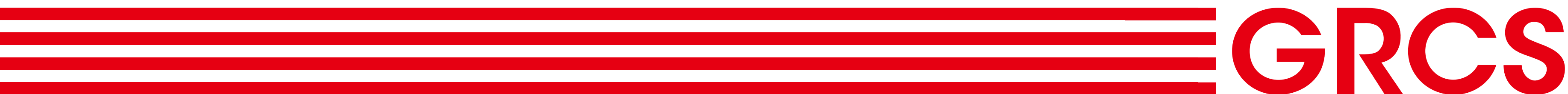


Fiscal Year ended November 30, 2023 (FY2023)

Financial Results Briefing

GRCS Inc. Securities code: 9250

January 12, 2024



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.

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2. Report on Initiatives Taken in FY2023
3. Progress in Growth Strategy
4. Full-Year Earnings Forecast for the FY2024
Ending November 30, 2024
5. Appendix

1. Financial Results for FY2023 Ended November 2023

Executive Summary

Financial results

- Net sales: **2,783 million yen** (2,398 million yen last year)
- Operating profit: **-145 million yen** (-187 million yen last year)

Business environment

- Net sales increased by 16% year on year, but **deficit continued for another year**
- **Profitability fell short** despite actively recruitment
- Orders for financial technology projects **have been postponed until the next fiscal year**

Actions take in FY2024

- **Challenge to revitalize the business**
- While controlling new recruitment, focusing on training the employee hired in the previous year to **drive profitability**
- **Steady flow of orders** for financial technology projects that were postponed in the last fiscal year

Summary of Financial Results

Net sales The plan fell short due to **decrease in the operation rate** for both GRC solutions and products

Profit margin **The plan unmet** despite lower cost of sales and improved gross profit margin resulting from the financial technology business transfer

Other Selling, general and administrative expenses increased due to strengthening the management base such as back office.

(Millions of yen)	FY2022	FY2023	Change amount	Change ratio	FY2023 forecast	Progress ratio
Net sales	2,398	2,783	384	16.0%	3,005	92.6%
Gross profit	436	791	355	81.4%	947	83.6%
Gross profit margin	18.2%	28.4%	—	+10.2pt	31.5%	(3.1pt)
Selling, general and administrative expenses	623	937	313	50.2%	911	102.9%
Operating profit (loss)	(187)	(145)	41	—	36	—
Ordinary profit (loss)	(187)	(173)	14	—	21	—
Profit attributable to owners of parent*	(209)	(280)	(71)	—	5	—

Summary Comparison (Quarterly)

Y-o-Y Achieved the highest net sales and **improved** gross profit margin

Q-o-Q Acquired PCI DSS related business, **securing professional resources** and an expansion the solution business

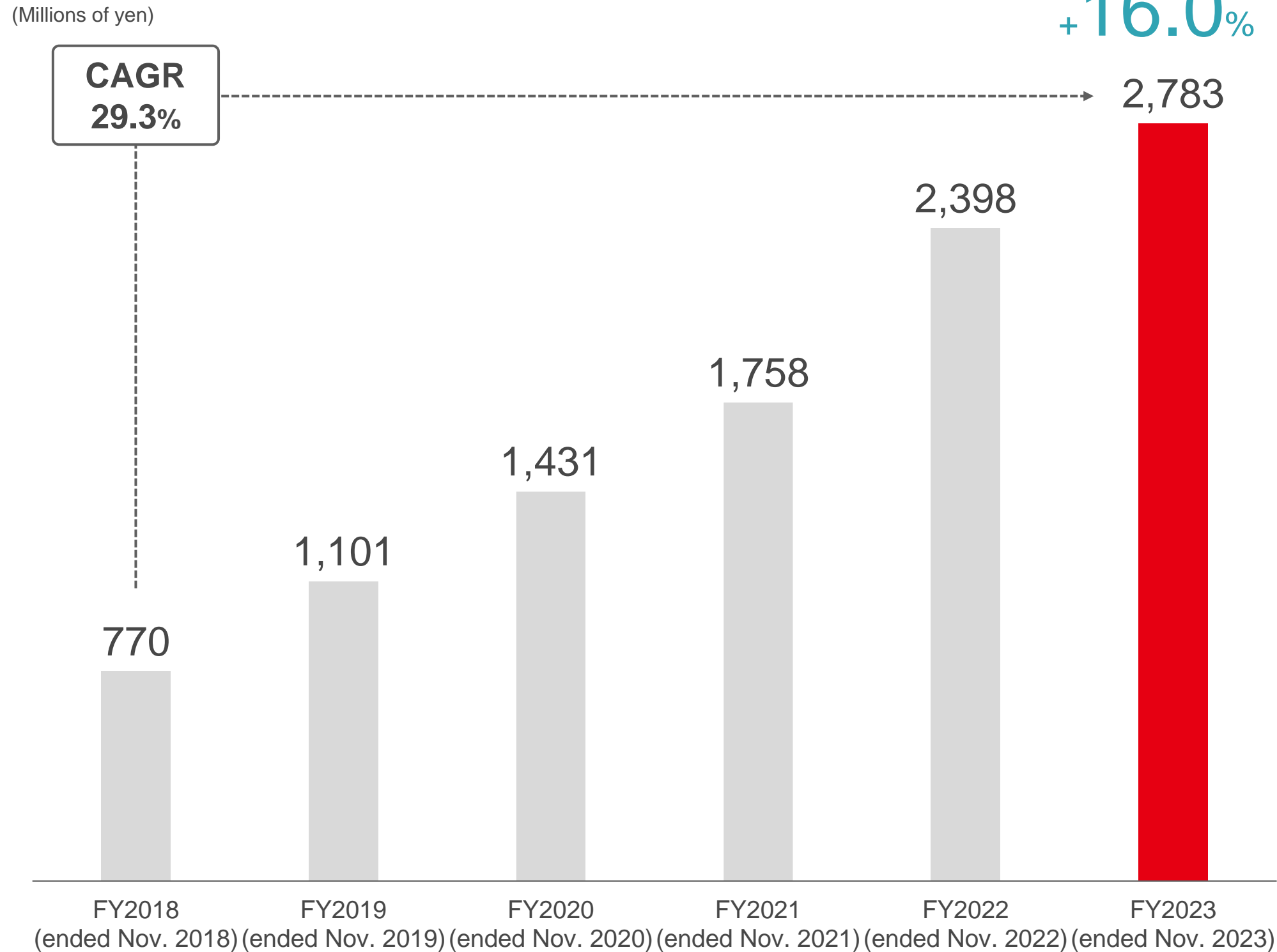
Other **Completed investment** in strengthening the management base such as back office

(Millions of yen)	FY2022 Q1	FY2022 Q2	FY2022 Q3	FY2022 Q4	FY2023 Q1	FY2023 Q2	FY2023 Q3	FY2023 Q4	Year on Year change
Net sales	522	591	649	635	675	691	681	736	15.7%
Gross profit	110	127	120	78	139	205	194	252	222.5%
Gross profit margin	21.2%	21.6%	18.5%	12.3%	20.6%	29.8%	28.6%	34.2%	+21.9pt
Selling, general and administrative expenses	117	130	166	209	236	234	230	236	12.9%
Operating profit (loss)	(6)	(3)	(46)	(131)	(96)	(28)	(35)	15	—
Ordinary profit (loss)	(9)	(6)	(34)	(136)	(93)	(37)	(44)	2	—
Profit attributable to owners of parent	(6)	(5)	(69)	(127)	(106)	(54)	(51)	(68)	—

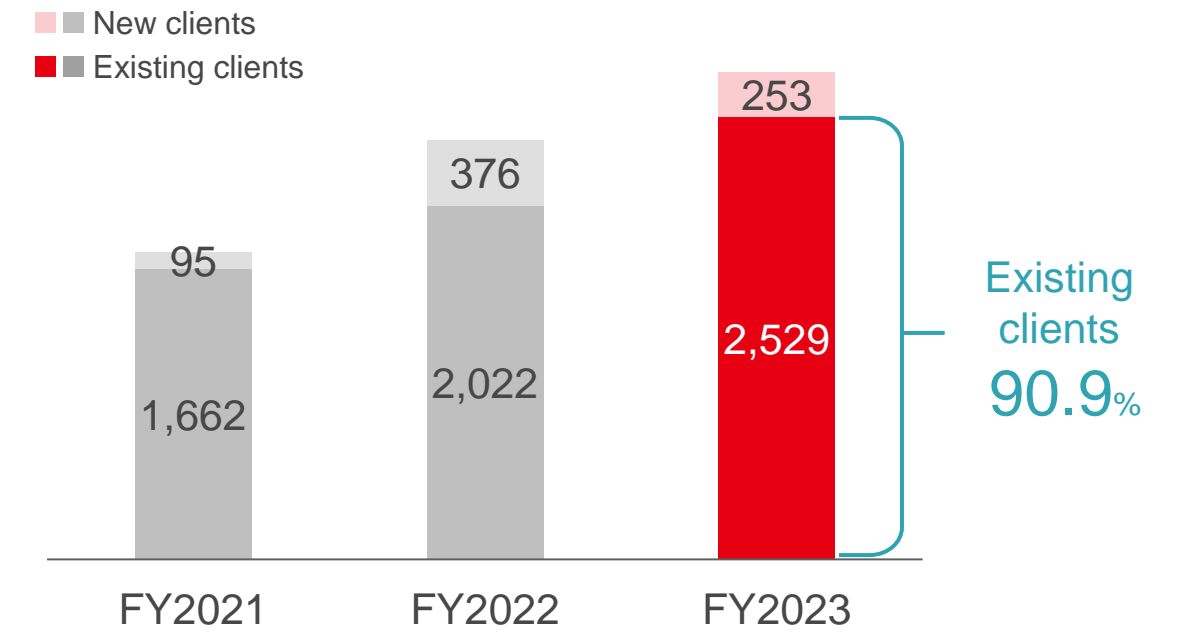
Trends in Net Sales

Increased sales ratio from existing clients: **about 90%**

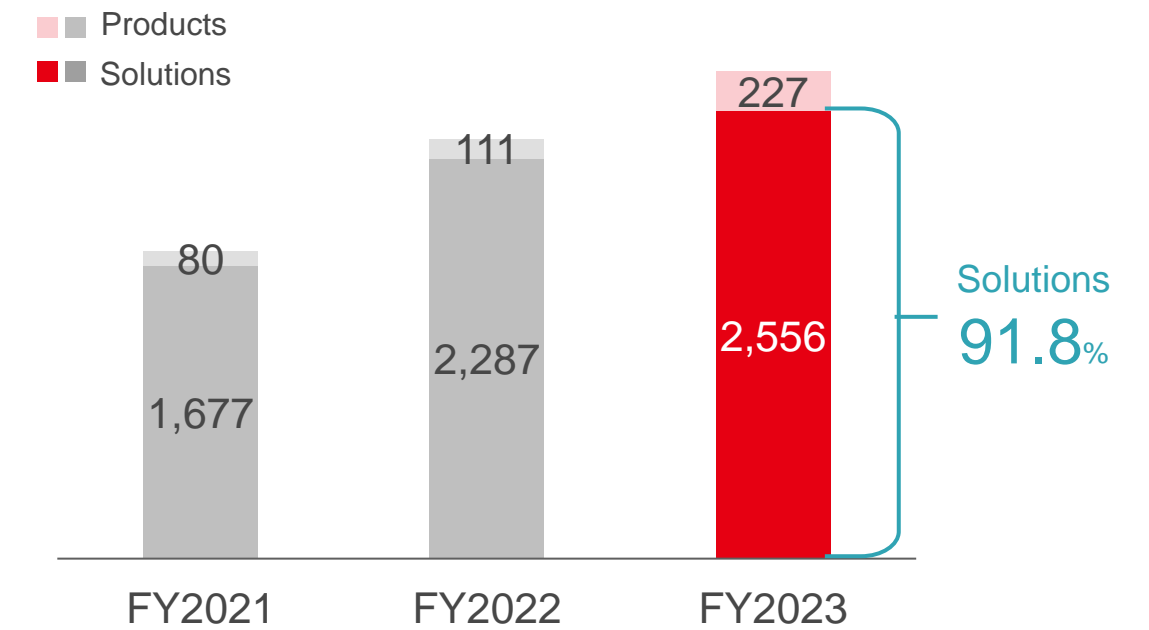
Product sales **nearly doubled**



Existing clients and new clients (Millions of yen)



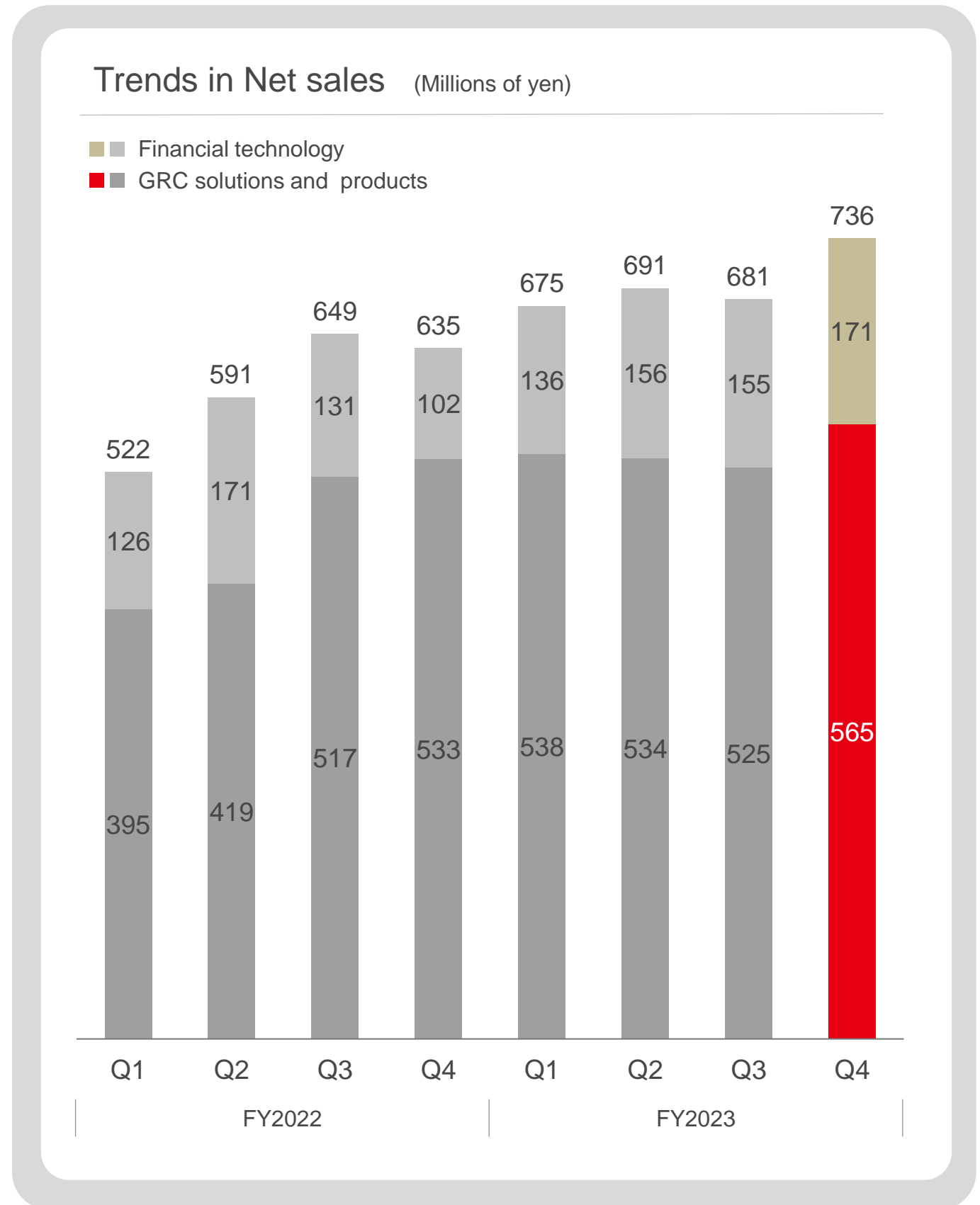
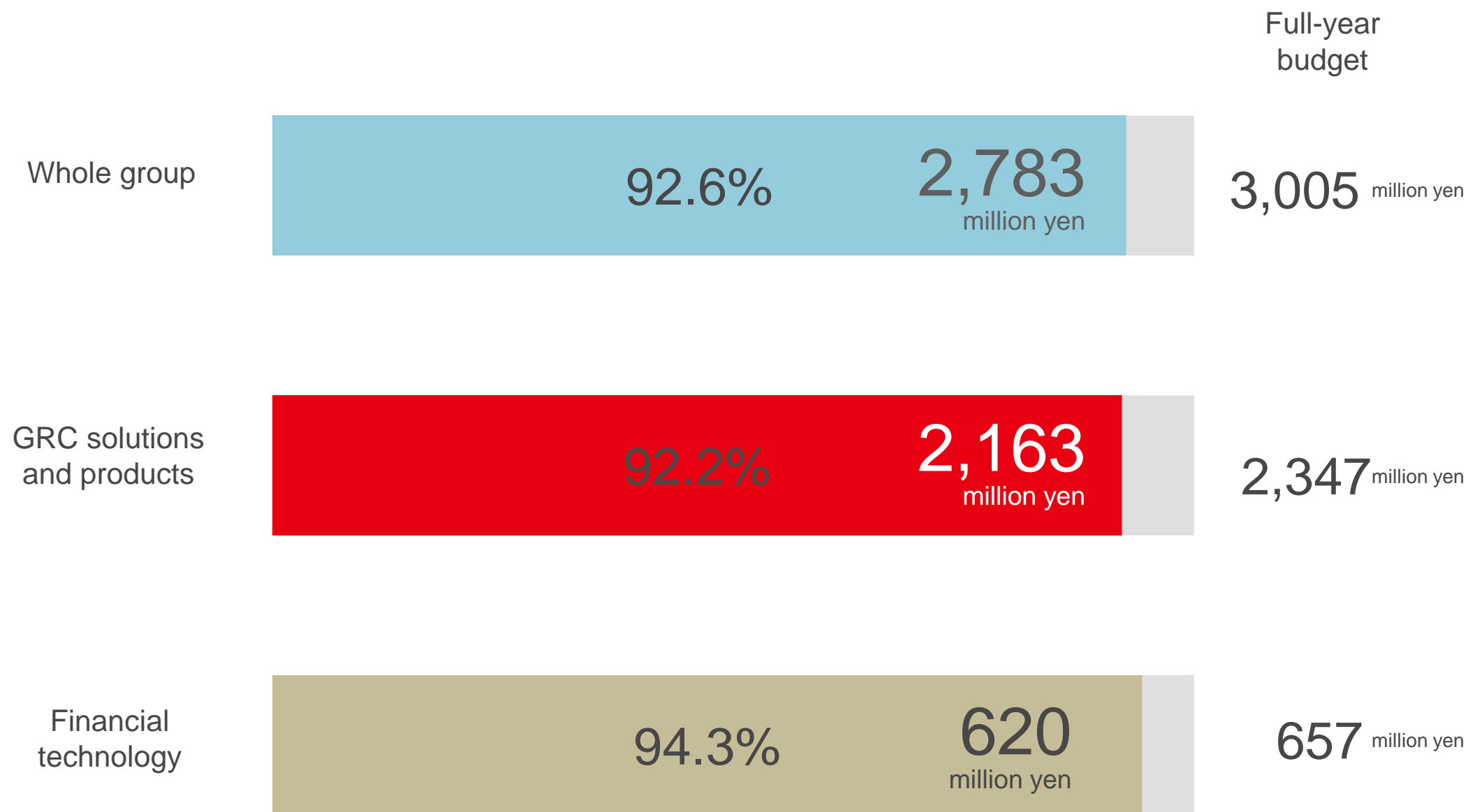
Solutions and products (Millions of yen)



Net Sales Achievement

Unachieved due to decrease in operation rate for both GRC solutions and products

Unachieved due to orders for financial technology projects have been postponed until the next fiscal year

