

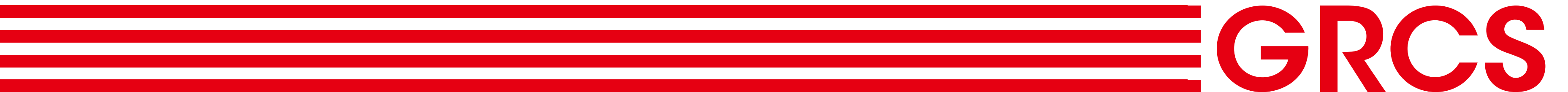
Fiscal Year ended November 30, 2024 (FY2024)

Financial Results Briefing

GRCS Inc.

Securities code: 9250

January 14, 2025



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.

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1. Company Profile

MISSION

Accelerate Evolution

VISION

Tech Makes It Simple

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	363 million yen		Keiichi Kubo, Outside Director
Address	Palace Building 5F, 1-1-1 Marunouchi, Chiyoda-ku, Tokyo		Osamu Yamano, Outside Director
No. of employees	213 (as of November 30, 2024, consolidated)		Koshi Oizumi, Auditor
			Yasuo Shimada, Auditor
			Shino Iga, Auditor

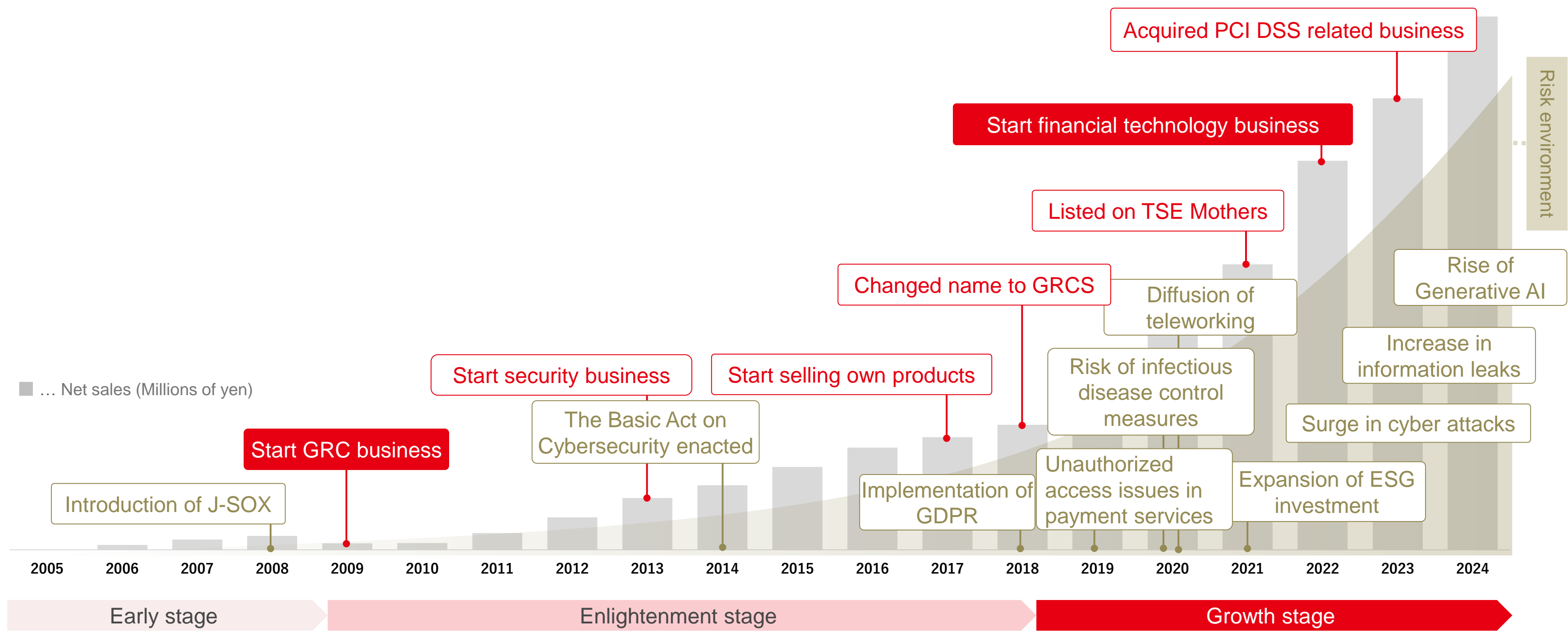


President & Representative Director

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).

- ✓ Developed services in response to changing risk environments and achieved rapid growth
- ✓ **Achieved 15 consecutive years of growth in sales** since GRC business started in 2009





GRC Security Business

Resolving corporate challenges from
GRC and security perspective

G
Governance

R
Risk

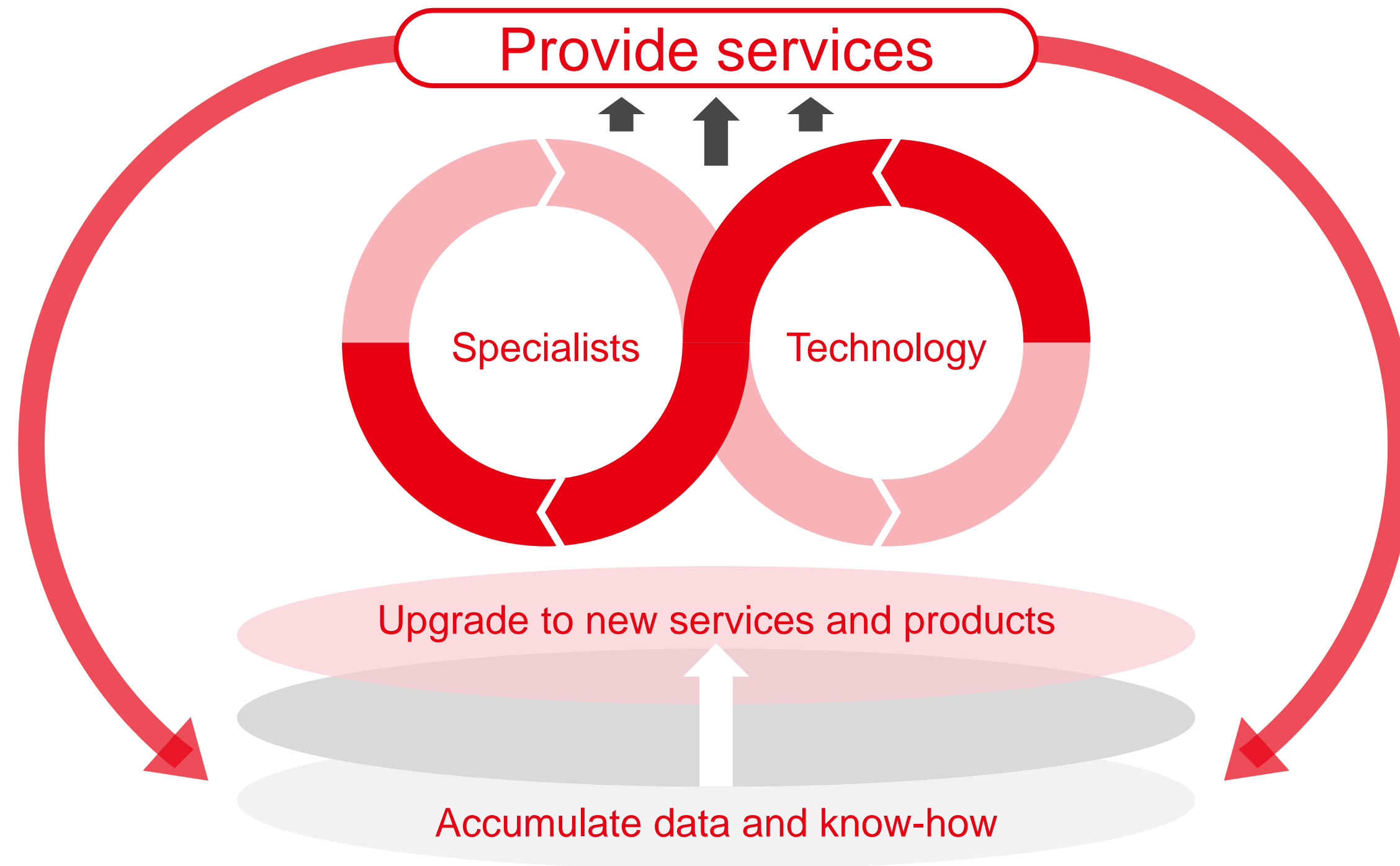
C
Compliance

S
Security



Financial Technology Business

Advanced technology solutions for
capital markets



- ✓ About 200 in-house **specialists**
- ✓ A leading **GRC specialist company** in Japan
- ✓ Track record of **over 15 years**
- ✓ **One-stop service provider**
- ✓ **Global Fin Tech**

2. Financial Results for FY2024 Ended November 2024

FY 2024 Objective

“Challenge to Revitalize the business” ▶ Transition from growth investment to profitable phase Financial technology business

Net sales

3,288 million yen
+18.1% year on year

Gross profit

1,072 million yen
+35.4% year on year

EBITDA

153 million yen
-98 million yen last year

Operating profit

44 million yen
-145 million yen last year

Business progress

- Limited new hires and leveraged the hires from FY2023 to generate revenue
- Gained orders of carried over projects

➤ Achieved profitability

Topics

GRC security business

Increase in business with insurance companies

Financial technology business

Started business with another securities company

* : EBITDA=Operating profit + Depreciation + Goodwill amortization

Financial Results Highlights

- ✓ Achieved 15 consecutive periods of sales growth, reaching a record high
- ✓ Achieved revitalizing the business from consecutive losses over the past two periods

(Millions of yen)	FY2023	FY2024	Change amount	Change ratio	FY2024 forecast	Progress ratio
Net sales	2,783	3,288	504	18.1%	3,315	99.2%
GRC Security	2,163	2,350	186	8.6%	2,480	94.7%
Financial technology	620	938	318	51.3%	835	112.4%
Gross profit	791	1,072	280	35.4%	—	—
Gross profit margin	28.4%	32.6%	+4.2pt	—	—	—
Selling, general and administrative expenses	937	1,028	90	9.7%	—	—
EBITDA	(98)	153	251	—	161	95.1%
Operating profit (loss)	(145)	44	189	—	53	82.2%
Ordinary profit (loss)	(173)	25	198	—	34	73.3%
Profit (loss) attributable to owners of parent	(280)	112	392	—	17	656.5%

* : EBITDA=Operating profit + Depreciation + Goodwill amortization
* : For the fiscal year ending November 2024, a corporate tax adjustment of -115 million yen has been recorded due to the application of tax effect accounting

Financial Results Highlights (Quarterly Trends)

