

Translation

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Summary of Consolidated Financial Results for the Six Months Ended May 31, 2023 (Based on Japanese GAAP)

July 14, 2023

Company name: GRCS Inc.
 Stock exchange listing: Tokyo
 Stock code: 9250 URL <https://www.grcs.co.jp/>
 Representative: President&Representative Director Yoshikazu Sasaki
 Inquiries: Director Ikue Tanaka TEL 03(6272)9191
 Scheduled date to file Quarterly Securities Report: July 14, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended May 31, 2023 (from December 1, 2022 to May 31, 2023)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended May 31, 2023	1,366	–	(125)	–	(131)	–	(160)	–
Six months ended May 31, 2022	–	–	–	–	–	–	–	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended May 31, 2023	(125.44)	–
Six months ended May 31, 2022	–	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2023	1,610	325	17.7
As of November 30, 2022	1,500	481	29.6

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended November 30, 2022	–	0.00	–	0.00	0.00
Year ending November 30, 2023	–	0.00	–	–	–
Year ending November 30, 2023 (Forecast)	–	–	–	0.00	0.00

3. Forecast of consolidated financial results for the year ending November 30, 2023 (from December 1, 2022 to November 30, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,005	25.3	36	–	21	–	5	–	3.94

4. Notes

- (1) Changes in significant subsidiaries during the six months ended May 31, 2023
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: Yes
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of May 31, 2023	1,310,020 shares	As of November 30, 2022	1,309,800 shares
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Number of treasury shares at the end of the period

As of May 31, 2023	29,800 shares	As of November 30, 2022	29,800 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended May 31, 2023	1,280,073 shares	Six months ended May 31, 2022	1,309,133 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of November 30, 2022	As of May 31, 2023
Assets		
Current assets		
Cash and deposits	847,454	763,367
Accounts receivable - trade and contract assets	397,931	295,283
Work in process	362	4,813
Advance payments to suppliers	25,644	93,570
Prepaid expenses	35,537	55,034
Other	11,010	2,721
Total current assets	1,317,941	1,214,792
Non-current assets		
Property, plant and equipment		
Buildings, net	41,529	40,175
Tools, furniture and fixtures, net	734	5,167
Total property, plant and equipment	42,264	45,342
Intangible assets		
Software	11,378	8,954
Goodwill	–	235,119
Total intangible assets	11,378	244,073
Investments and other assets		
Long-term prepaid expenses	1,320	1,127
Deferred tax assets	84,455	65,195
Guarantee deposits	43,138	37,293
Other	0	250
Total investments and other assets	128,913	103,866
Total non-current assets	182,556	393,282
Deferred assets		
Bond issuance costs	–	2,362
Total deferred assets	–	2,362
Total assets	1,500,497	1,610,438

(Thousands of yen)

	As of November 30, 2022	As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	123,127	75,946
Short-term borrowings	29,165	104,163
Current portion of bonds payable	–	20,000
Current portion of long-term borrowings	142,788	157,788
Accrued expenses	185,573	163,354
Income taxes payable	18,086	11,678
Accrued consumption taxes	37,785	20,605
Contract liabilities	65,465	120,921
Deposits received	7,072	7,964
Provision for bonuses	148	10,253
Total current liabilities	609,212	692,676
Non-current liabilities		
Bonds payable	–	80,000
Long-term borrowings	396,379	399,137
Asset retirement obligations	13,202	13,205
Long-term accounts payable - other	–	100,000
Total non-current liabilities	409,581	592,342
Total liabilities	1,018,793	1,285,018
Net assets		
Shareholders' equity		
Share capital	299,200	299,420
Capital surplus	263,669	263,889
Retained earnings	(18,753)	(179,331)
Treasury shares	(99,713)	(99,713)
Total shareholders' equity	444,403	284,264
Share acquisition rights	317	317
Non-controlling interests	36,983	40,837
Total net assets	481,703	325,419
Total liabilities and net assets	1,500,497	1,610,438

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	(Thousands of yen)
	Six months ended
	May 31, 2023
Net sales	1,366,361
Cost of sales	1,021,333
Gross profit	345,028
Selling, general and administrative expenses	470,966
Operating loss	(125,937)
Non-operating income	
Interest income	4
Rental income	727
Other	382
Total non-operating income	1,114
Non-operating expenses	
Interest expenses	3,752
Foreign exchange losses	2,184
Other	242
Total non-operating expenses	6,179
Ordinary loss	(131,002)
Loss before income taxes	(131,002)
Income taxes - current	6,462
Income taxes - deferred	19,259
Total income taxes	25,721
Loss	(156,724)
Profit attributable to non-controlling interests	3,854
Loss attributable to owners of parent	(160,578)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended May 31, 2023
Loss	(156,724)
Comprehensive income	(156,724)
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	(160,578)
Comprehensive income attributable to non-controlling interests	3,854

Consolidated statements of cash flows

(Thousands of yen)

Six months ended

May 31, 2023

Cash flows from operating activities	
Loss before income taxes	(131,002)
Depreciation	5,704
Amortization of goodwill	14,880
Interest income	(4)
Interest expenses	3,834
Foreign exchange losses (gains)	(2)
Decrease (increase) in trade receivables	102,648
Decrease (increase) in inventories	(4,451)
Increase (decrease) in trade payables	(47,180)
Increase (decrease) in provision for bonuses	10,105
Increase (decrease) in contract liabilities	55,456
Decrease (increase) in advance payments to suppliers	(67,926)
Increase (decrease) in accrued expenses	(16,970)
Increase (decrease) in accrued consumption taxes	(17,179)
Increase (decrease) in income taxes payable - factor based tax	531
Decrease (increase) in other assets	(20,770)
Increase (decrease) in other liabilities	892
Other, net	70
Subtotal	(111,363)
Interest received	4
Interest paid	(3,323)
Income taxes paid	(13,060)
Income taxes refund	9,352
Net cash provided by (used in) operating activities	(118,390)
Cash flows from investing activities	
Purchase of property, plant and equipment	(6,358)
Payments for asset retirement obligations	(5,700)
Payments for acquisition of businesses	(150,000)
Payments of guarantee deposits	(7,848)
Proceeds from refund of guarantee deposits	13,692
Other, net	(250)
Net cash provided by (used in) investing activities	(156,464)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	74,998
Proceeds from long-term borrowings	100,000
Repayments of long-term borrowings	(82,242)
Proceeds from issuance of bonds	97,569
Proceeds from issuance of shares resulting from exercise of share acquisition rights	440
Net cash provided by (used in) financing activities	190,765
Effect of exchange rate change on cash and cash equivalents	2
Net increase (decrease) in cash and cash equivalents	(84,086)
Cash and cash equivalents at beginning of period	847,454
Cash and cash equivalents at end of period	763,367