

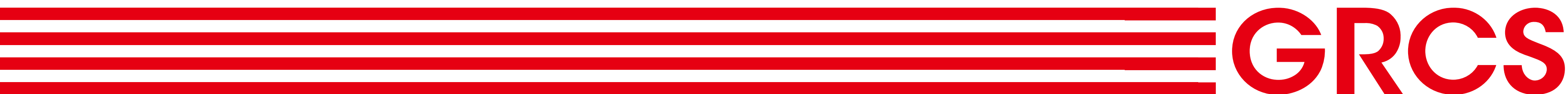
First Three Months of Fiscal Year ending November 30, 2024 (FY2024)

Financial Results Briefing

GRCS Inc.

Securities code: 9250

April 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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1. Financial Results for First Three Months of FY2024

Executive Summary

Financial technology business

FY2024
Objective

「Challenge to **Revitalize the business**」 ▶ Transition from growth investment to profitable phase

Net sales

868 million yen

+28.6% year on year

Gross profit

359 million yen

+158.6% year on year

EBITDA

133 million yen

-88 million yen last year

Operating profit

87 million yen

-96 million yen last year

GRC solutions and products

- ✓ Improved operation rate **resulted in achieving profitability**
 - Expanded business by starting generative AI related services
 - Recovery in net sales from a termination of big project to the previous level

Financial technology

- ✓ Increased in net sales by **selling perpetual licenses**
 - Completion of orders for financial technology projects which have been postponed from the last fiscal year
 - Received additional orders from existing clients and favorably outlined the full-year forecast

Summary of Financial Results

(Millions of yen)	FY2023 Q1	FY2024 Q1	Change amount	Change ratio	FY2024 forecast	Progress ratio
Net sales	675	868	193	28.6%	3,315	26.2%
GRC solutions and products	538	536	(1)	(0.3%)	2,480	21.6%
Financial technology	136	331	194	142.3%	835	39.7%
Gross profit	139	359	220	158.6%	—	—
Gross profit margin	20.6%	41.4%	—	+20.8pt	—	—
Selling, general and administrative expenses	236	272	36	15.5%	—	—
EBITDA	(88)	133	221	—	—	—
Operating profit (loss)	(96)	87	184	—	53	162.0%
Ordinary profit (loss)	(93)	83	177	—	34	238.9%
Profit (loss) attributable to owners of parent	(106)	66	172	—	17	389.2%

Highlights

➤ 1 Completion of orders for postponed projects
Steady progress toward meeting the yearly forecast

➤ 2 **Recovery** to the previous level after termination of a big project via partner company

➤ 3 **Significant improvement in profitability level** by selling perpetual licenses in financial technology

➤ 4 **Maintain yearly forecast** based on conservative estimates for the time being

Summary of Financial Results (Quarterly Trends)

(Millions of yen)	FY2023 Q1	FY2023 Q2	FY2023 Q3	FY2023 Q4	FY2024 Q1	Year on Year change
Net sales	675	691	681	736	868	28.6%
GRC solutions and products	538	534	525	565	536	(0.3%)
Financial technology	136	156	155	171	331	142.3%
Gross profit	139	205	194	252	359	158.6%
Gross profit margin	20.6%	29.8%	28.6%	34.2%	41.4%	+20.8pt
Selling, general and administrative expenses	236	234	230	236	272	15.5%
EBITDA	(88)	(17)	(22)	29	133	—
Operating profit (loss)	(96)	(28)	(35)	15	87	—
Ordinary profit (loss)	(93)	(37)	(44)	2	83	—
Profit (loss) attributable to owners of parent	(106)	(54)	(51)	(68)	66	—

Highlights

➤ 1 **Record-high Net sales**

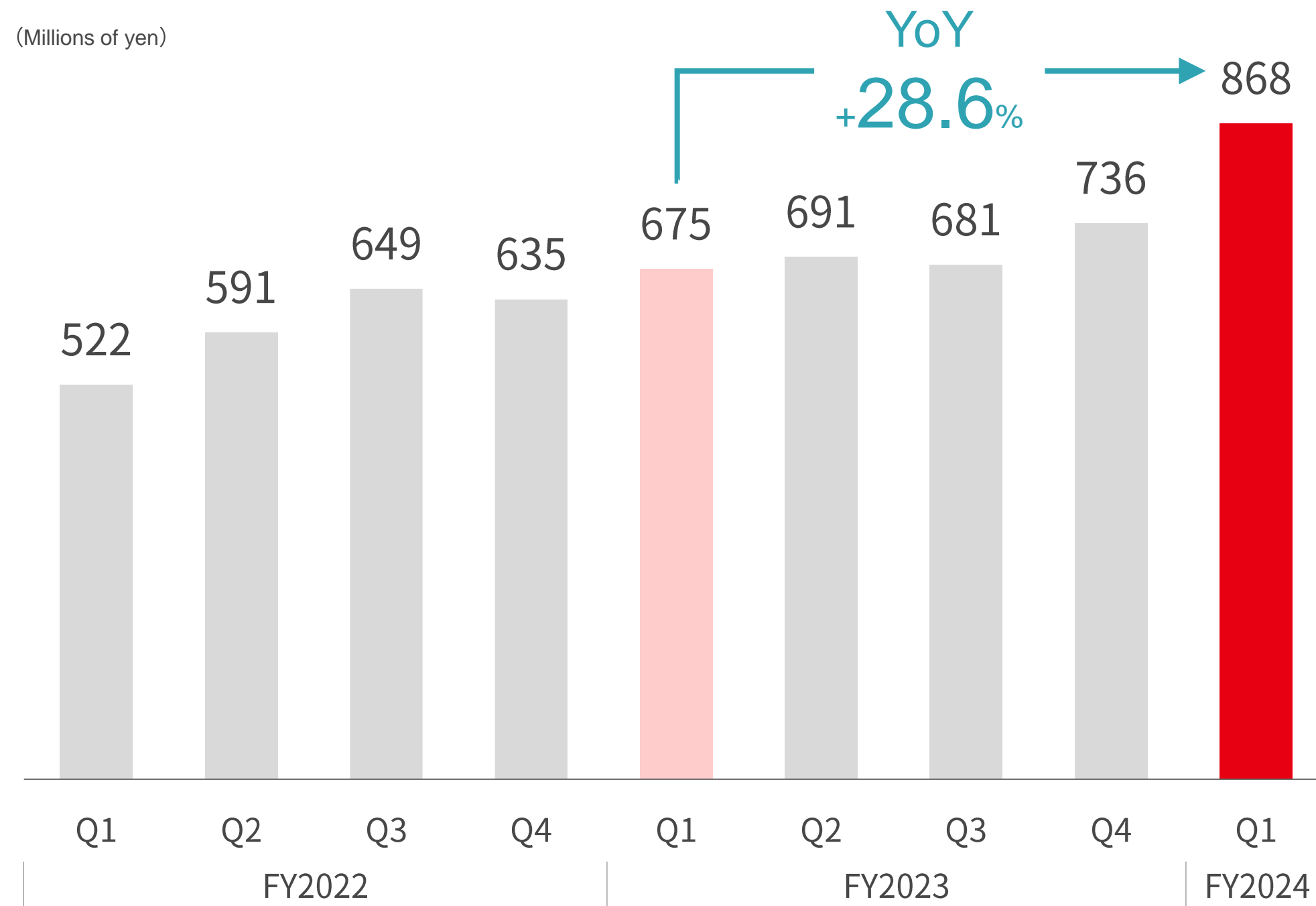
➤ 2 **Record-high Gross profit**

➤ 3 **Record-high Gross profit margin**

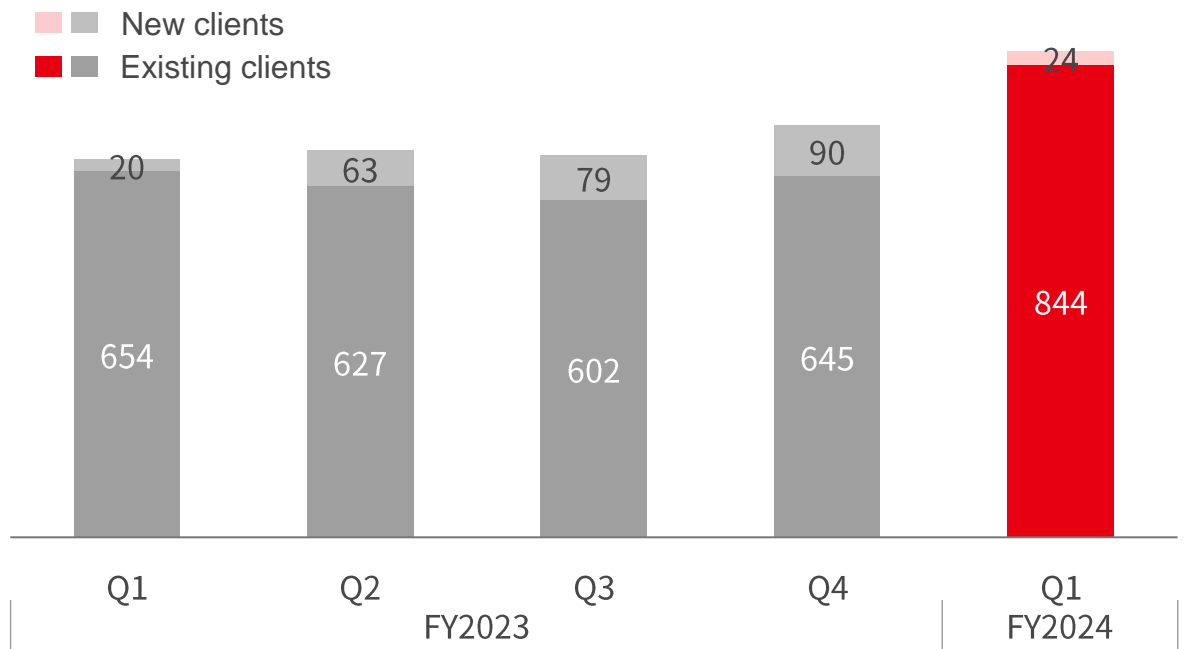
➤ 4 **Stable SG & A expenses**
 Except for 42 million yen of Goodwill amortization

Trends in Net Sales (Quarterly)

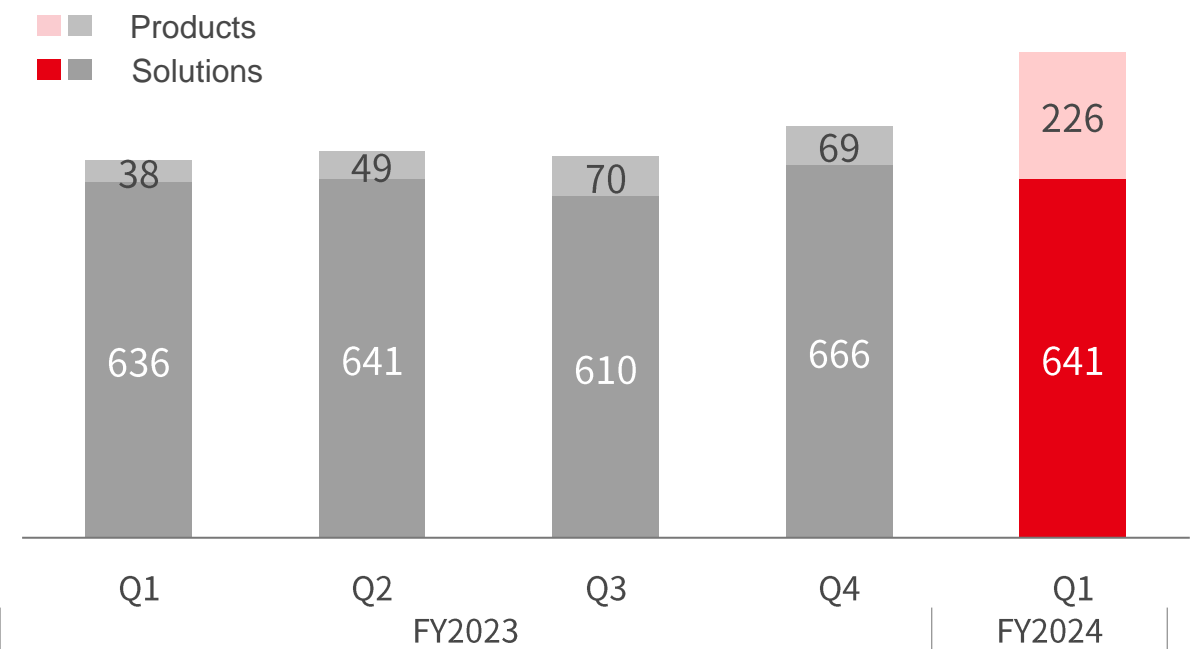
✓ Net sales in products increased due to **sales of perpetual licenses in financial technology**