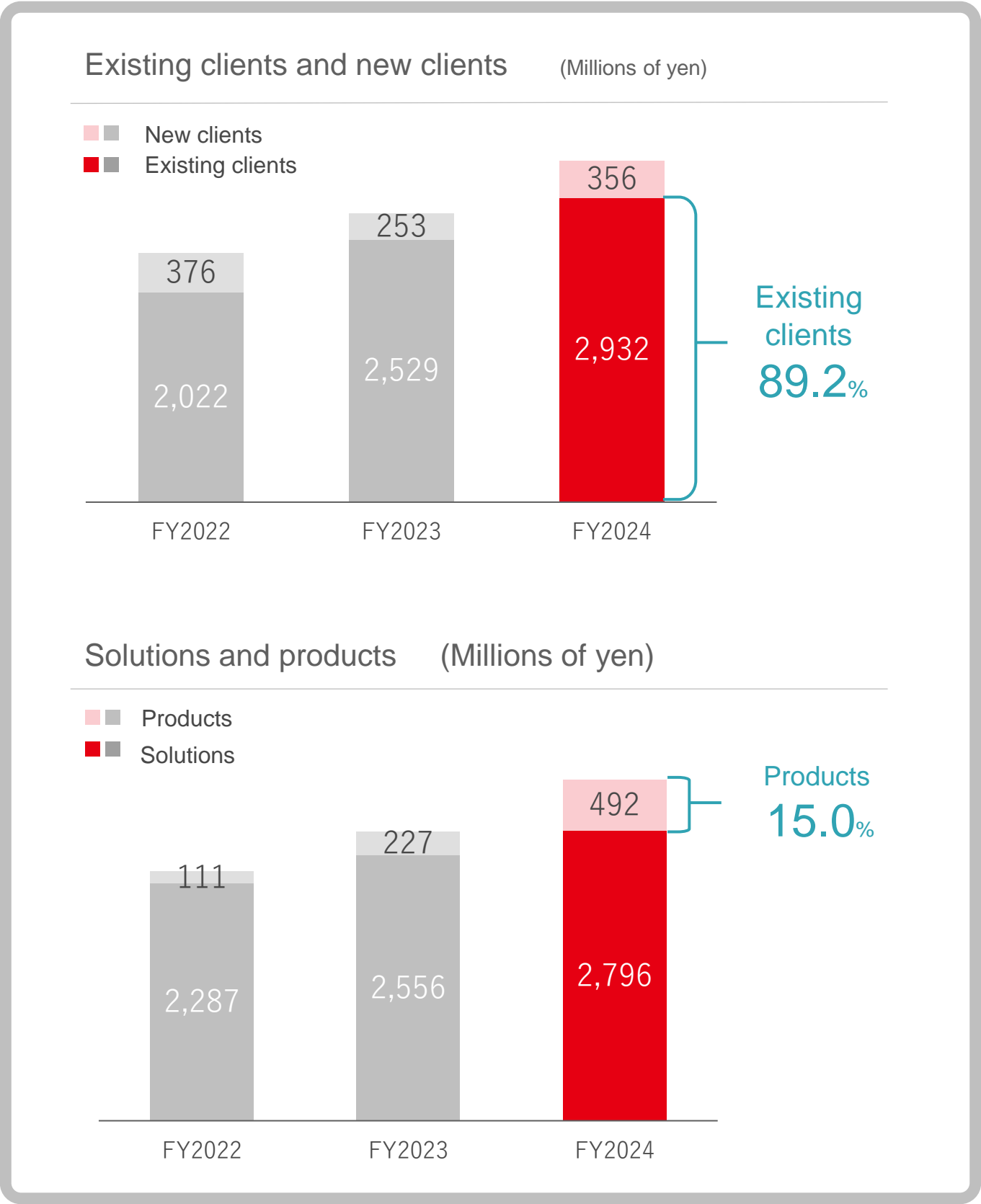
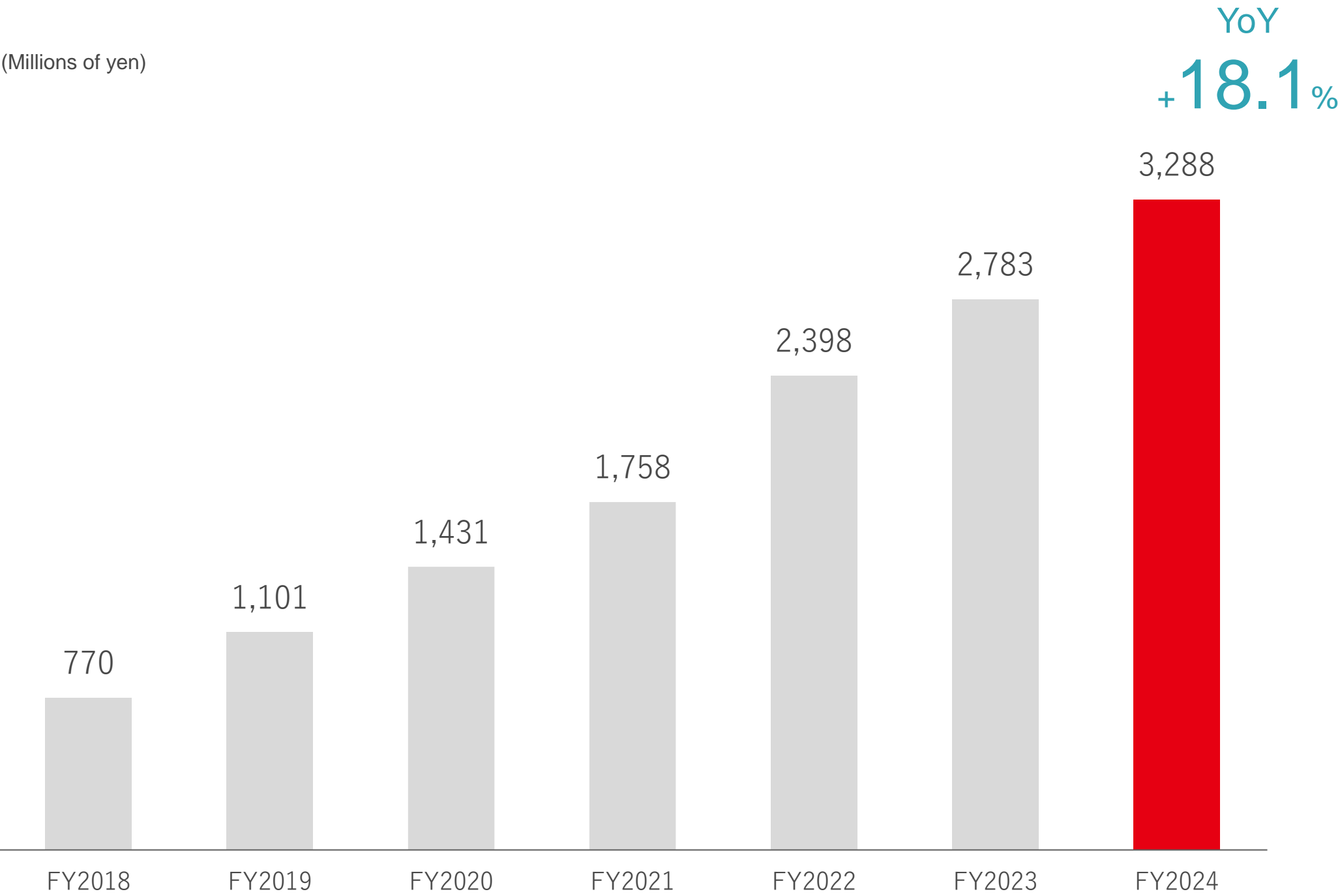
- ✓ The gross profit margin remained at the same level as the previous fiscal year
- ✓ Cost control on a quarterly basis and reduced SG&A expenses

	FY2023				FY2024				Year on Year change
(Millions of yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Net sales	675	691	681	736	868	747	811	861	17.0%
GRC Security	538	534	525	565	536	553	630	630	11.5%
Financial technology	136	156	155	171	331	194	181	231	35.2%
Gross profit	139	205	194	252	359	211	214	287	13.9%
Gross profit margin	20.6%	29.8%	28.6%	34.2%	41.4%	28.2%	26.4%	33.3%	-0.9pt
Selling, general and administrative expenses	236	234	230	236	272	267	256	231	-2.0%
EBITDA	(88)	(17)	(22)	29	133	(35)	(21)	76	160.5%
Operating profit (loss)	(96)	(28)	(35)	15	87	(56)	(42)	55	253.6%
Ordinary profit (loss)	(93)	(37)	(44)	2	83	(65)	(45)	53	—
Profit (loss) attributable to owners of parent	(106)	(54)	(51)	(68)	66	(63)	(36)	146	—

* : EBITDA=Operating profit + Depreciation + Goodwill amortization

Trends in Net Sales

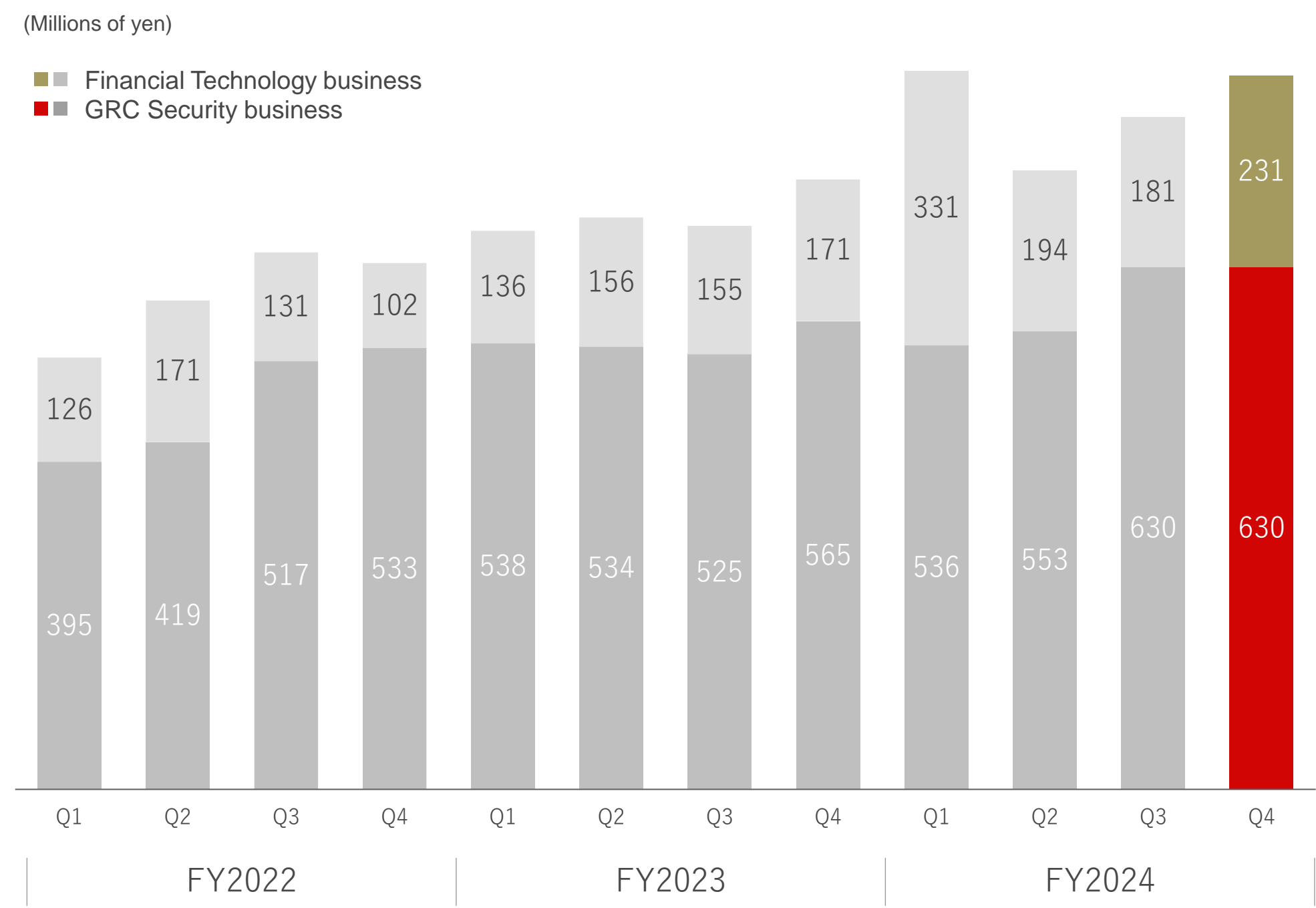
- ✓ **Stable growth** driven by revenue from existing clients
- ✓ Increased proportion of product sales leads to **recurring revenue**



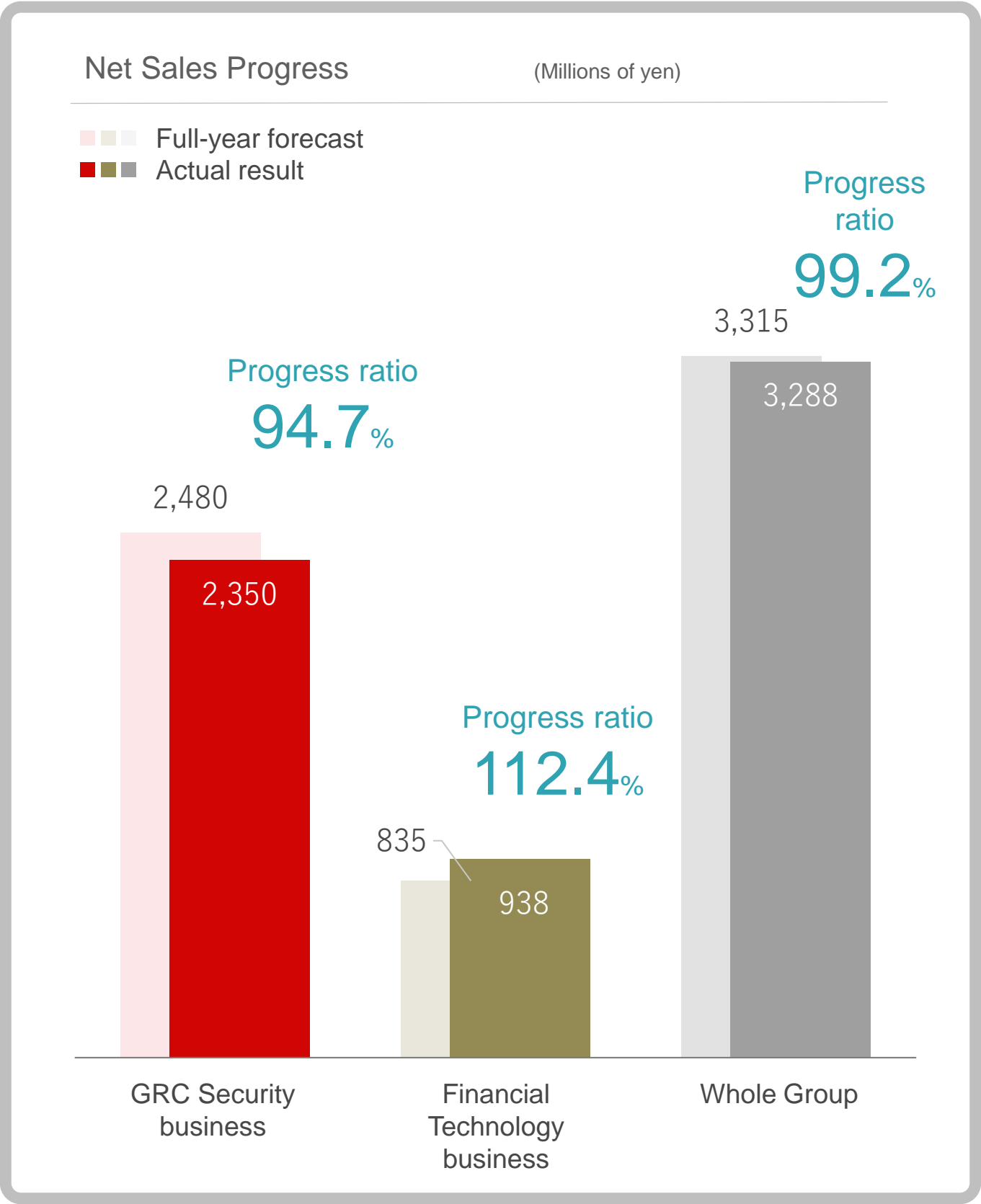
* : GRCS shifted to consolidated accounting in Q3 FY2022

Quarterly Trends in Net Sales by Business Unit

- ✓ Demand remains strong in GRC Security business although the target was not met
- ✓ Steady progress in Financial Technology business through engagement with a new securities company

