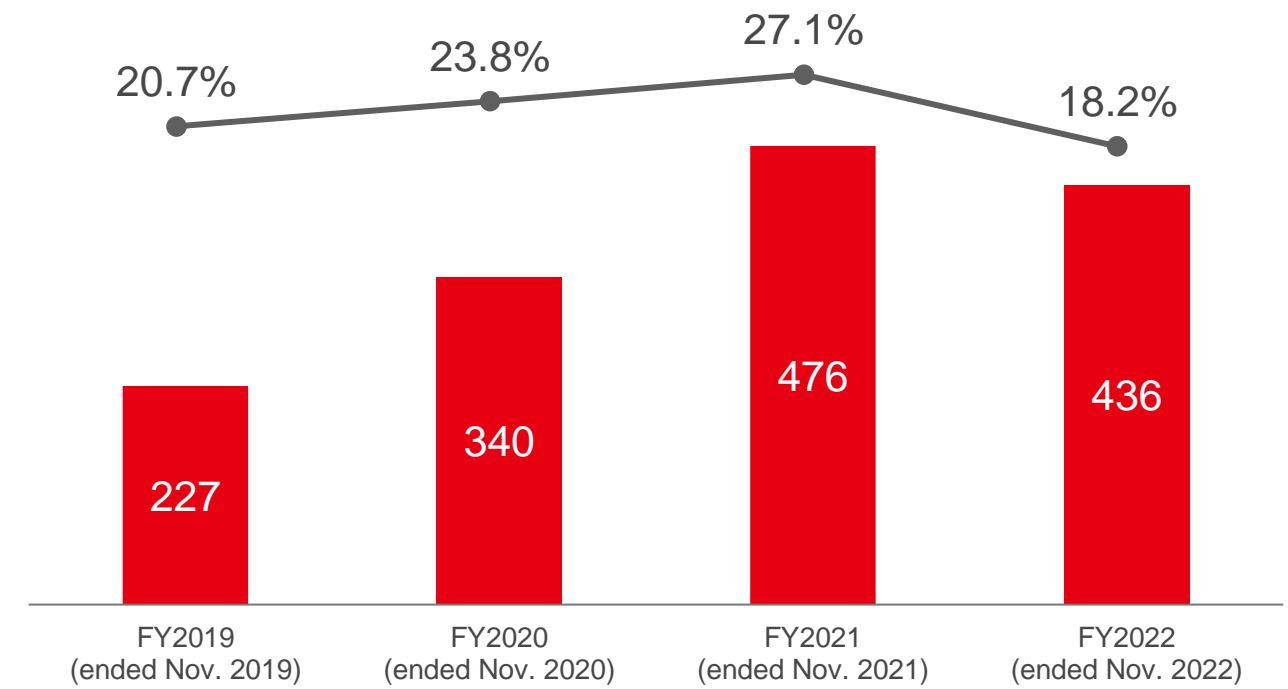
Total assets:
1,500 million yen
Equity ratio:
29.6%