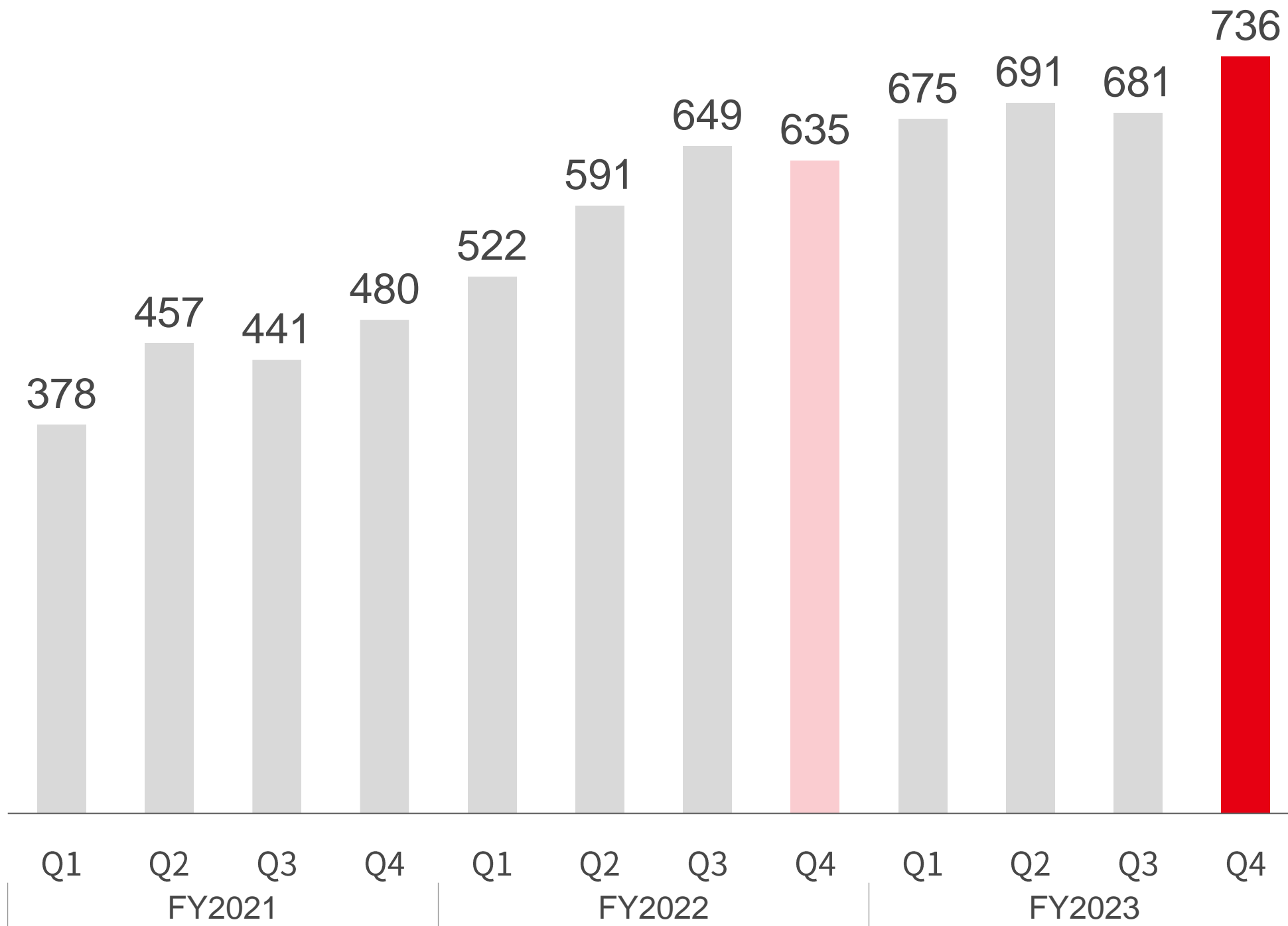


Trends in Net Sales (Quarterly)

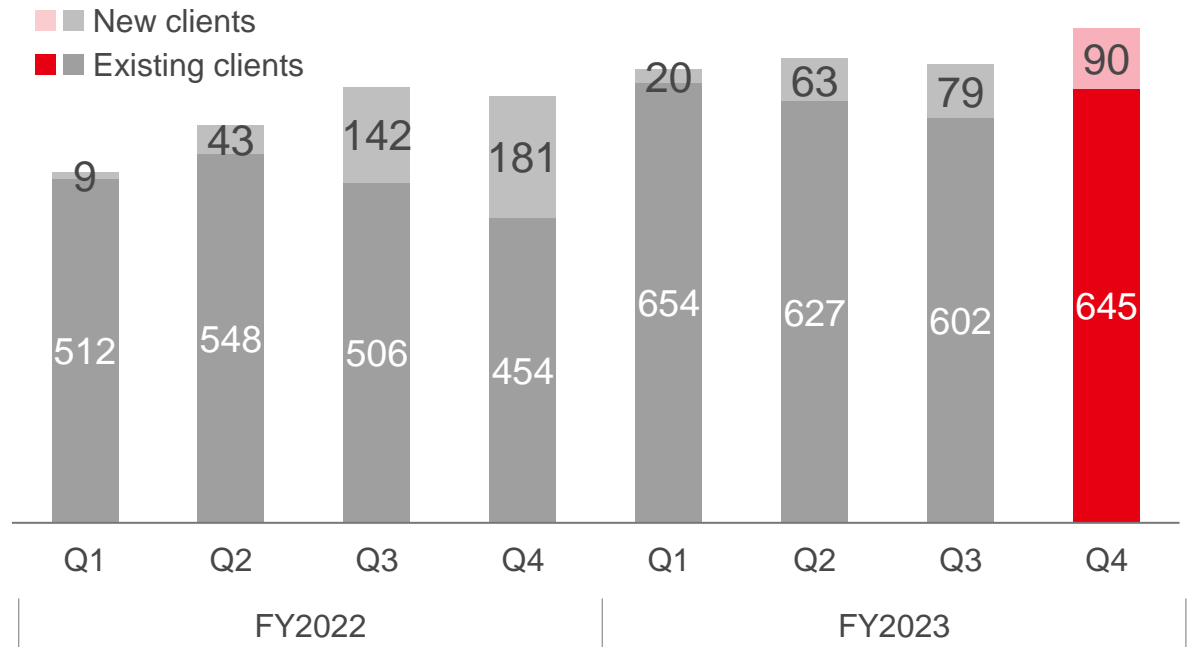
Consistent quarterly growth while fell short of plan

(Millions of yen)

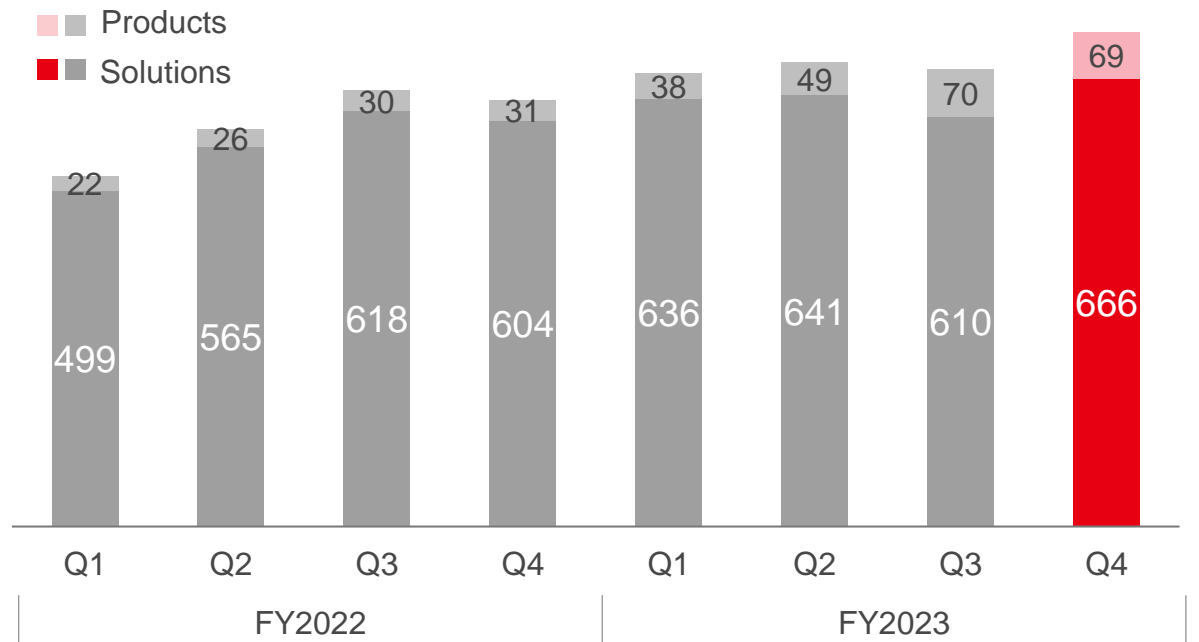
YoY
+15.7%



Existing clients and new clients (Millions of yen)



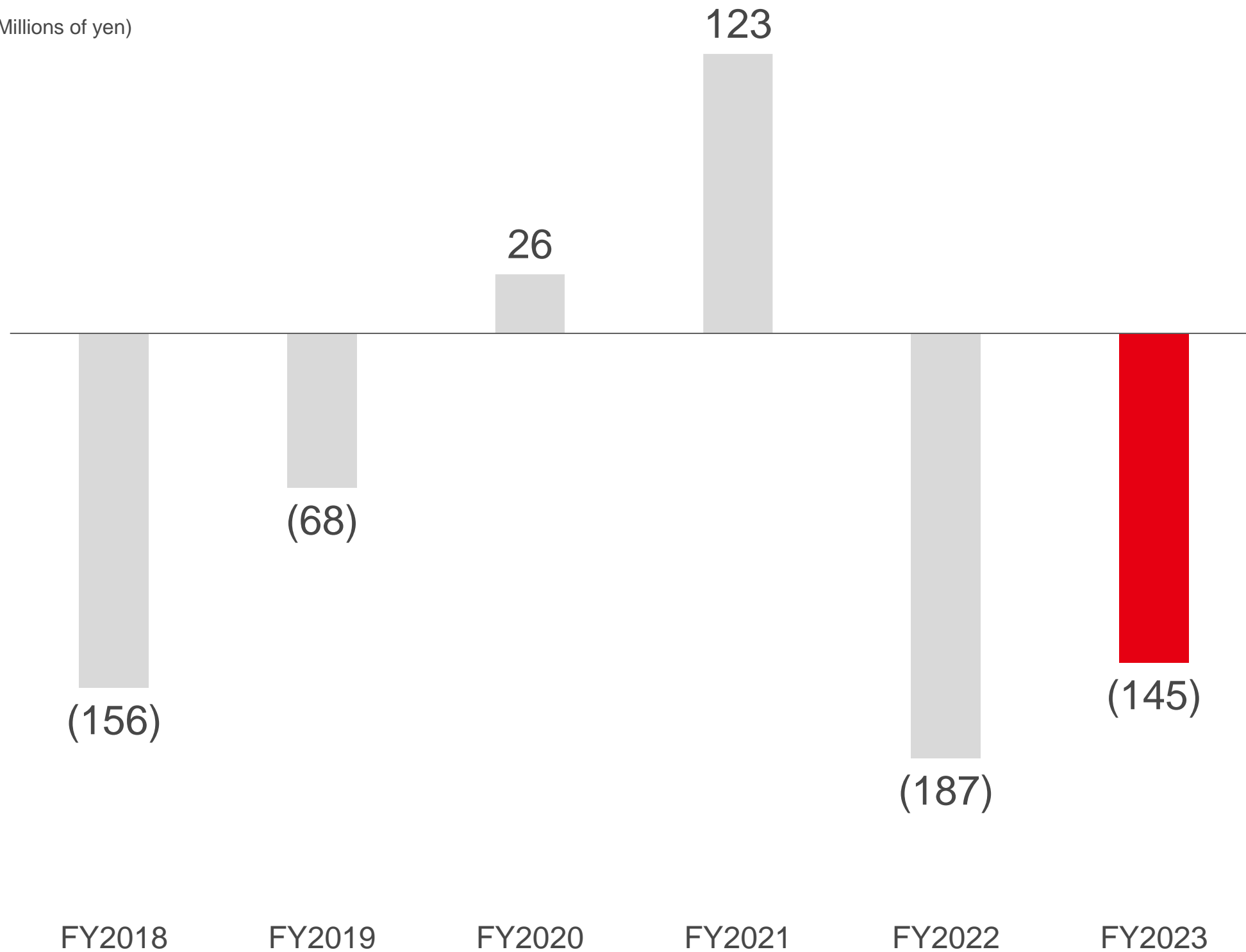
Solutions and products (Millions of yen)



Trends in Operating Profit

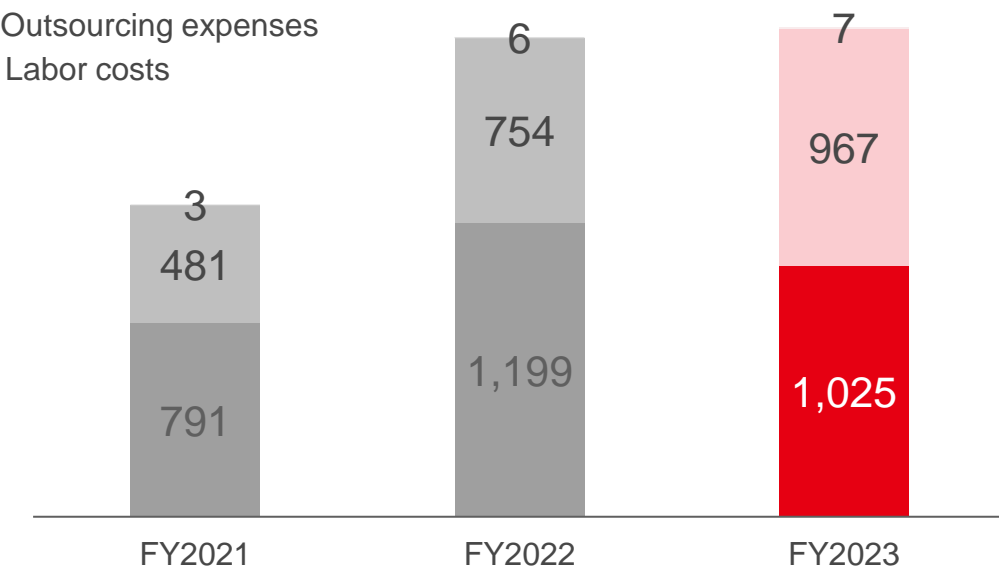
Profit margin improved as a result of transitioning to in-house production from financial technology business transfer

(Millions of yen)

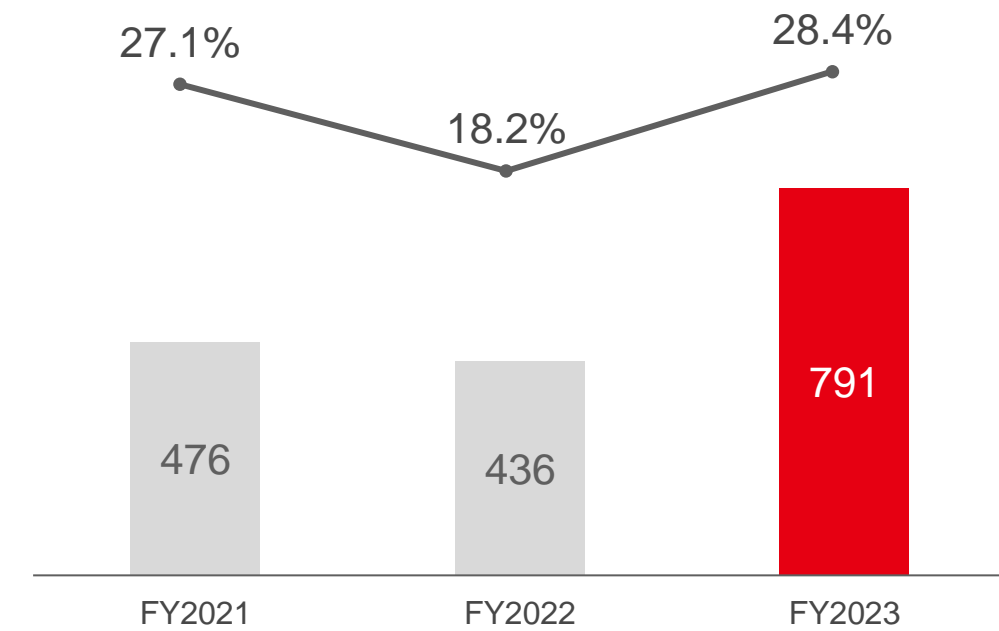


Cost of sales (Millions of yen)

- Other
- Outsourcing expenses
- Labor costs

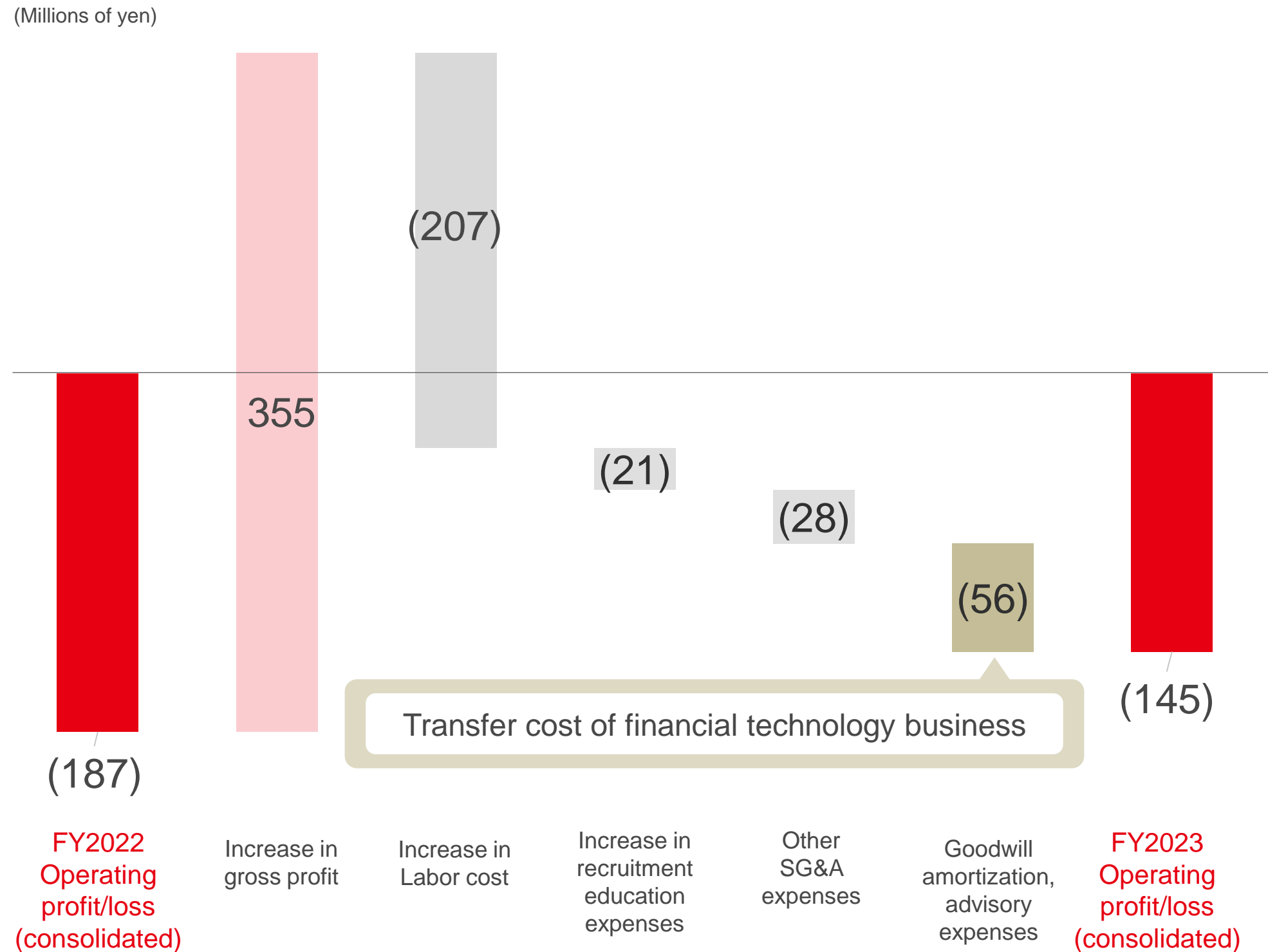


Gross profit/gross profit margin (Millions of yen)