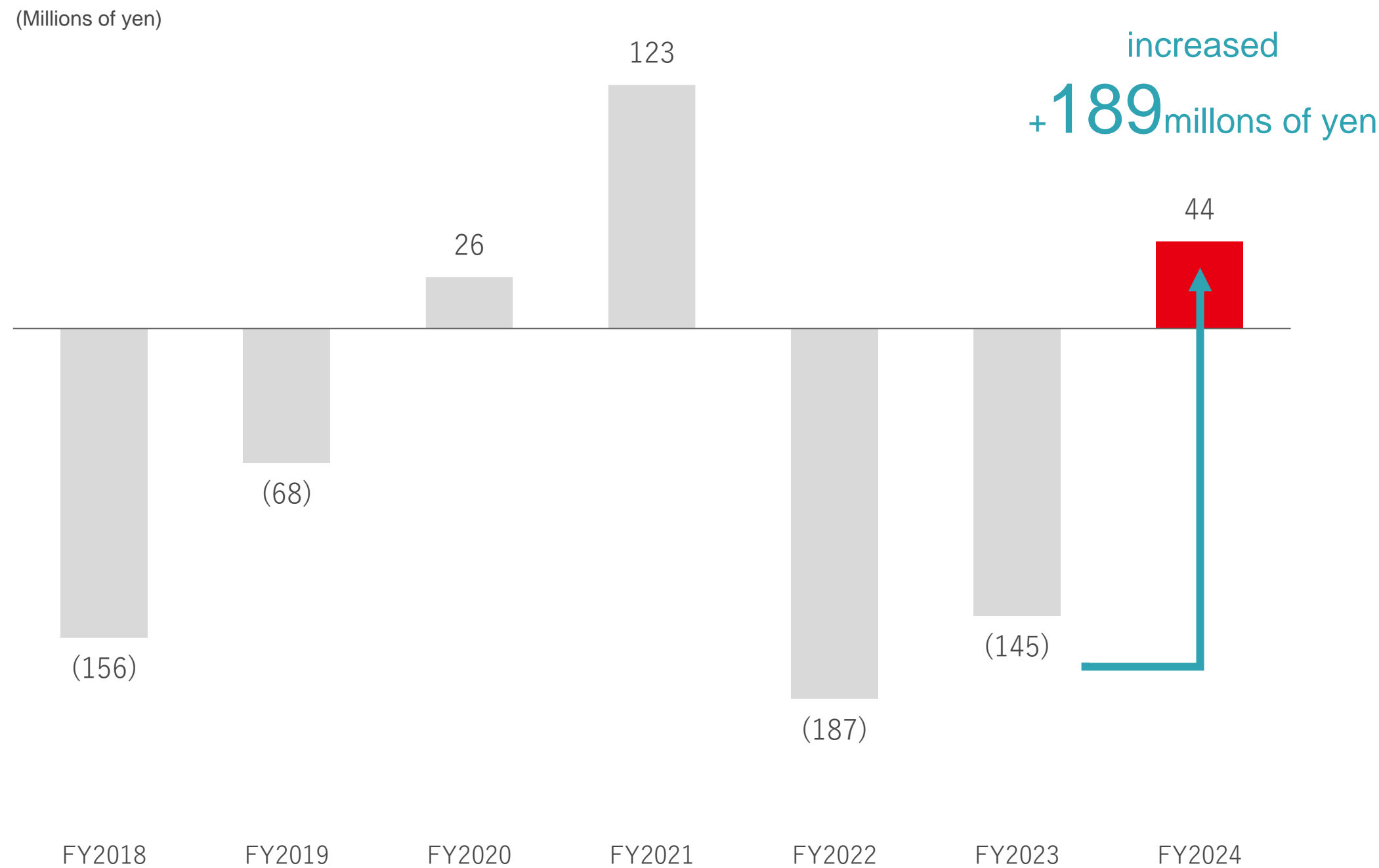


* : GRCS shifted to consolidated accounting in Q3 FY2022

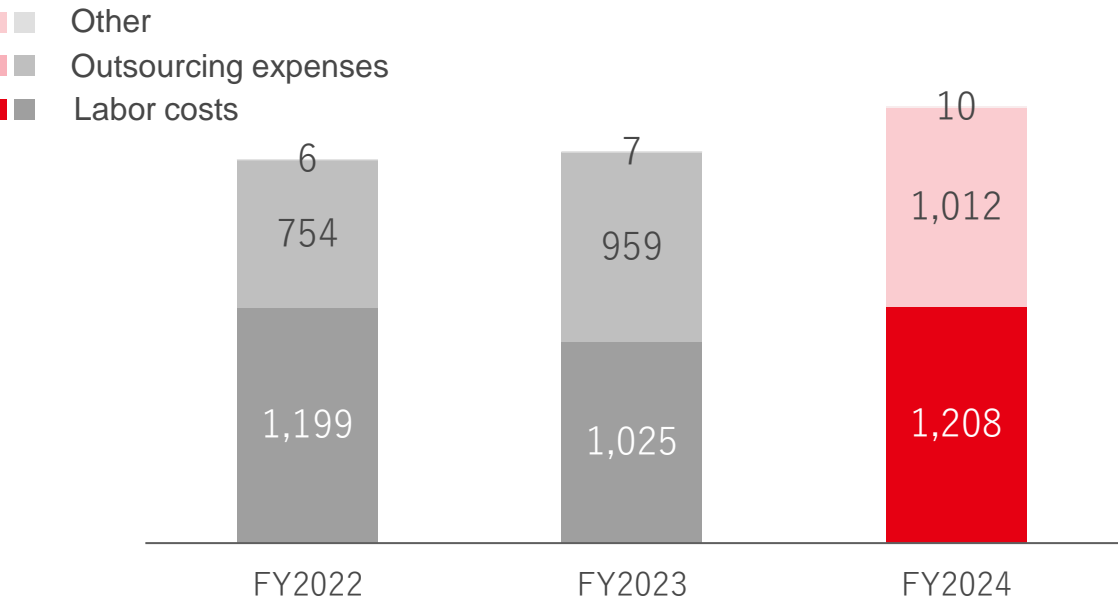


Trends in Operating Profit

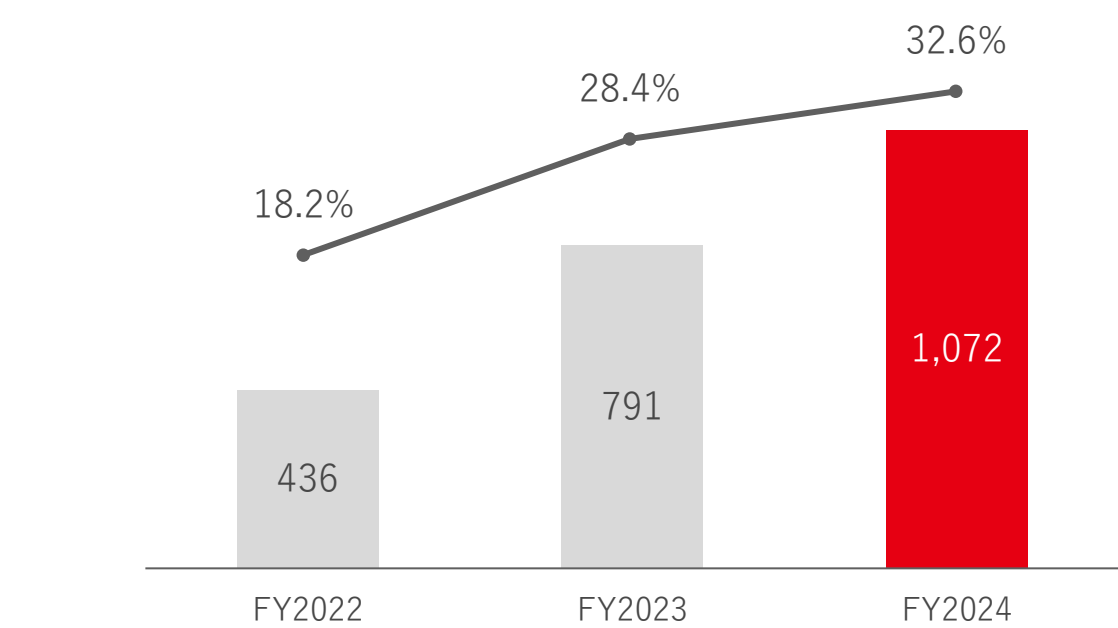
- ✓ Increased **recurring revenue** contributed to improvement in gross profit margin
- ✓ **Operating profit has turned positive**, owing to the increase in gross profit



Cost of sales (Millions of yen)



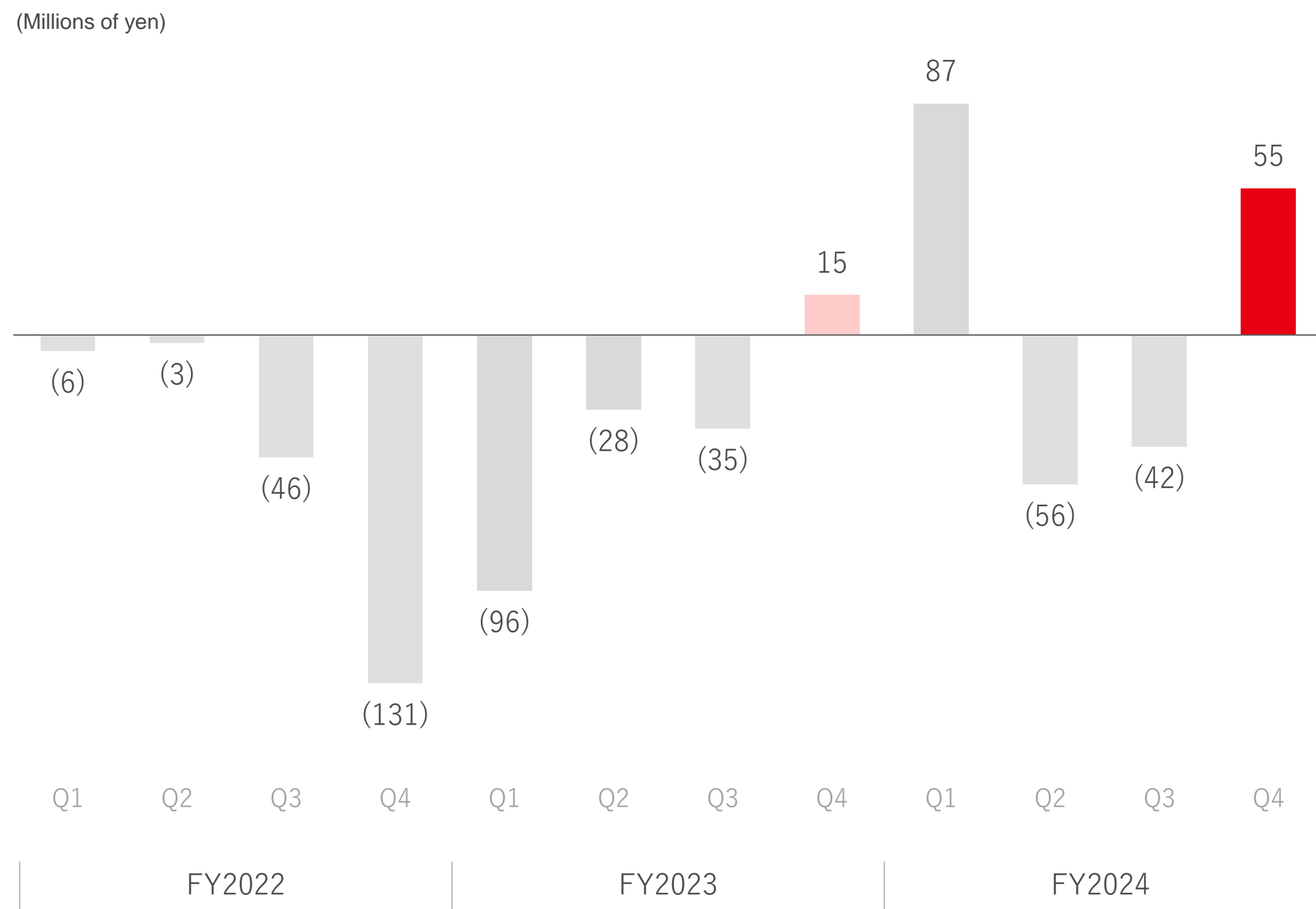
Gross profit/gross profit margin (Millions of yen)



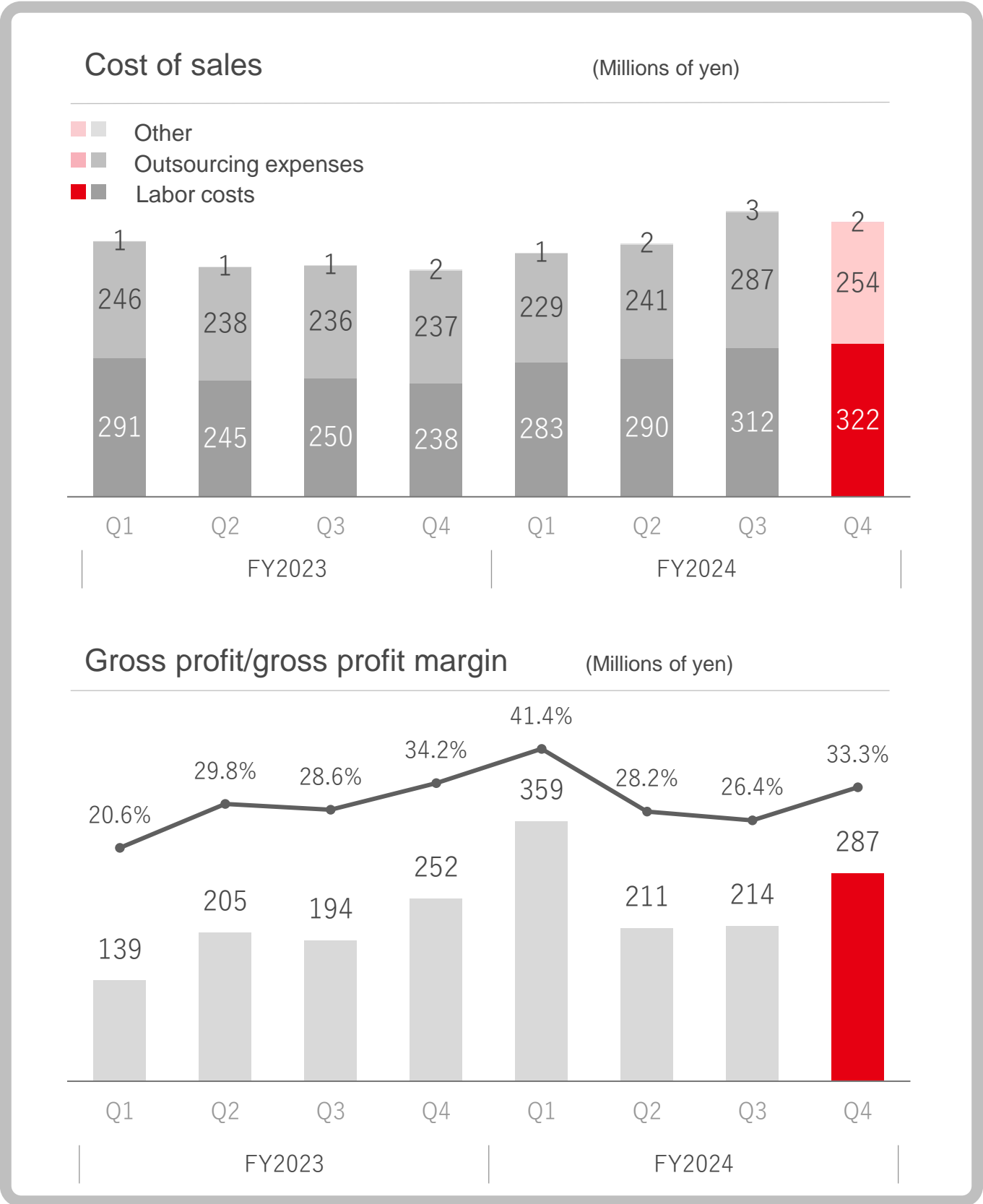
* : GRCS shifted to consolidated accounting in Q3 FY2022