Financial Highlights

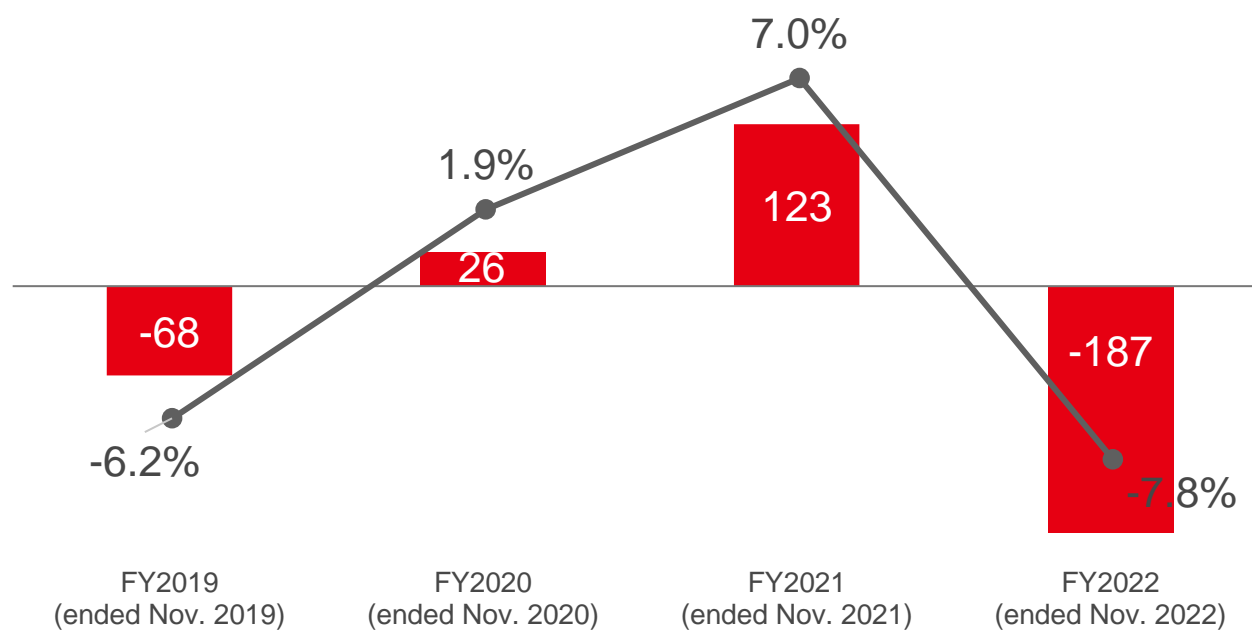
Net sales (Millions of yen)



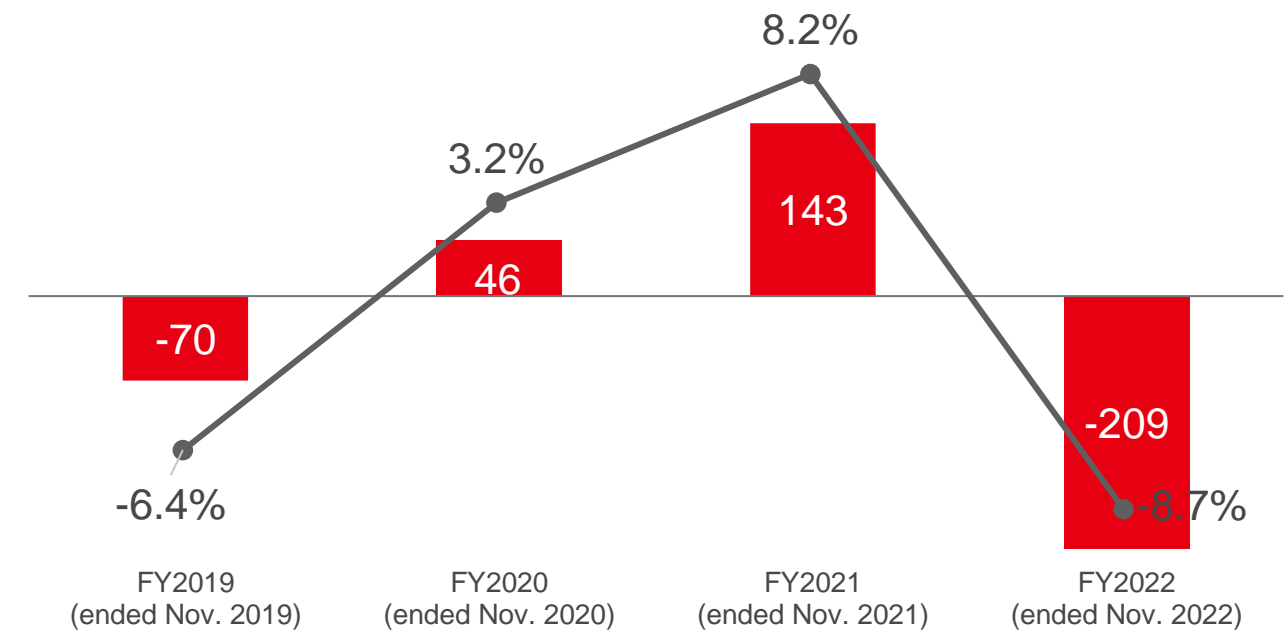
Gross profit/gross profit margin (Millions of yen)