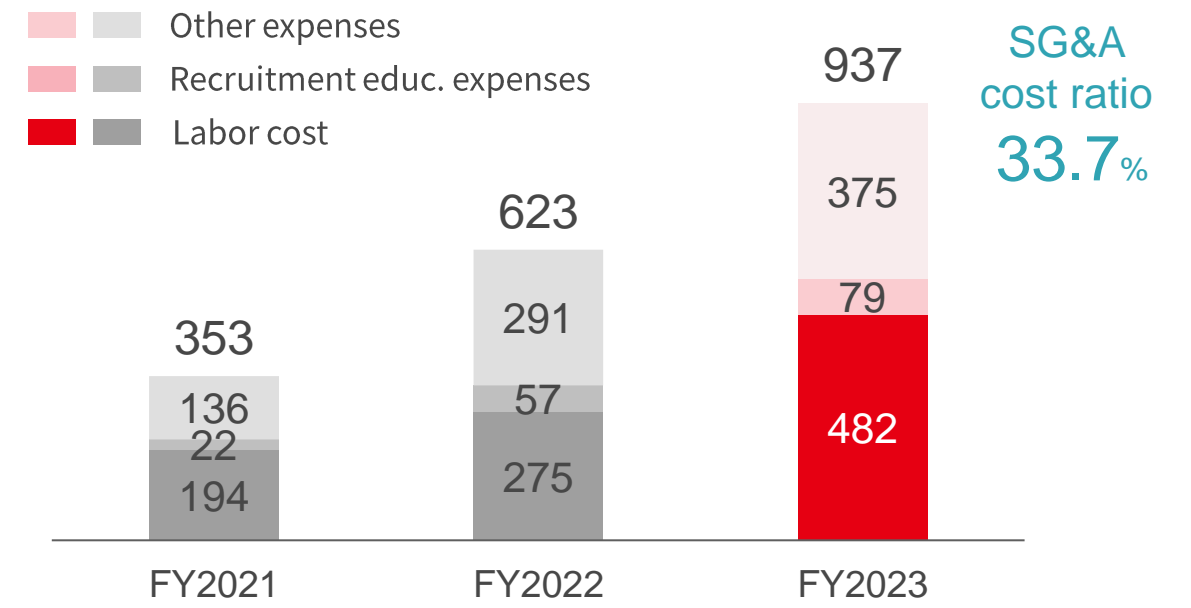


Analysis of Operating Profit Change

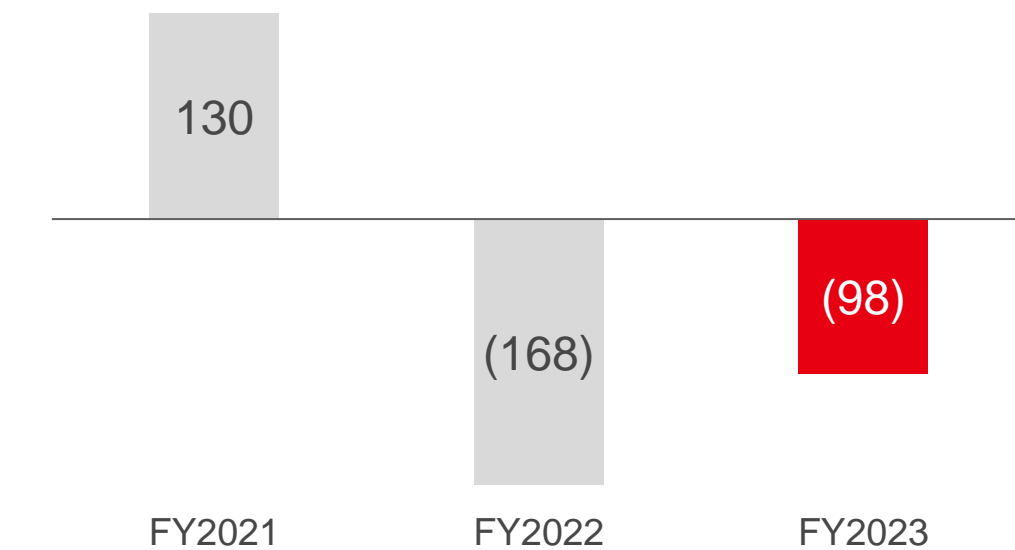
Labor costs increased due to reinforcing management base such as back office



Selling, general and administrative expenses (Millions of yen)



EBITDA (Millions of yen)

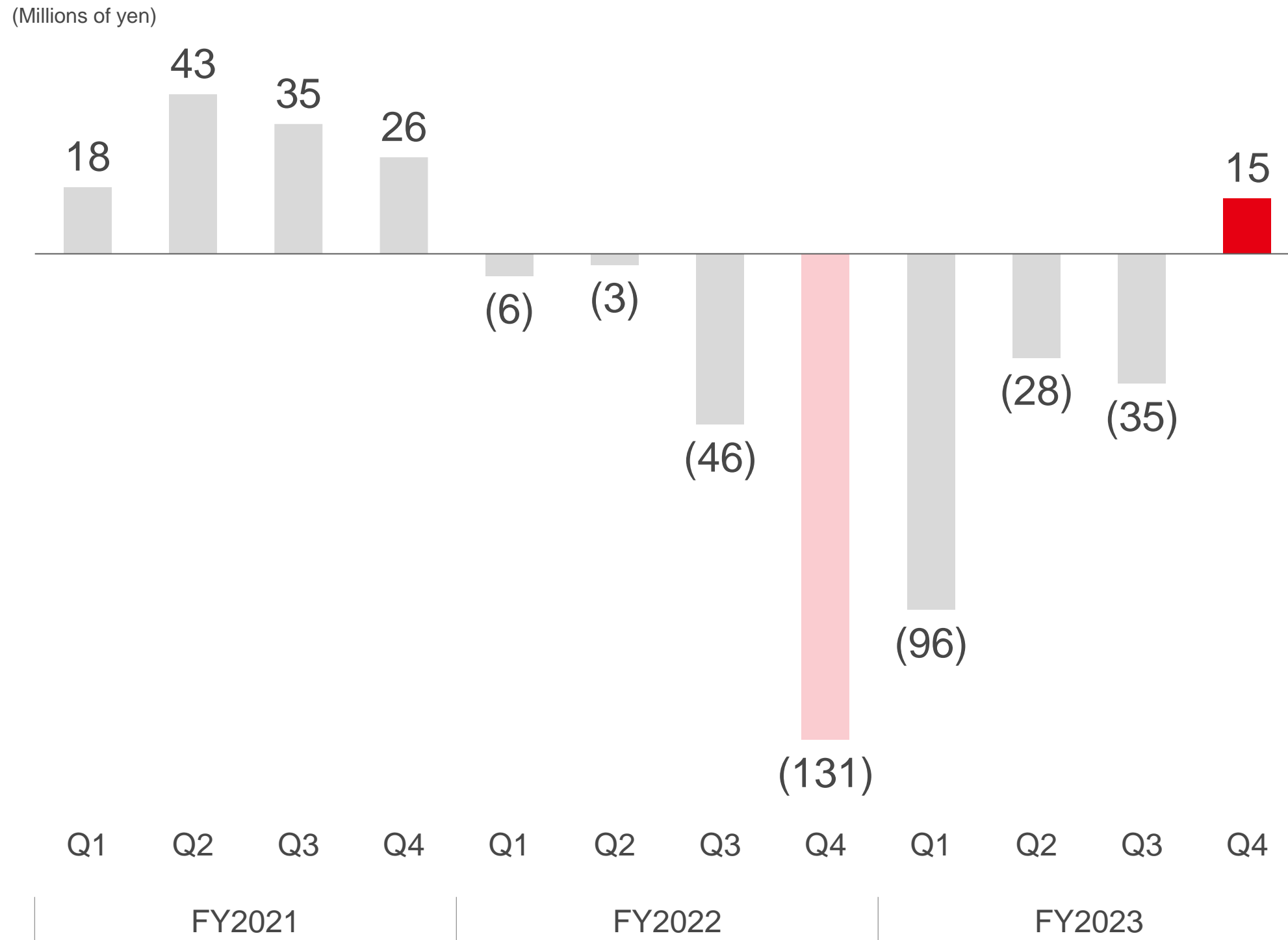


*1: GRCS shifted to consolidated accounting in Q3 FY2022

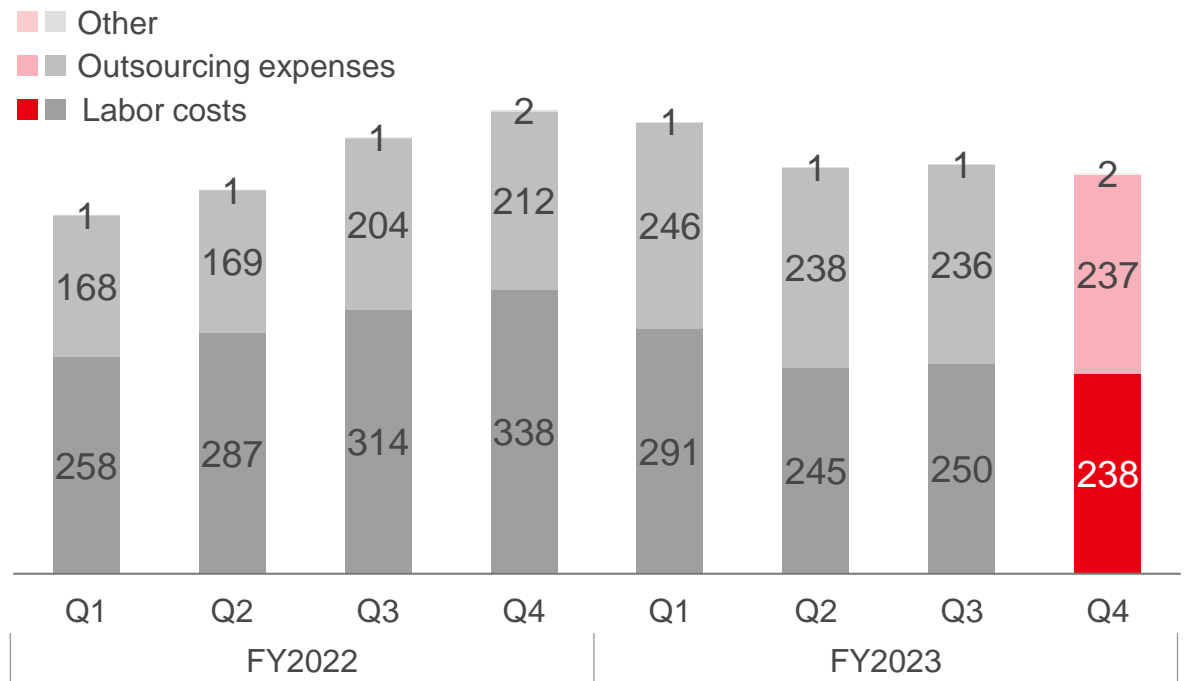
*2: EBITDA=Operating profit + Depreciation + Goodwill amortization

Trends in Operating Profit (Quarterly)

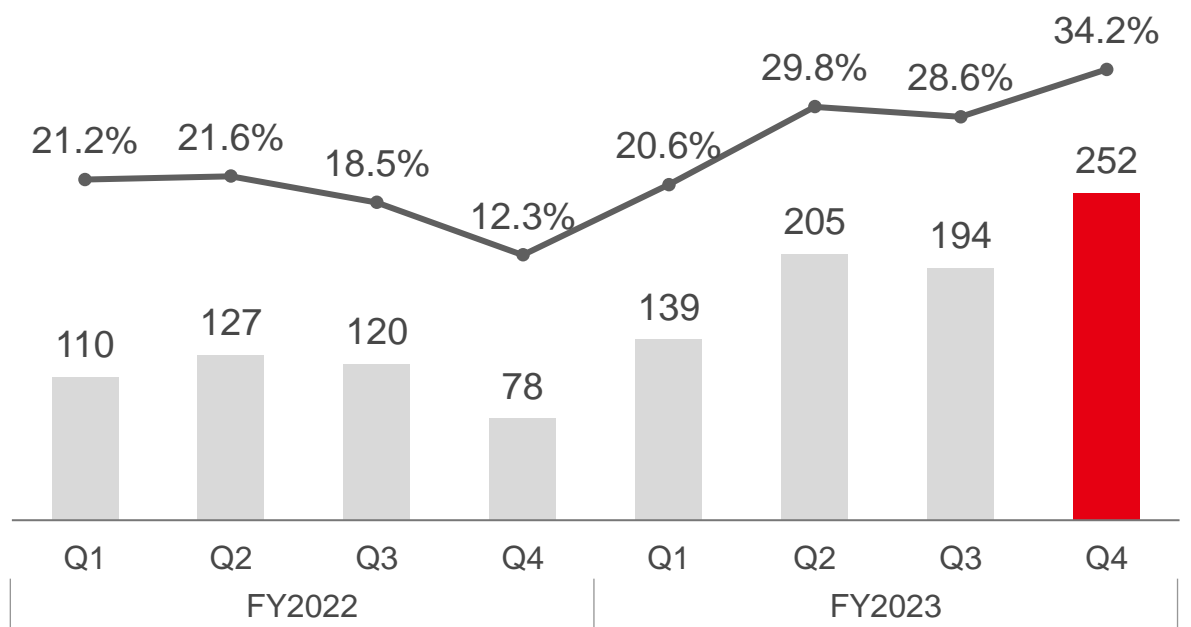
Profit margin improved steadily in each quarter



Cost of sales (Millions of yen)



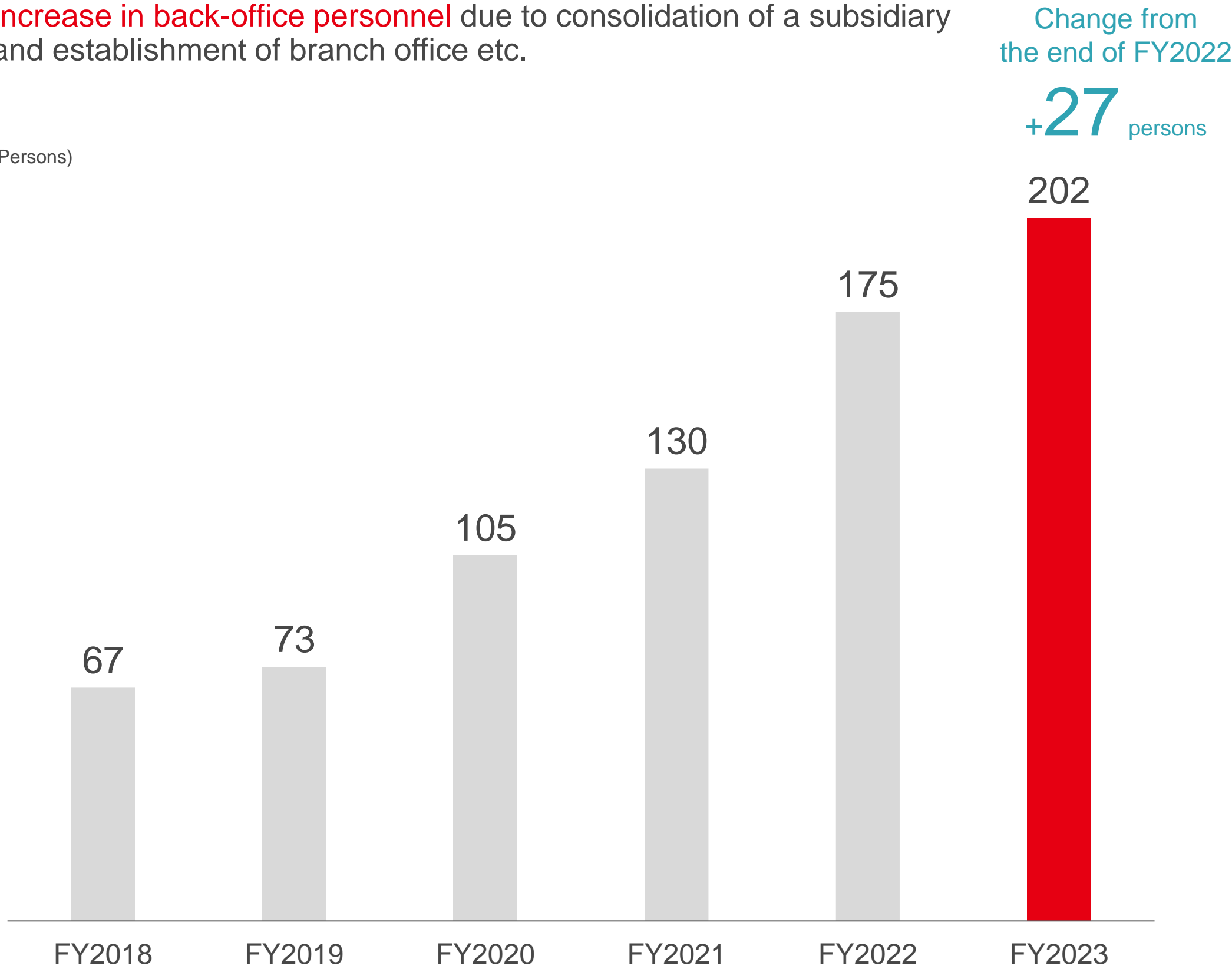
Gross profit/gross profit margin (Millions of yen)



Headcount Trends

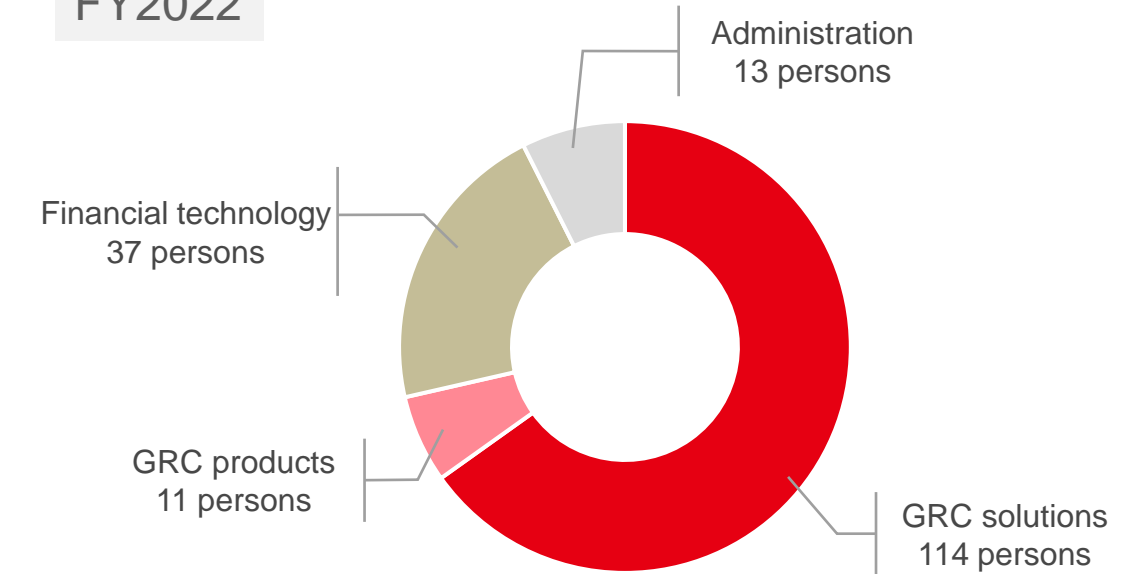
Increase in back-office personnel due to consolidation of a subsidiary and establishment of branch office etc.