Existing clients and new clients (Millions of yen)



Solutions and products (Millions of yen)

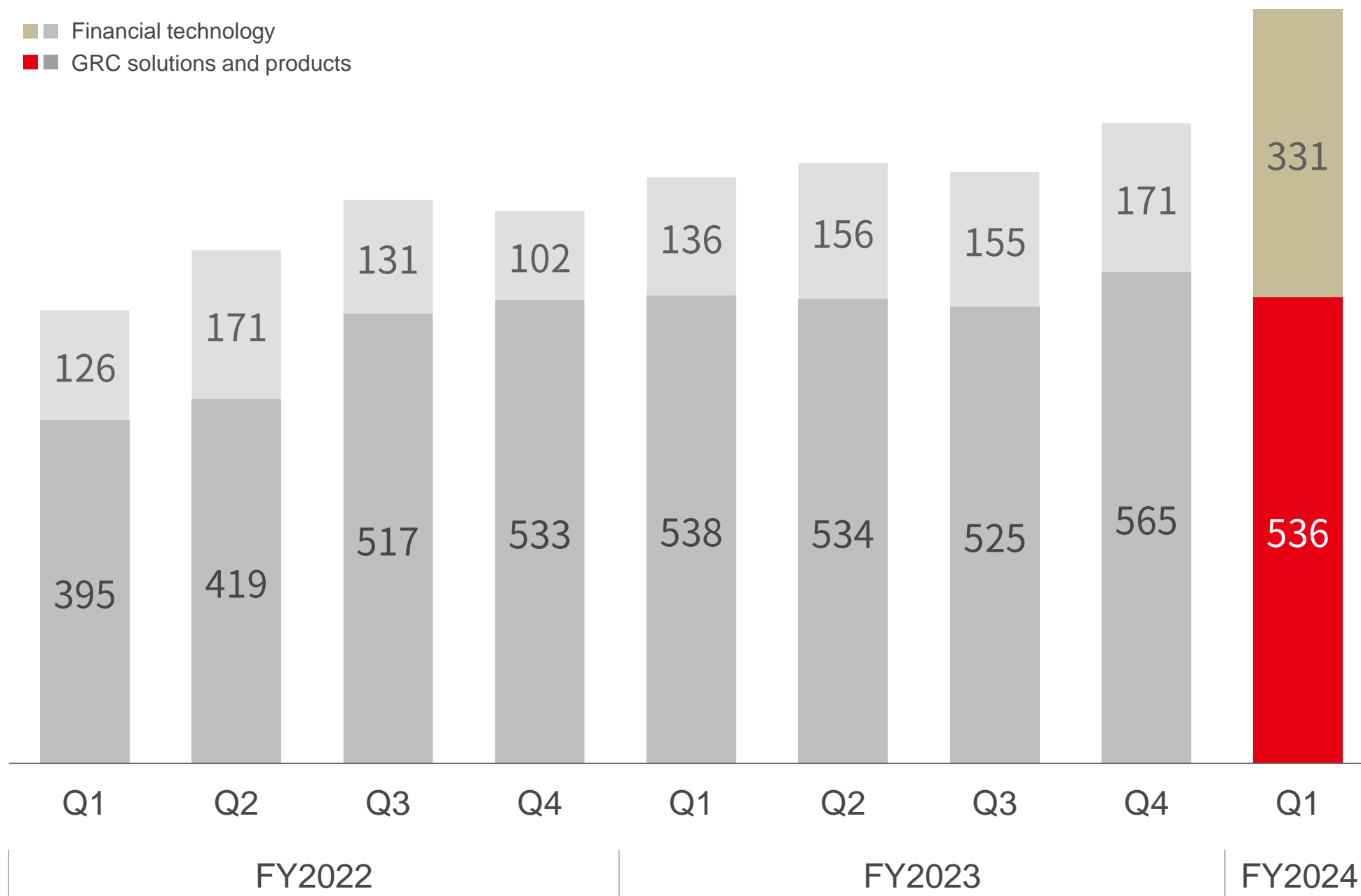


Trends in Net Sales by Business Unit (Quarterly)

- ✓ Positive progress in GRC solutions and products sales align with our second-half weighting plan
- ✓ Net sales increased in financial technology due to closing a large licensing deal

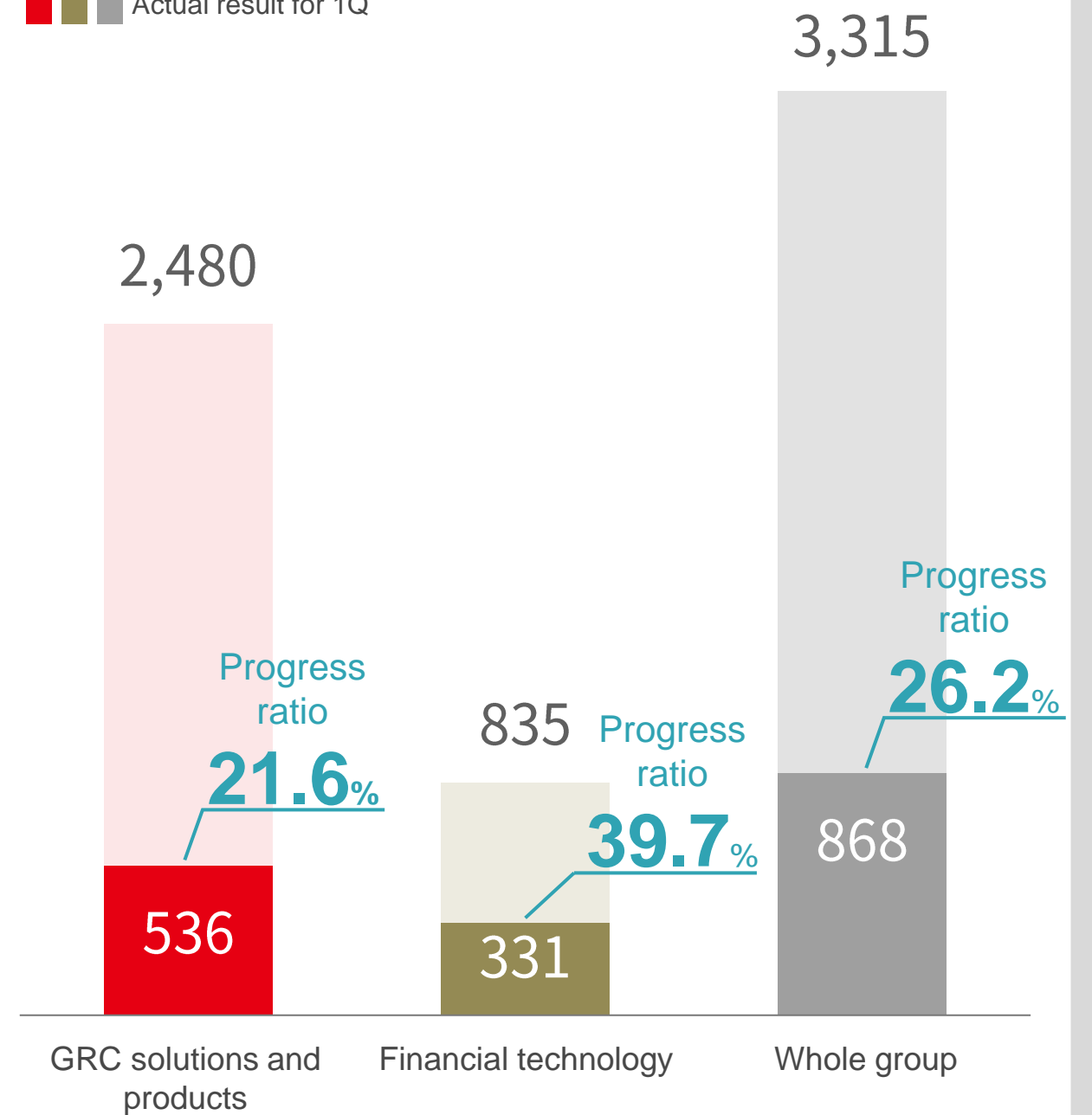
(Millions of yen)

■ Financial technology
■ GRC solutions and products



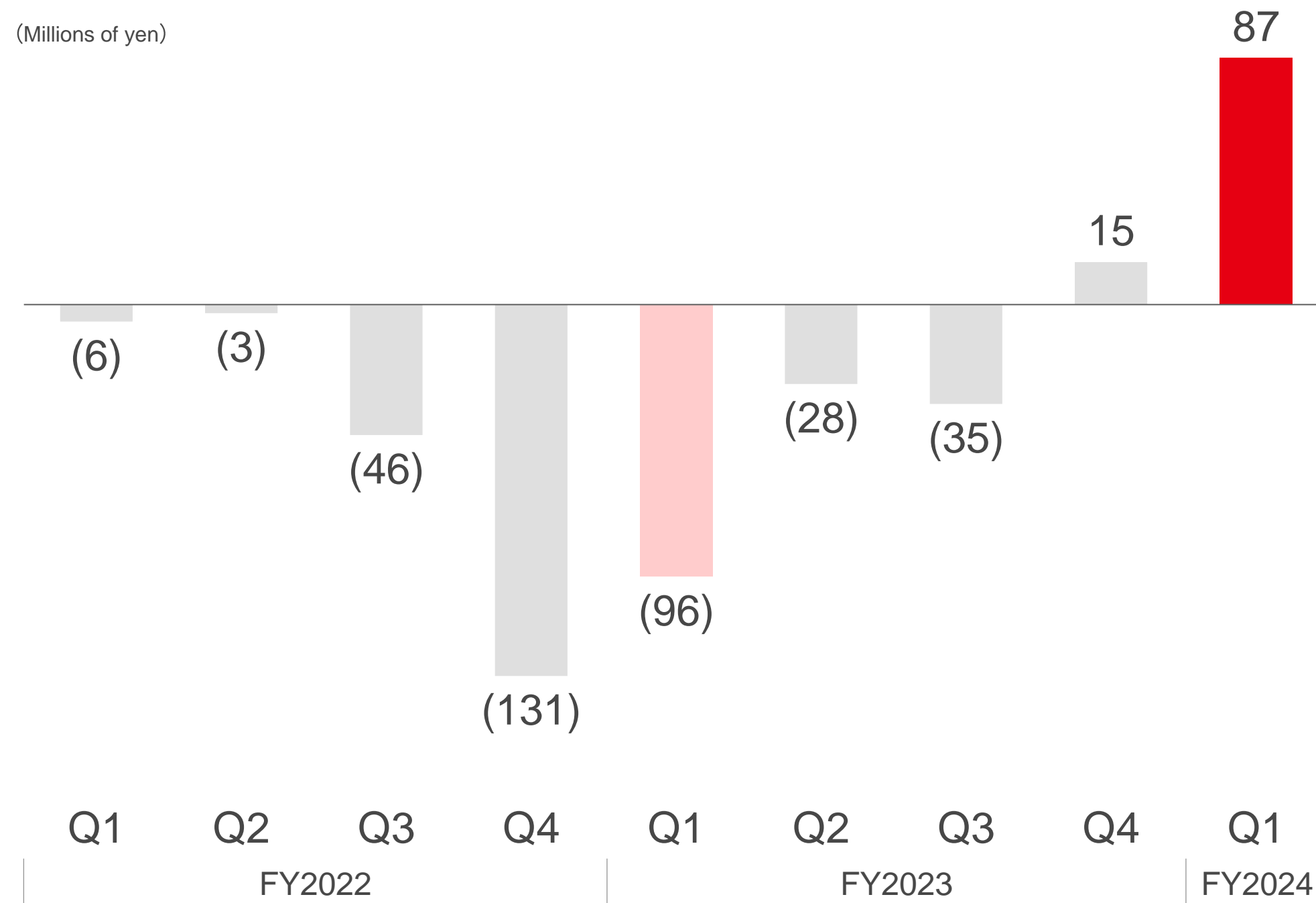
Net Sales Progress (Millions of yen)