Quarterly Trends in Operating Profit

✓ Operating rate improved, leading to an increase in both gross profit and profit margin

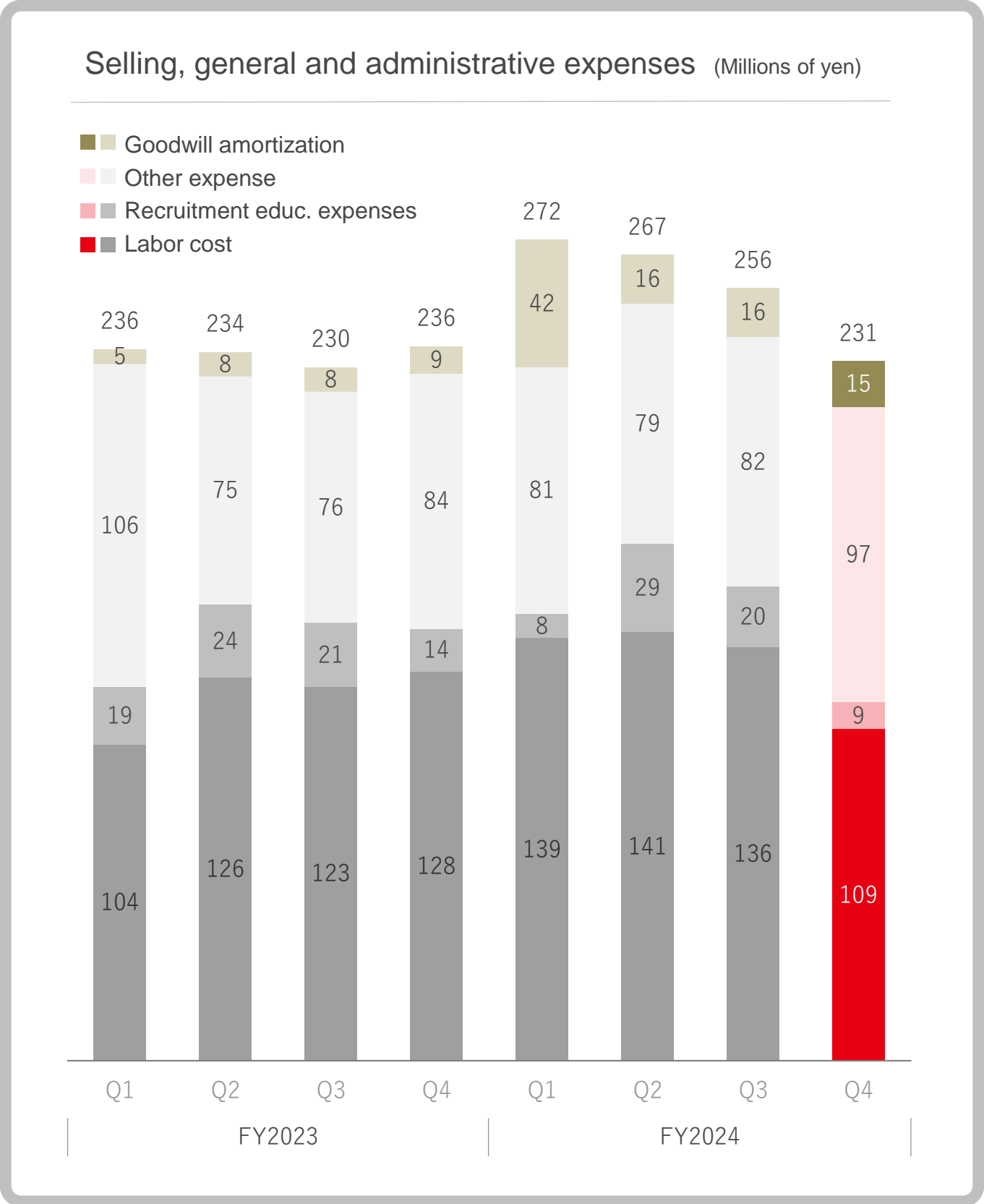
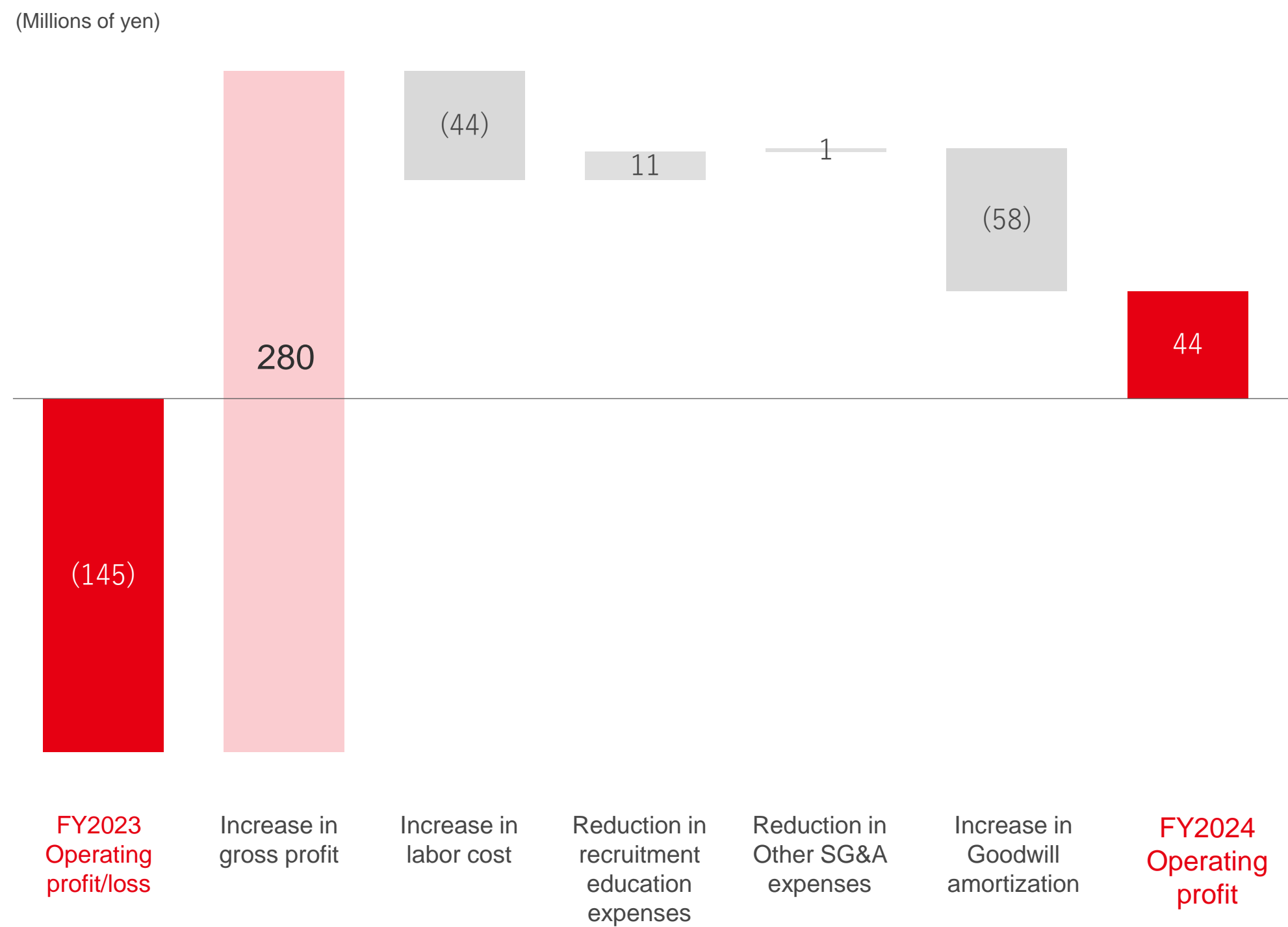


* : GRCS shifted to consolidated accounting in Q3 FY2022



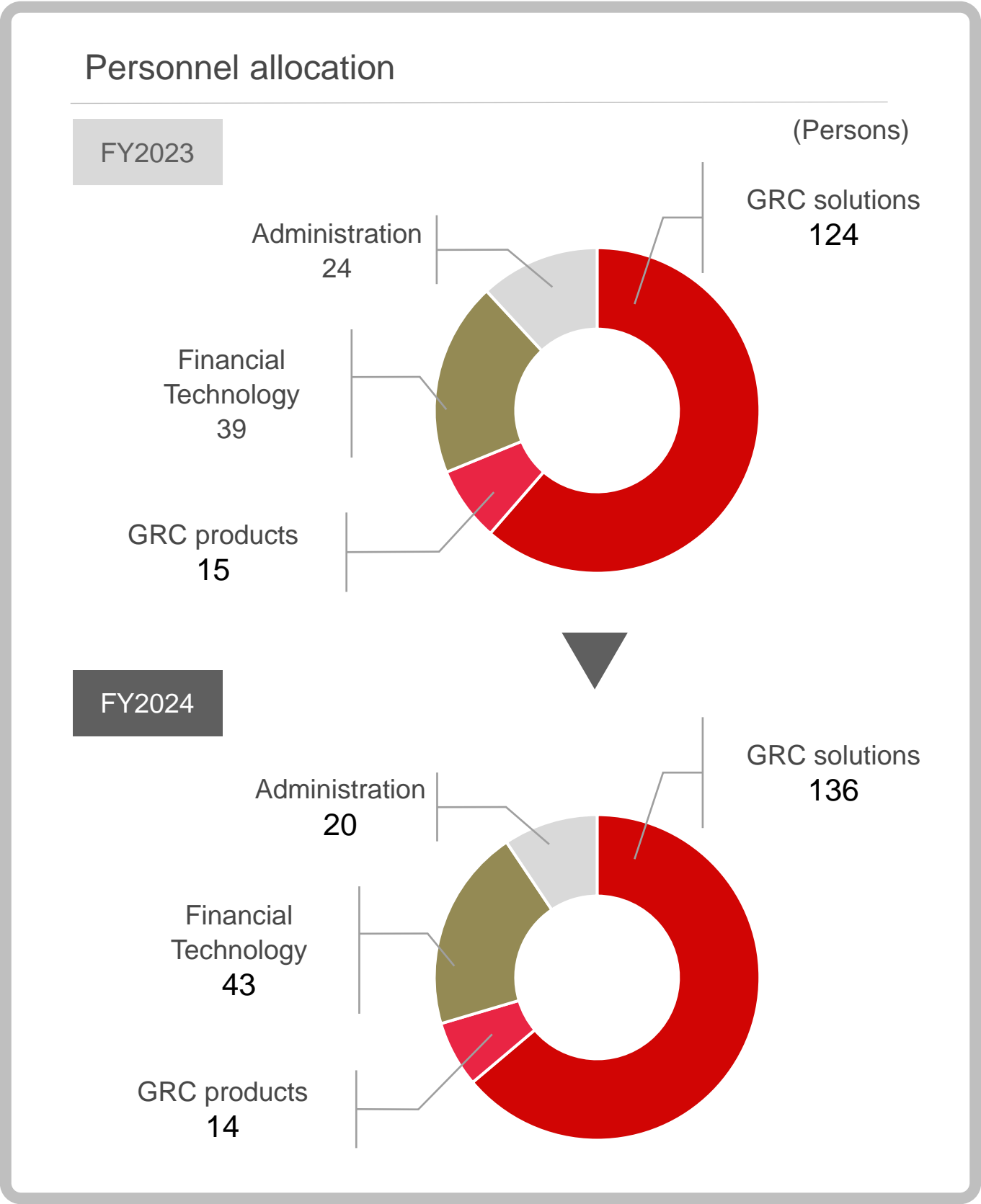
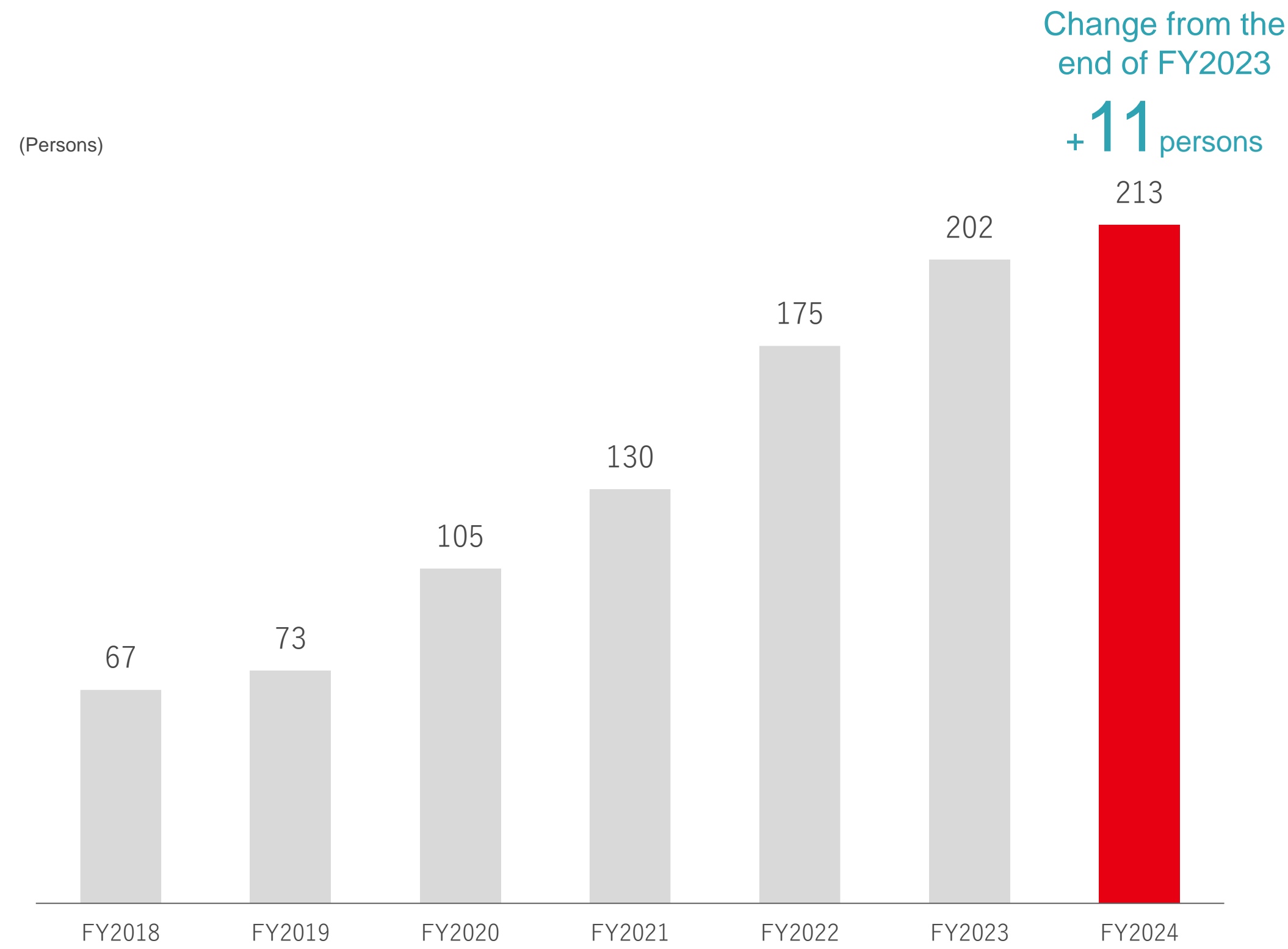
Analysis of Operating Profit Change