(Persons)

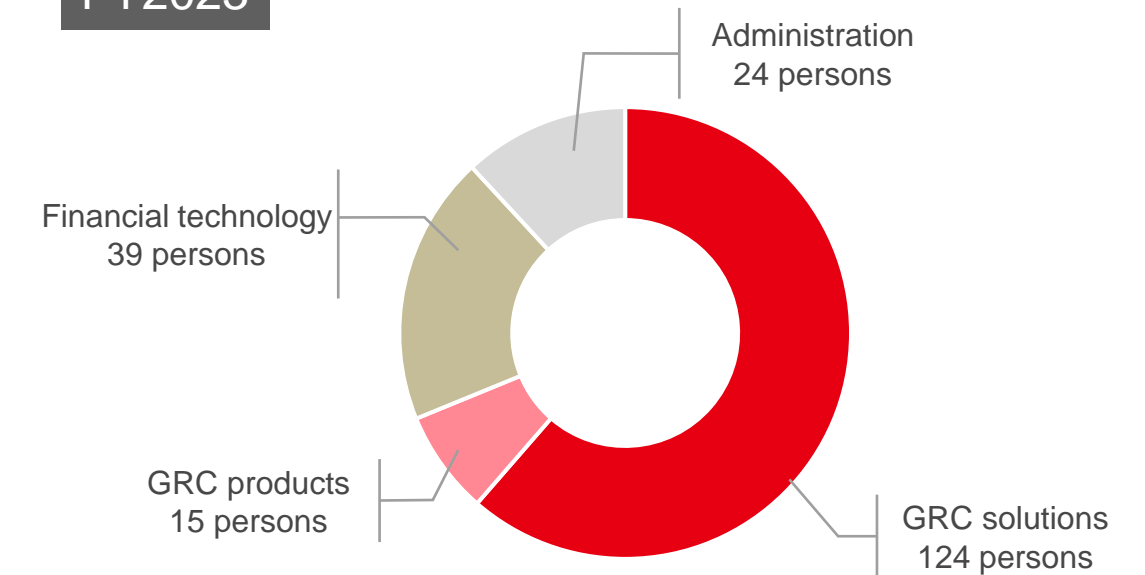


Personnel allocation

FY2022



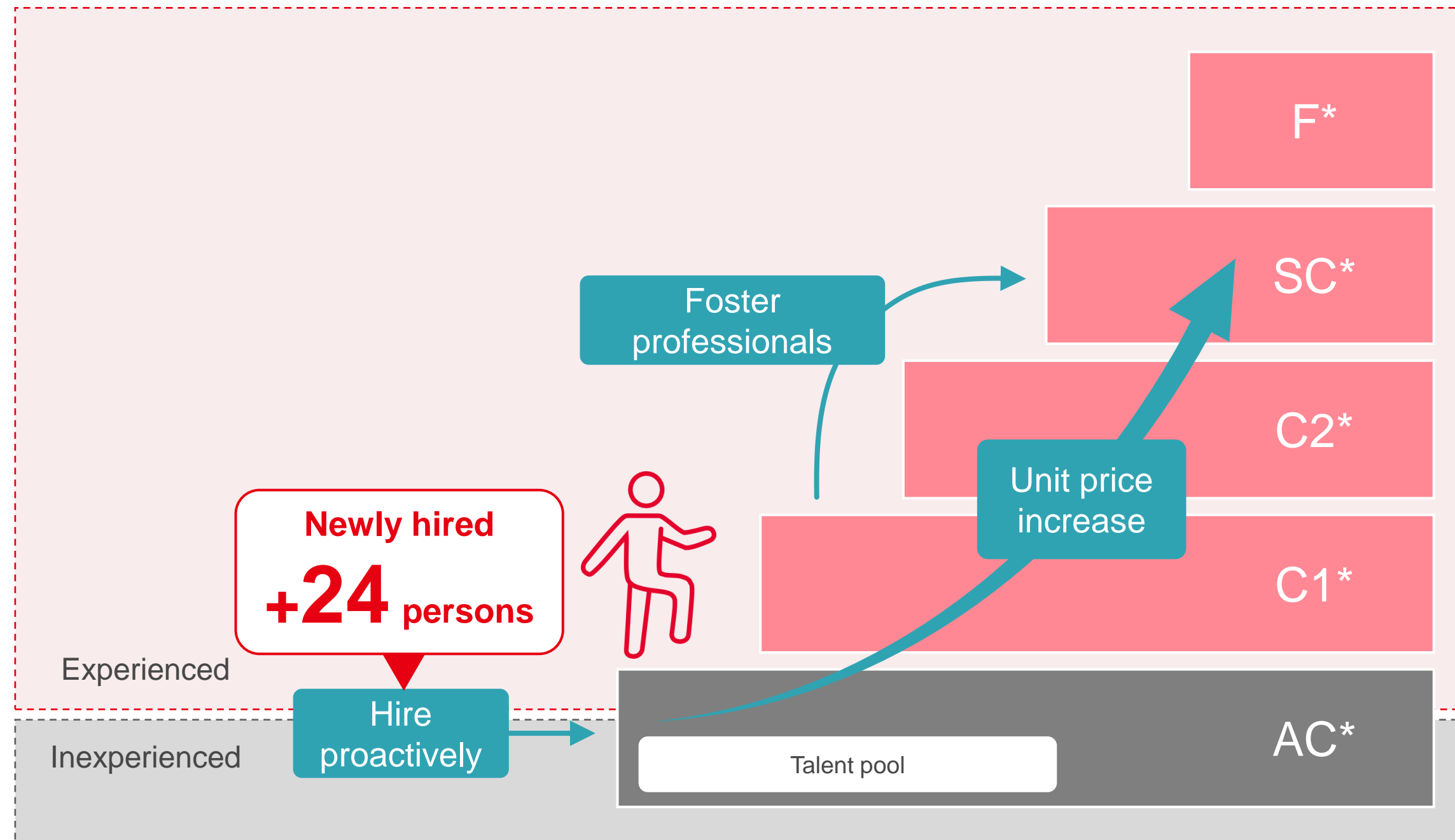
FY2023



2. Report on Initiatives Taken in FY2023

Strengthening Talent Acquisition and Development

- ✓ New **HR Development Department** set up with the goal of enhancing our talent acquisition and fostering, in an effort to match the right person with the right role, ultimately improving service quality
- ✓ Onboarded 24 inexperienced staff but took time to foster them, so **profitability remains a challenge**



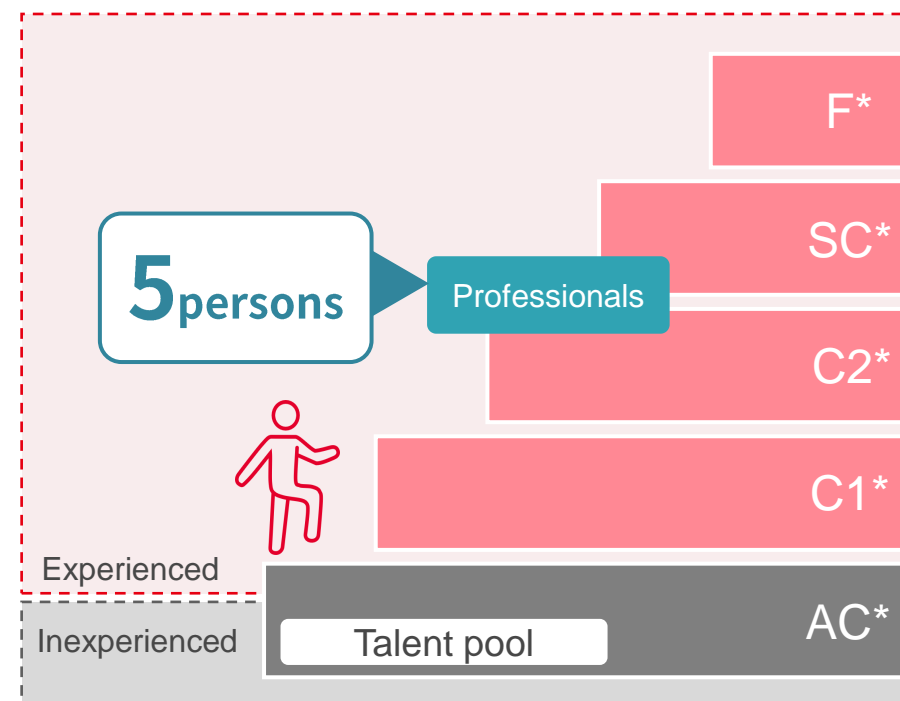
* : Indicate positions of professional defined by GRCS

Acquisition of PCI DSS related business

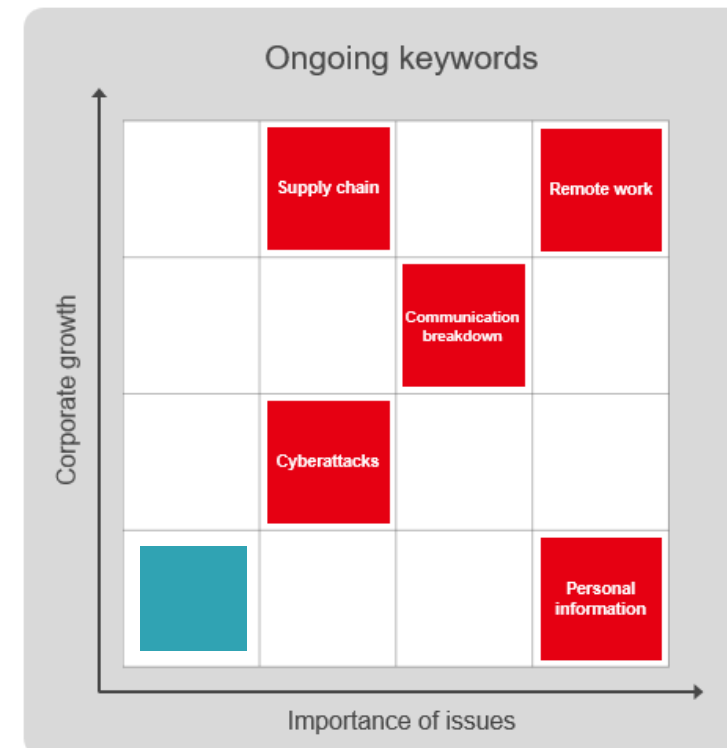
- ✓ Succeeded to cashless security **specialists** from fjconsulting, INC
- ✓ Enabled to provide one-stop services including PCI DSS compliance, operation, assessment, and compliance security enhancement of whole company
- ✓ **Acquired potential companies in the financial industry** that are expecting to expand business

Cashless security enhancement

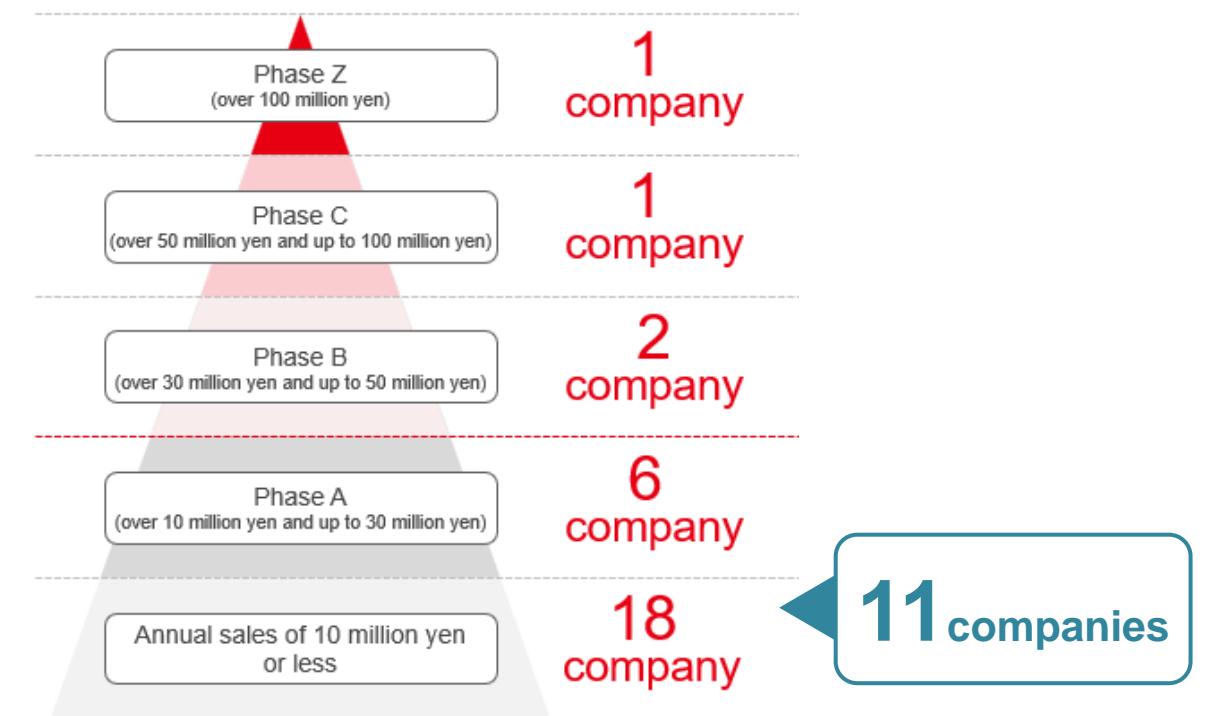
Increase in professional personnel



Expand service lineup



Acquire customers in financial industry

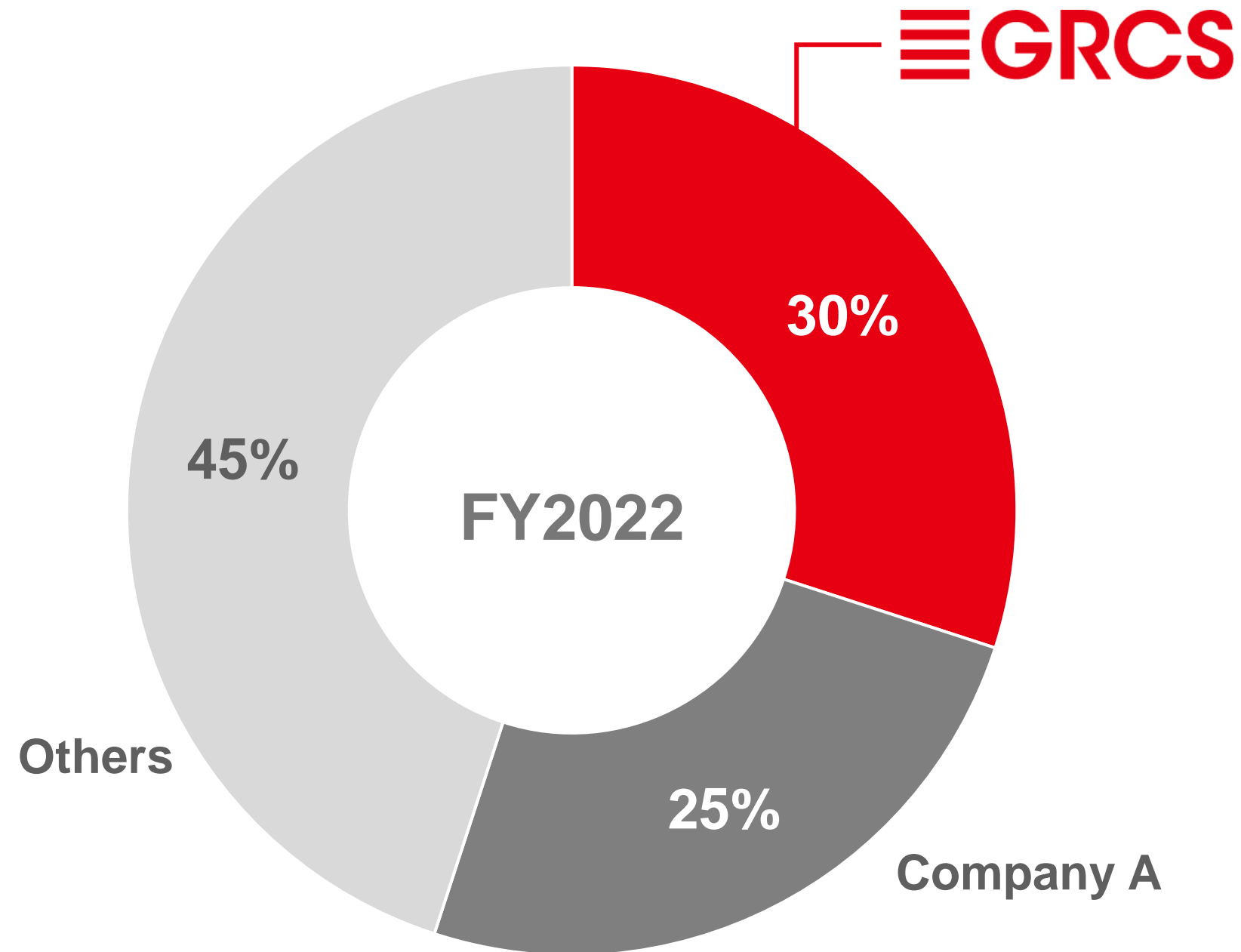


*1 : Indicate positions of professional defined by GRCS

*2 : PCI DSS=Security standard in payment card industry to safeguard credit card information

Share of GRC tools market in Japan

- ✓ Our product has secured the leading market share in the GRC tools survey of market trends among companies entering the market