■ Full-year forecast
■ Actual result for 1Q

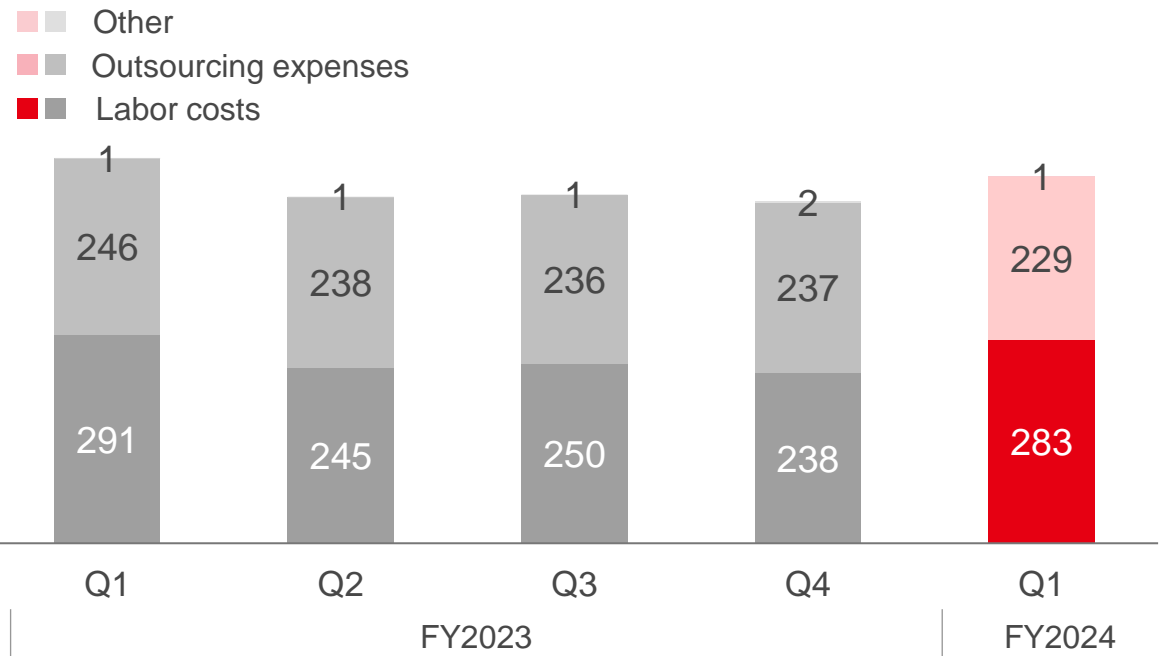


Trends in Operating Profit (Quarterly)

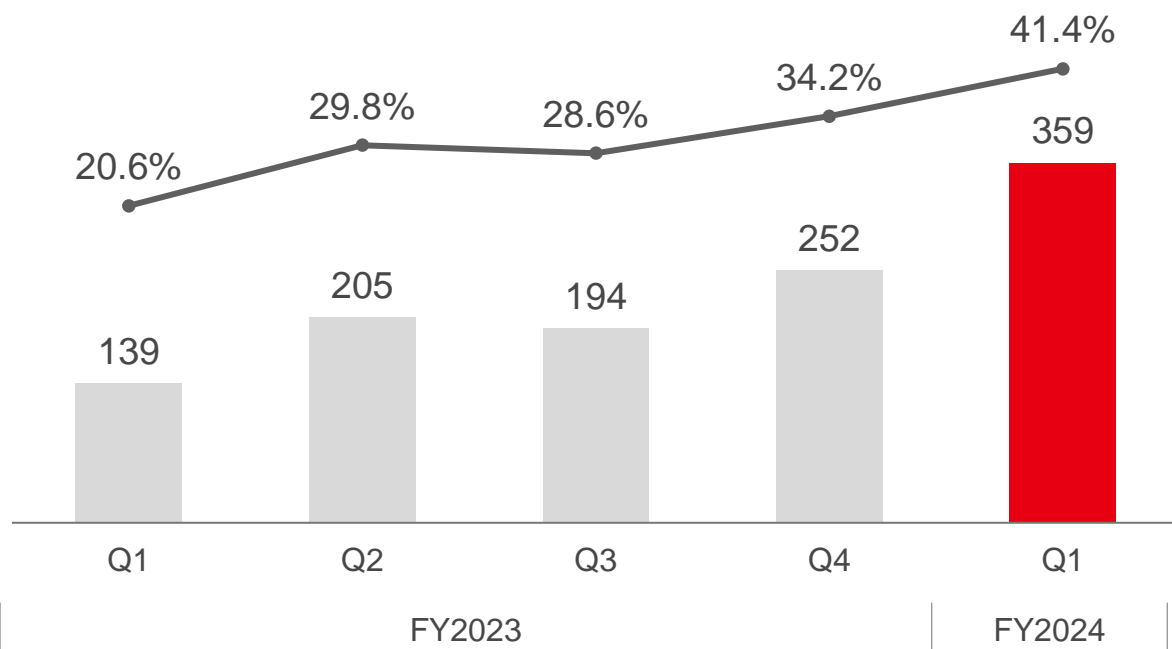
✓ **Attained profitability** due to improved operation rate and sales of perpetual licenses



Cost of sales (Millions of yen)



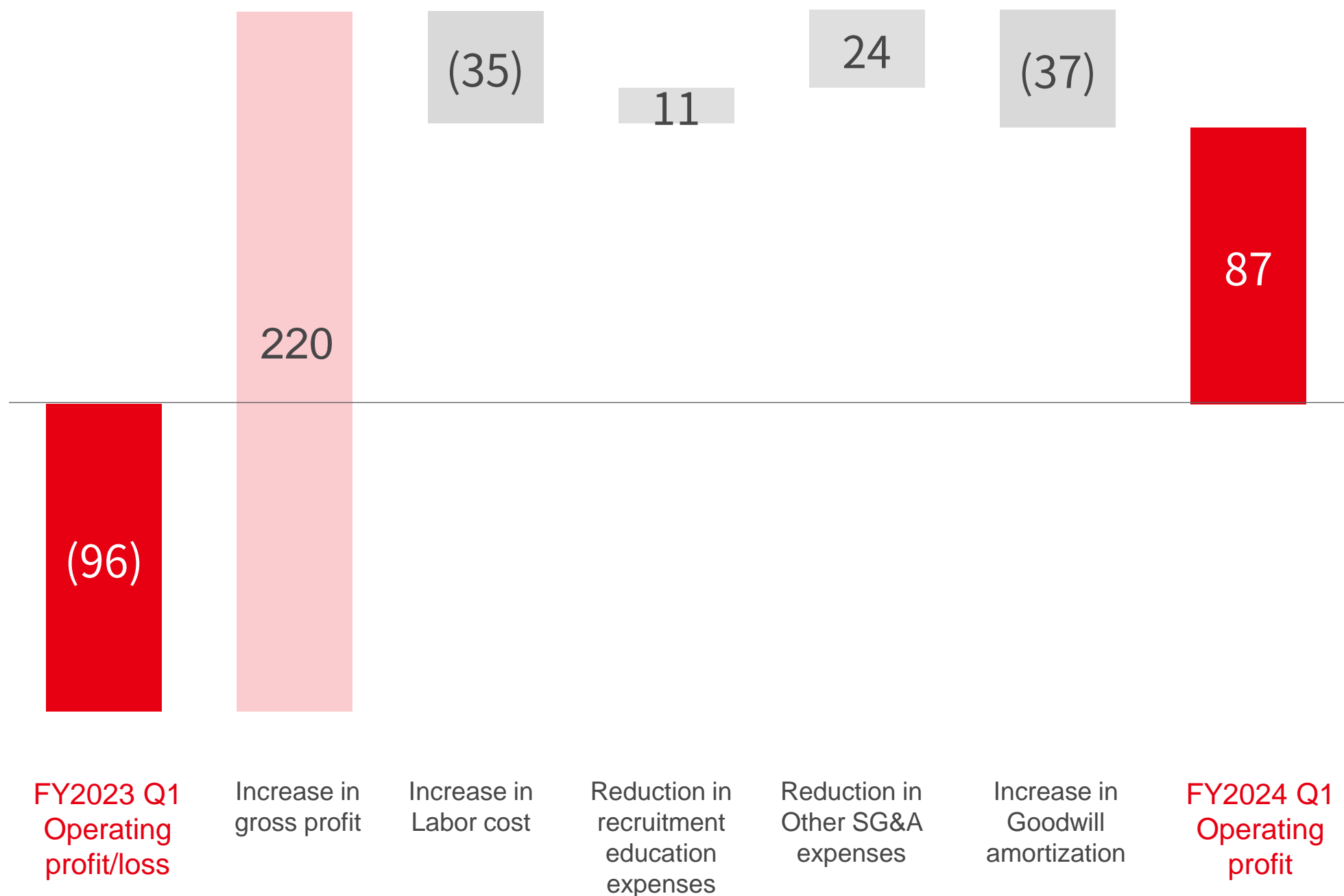
Gross profit/gross profit margin (Millions of yen)