Operating profit/operating margin (Millions of yen)

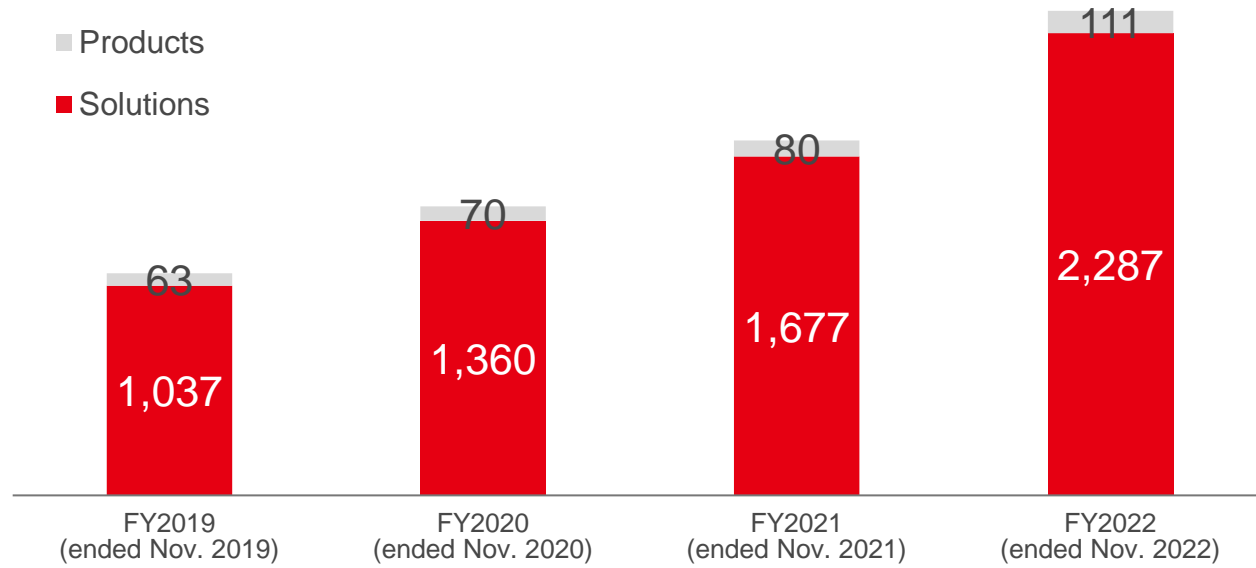


Profit (loss) attributable to owners of parent / profit margin (Millions of yen)