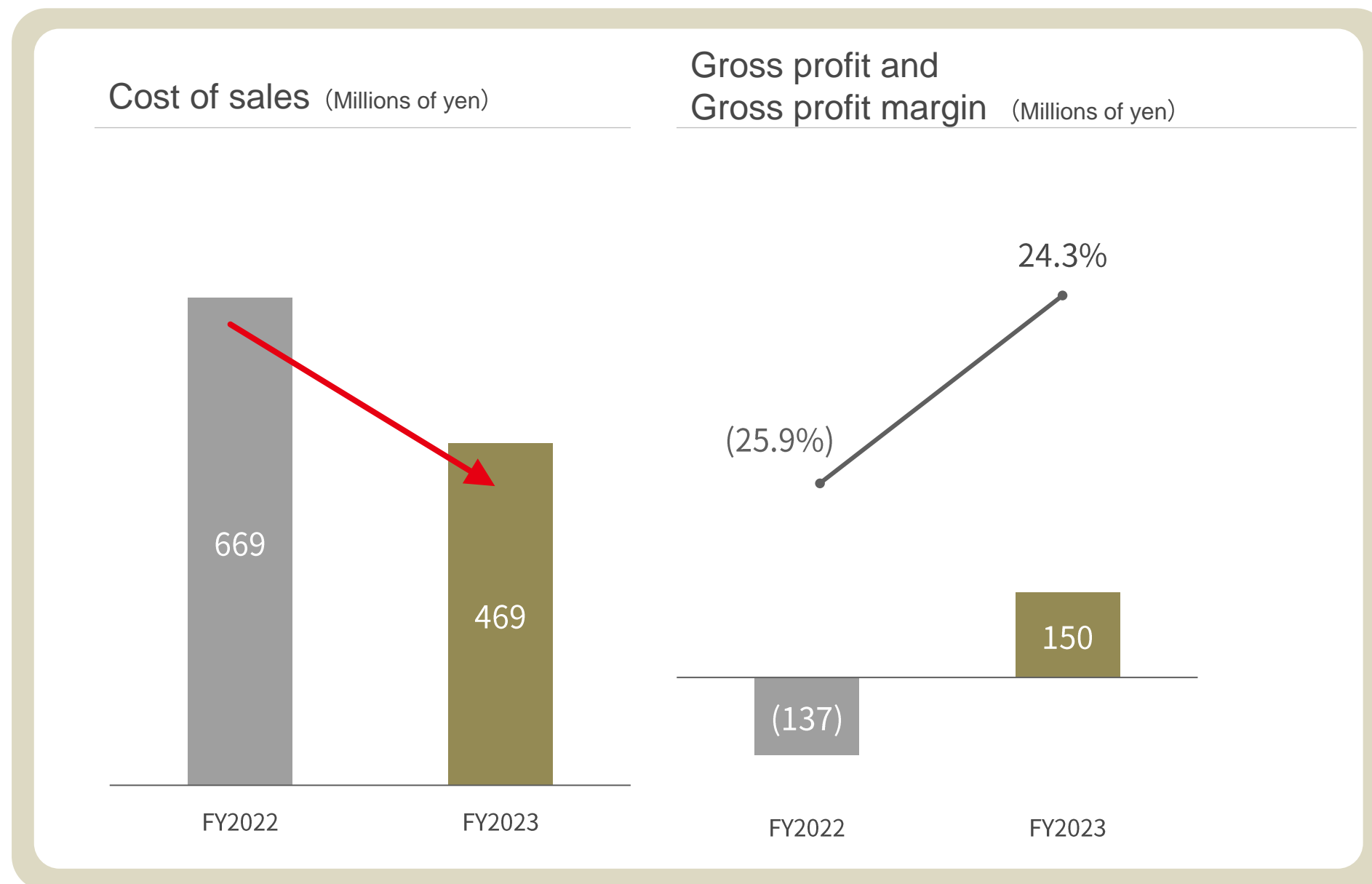
Market share in Japan

No.1

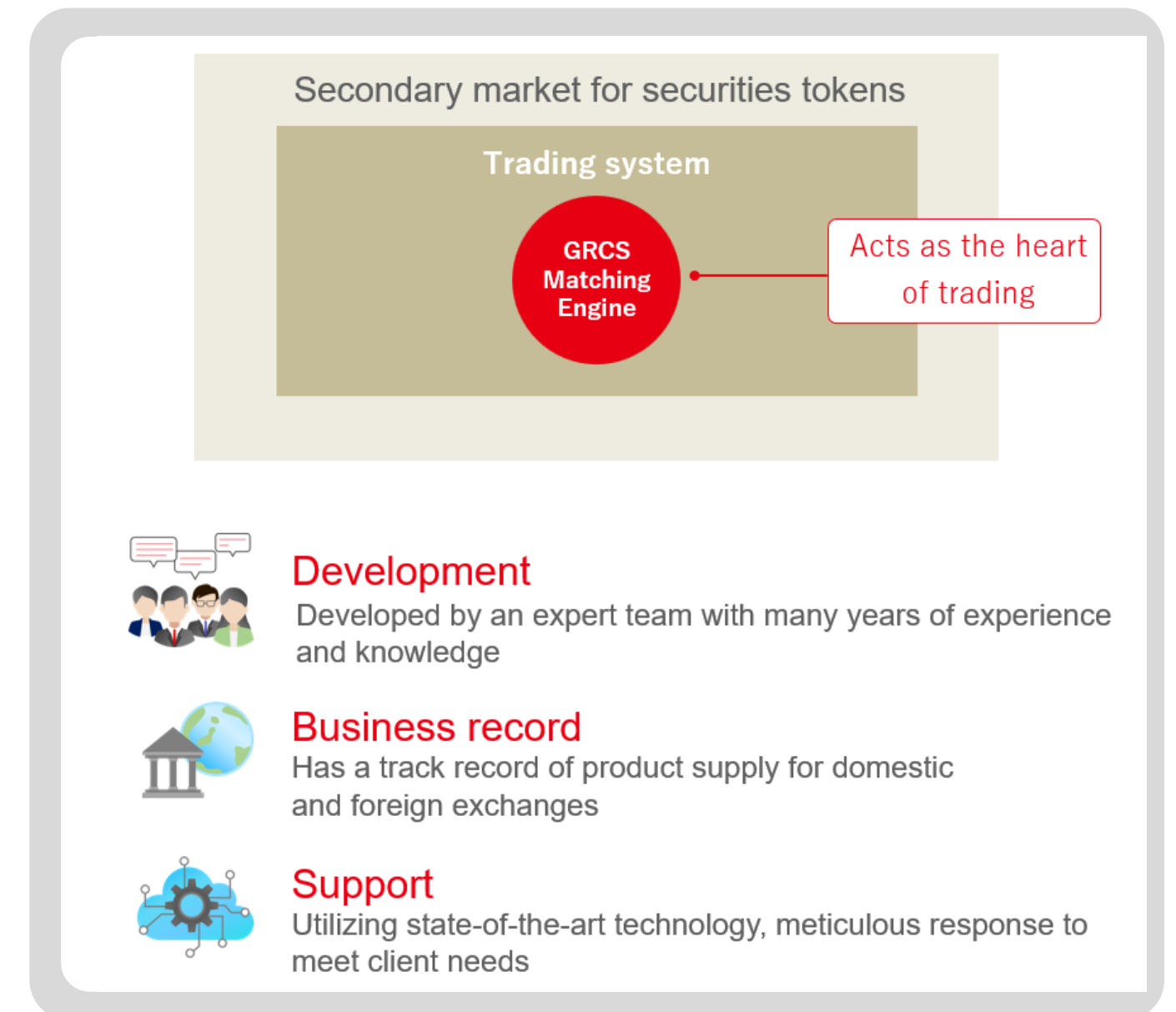
Improve and drive Financial Technology

- ✓ **Gross profit margin improved** due to in-house production proceeded by business transfer from EOS Software Limited
- ✓ Matching engine developed by GRCS has been adopted for **Osaka Digital Exchange's** security token market trading system

Improve earning structure



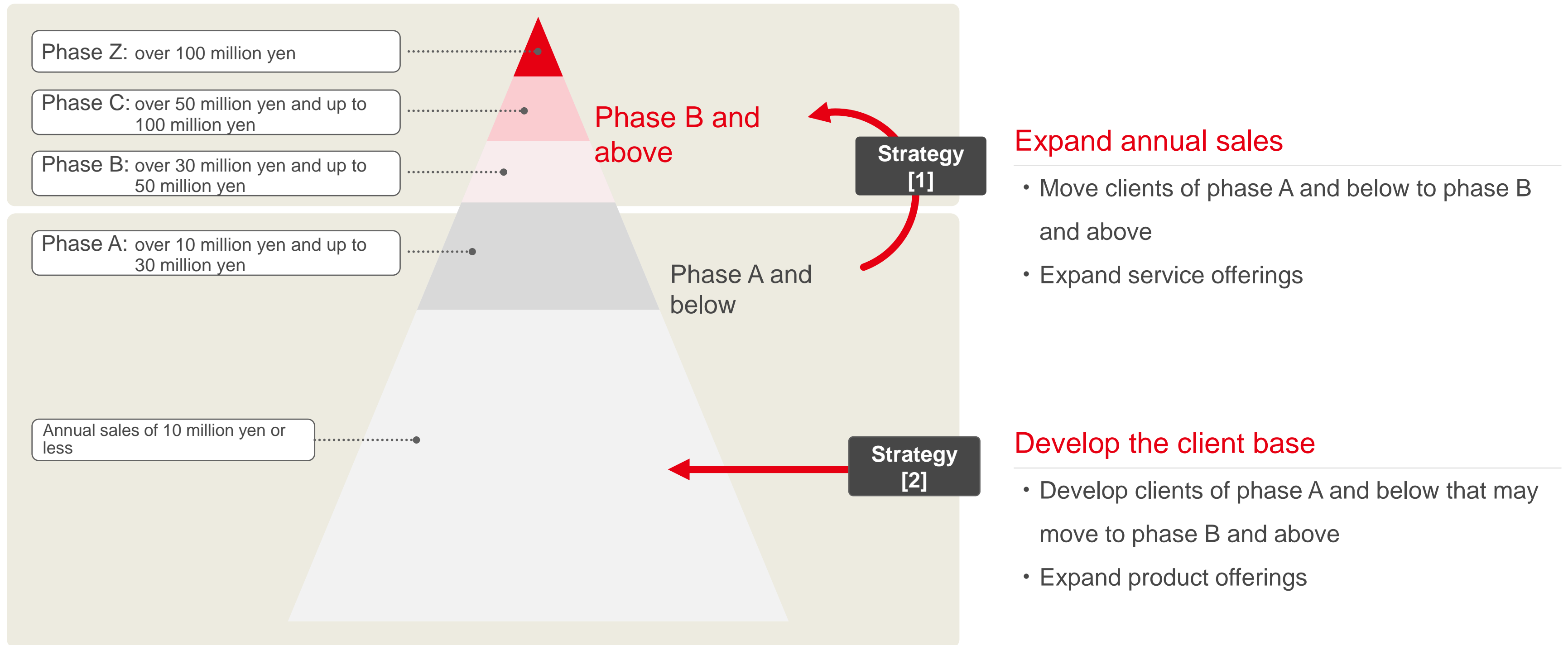
Develop new client



3. Progress in Growth Strategy

Overview of Growth Strategy

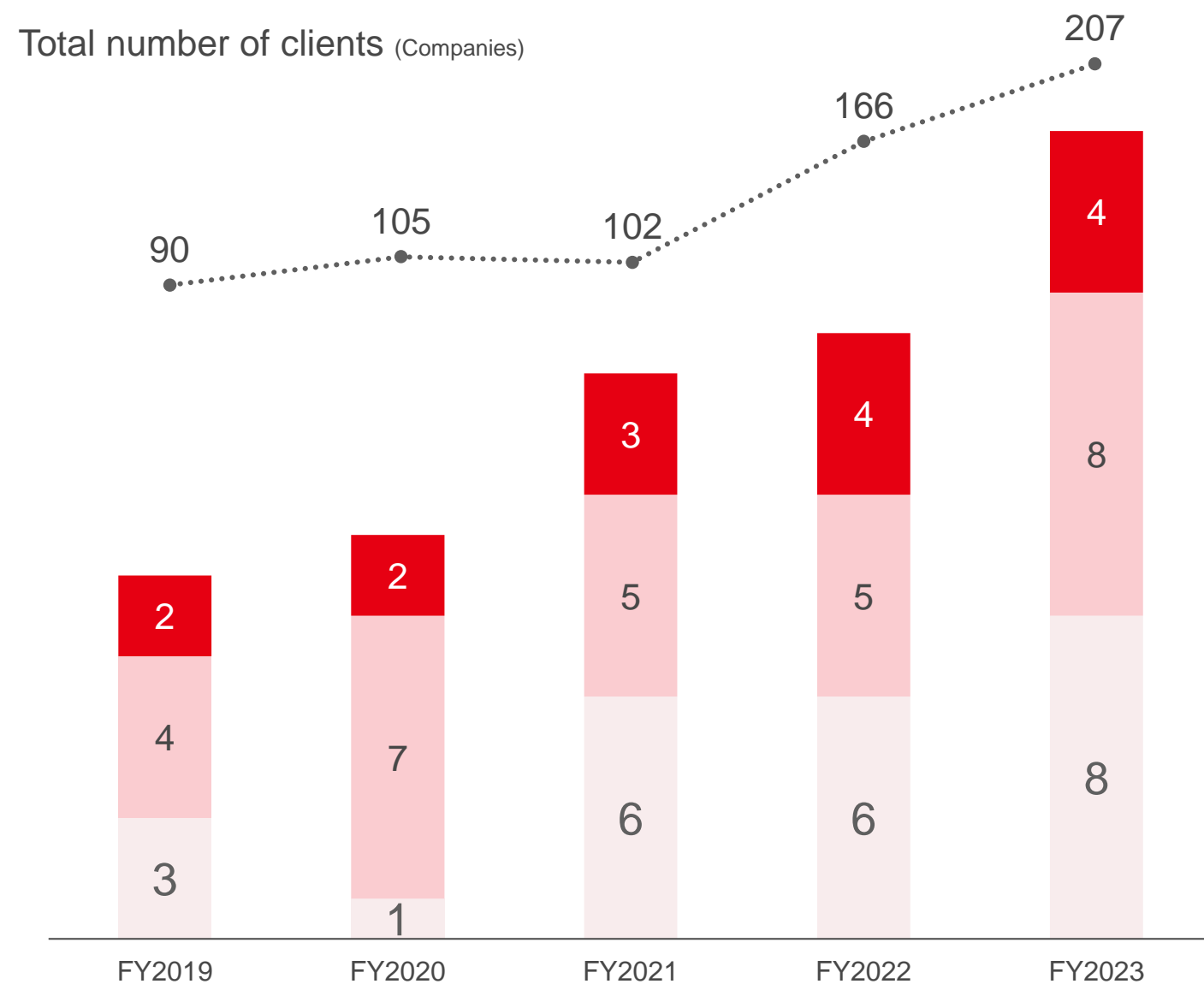
- ✓ Client management by phase based on their annual sales and increase the number of clients with annual sales over 30 million yen
- ✓ Continue to focus on upselling existing clients(Strategy[1]) and developing new clients(Strategy[2])



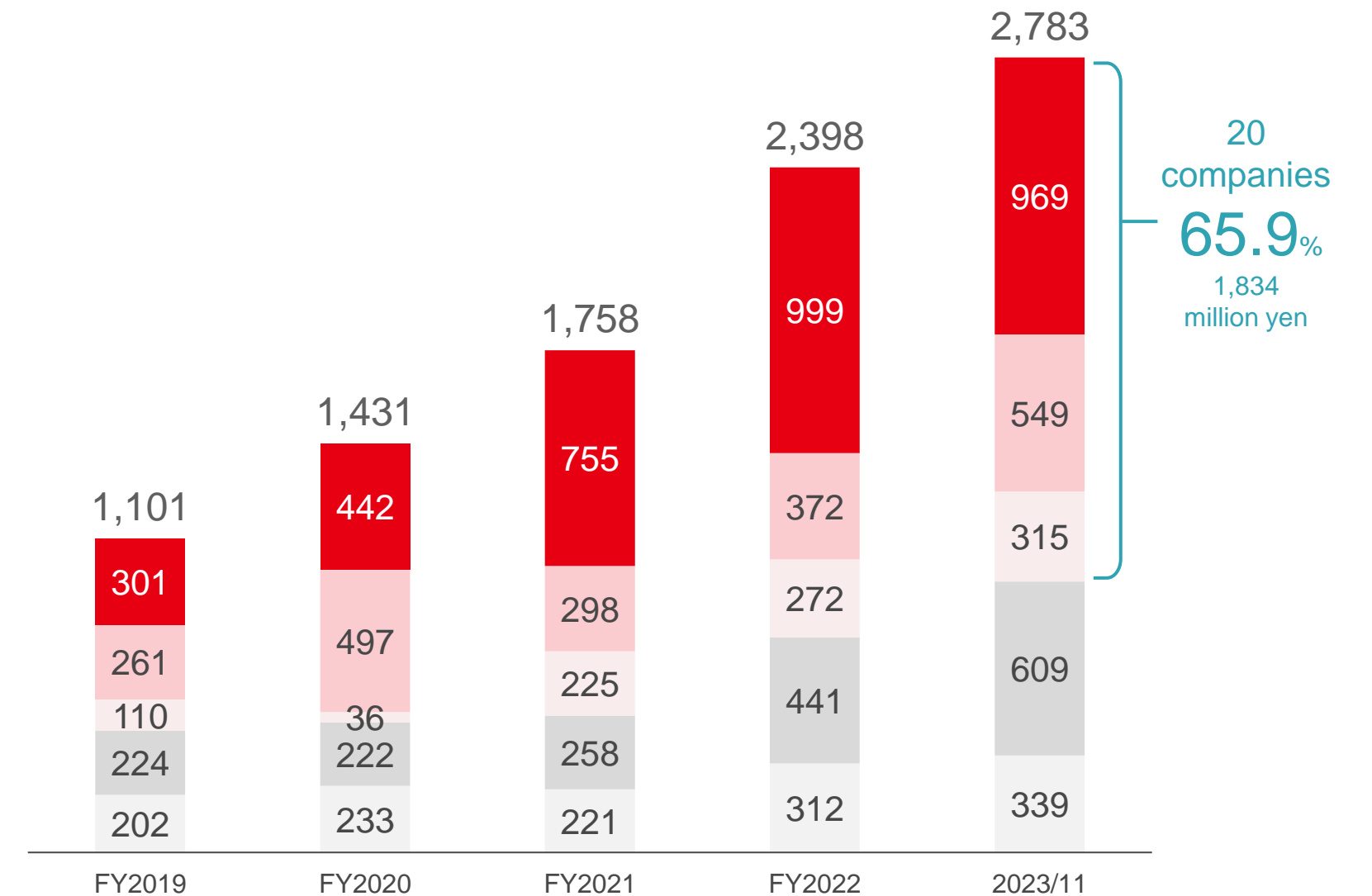
Progress (Strategy [1]): Sales by Phased Client

- ✓ The number of clients with annual sales over 30 million yen **increased by 5 companies compared to FY2022.**
- ✓ **20 companies** at phase B and above account for **65.9% of whole sales.**

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

Progress (Strategy [2]): Targets by Industry

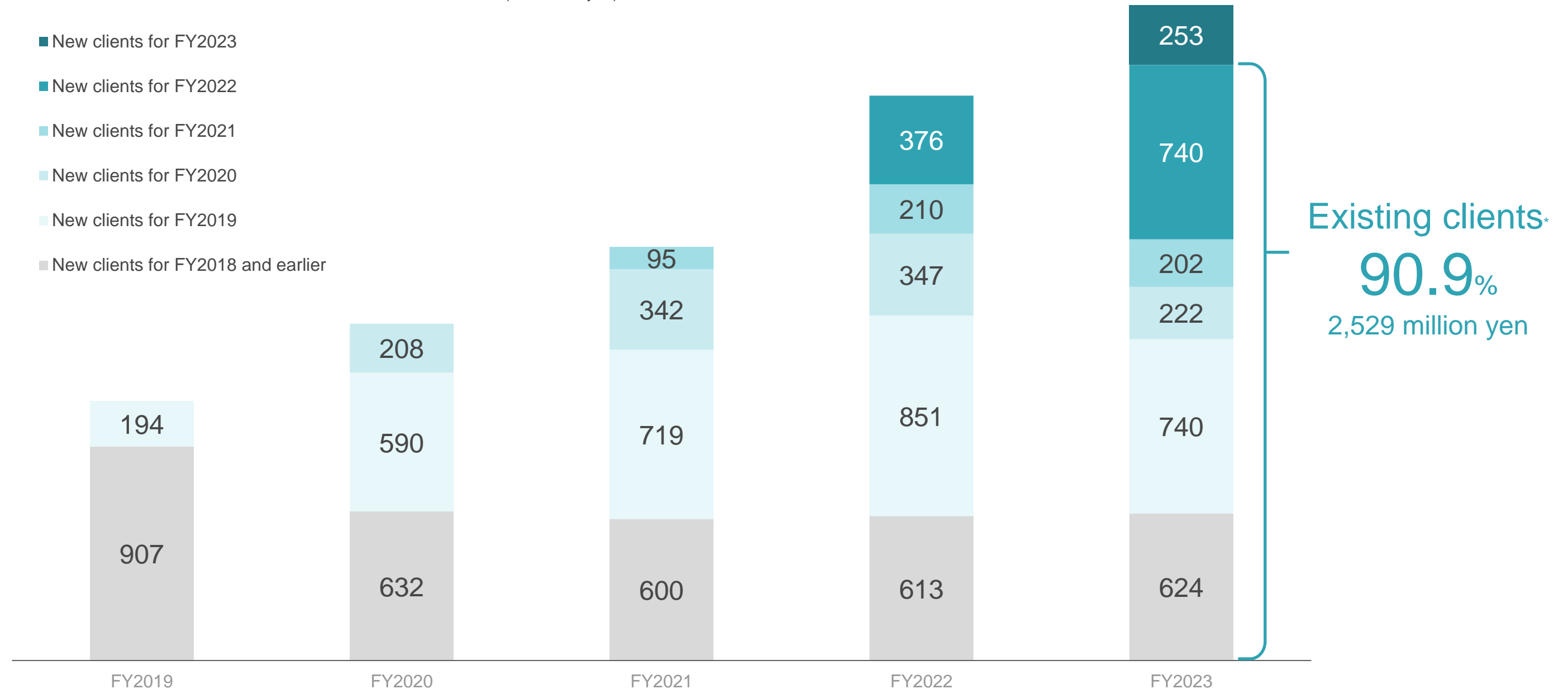
- ✓ Continue to focus on **financial, telecom and global companies** with growing demand
- ✓ **Gained 36 more clients** of phase A compared to FY2022 and potential prospects from companies with expansion of transactions have emerged

			Financial 	Telecom 	Global 	Others 
Phase Z (over 100 million yen)	4 companies	969 million yen	1 company	1 company	1 company	1 company
Phase C (over 50 million yen and up to 100 million yen)	8 companies	549 million yen	1 company	0 company	3 company	4 companies
Phase B (over 30 million yen and up to 50 million yen)	8 companies	315 million yen	2 company	0 company	2 companies	4 companies
Phase A (over 10 million yen and up to 30 million yen)	34 companies	609 million yen	6 company	2 company	10 companies	16 companies
Annual sales of 10 million yen or less	153 companies	339 million yen	18 company	135 companies		

Earnings Structure to Materialize High Growth Potential and Achieve Stability

- ✓ Net sales steadily increased by upselling to new clients acquired each year
- ✓ Continued operational support as an earning source and develop projects for new clients' demands
- ✓ The earnings structure is a **stock-based model** and similar to a **recurring model**

Trends in sales to new clients (millions of yen)



*1: Companies with which transactions started as new clients are defined as existing clients for the following fiscal year and thereafter

*2: It is a numerical value that aggregates the progress of upselling to new clients regarding strategy [1] and strategy [2]

4. Full-Year Earnings Forecast for the FY2024 Ending November 30, 2024

Challenge to **Revitalize the business**

Full-Year Earnings Forecast for the FY2024 Ending November 30, 2024

Net sales Improve resources hired's operation ratio in FY2023 and steadily perform to secure more orders for financial technology projects

Profit margin Our investment return in financial technology is poised to yield positively, as the growth in net sales boost high profit recovery significantly