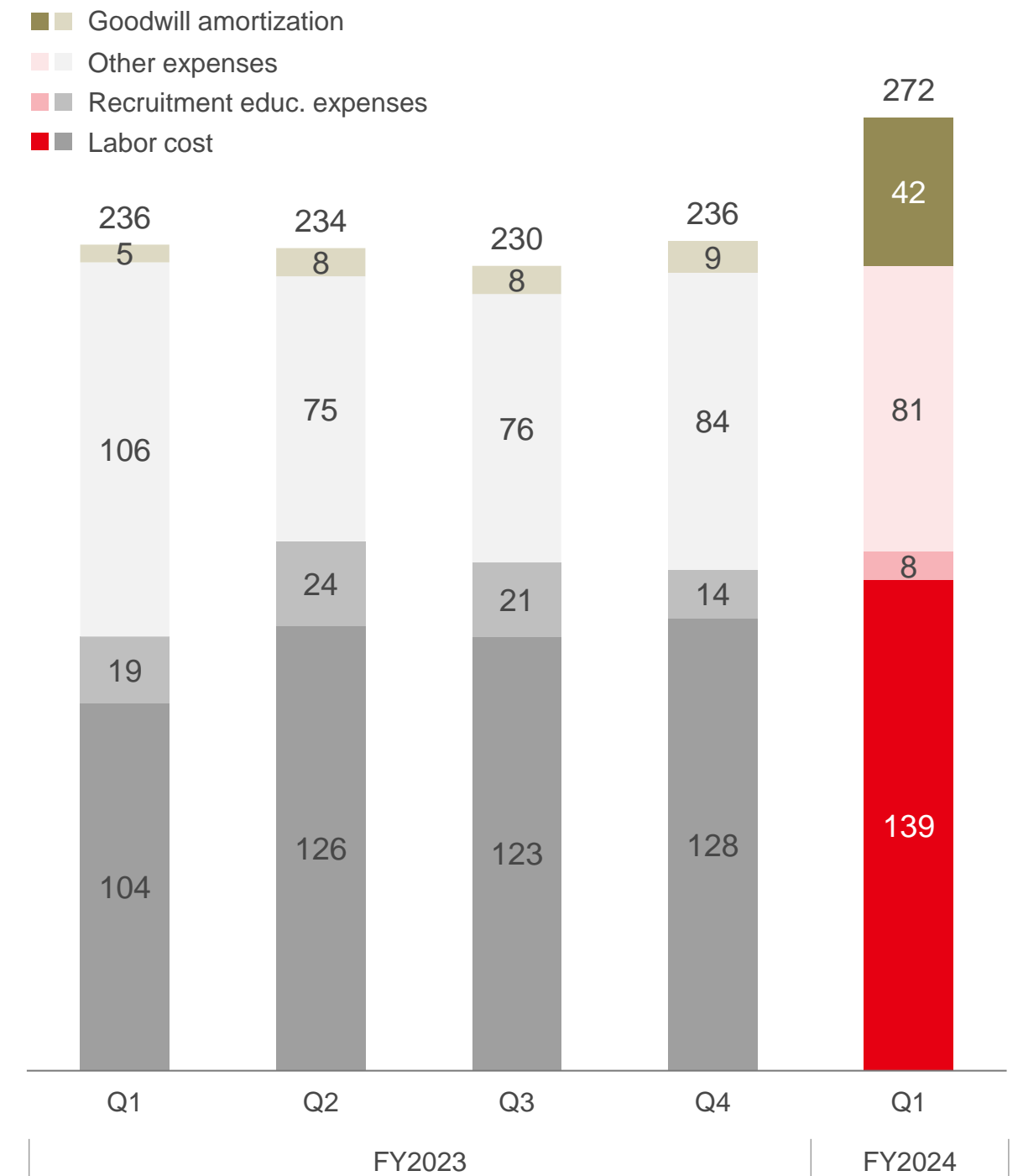
Analysis of Operating Profit Change

- ✓ Increased in goodwill amortization expense due to additional acquisition of financial technology business
- ✓ SG & A expenses consistent with the previous year

(Millions of yen)

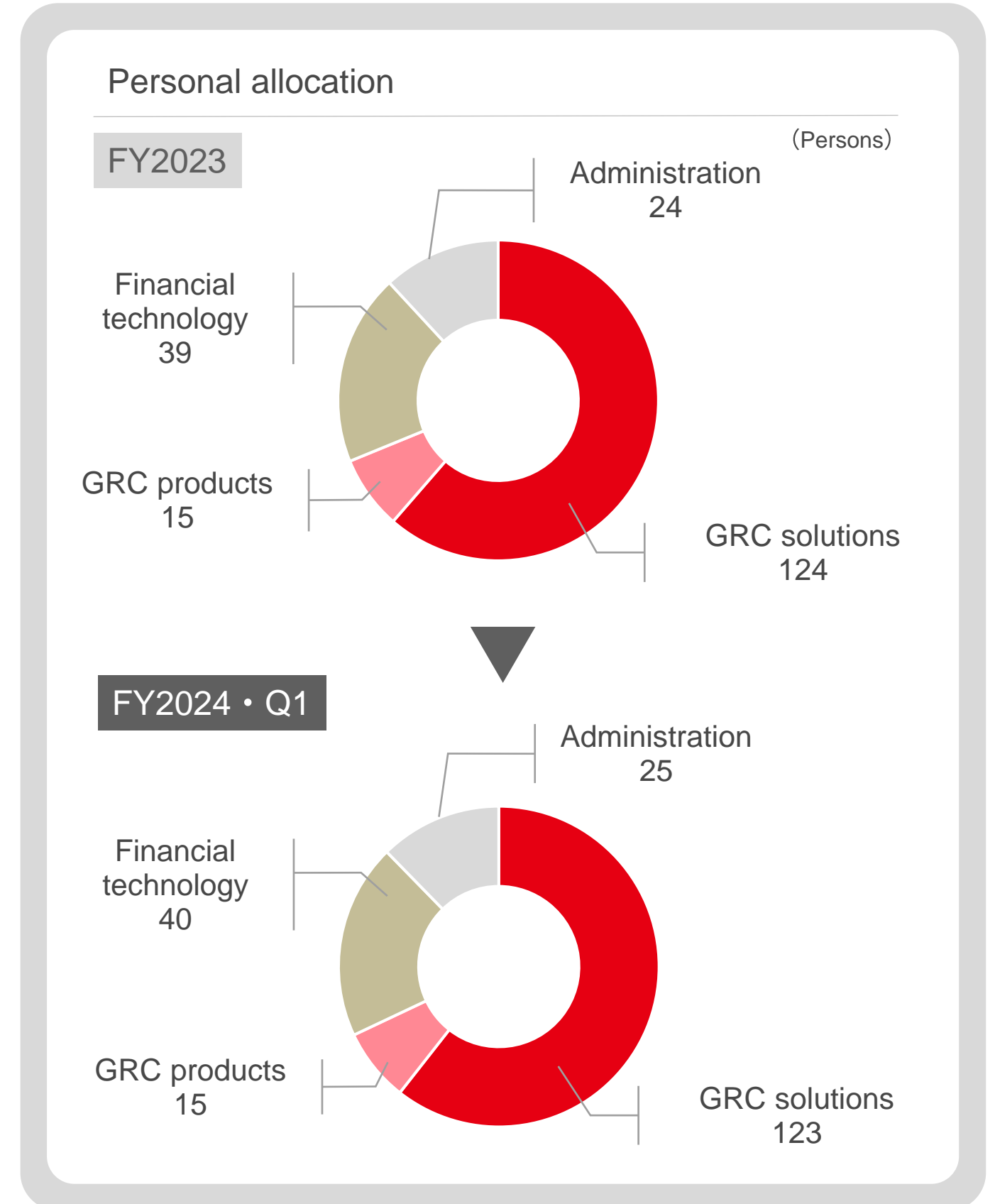
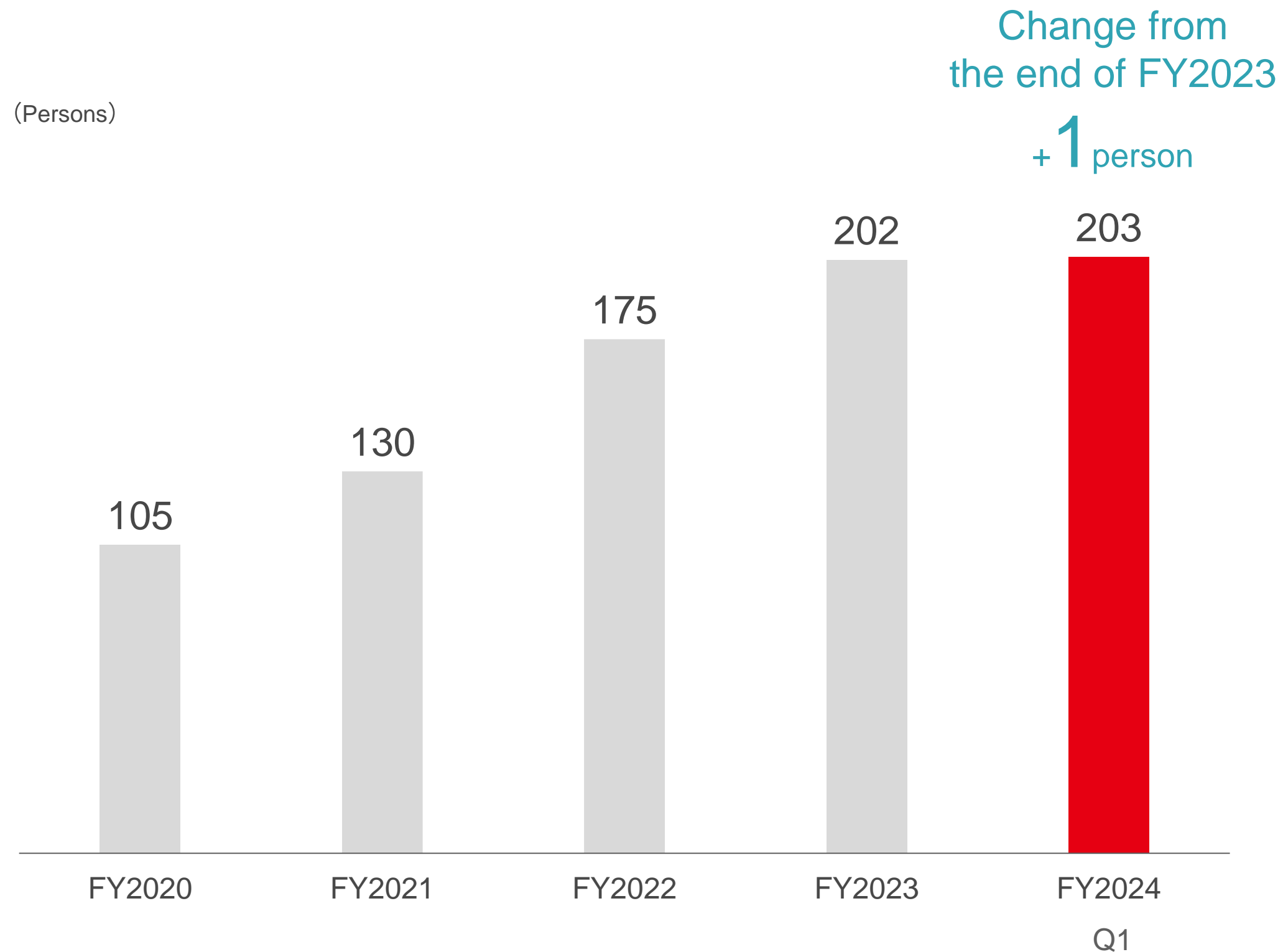


Selling, general and administrative expenses (Millions of yen)



Headcount Trends

- ✓ Maintain headcount by limiting new hires and **focusing on improving operation rate**

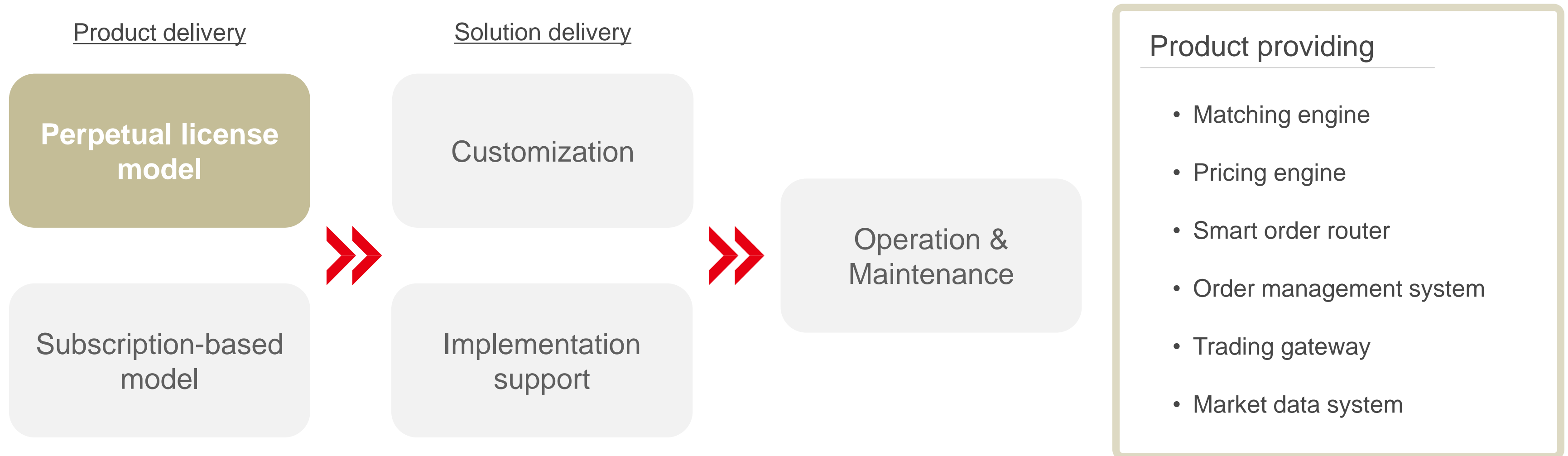


2. Topics

License business in Financial technology

- ✓ In the first quarter, **sales of perpetual licenses** contributed to both the increase in net sales and gross profit