- ✓ **Improved profitability** by controlling expenses on a quarterly basis
- ✓ Amortization increased by 58 million yen due to the additional acquisition of goodwill



Headcount Trends

✓ Control new hiring and **optimize workforce allocation**



* : GRCS shifted to consolidated accounting in Q3 FY2022

3. Earnings Forecast for FY2025 Ending November 2025

FY2025
Objective

Net sales and EBITDA are expected to reach record highs

(Millions of yen)	FY2024	FY2025 forecast	Growth rate
Net sales	3,288	3,953	20.2 %
EBITDA	153	282	+ 84.2 %
Gross profit	44	115	+ 161.5 %
Gross profit margin	1.3 %	2.9 %	+ 1.6 pt
Profit attributable to owners of parent	112	60	(46.1 %)

Key Initiatives

- ✓ Transition to a three-business-segment structure
→ Develop strategies by business segment to drive **revenue growth**
- ✓ Strengthen the recurring model, which provides continuous revenue from existing clients
→ **Enhance the revenue base**
- ✓ The amortization is expected to increase by 57 million yen due to additional goodwill acquisition
→ **Record-high EBITDA** is expected

* : EBITDA=Operating profit + Depreciation + Goodwill amortization

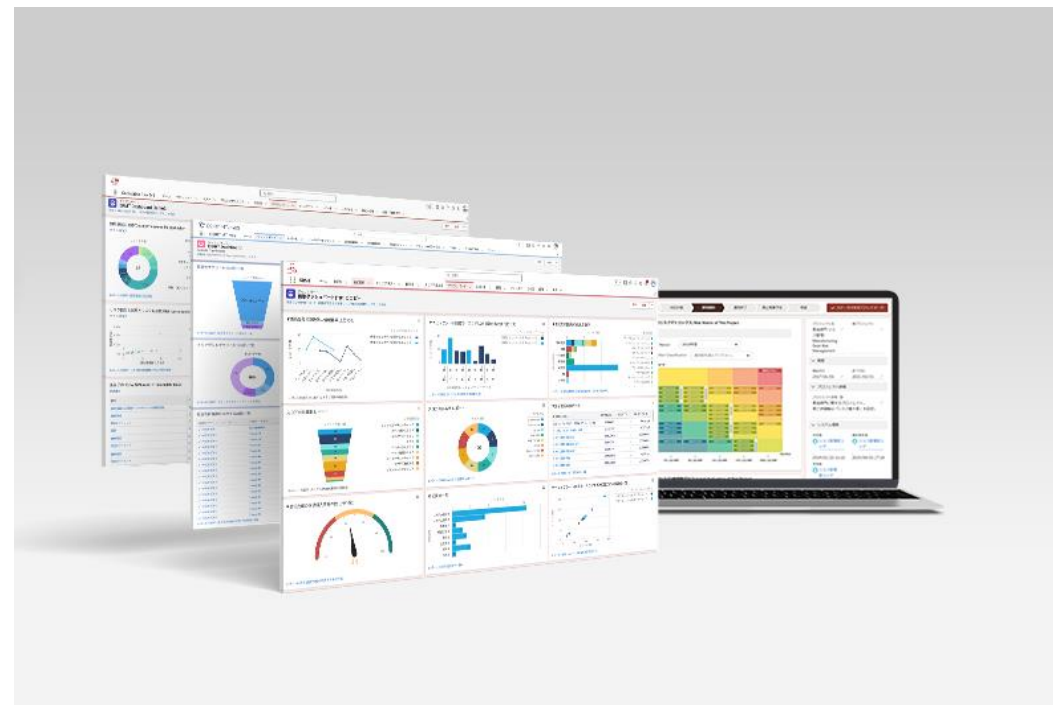
- ✓ Three businesses in the areas of Governance, Risk, and Compliance (GRC) and Security
- ✓ Leveraging competitive advantages by targeting the financial sector, telecommunications industry, and global corporations

Solution Business



Deployment of Security Experts
Support for Selecting, Implementing,
and Operating Security Products

Platform Business



Providing cloud services to
solve challenges in risk
management

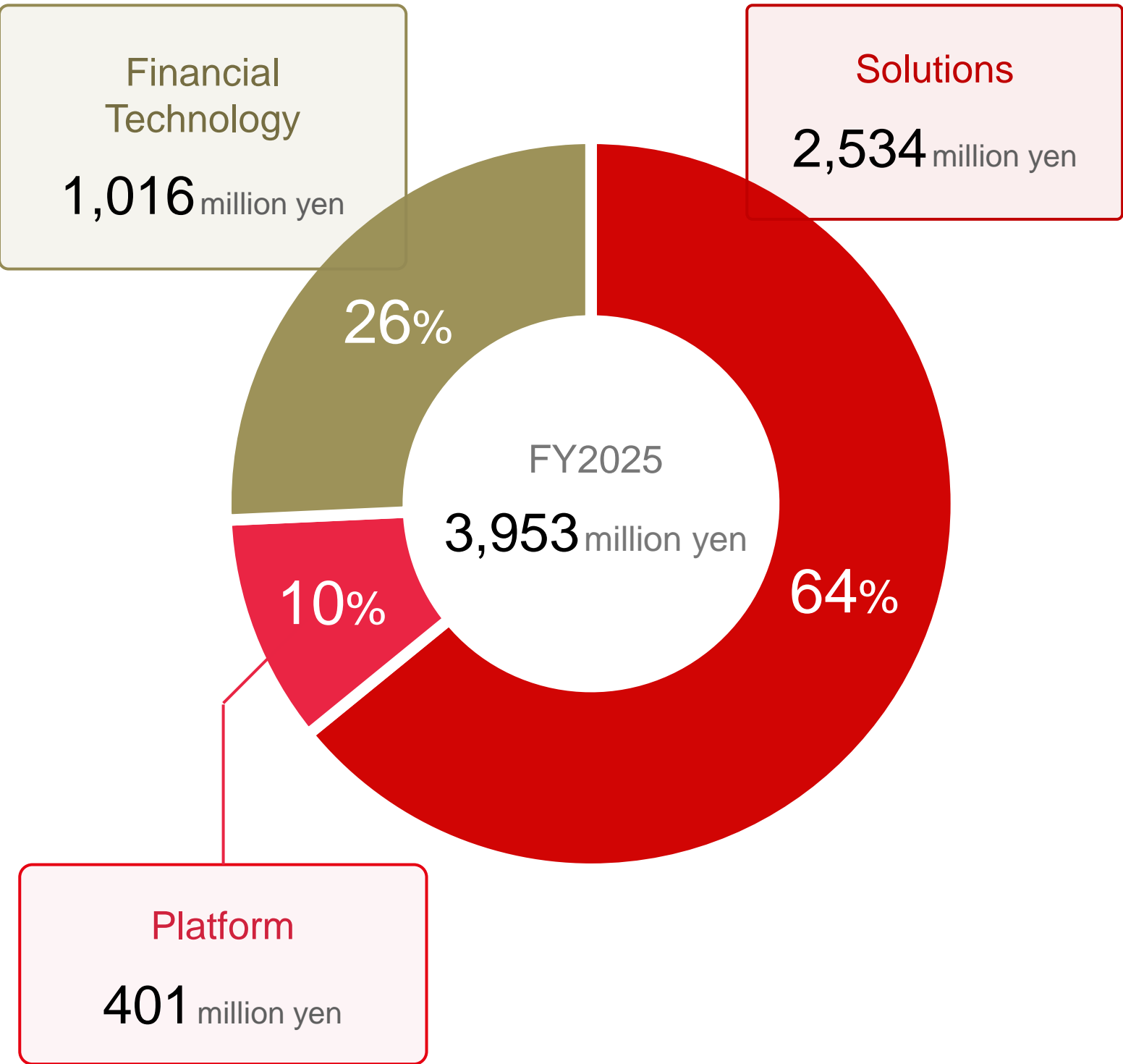
Financial Technology Business



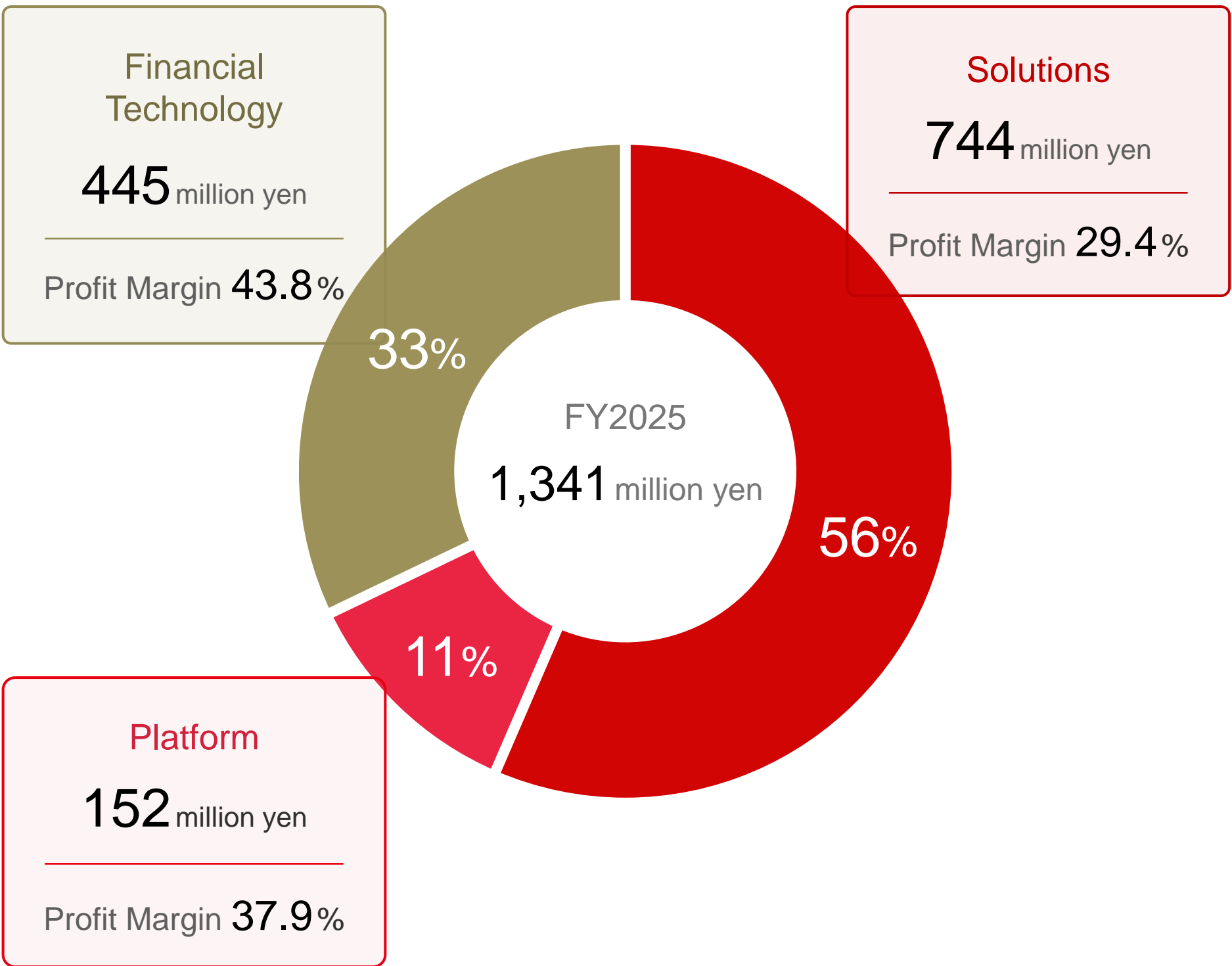
Development and sales of
high-performance systems for
financial markets