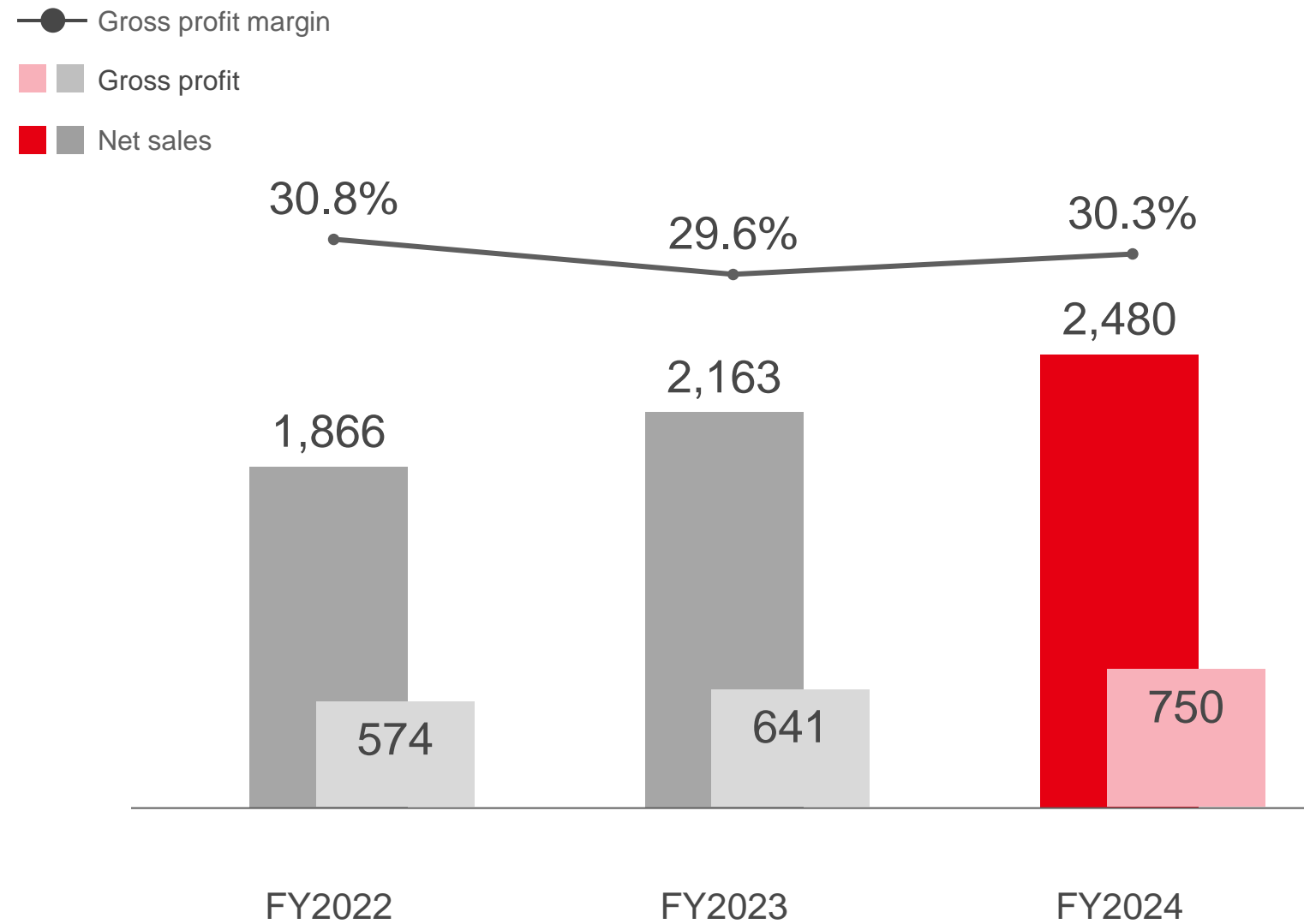
Other Expect higher selling, general and administrative expenses due to goodwill amortization, but limit other investment and reduce SG&A ratio

(Millions of yen)	FY2023	Composition ratio	FY2024 forecast	Composition ratio	Change amount	Year on year change
Net sales	2,783	100.0%	3,315	100.0%	532	119.1%
GRC solutions and products	2,163	77.7%	2,480	74.8%	317	114.7%
Financial technology	620	22.3%	835	25.2%	214	134.6%
EBITDA	(98)	(3.5%)	161	4.9%	259	—
Operating profit (loss)	(145)	(5.2%)	53	1.6%	199	—
Ordinary profit (loss)	(173)	(6.2%)	34	1.1%	208	—
Profit (loss) attributable to owners of parent	(280)	(10.1%)	17	0.5%	297	—

Plan by business unit for FY2024

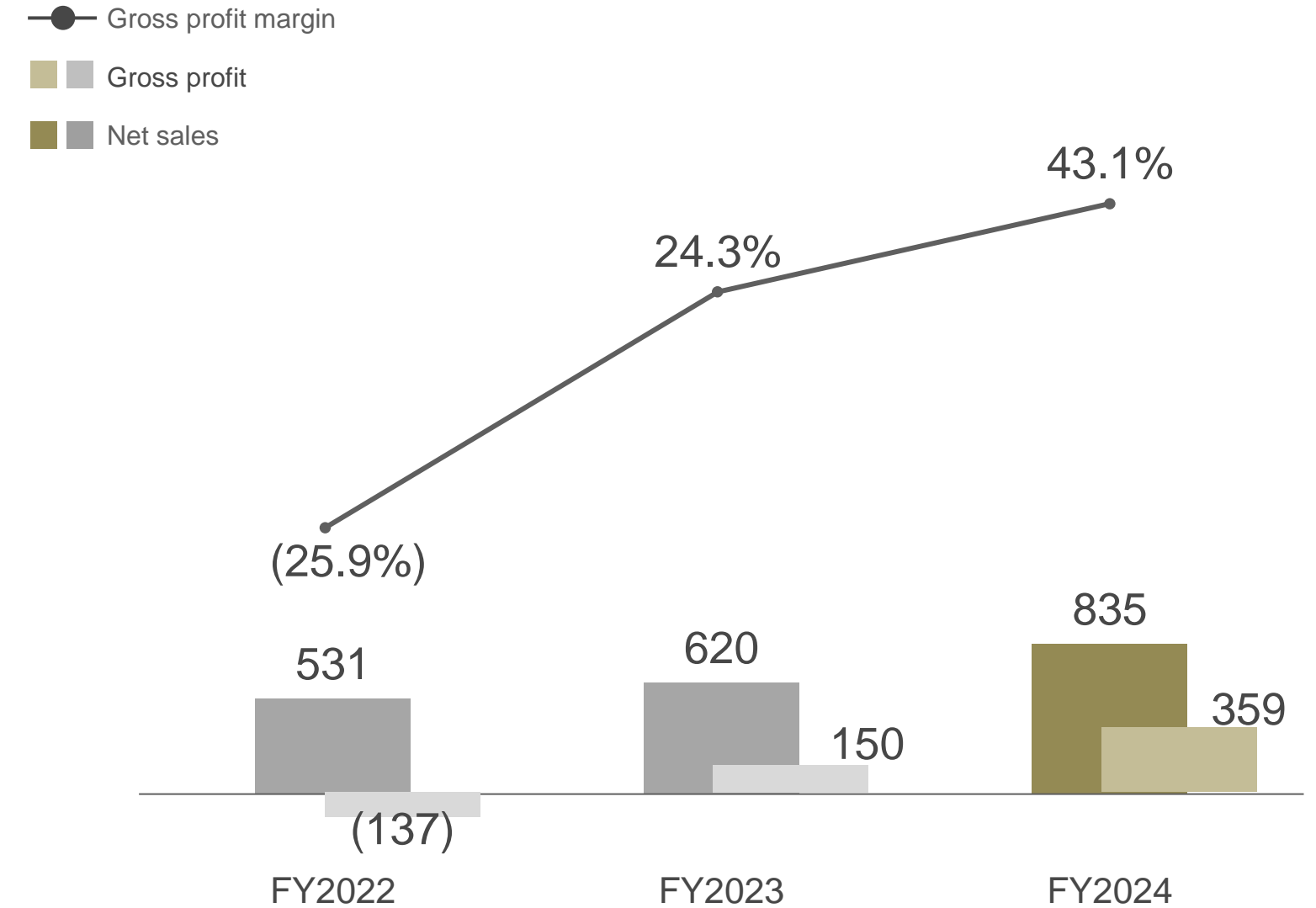
GRC solutions and product (Millions of yen)

- ✓ Plan design based on performances
- ✓ Improve operation ratio



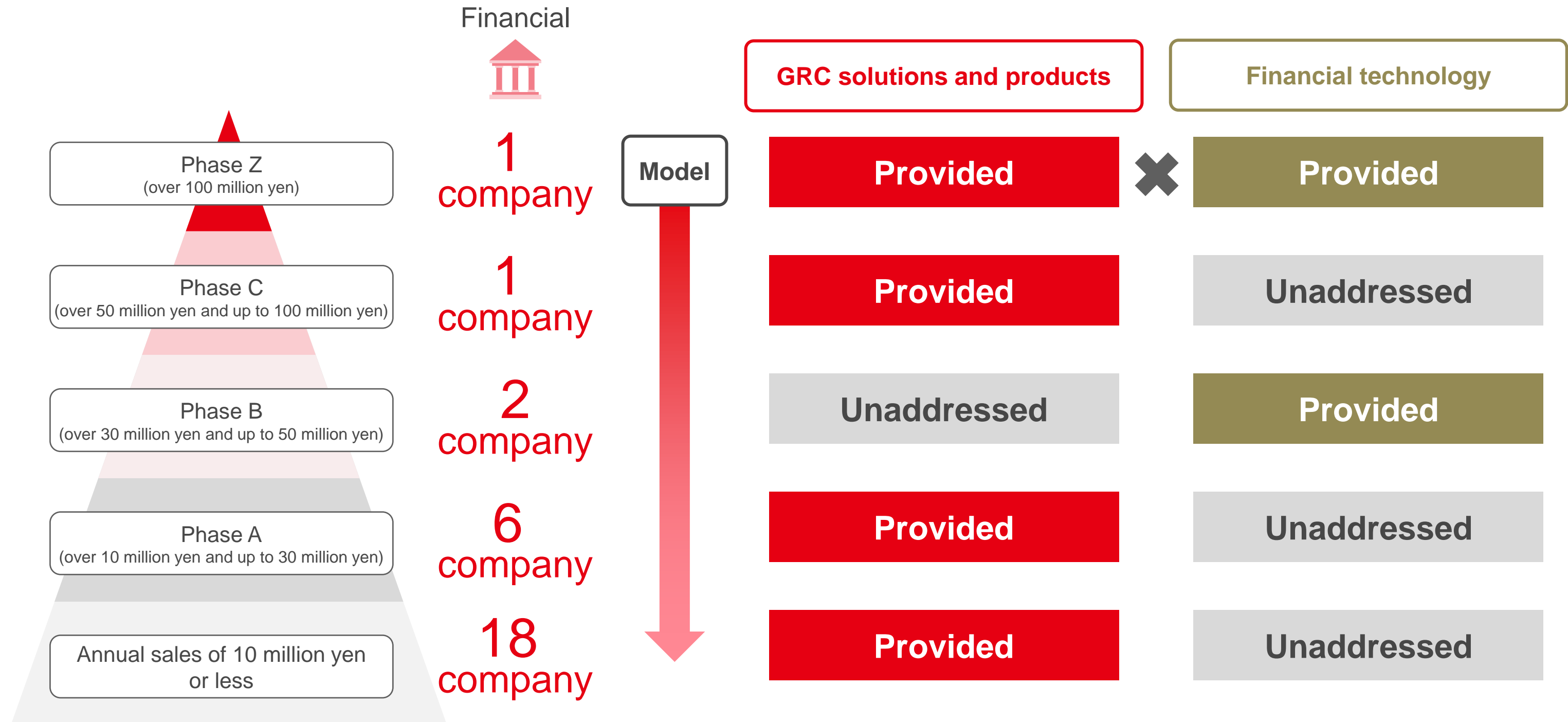
Financial technology (Millions of yen)

- ✓ Gain order of carried over projects
- ✓ Further improvement of profit margin by maximizing sales



Initiatives in FY2024

- ✓ Expand our **specialized cross-selling model** into the financial industry
- ✓ Focus on the financial industry with high demand and **enhance our expertise**



5. 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	303 million yen		Keiichi Kubo, Outside Director
Address	Palace Building 5F, 1-1-1 Marunouchi, Chiyoda-ku, Tokyo		Osamu Yamano, Outside Director
No. of employees	202 (as of November 30, 2023, consolidated)		Noriatsu Furukawa, Outside Director
			Koshi Oizumi, Auditor
			Yasuo Shimada, Auditor
			Shino Asayama, Auditor



President & Representative Director

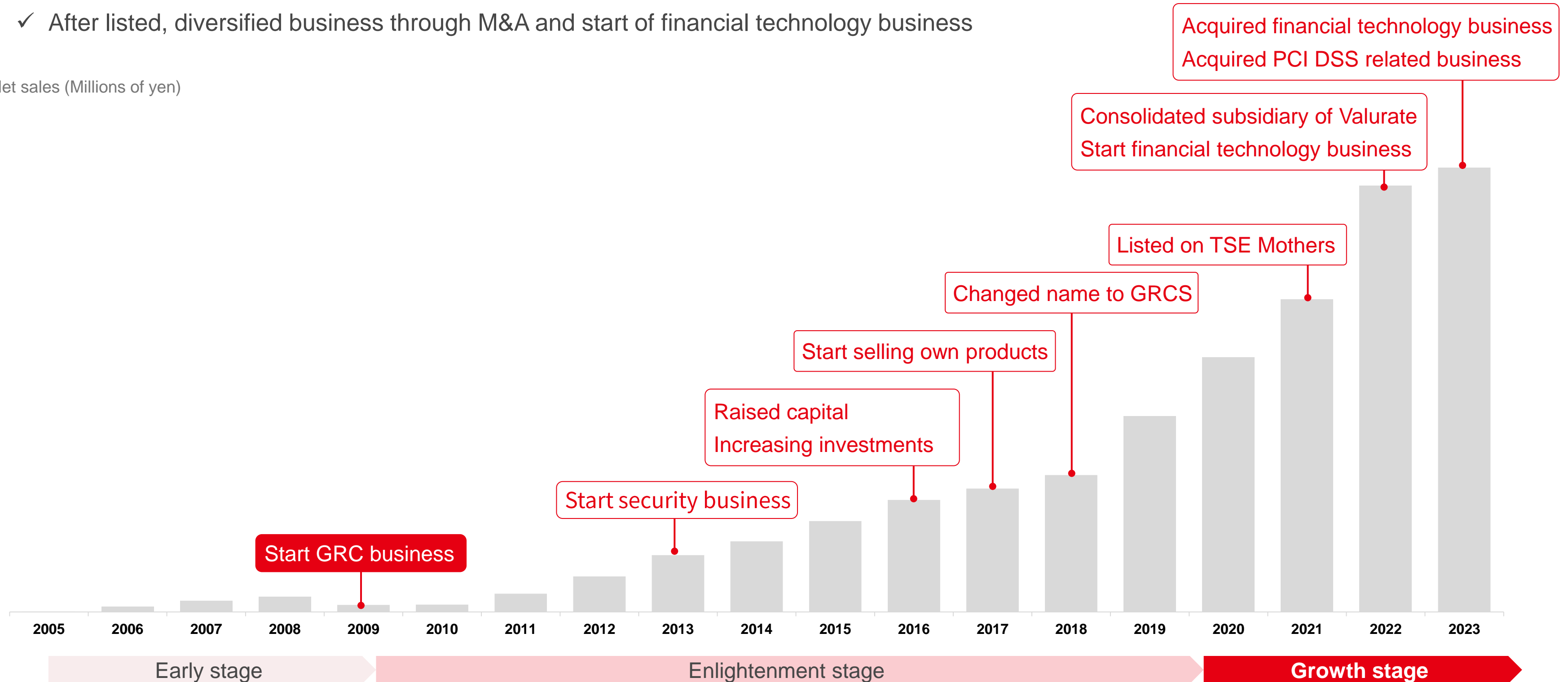
Yoshikazu Sasaki

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).

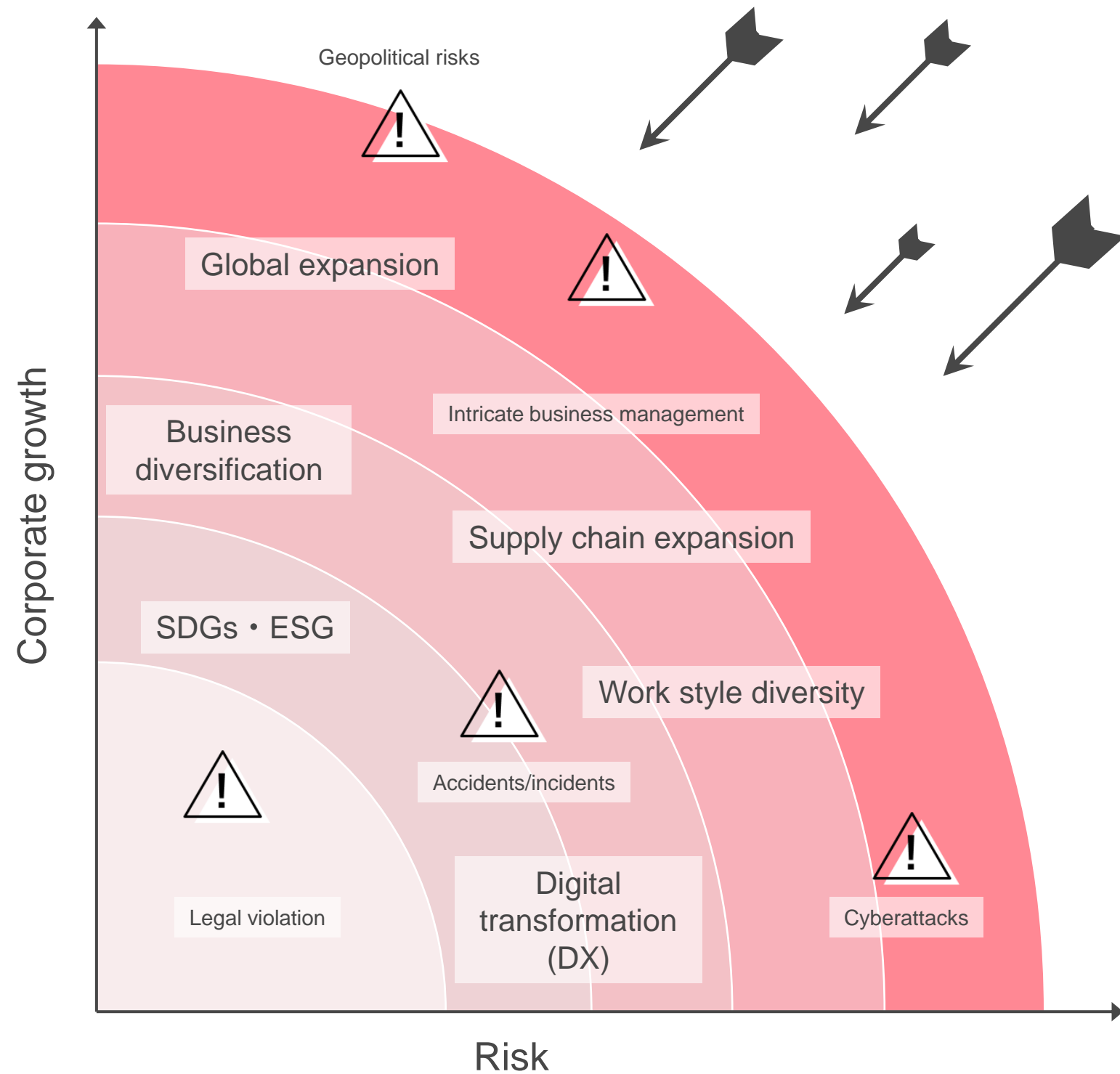
History

- ✓ **Achieved 14 consecutive years of growth in sales** since GRC business started in 2009
- ✓ Leveraged over 10 years of know-how as a pioneer in GRC and security solutions business, and rapid growth along with market expansion
- ✓ After listed, diversified business through M&A and start of financial technology business

Net sales (Millions of yen)