Service flow



Launch of generative AI business

Security risk management support services utilizing generative AI

✓ Comprehensive support for promoting the utilization of generative AI, minimizing risks, and strengthening governance

Consulting/Training



Developing guidelines for companies using generative AI

Supporting the development of guidelines for internal use of generative AI and promoting its business applications

Product Implementation support/Operation & Maintenance support



Supporting companies/organizations in effectively utilizing generative AI

Supporting the implementation of products to monitor the usage of generative AI, protect confidential information, and promote safe utilization of generative AI

Operation & Maintenance support/Training



Webinar on generative AI security for companies and affiliated groups

Offering a webinar training session on security risks of utilizing generative AI

3. Earnings Forecast

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

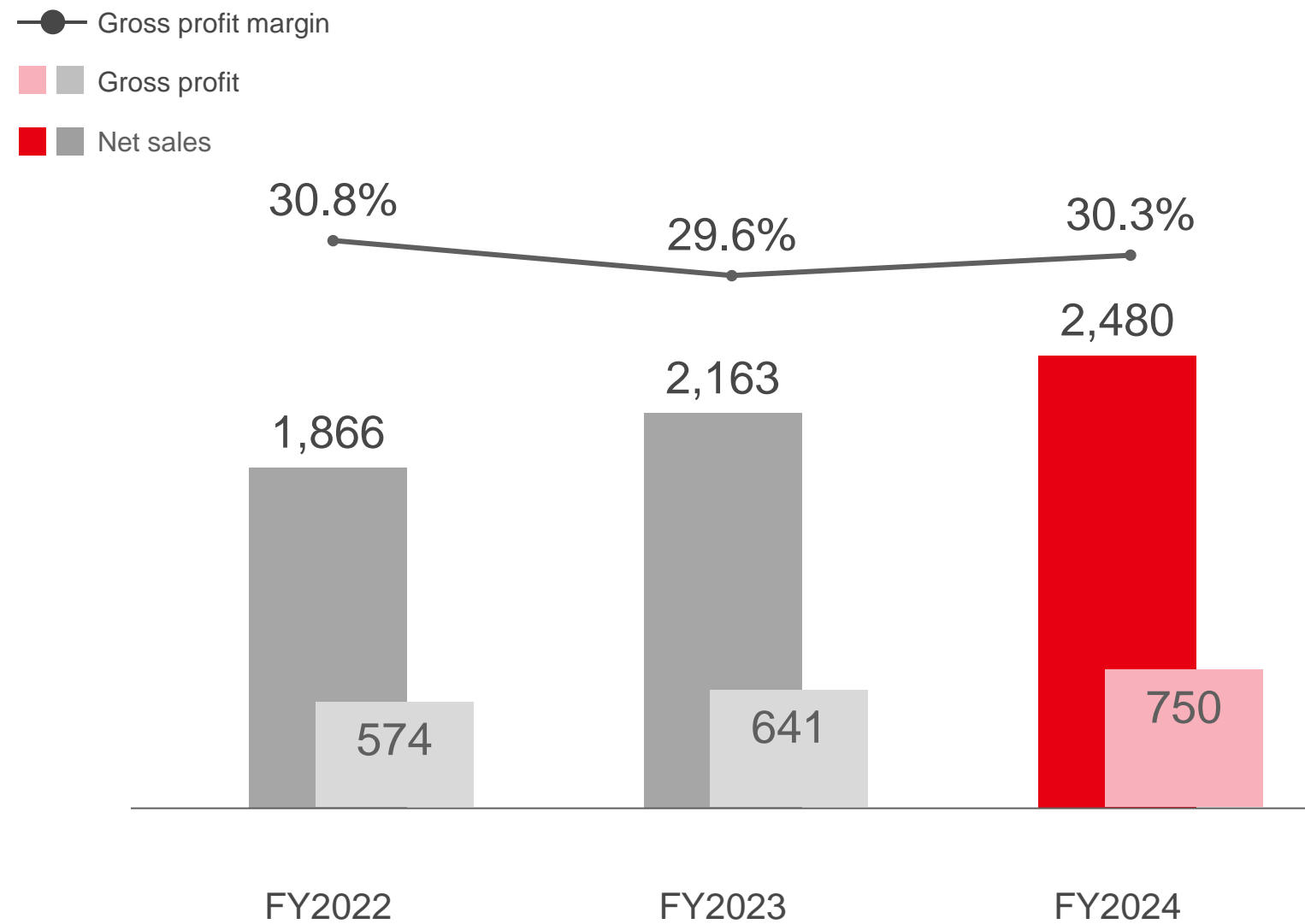
✓ **Maintain the yearly forecast** based on a conservative scenario approach

(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

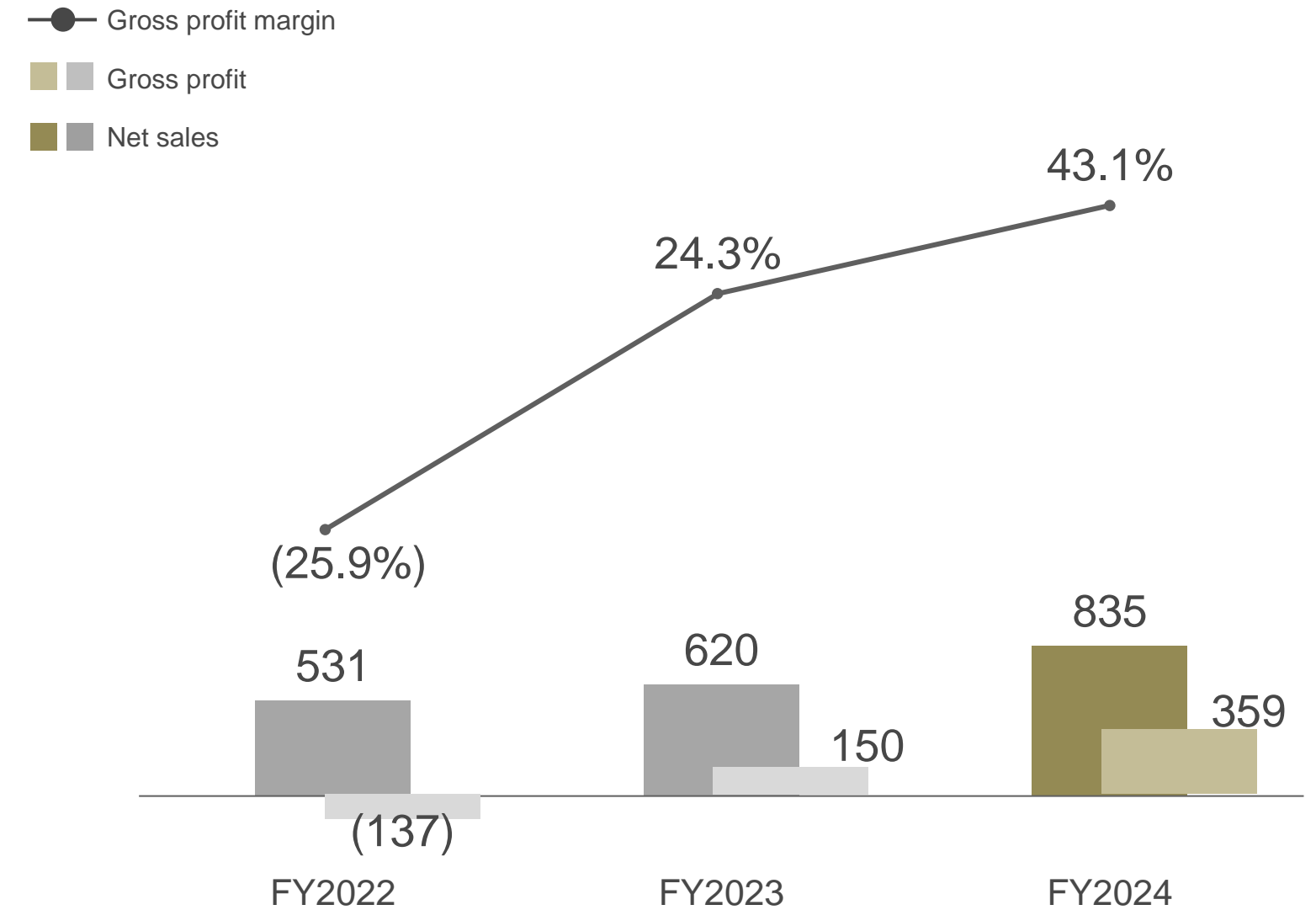
GRC solutions and product (Millions of yen)

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



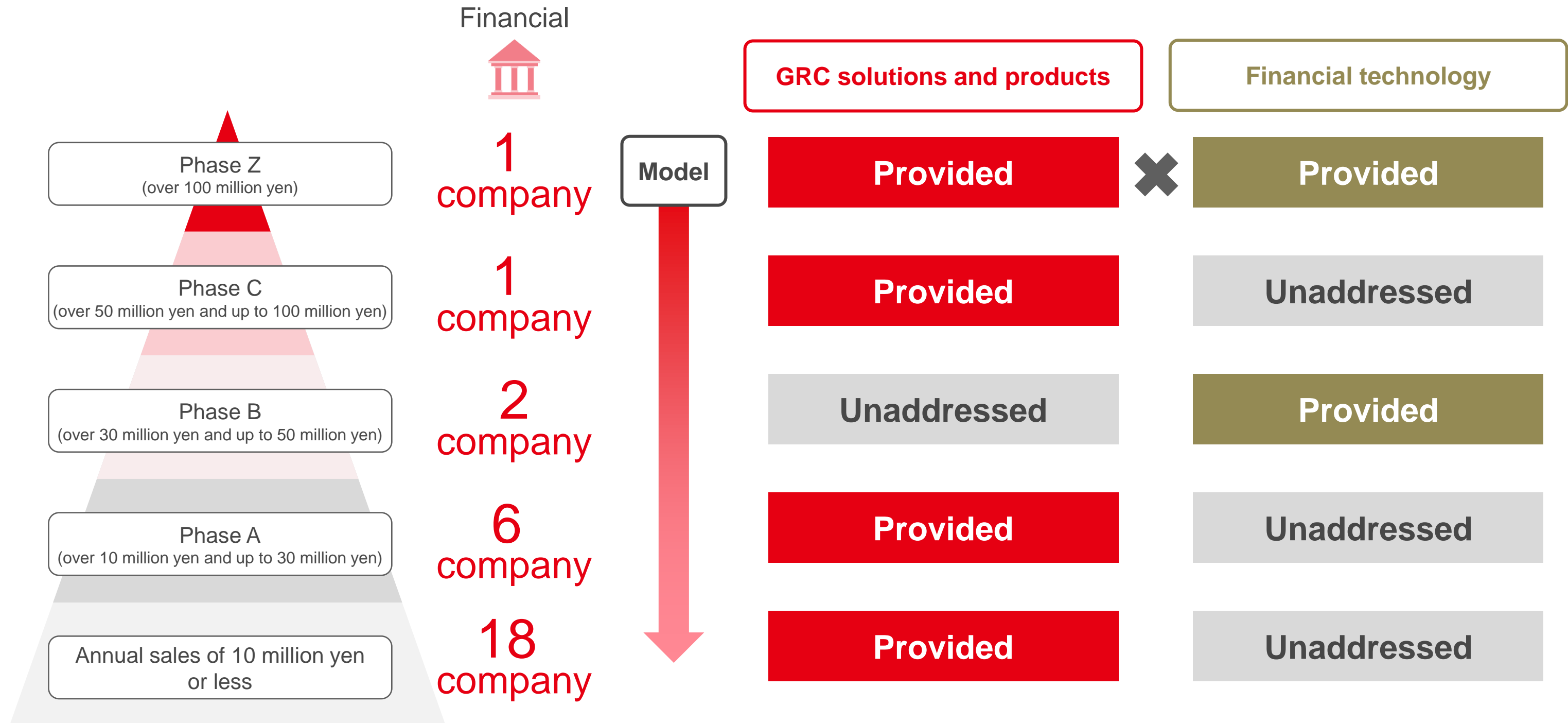
Financial technology (Millions of yen)