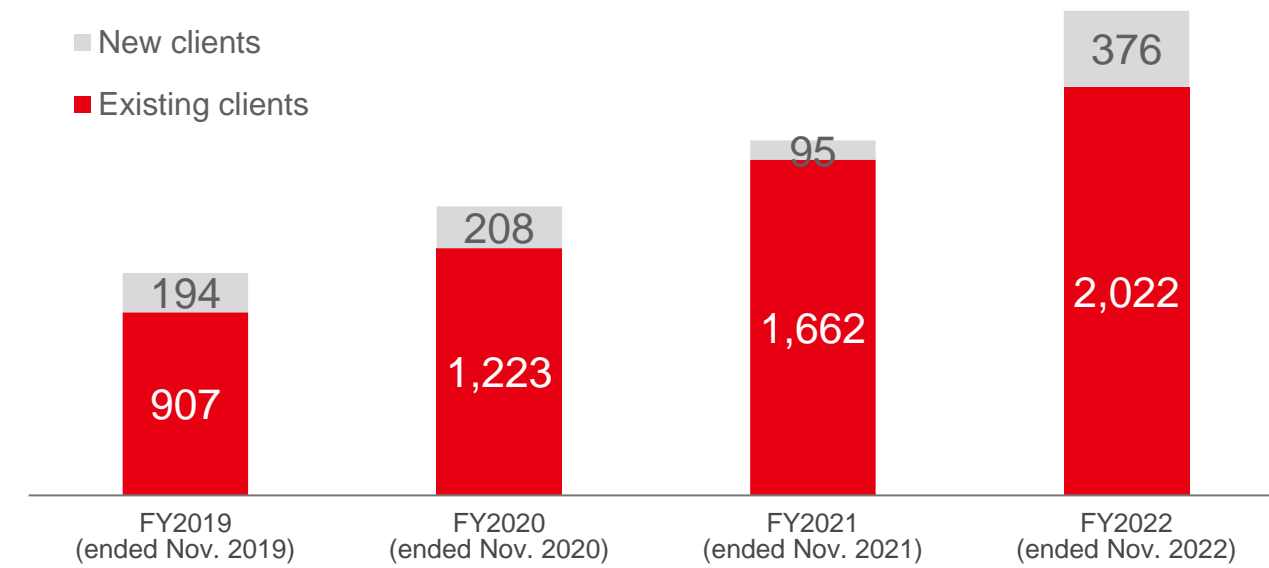


Financial Highlights

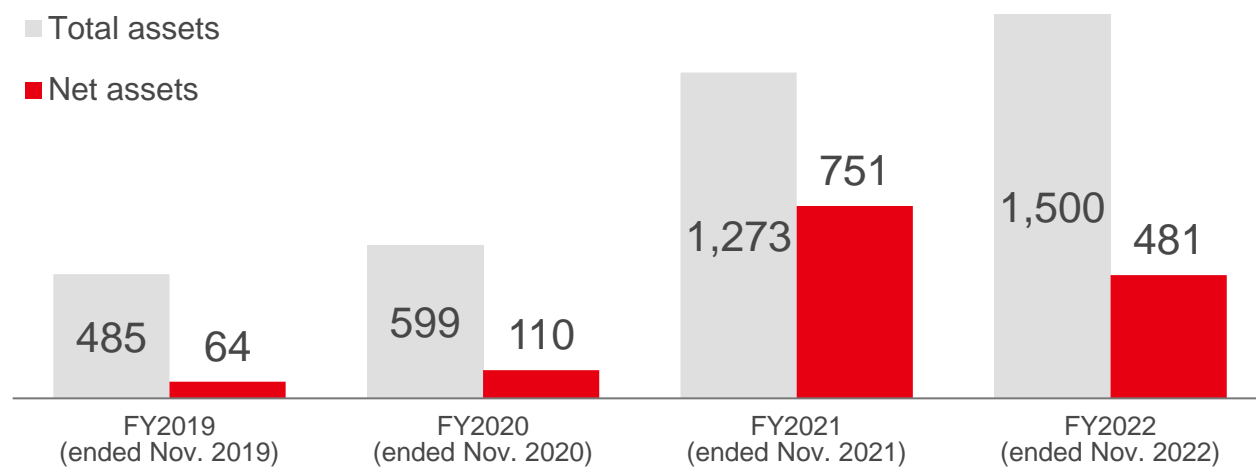
Solutions and products (Millions of yen)