Landscape for Japanese Companies

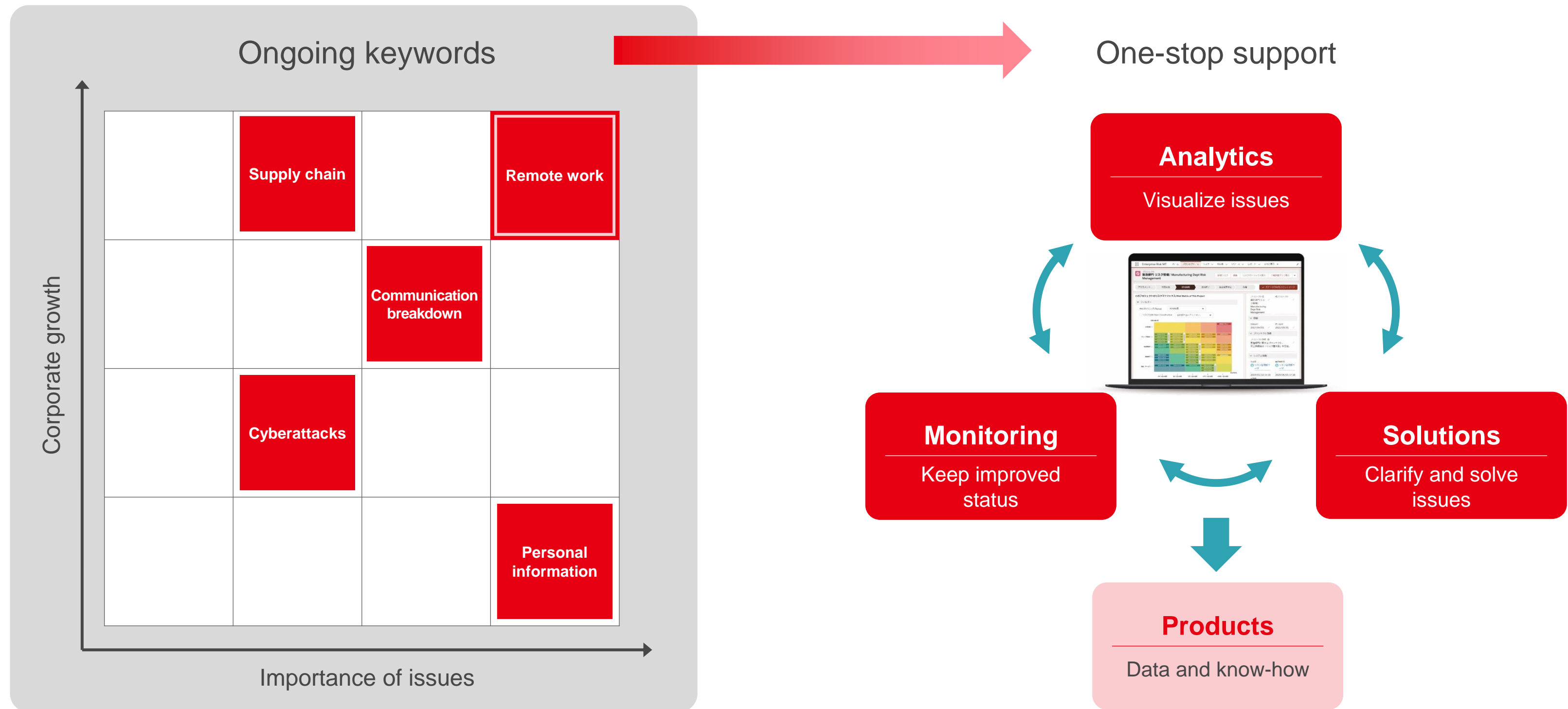


Firms are exposed to more risks as they grow
Companies are inadequately organized to protect themselves
 GRCS helps businesses grow **most efficiently** by reducing risks

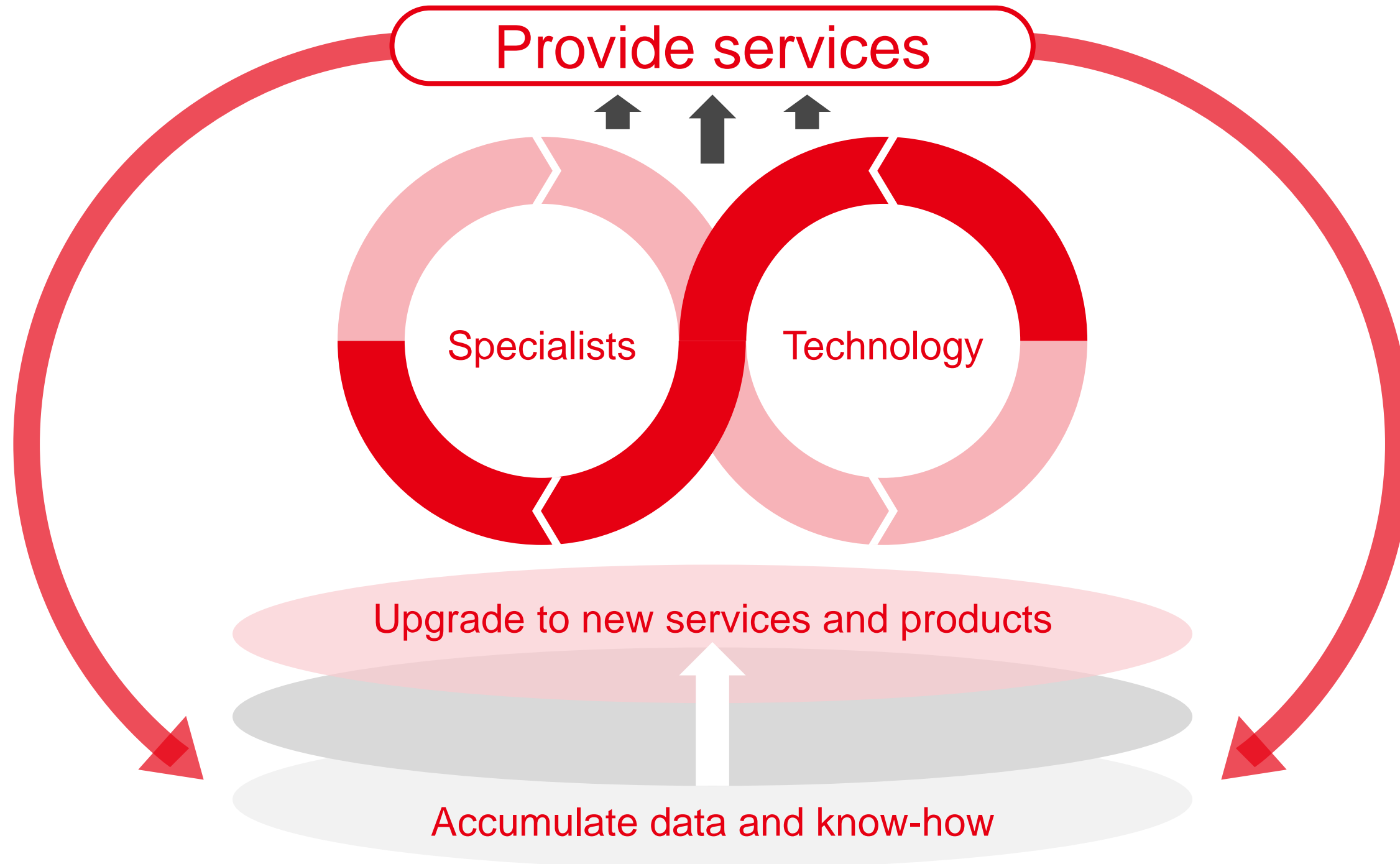
G	Establish governance frameworks
R	Reinforce risk management
C	Enhance compliance mindset
S	Support security measures

Areas and Scheme of Service Provision by GRCS

- ✓ Utilize products for efficient and better enterprise information management and sharing ⇒ Visualize business issues
- ✓ Offer comprehensive one-stop support to analyze/solve issues and enhance ⇒ Create more projects through continuous PDCA cycles



How GRCS Provides Services



- ✓ About 150 in-house **specialists**
- ✓ A leading **GRC specialist company** in Japan
- ✓ Track record of **over 10 years**
- ✓ **Once-stop service provider**
- ✓ **Global Fin Tech**

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



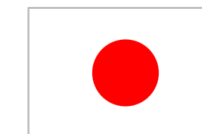
Enable checking at any time and anywhere through cloud services

Market Environment

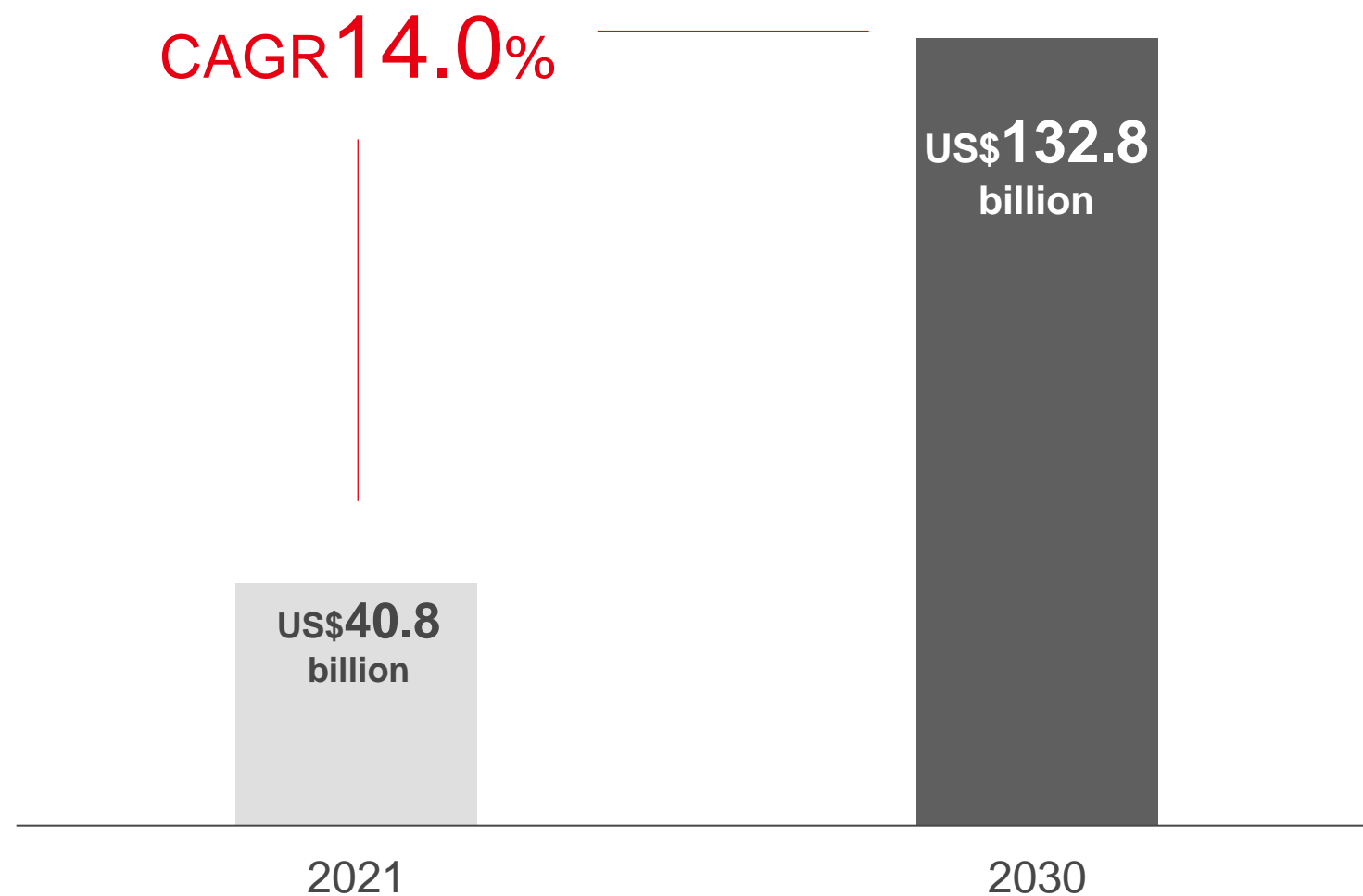
- ✓ No numerical figure is yet available for the domestic GRC market, but GRC and security controls are a pressing issue for Japanese companies
- ✓ The global GRC market is forecast to grow by 14.0% annually on average; similar growth is anticipated for Japan



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

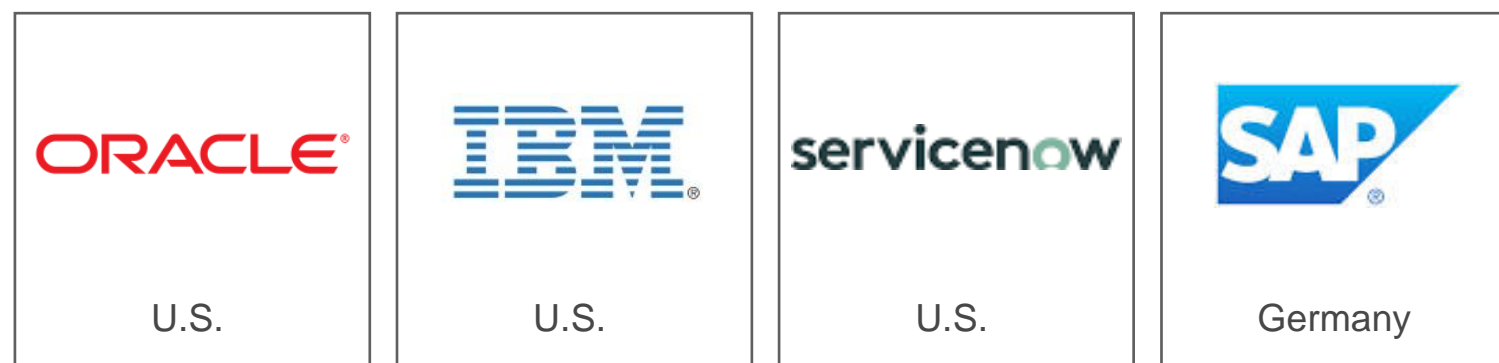
Major foreign accounting consulting firms and solution vendors

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



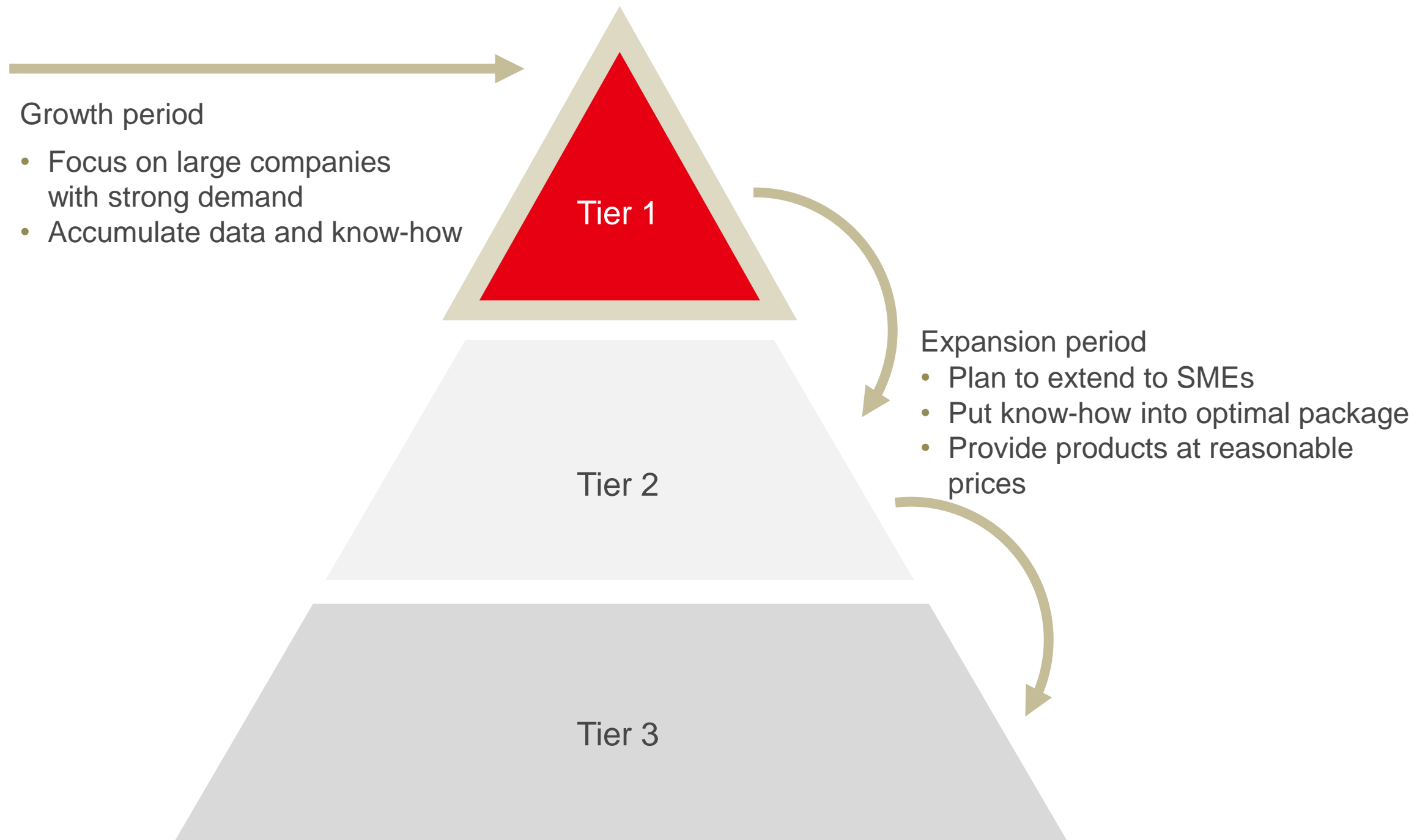
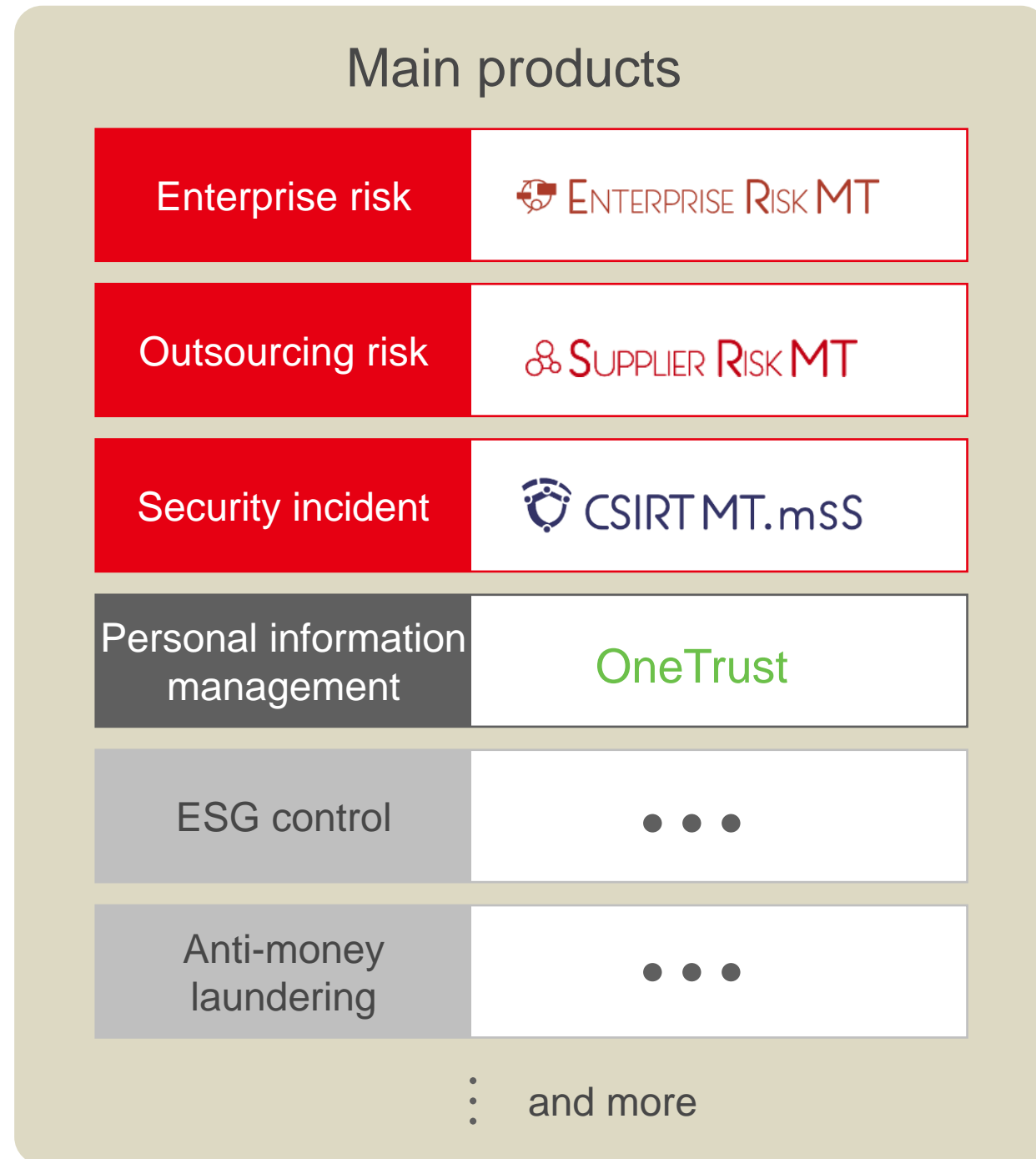
	Governance	Risk	Compliance	Security
Company A • Provide solutions • Provide products	Solved Unaddressed	Unaddressed Unaddressed	Solved Arising needs	Solved Solved
Company B • Provide solutions • Provide products	Unaddressed Unaddressed	Solved Solved	Arising needs Unaddressed	Unaddressed Unaddressed
Company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