- ✓ Gain orders 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**



4. 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)		Koshi Oizumi, Auditor
			Yasuo Shimada, Auditor
		Shino Asayama, Auditor	



President & Representative Director

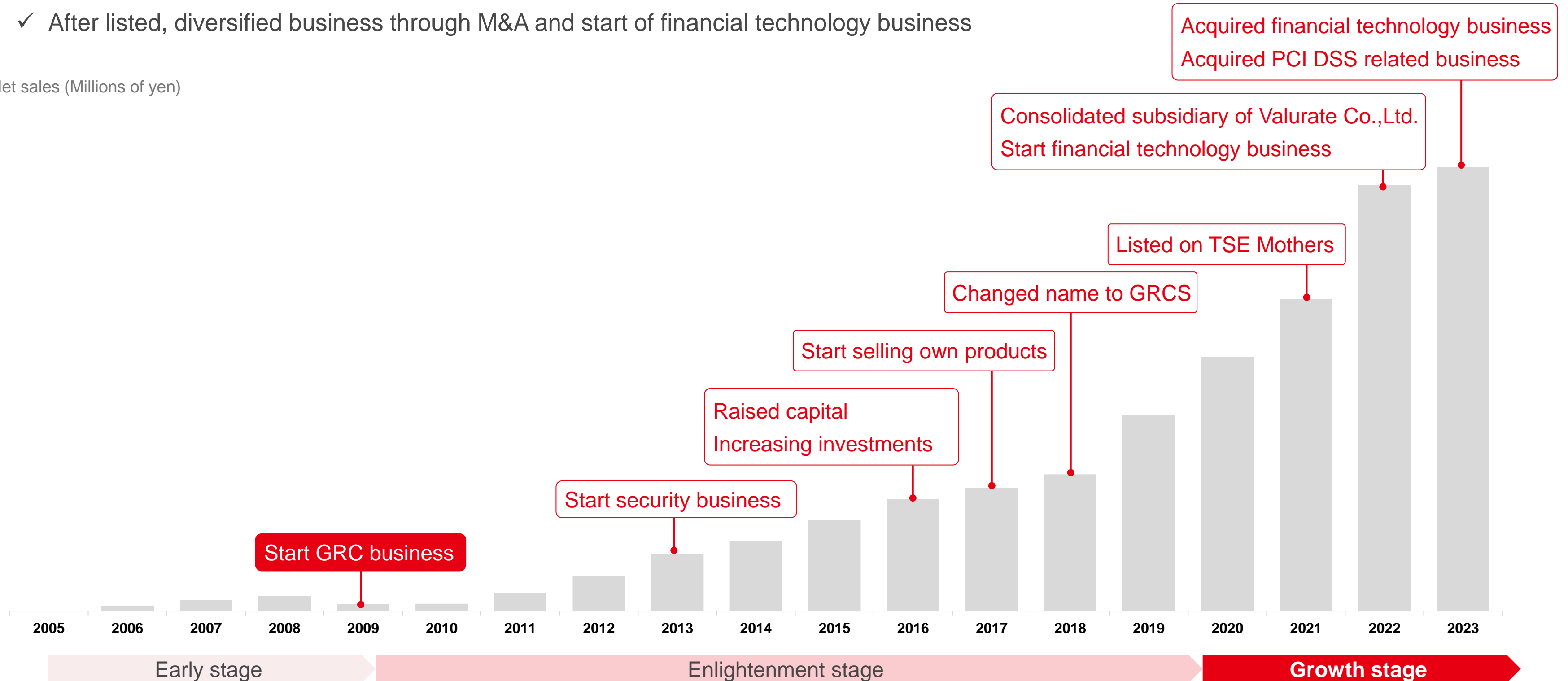
Yoshikazu Sasaki

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).

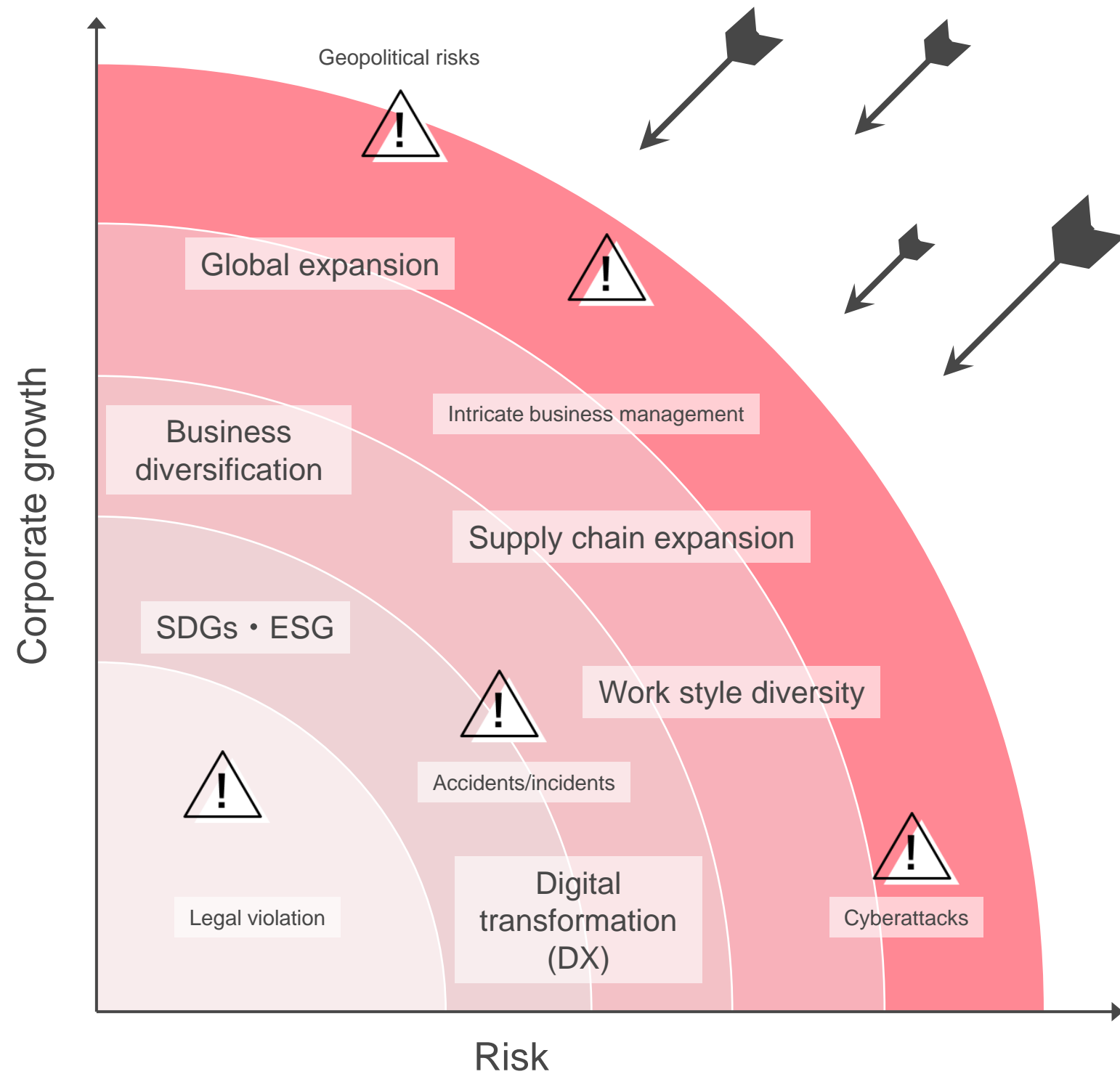
History

- ✓ **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



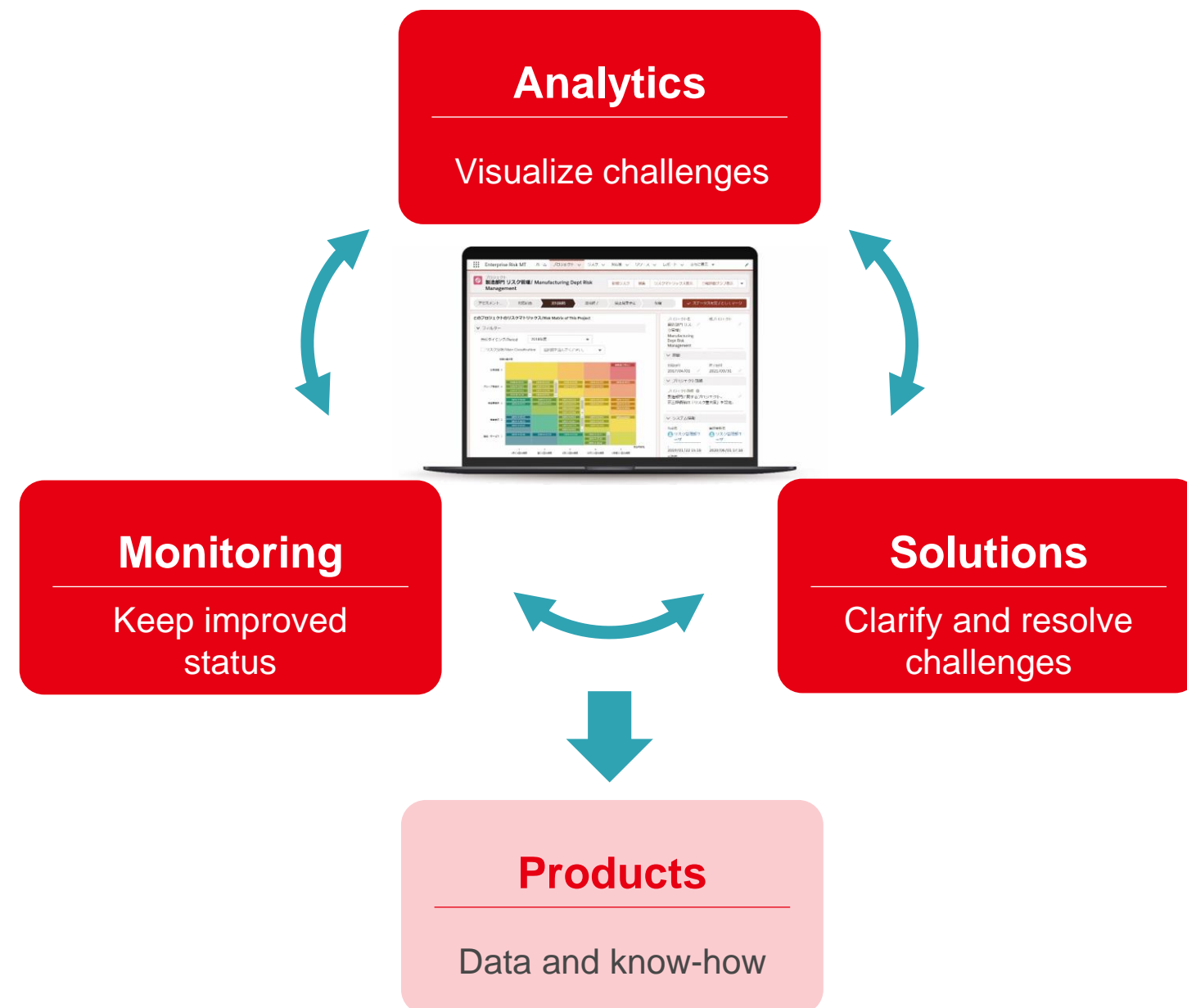
Firms are exposed to more risks as they grow
Companies are inadequately organized to protect themselves
 GRCS helps businesses grow **most efficiently** by reducing risks