Revenue Breakdown by Business Unit

Revenue Composition

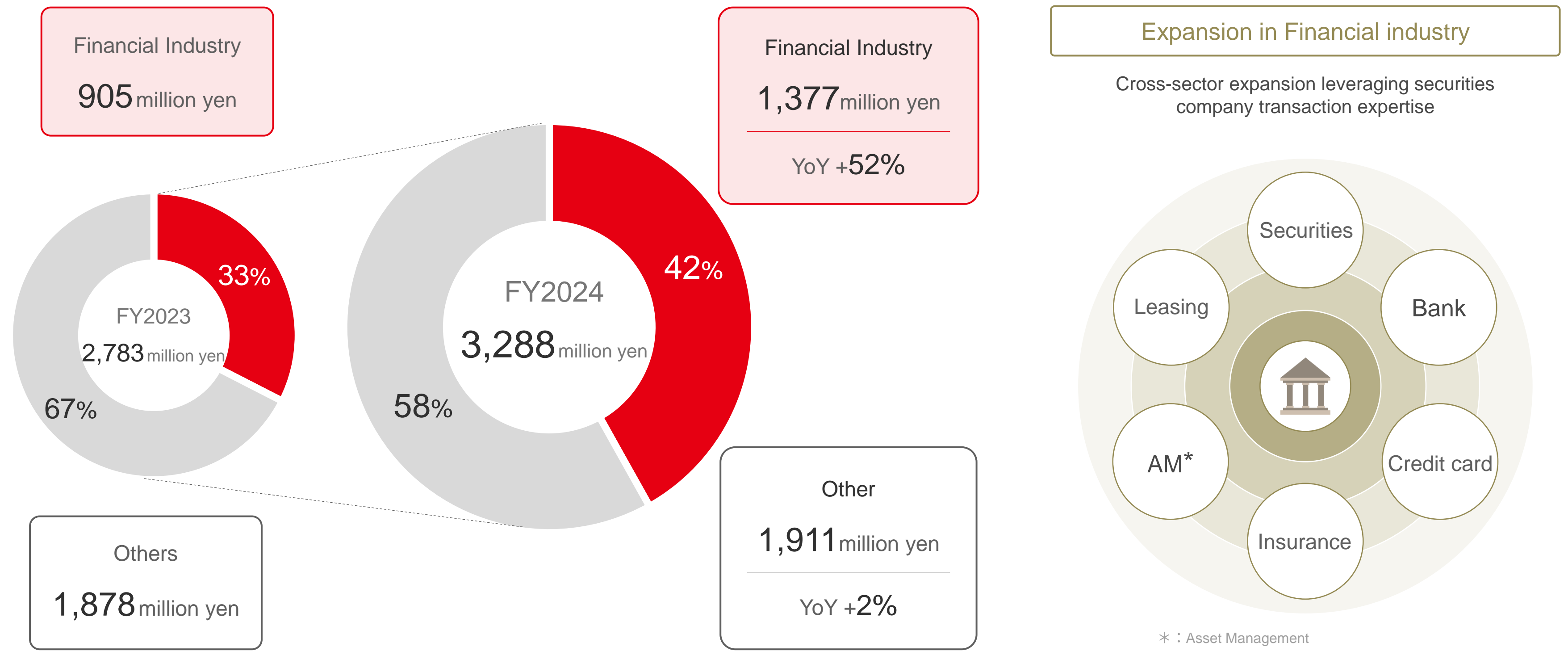


Gross Profit Composition



Revenue Composition

- ✓ High demand in **the financial industry**, which is strictly oversighted by regulatory authorities and overseas laws, has led its revenue increasing to **approximately 40% of the total sales**
- ✓ Focusing on expanding business **primarily in the financial industry** with large scale of budgets for risk management and IT investment

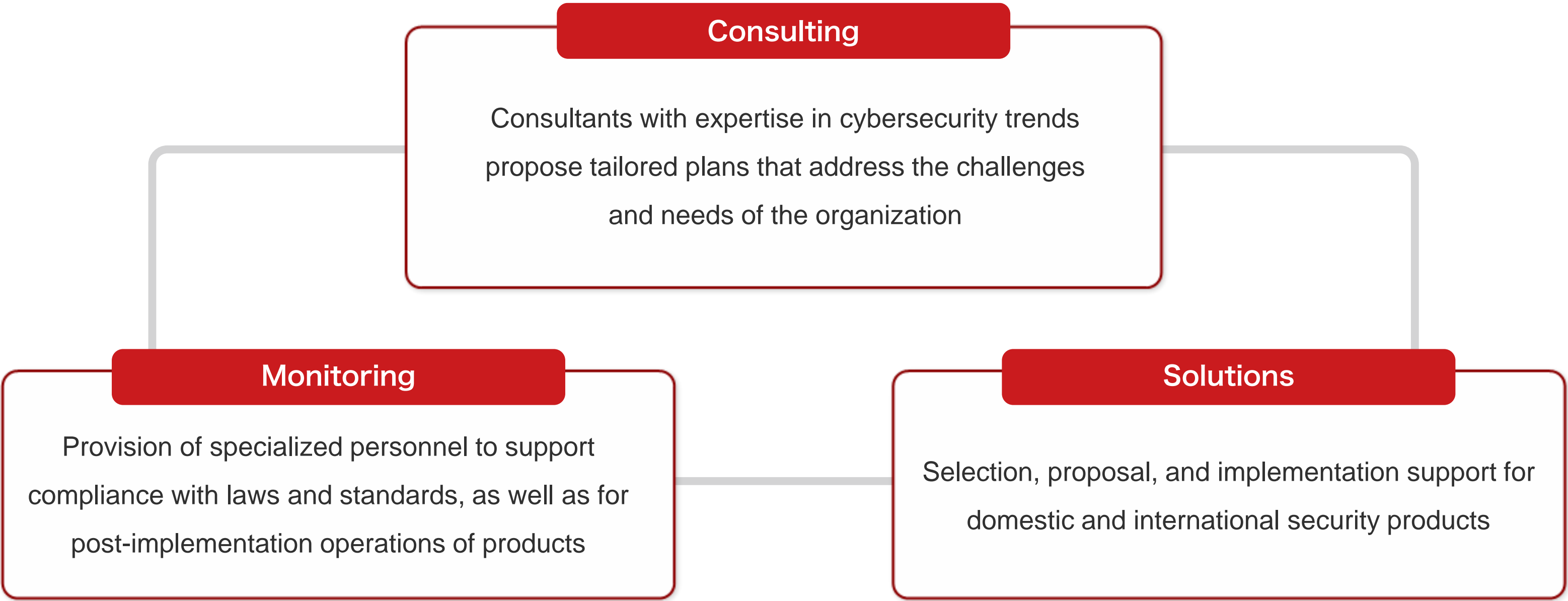


4. Strategies for FY2025

Solution Business

4. Strategies for FY2025 Solution Business : Business Overview

- ✓ Providing one-stop solutions, from identifying challenges and resolving them to offering ongoing operational support
- ✓ Cybersecurity-focused solution business led by specialized experts



4. Strategies for FY2025 Solution Business : Service Offerings

Service	Relevant services or products	
Consulting	Next-generation security product implementation and operational support Security operations support PCI DSS compliance support NIST SP 800-171 compliance security support Penetration testing services	Cloud Security Measures Support Cloud Service Risk Assessment Support Cloud Service Configuration Diagnostics Support (CSPM) RPA Services Generative AI Security Risk Management Support
Solutions	OneTrust、 Netskope、 HENNGE One、 RidgeBot、 HP Sure Click Enterprise powered by Bromium Privilege Management for Windows、 SecureCube Access Check、 Imperva App Protect	
Monitoring	Deployment of security specialists	

- 1

Growth in human resources

✓ Increase in consultants

✓ Expand high-demand engineering talent and services
- 2

Service Enhancement

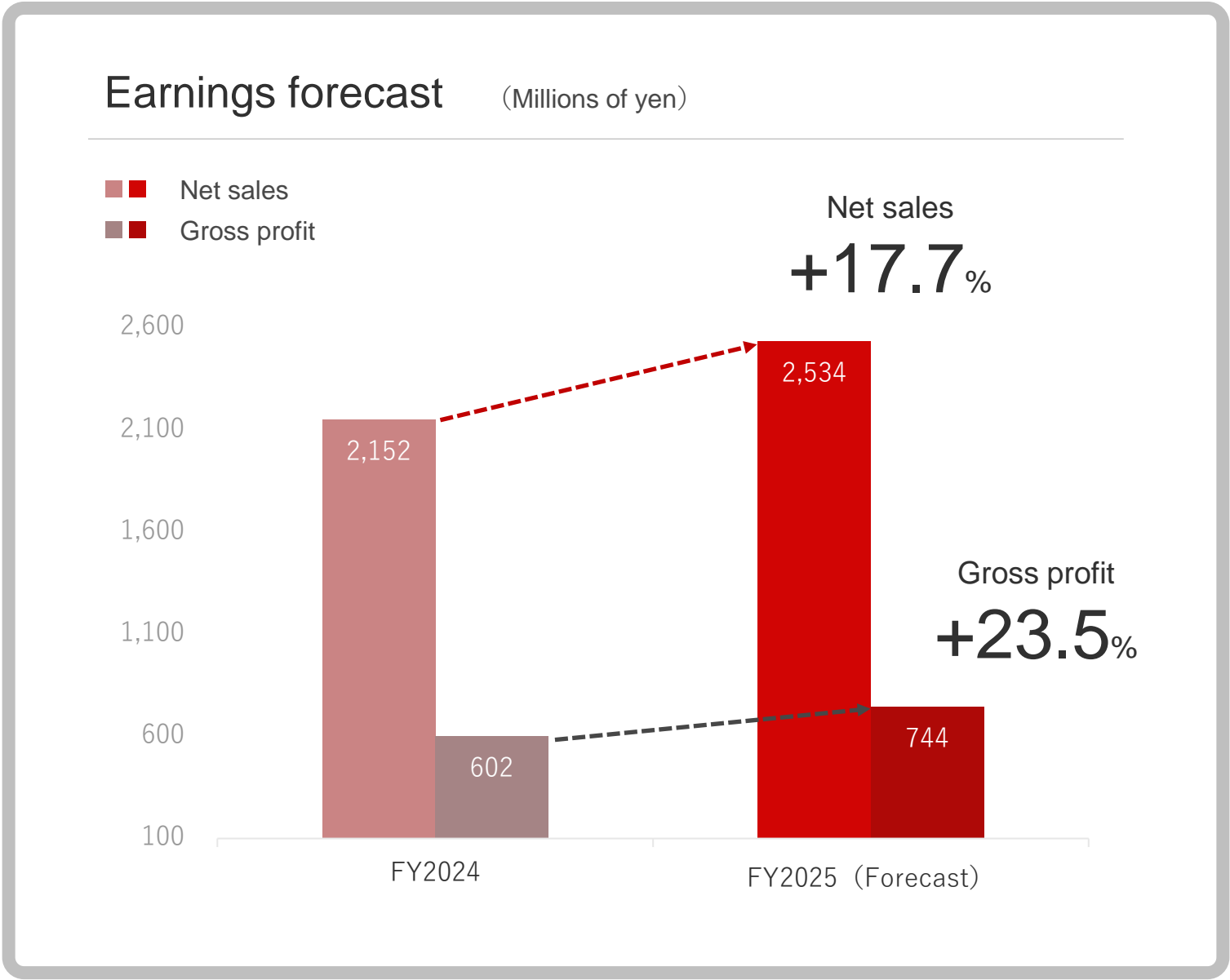
✓ Timely release of new services aligned with market needs

✓ Further increase in the number of contracts for our strong existing solutions
- 3

Strengthening the Recurring Revenue Model

✓ Expansion of recurring revenue

✓ Secure renewals for existing annual contracts



FY2024 Net sales

2,152 million yen



FY2025 Net sales target

2,534 million yen

Change ratio (+ 17.7%)

FY2024 Gross profit

602 million yen



FY2025 Gross profit target

744 million yen

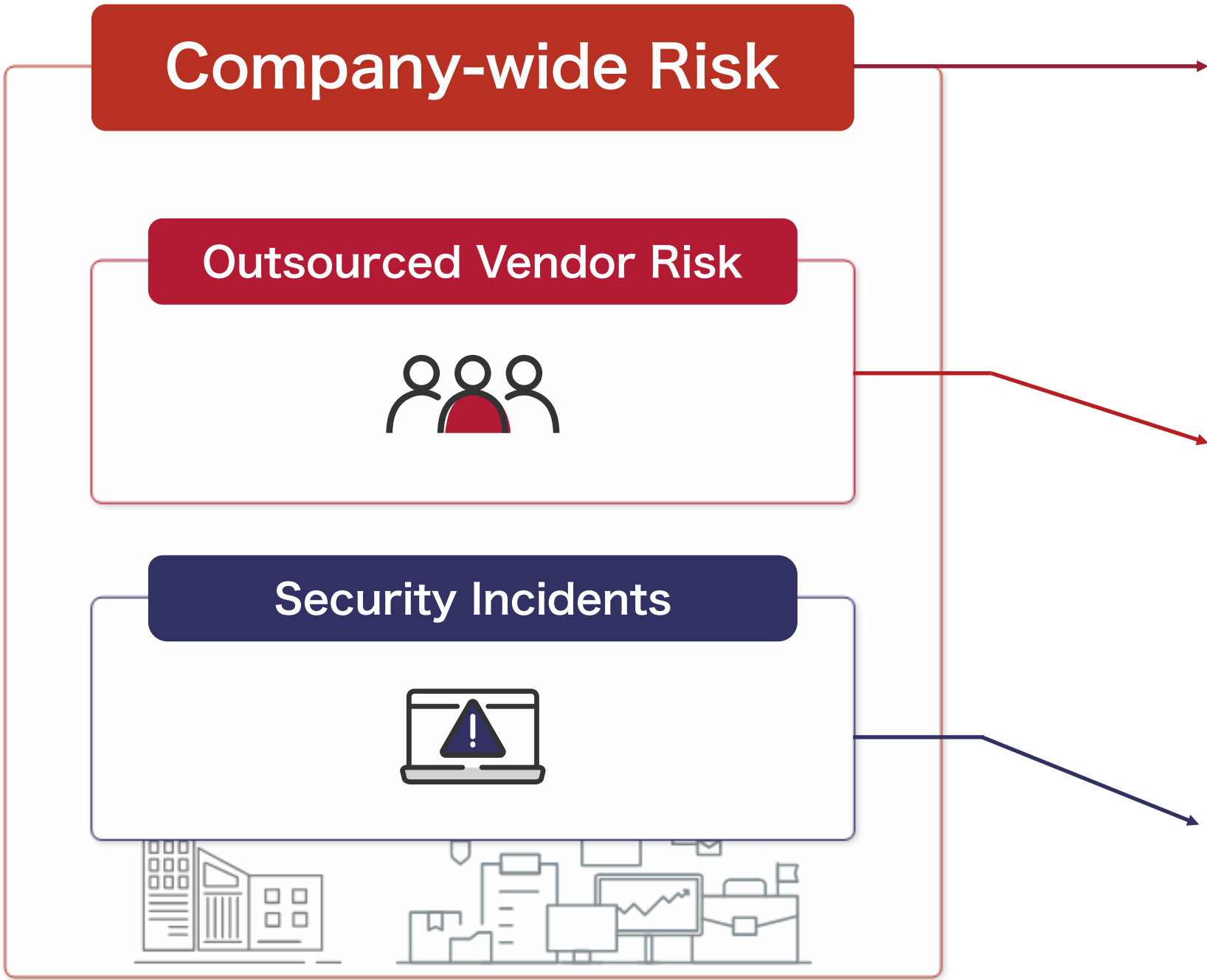
Change ratio (+ 23.5%)

4. Strategies for FY2025

Platform Business

4. Strategies for FY2025 Platform Business : Business Overview

- ✓ Provide three risk management cloud services
- ✓ The No.1 GRC tool market share in Japan *



Domestically developed ERM cloud service for company-wide risk management



Comprehensive risk management covering a wide range of risks faced by companies, including cyber risks, natural disasters, human risks, foreign exchange, and more

Cloud service for outsourced vendor risk management



Simplifying the oversight of outsourced vendors, where data leaks are more prevalent
Digitizing information management to protect company's data

Cloud services optimized for CSIRT / SOC operations



Management of security incidents, alert history, and progress
Designed for ease of use with a focus on cybersecurity

* : See “2023 Future Prospects of Digital Technology to Realize DX/Web3.0” (Fuji Chimera Research Institute Co., Ltd.)