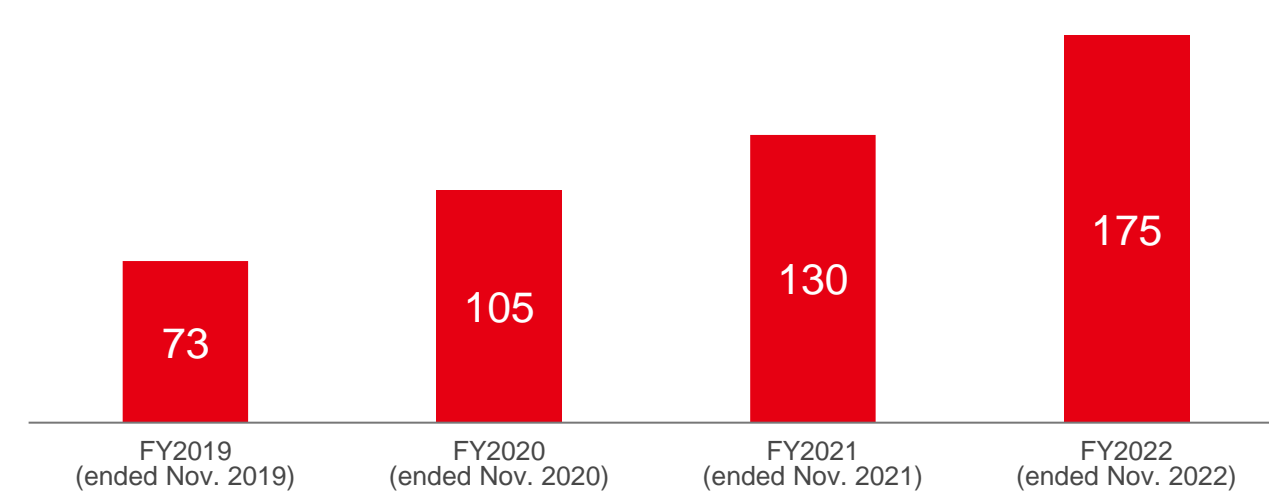
Sales to existing clients and new clients (Millions of yen)



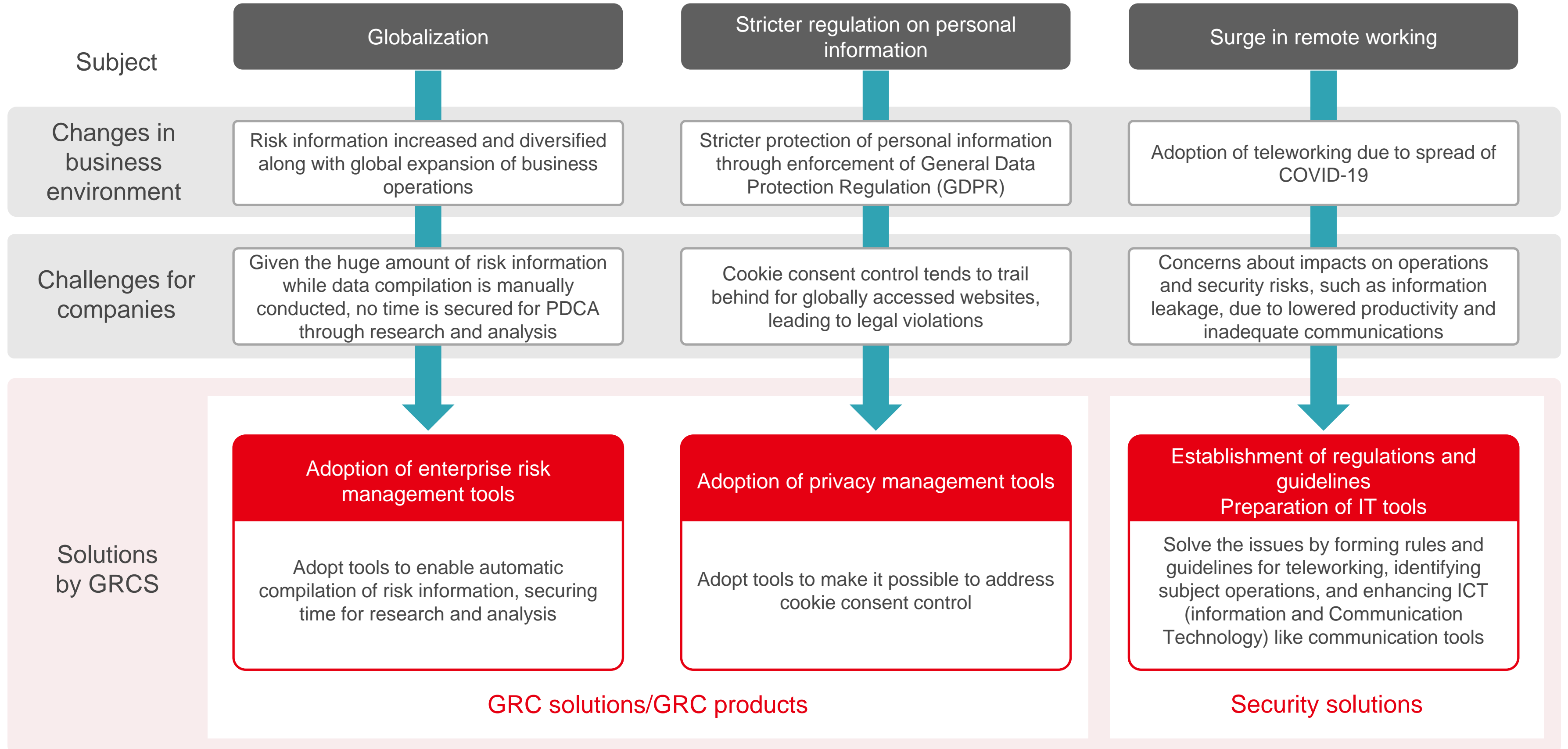
Total assets/net assets (Millions of yen)