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

Business Description

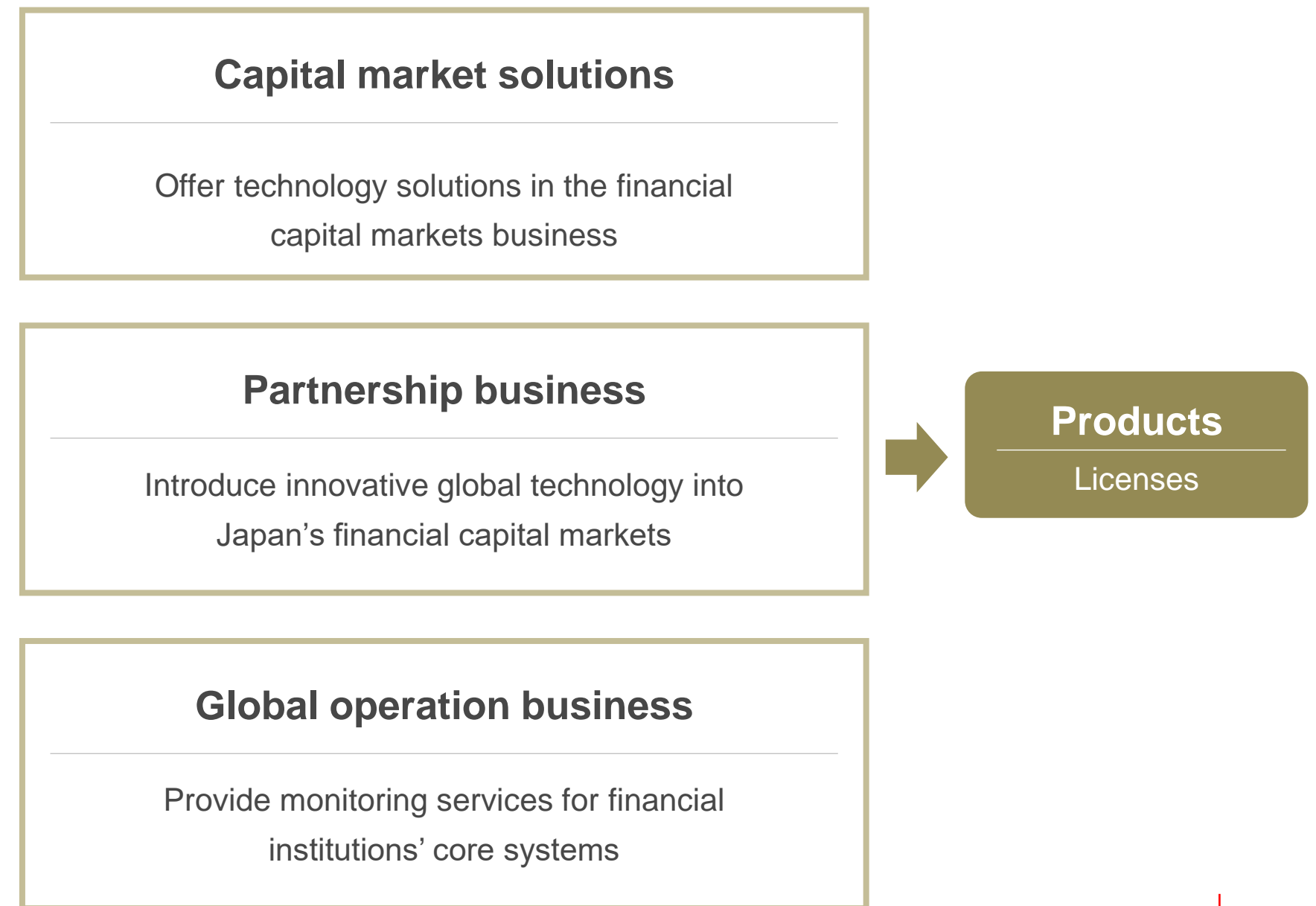
GRC security

- ✓ Visualize business challenges by using GRC products
- ✓ Offer comprehensive, one-stop support to analyze and resolve challenges and keep the improved status



Financial technology

- ✓ High-performance products that achieving global standards
- ✓ One-stop support including system development, implementation, and maintenance

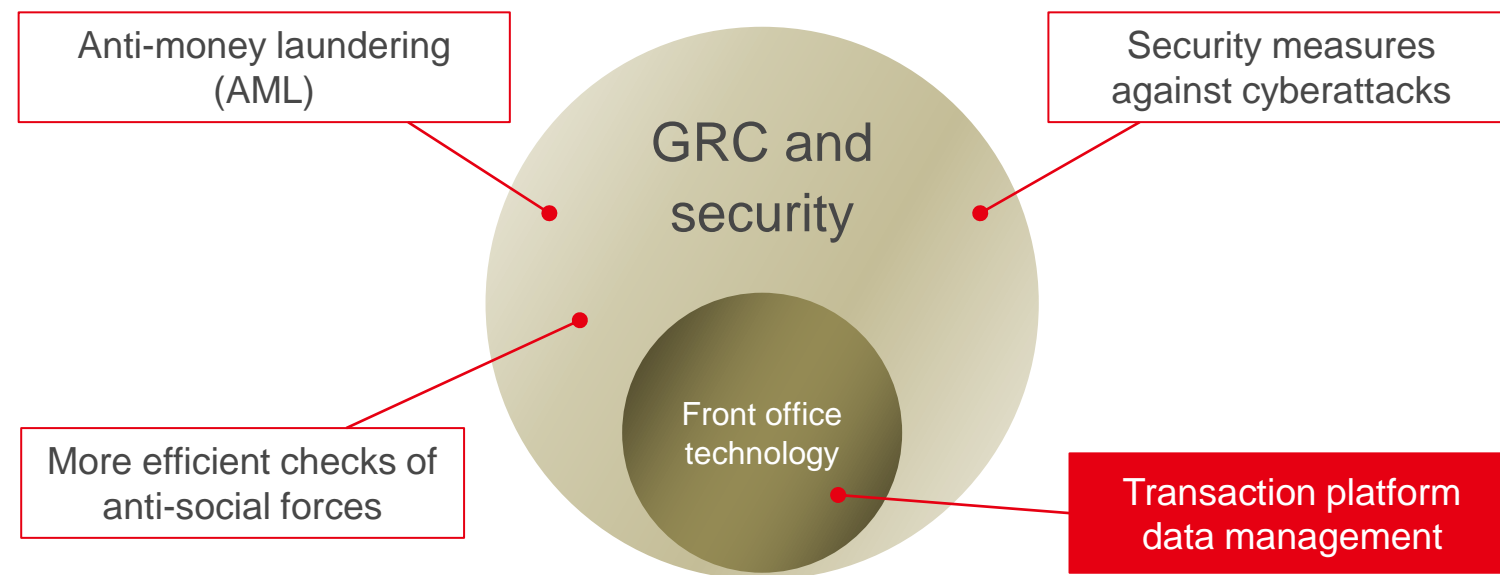


Business Strategy: GRC Security x Financial Technology

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

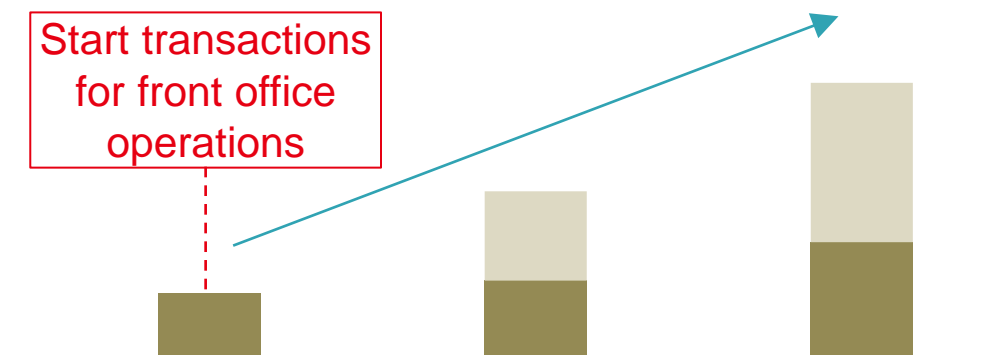
- ✓ Technology for the revenue-generating front office operations of financial institutions is highly advanced and evolving rapidly
- ✓ The level of issues in the GRC and security areas has also been elevated along with changes in the front office operations
- ✓ Comprehensive services for the front office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

How service areas will expand



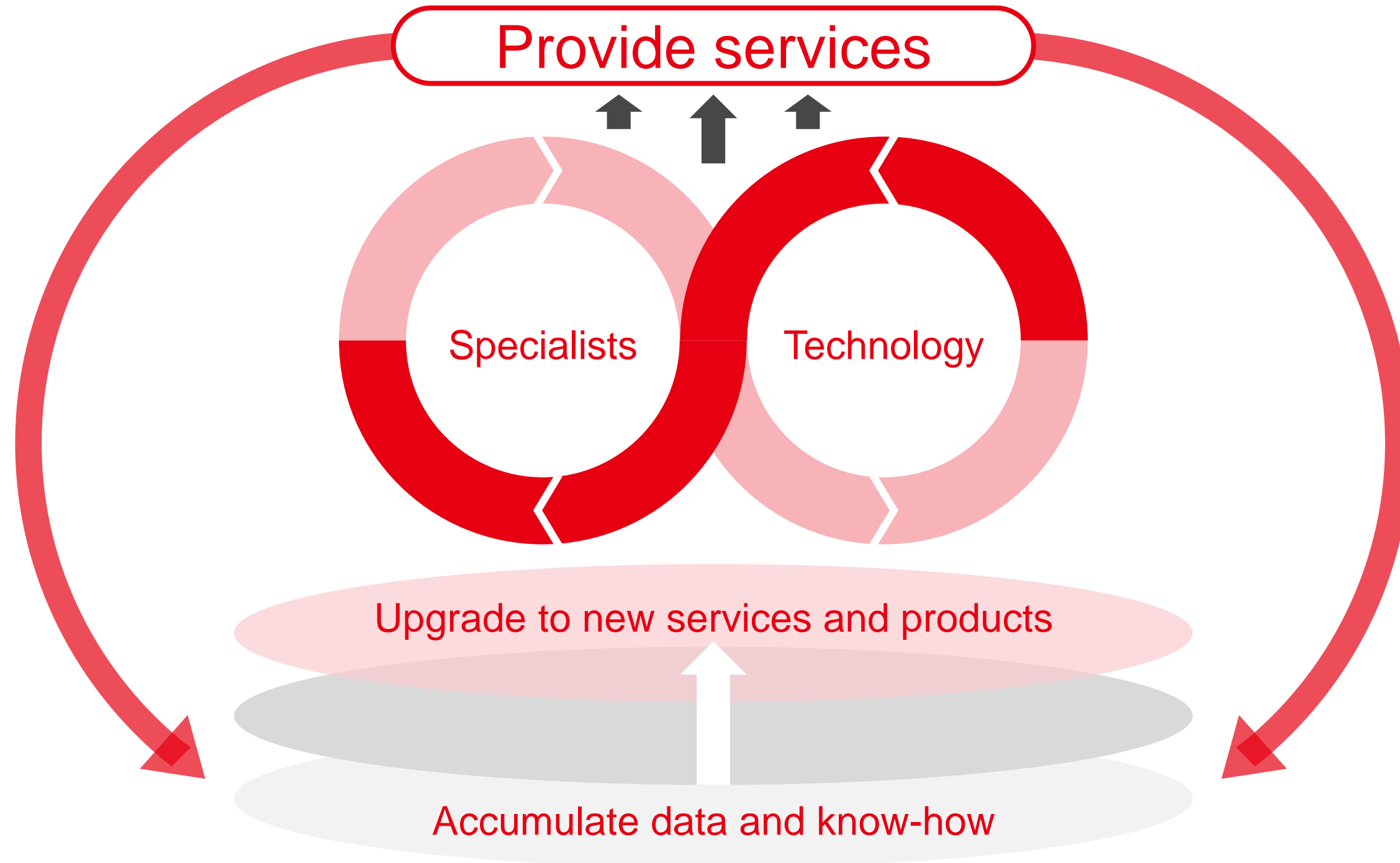
- ① Conduct transactions starting with front office operations of financial business
- ② Expand transactions in GRC and security areas through one-stop services
- ③ Address technological progress and business landscape changes in both areas to exert synergy