1 Enhancement of Services and Features

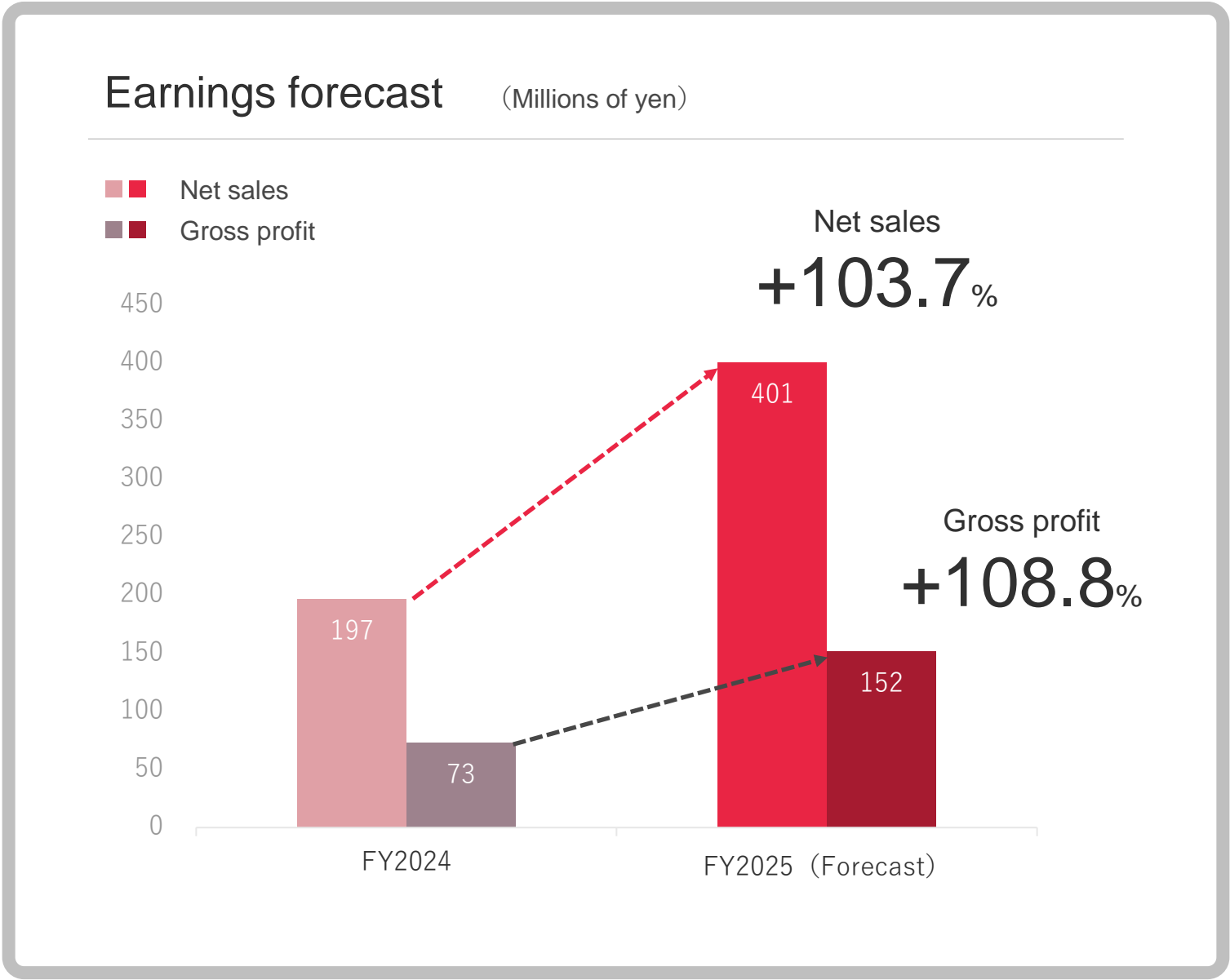
- ✓ Third-party service integration
- ✓ Release of New Features

2 Strengthening of Sales Force

- ✓ Update to the Partner Program
- ✓ Expansion of Sales Partner Network

3 Key Target

- ✓ Strengthening sales by focusing on the financial industry's high demand for risk management
- ✓ Focus on outbound sales



FY2024 Net sales

197 million yen



FY2025 Net sales target

401 million yen

Change ratio (+ 103.7%)

FY2024 Gross profit

73 million yen



FY2025 Gross profit target

152 million yen

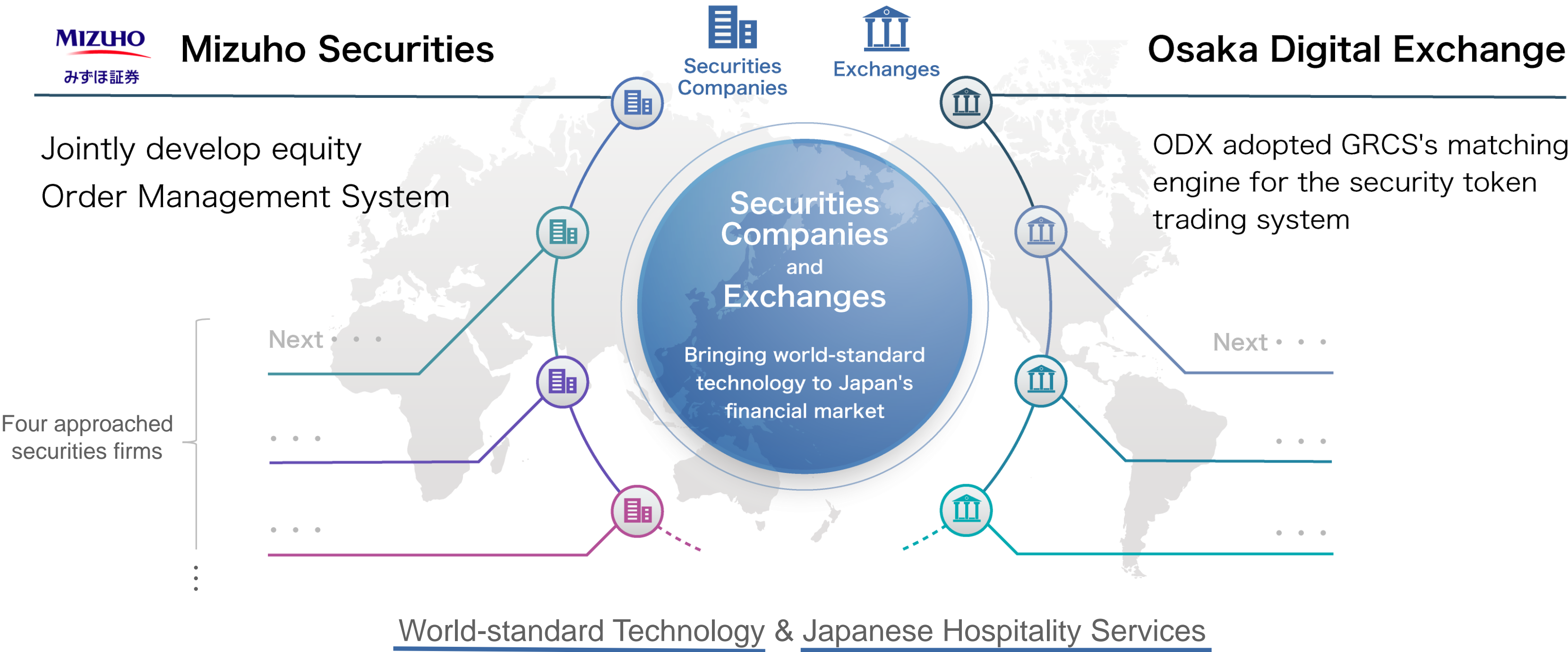
Change ratio (+ 108.8%)

4. Strategies for FY2025

Financial Technology Business

4. Strategies for FY2025 Financial Technology Business : Business Overview

- ✓ Develop order management systems (OMS*) and matching engines for the market divisions of financial institutions, primarily securities firms
- ✓ A team of engineers with extensive experience in global markets, along with a financial expertise team deeply knowledgeable about the Japanese market, delivers world-standard technology solutions tailored to the needs of Japanese financial institutions



* : Order Management System

- 1

Development of integrated stock solution system

✓

Launch of integrated system services for the market divisions of securities firms

✓

Develop new features for OMS and further explore customer specifications
- 2

Asian Market Expansion

✓

Commence full-scale sales operations in the Asia-Pacific region to expand business opportunities

✓

Strive to secure the first project within the fiscal year
- 3

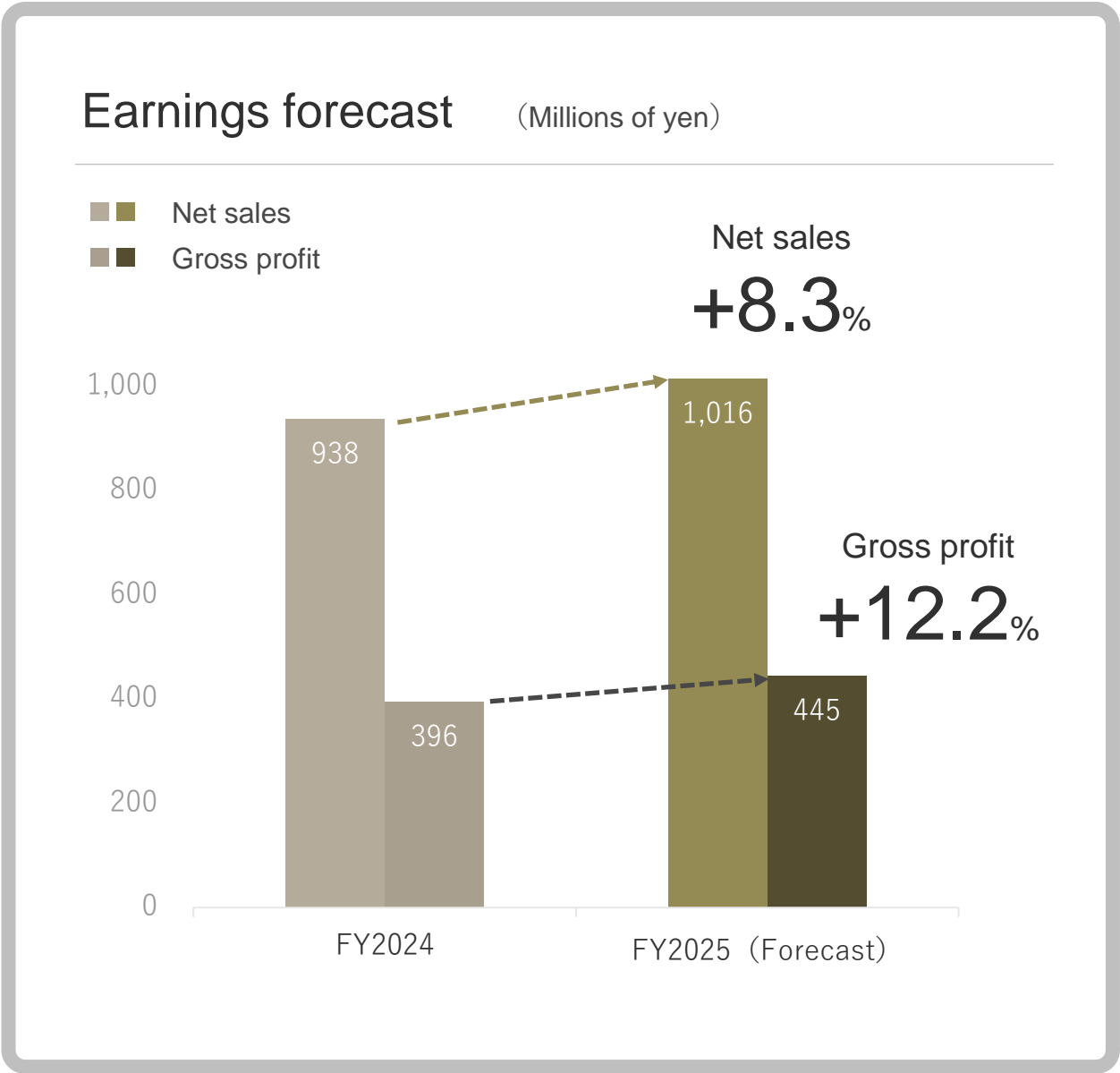
Strengthening the recurring model

✓

Increase the number of projects in the license business, maintenance services, and operation services to secure stable revenue

✓

In addition to acquiring new clients, collaboration with partner companies is also being considered