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



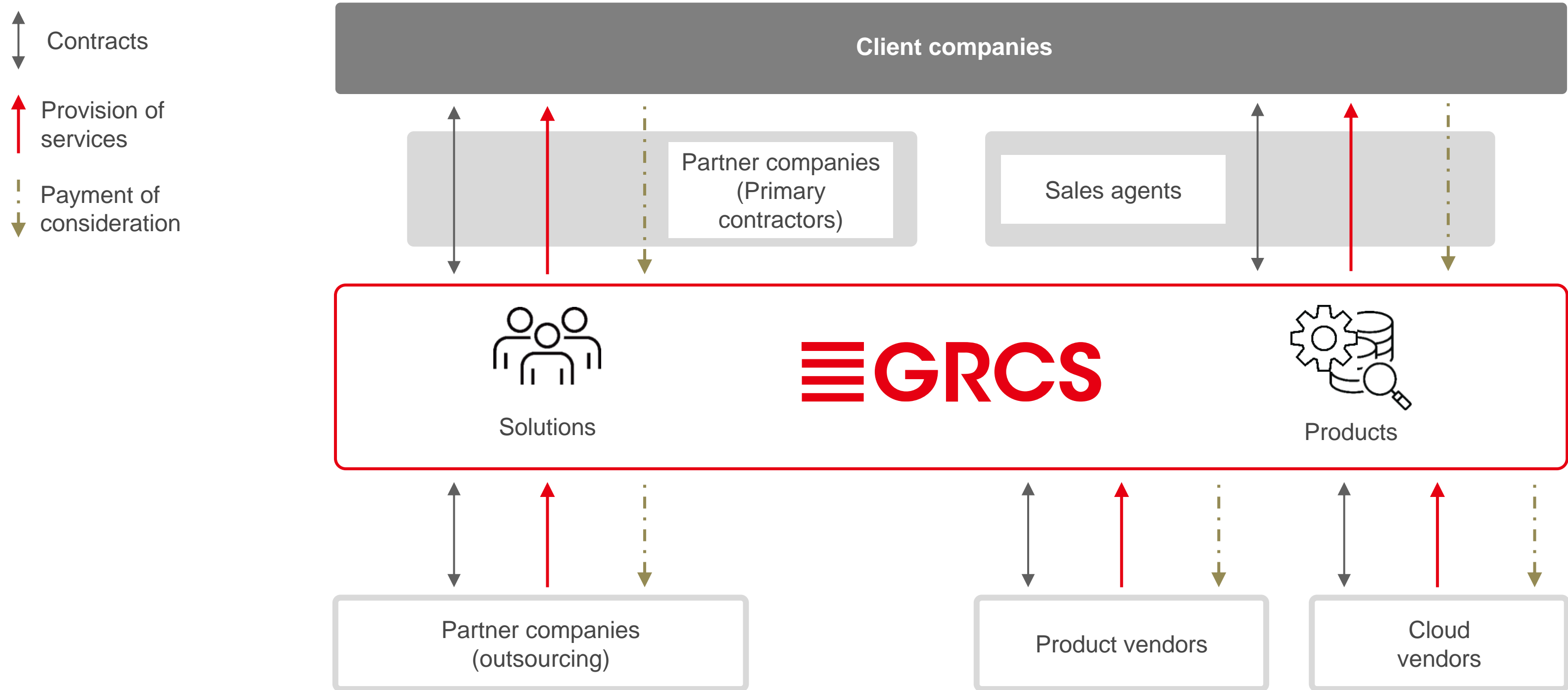
Large Japanese vendors

Foreign IT companies



Large foreign vendors

Business Diagram



Risk Management Measures

Risks	Overview of risks	Possibility	Time	Degree of impact	Measures to address the risk
Environment surrounding our business	The GRC and security industries, to which GRCS belongs, are expected to expand our GRC Solution business, and we will work on new services and new businesses in line with corporate trends. However, if it is difficult or inadequate for us to respond to unforeseen factors or market changes in the future, such as introduction of new legal regulations or delays in technological innovation, our businesses may be affected and our business activities and operating results may be impacted.	Low	Medium-term	Medium	We will gather information by keeping a close eye on overseas trends that are ahead of Japan and prepare for future changes.
Risks related to responses to technological innovation	The external environment surrounding business operations is becoming more complex and diversified day by day, especially in recent years, with expanded applications of overseas laws and regulations due to globalization of business and frequent occurrence of sophisticated and persistent cyberattacks, among other factors. In the GRC and security industries under such situations, it has become essential to invent new services at any time and incorporate cutting-edge technologies into our services in order to provide better quality. If we are late in responding to such cutting-edge technologies and far behind of our competitors, our business performance and financial position may be impacted.	Low	Medium-term	Medium	We will strive to keep abreast of the themes and technologies that are in focus overseas and to respond to emerging needs.
Competition	As the GRC- and security-related markets are expected to grow in the future, domestic and foreign operators may come to participate in this field. If the competitive situation with other companies that are newly participating in the market intensifies, we may lose orders due to falling prices or factors other than price competition, which may impact our business activities and operating results.	Low	Medium-term	Small	We will strive to continue to add value to our services utilizing the know-how and data we have accumulated to date.