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

How GRCS Provides Services



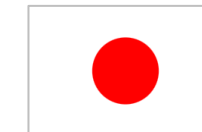
- ✓ About 150 in-house **specialists**
- ✓ A leading **GRC specialist company** in Japan
- ✓ Track record of **over 10 years**
- ✓ **Once-stop service provider**
- ✓ **Global Fin Tech**

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

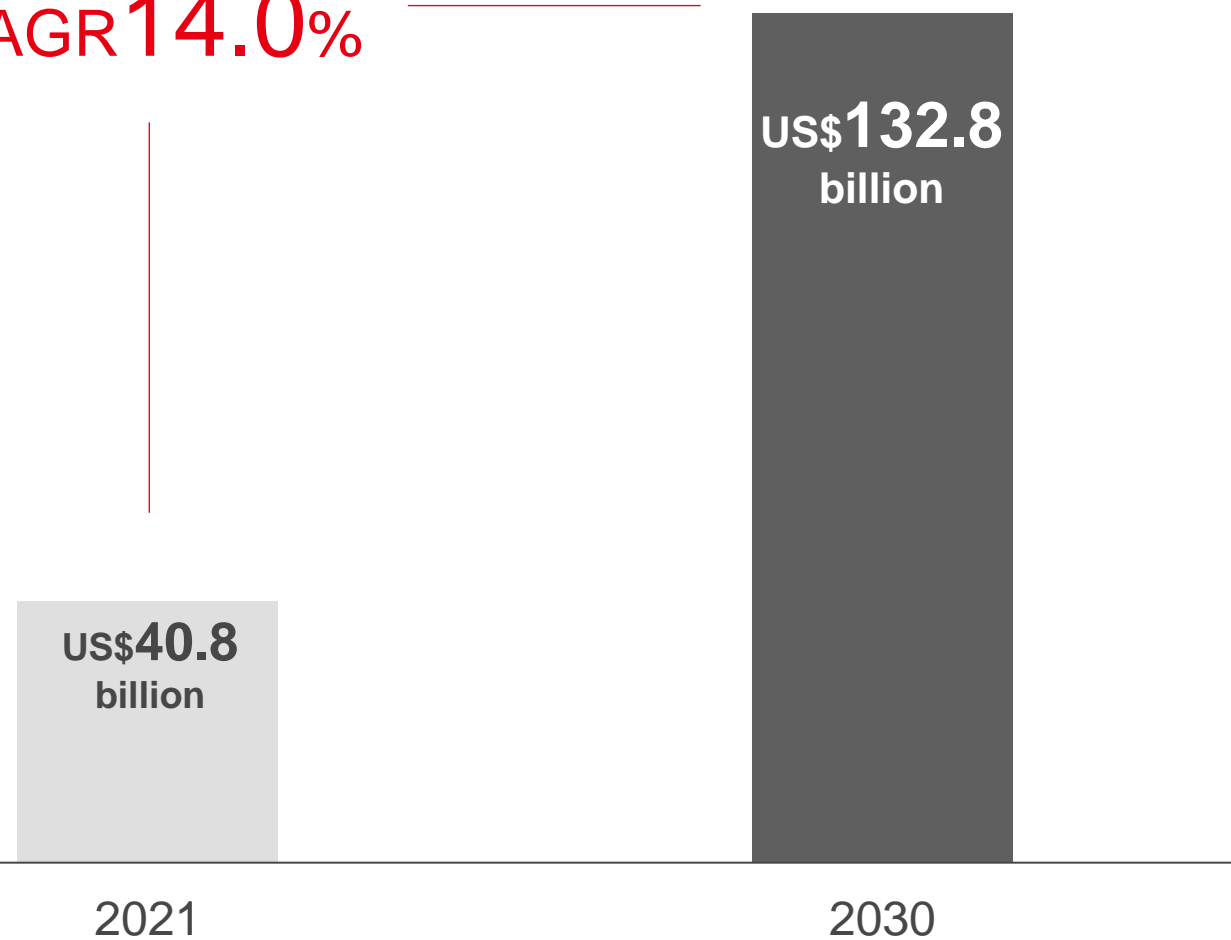


Global GRC market*



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

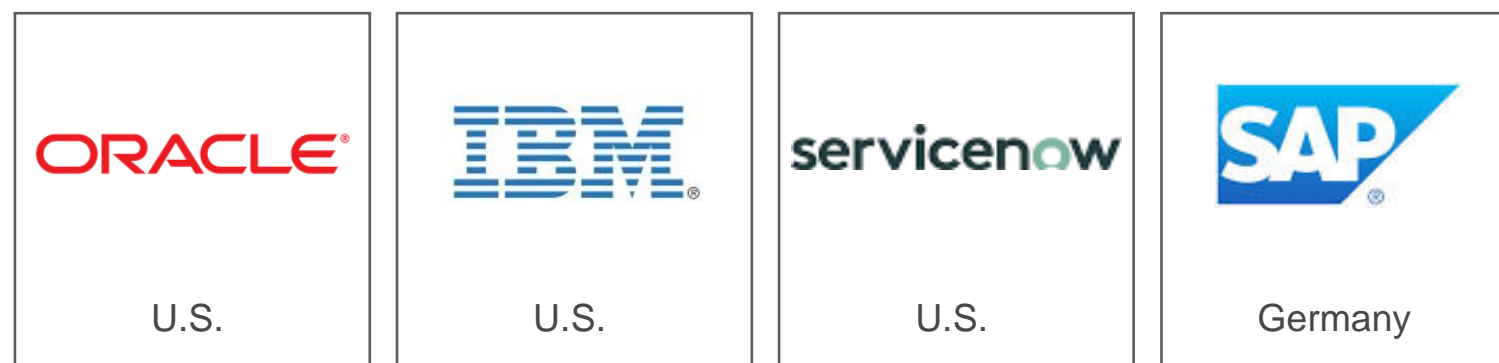
Major foreign accounting consulting firms and solution vendors

All-round and expensive services

Solutions




Products



Specialized in protecting enterprise management

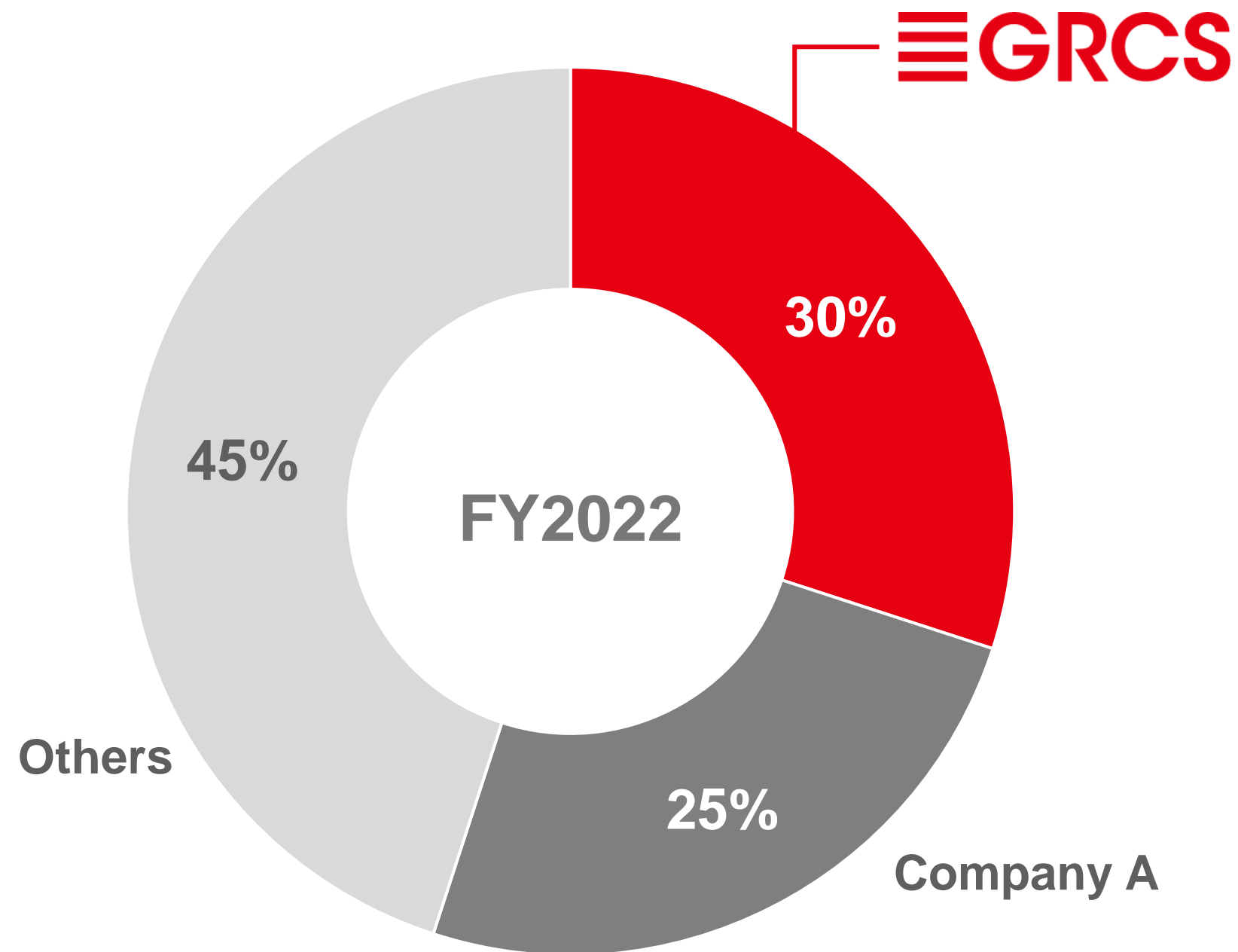
Provide reasonably-priced services in anticipation of continuing contracts



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

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

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.

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.

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