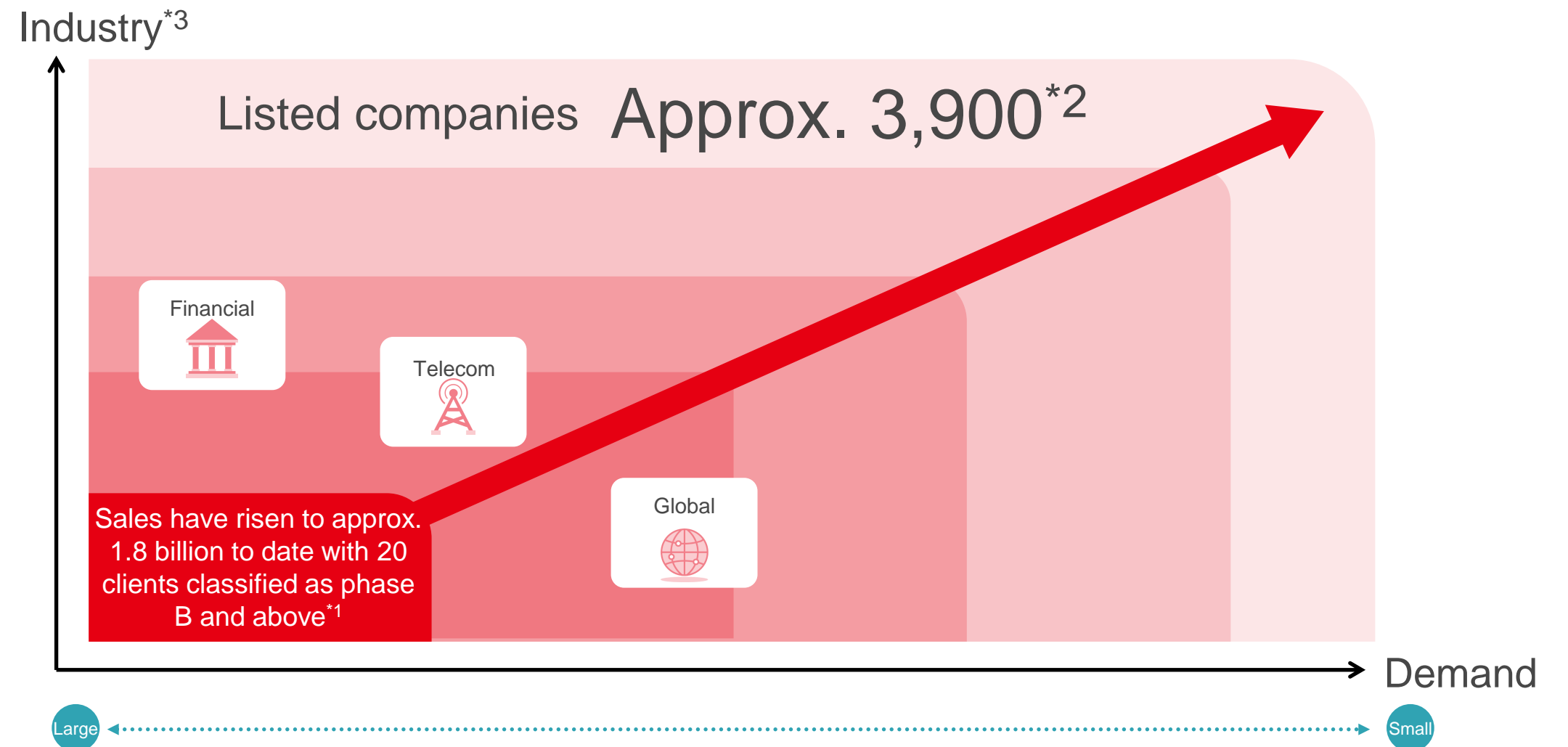


Growth Potential over the Short Term

- ✓ 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 sales of over 300 million yen

*2: The number of listed companies is as of December 31, 2023

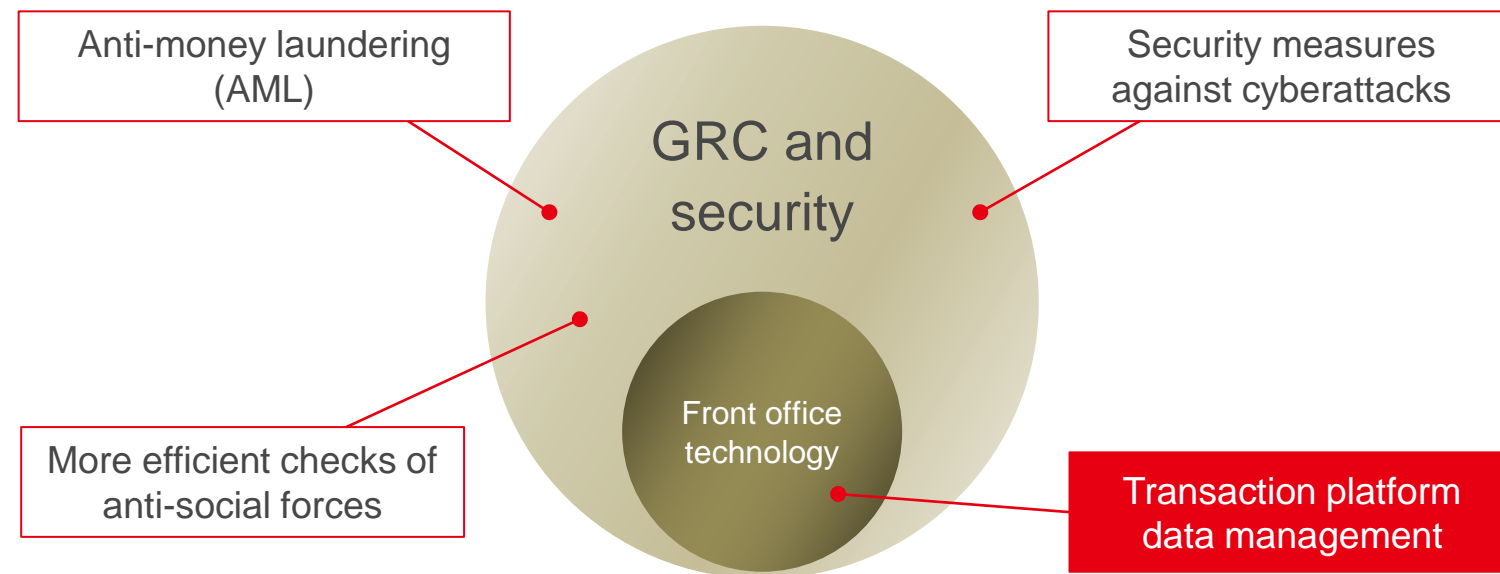
*3: The industries on the vertical axis represent the number of industries with which GRCS conducts business

Financial Technology: Business Strategy [1]

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

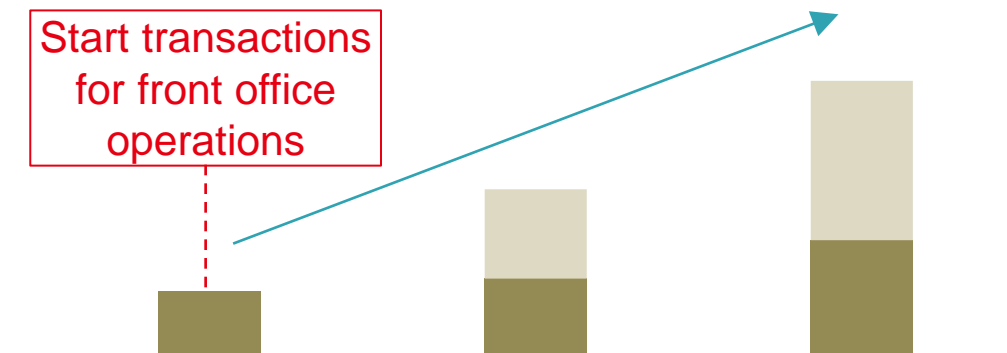
- ✓ Technology for the revenue-generating front office operations of financial institutions is highly advanced and evolving rapidly
- ✓ The level of issues in the GRC and security areas has also been elevated along with changes in the front office operations
- ✓ Comprehensive services for the front office operations to accelerate our business development in the financial industry by providing service efficiently

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



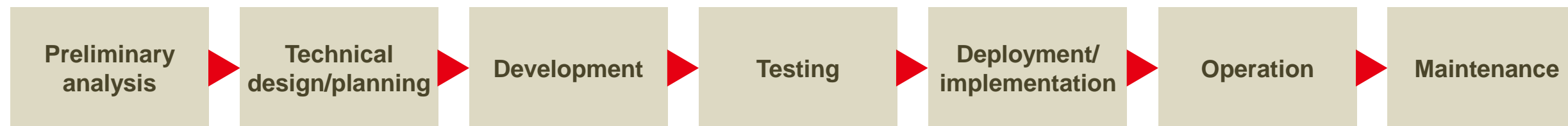
Start transactions mainly related to technology for front office areas
Also expand transactions in GRC and security areas through related services

Financial Technology: Business Strategy [2]

- ✓ **Comprehensive one-stop services** by experienced specialists
- ✓ Transaction platforms that have low latency, high availability and scalability
- ✓ High-specification products employing cutting-edge technologies

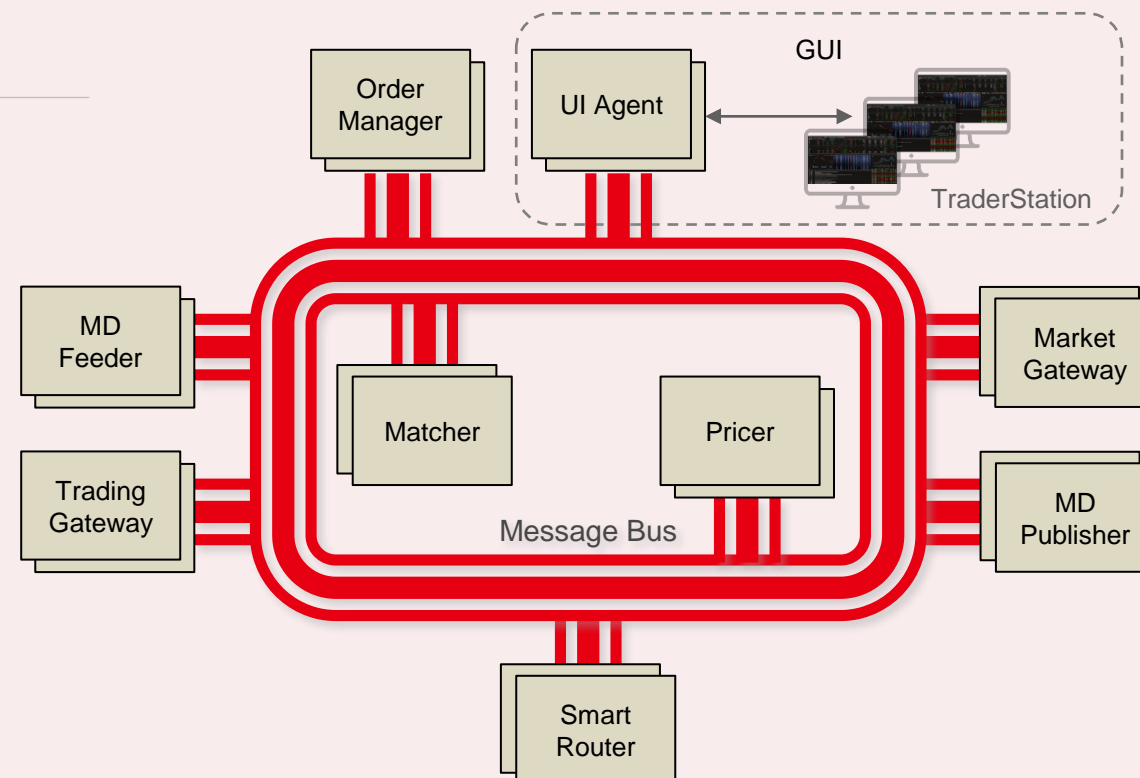
Solutions

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



Products

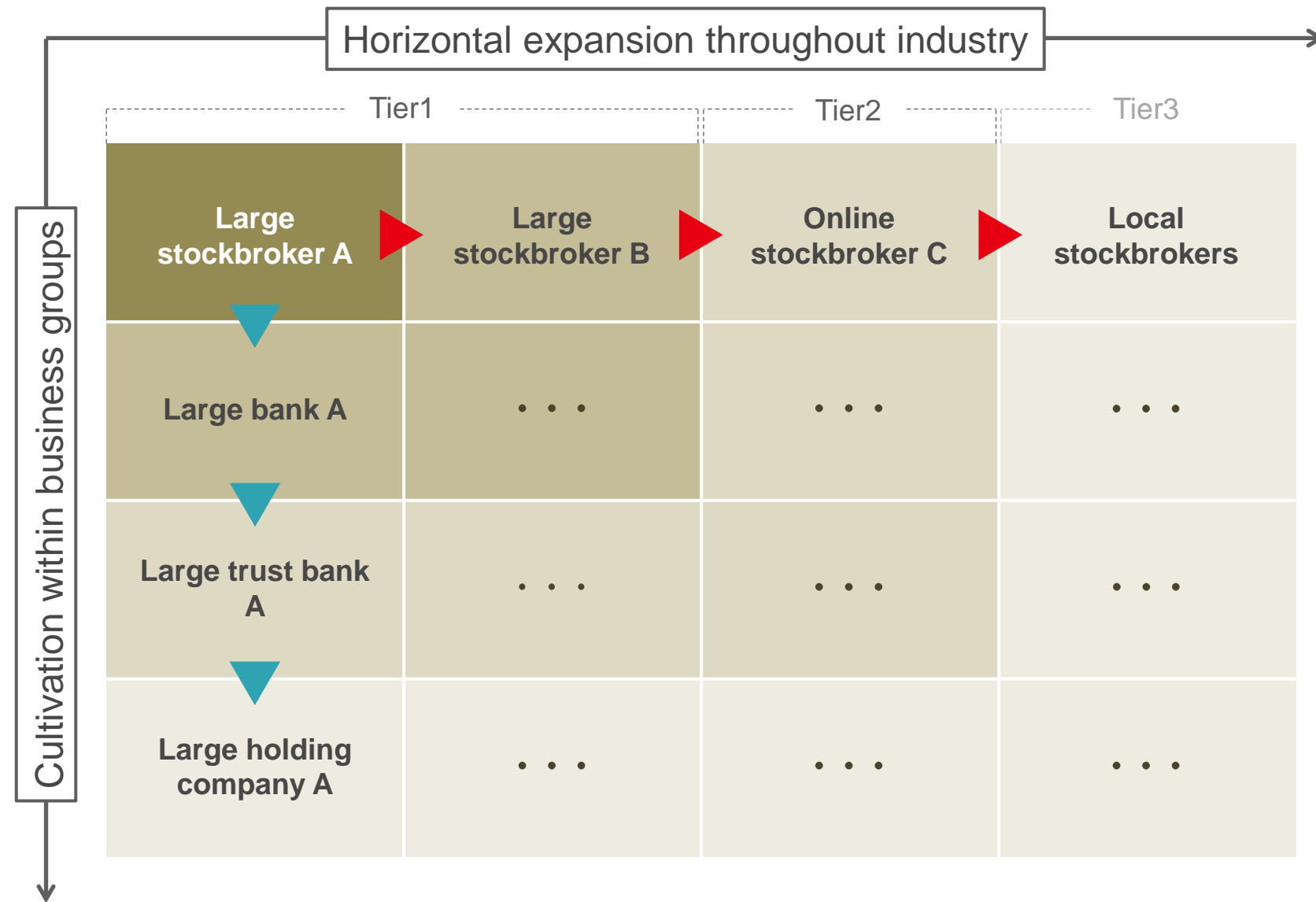
- Transaction platform
- Data management



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

Financial Technology: Business Strategy [3]

- ✓ The financial industry is huge and has many promising prospects where we can offer our 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

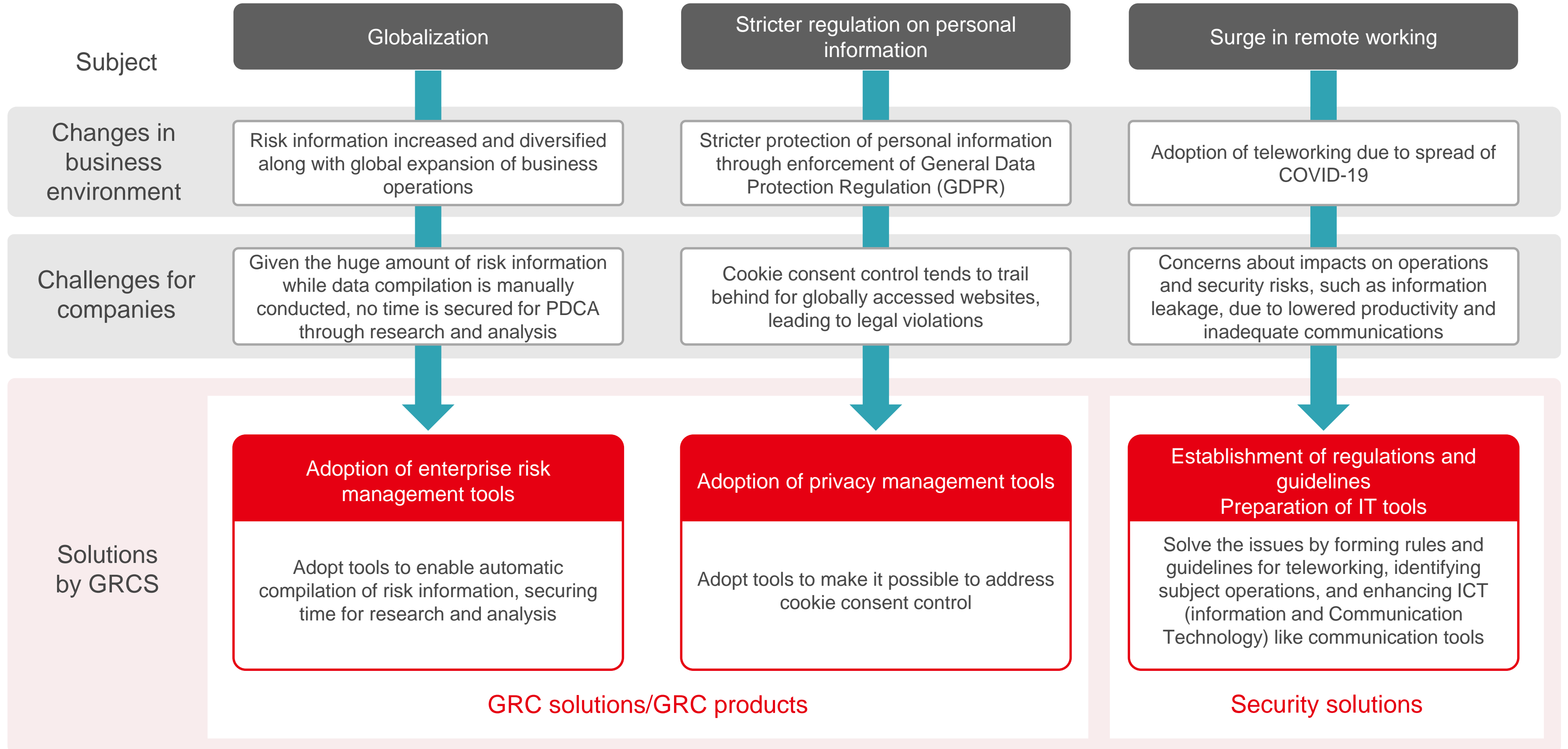
▼ Partnership business

- 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

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

Disclaimer

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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.

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