Securing and retaining specialists	We recognize that it is essential to continuously secure excellent specialists in order to secure sustainable growth of our company. Since highly specialized consultants and engineers are required to enhance our competitiveness, we will work to secure excellent human resources who meet a certain level of standards and proactively endeavor to foster them. However, if we are unable to secure and train excellent consultants and engineers as planned, or if excellent human resources leave the company, our smooth provision of services and aggressive order-taking activities may be impeded, which may impact our business performance and financial position.	Medium	Short-term	High	We will strive to secure specialists while investigating all possible measures including hiring of our staff, outsourcing to partner companies, and collaborating with other companies.
Securing partner companies (outsourcing contractors)	We select specific partner companies (outsourcing contractors) for each specialized business area to provide services in cooperation with each other. Therefore, if unforeseen circumstances occur at such companies that are in cooperation with us, if the relationship of trust with them is damaged, if certain events occur that make them inappropriate as outsourcing companies, or if outsourcing costs rise, our smooth provision of services and proactive order-taking activities may be impeded, and our business performance and financial position may be impacted.	Medium	Short-term	High	We strive to build relationships with partner companies (outsourcing contractors) as well as to develop new partner companies.

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.

These forward-looking statements 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

The information contained in this material is based on what GRCS has obtained or found out as of the time of preparing it. Although GRCS endeavors to provide information as accurate as possible, GRCS does not take any responsibility for any actions taken by the users based on the information of this material.