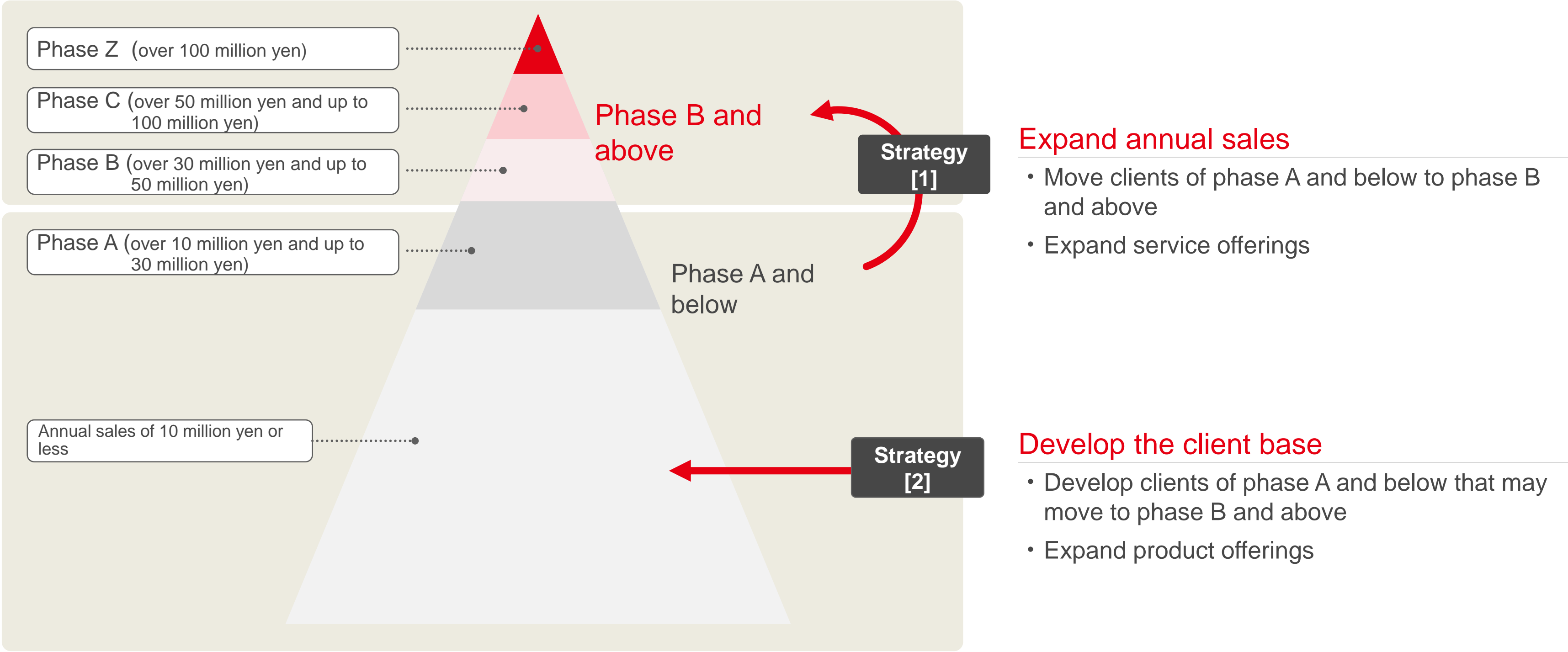


FY2024 Net sales		FY2025 Net sales target		FY2024 Gross profit		FY2025 Gross profit target
938 million yen	→	1,016 million yen		396 million yen	→	445 million yen
		Change ratio (+ 8.3%)				Change ratio (+ 12.2%)

5. Appendix

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])

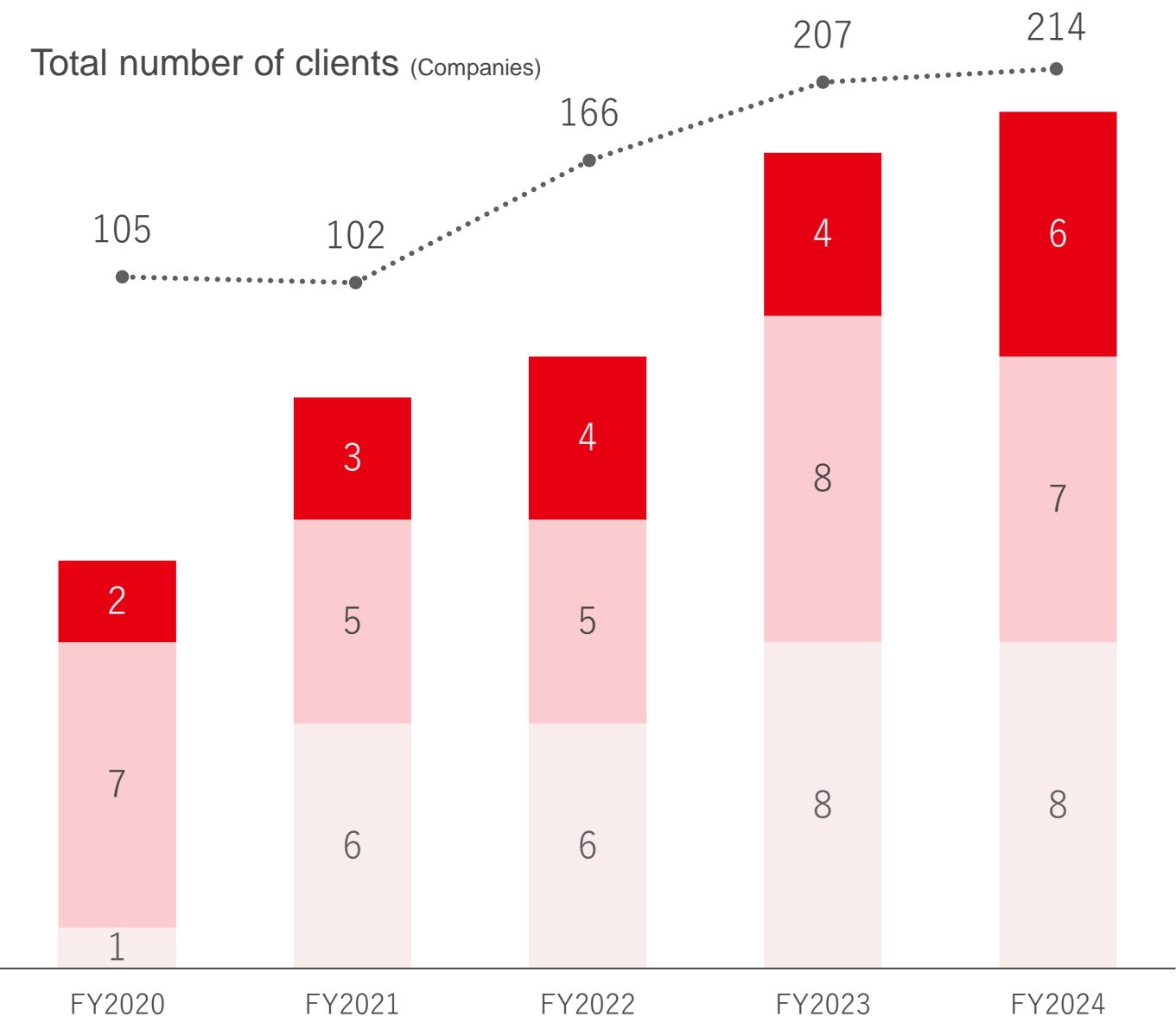


*1: Figures in parentheses represent annual sales
*2: The chart is an illustrative drawing of our growth strategy and does not reflect current client distribution

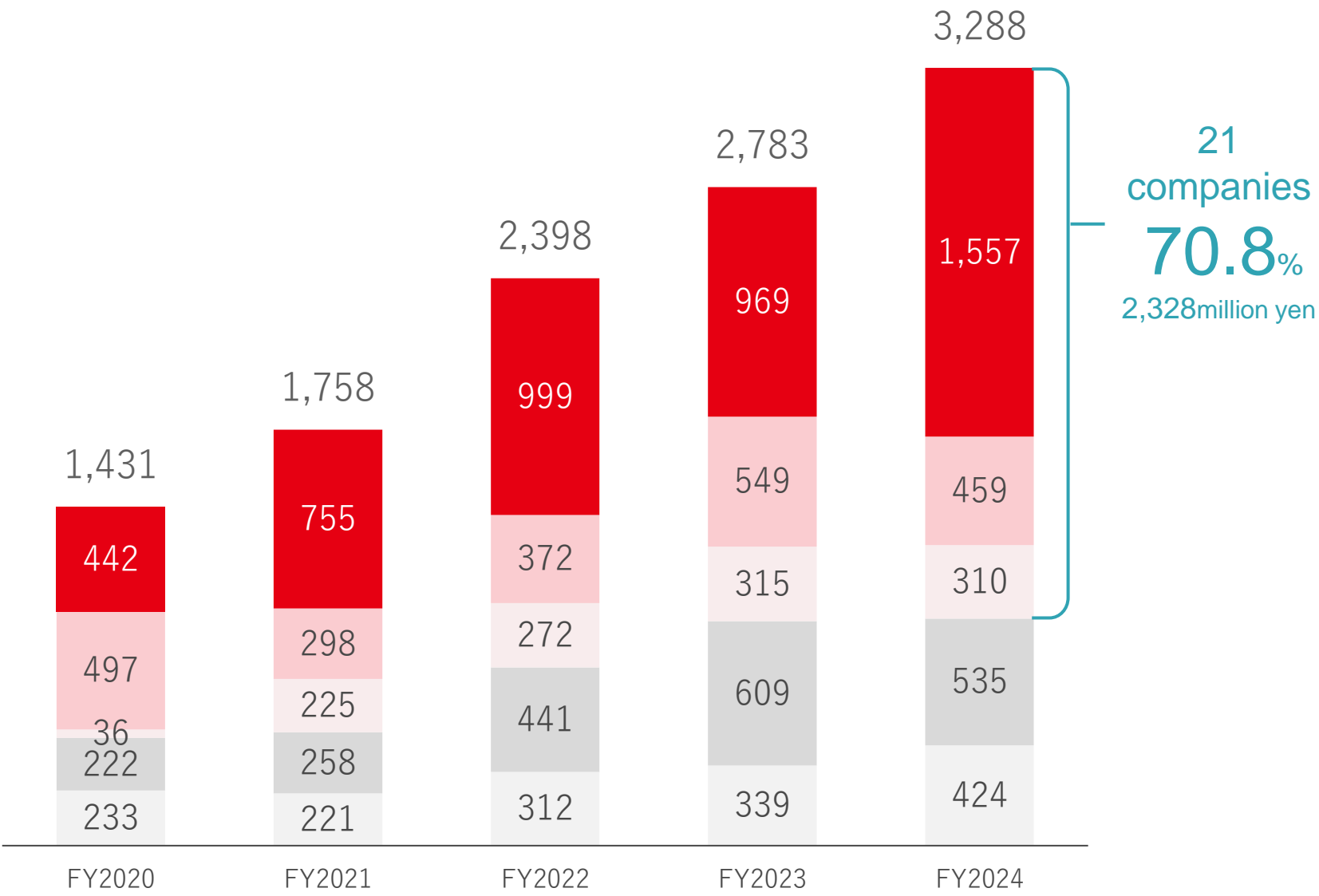
Progress (Strategy [1]): Sales by Phased Client

- ✓ The number of clients with annual sales over 30 million yen **increased by 1 company compared to FY2023**
- ✓ **21 clients** at phase B and above account for **70.8% of whole sales**.

Number of clients at phase B and above (Companies)



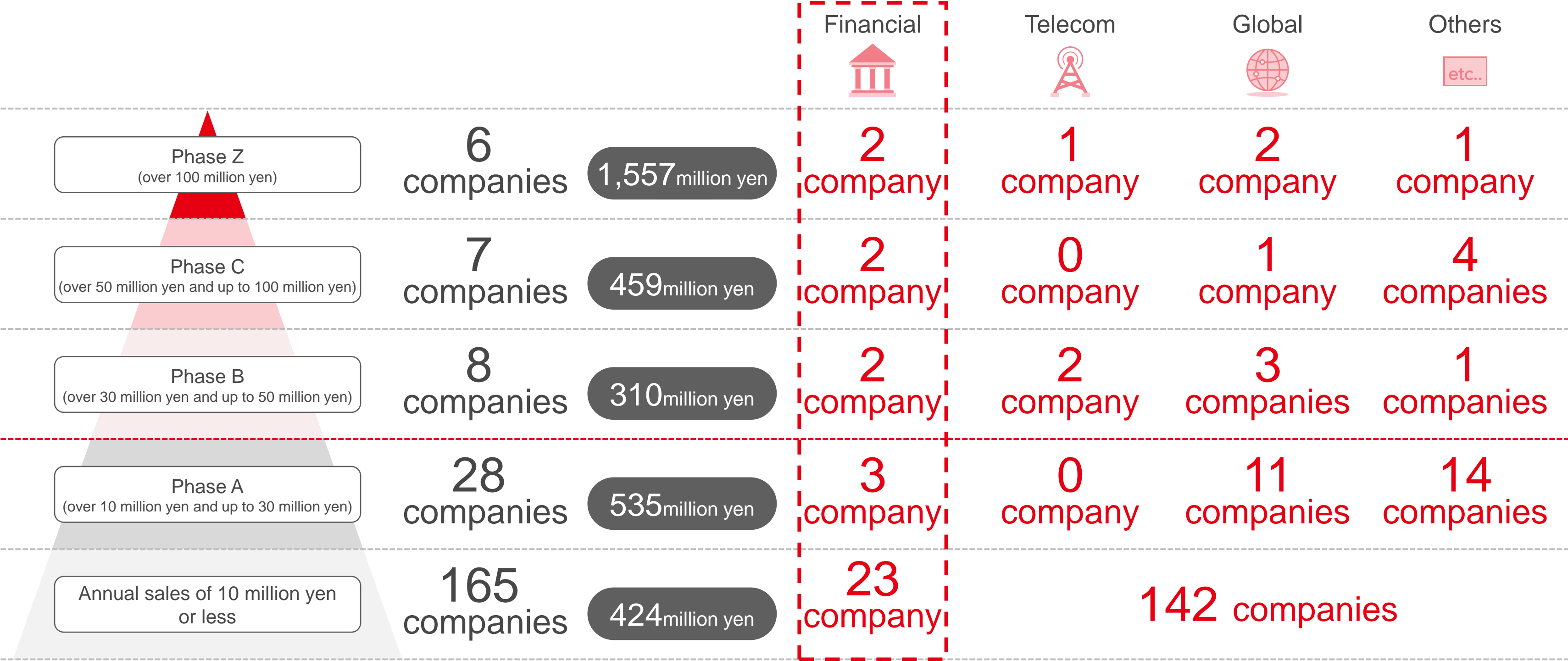
Composition ratio by phase (Millions of yen)



■ 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 12 more clients of phase A compared to FY2023 and potential prospects from companies with expansion of transactions have emerged

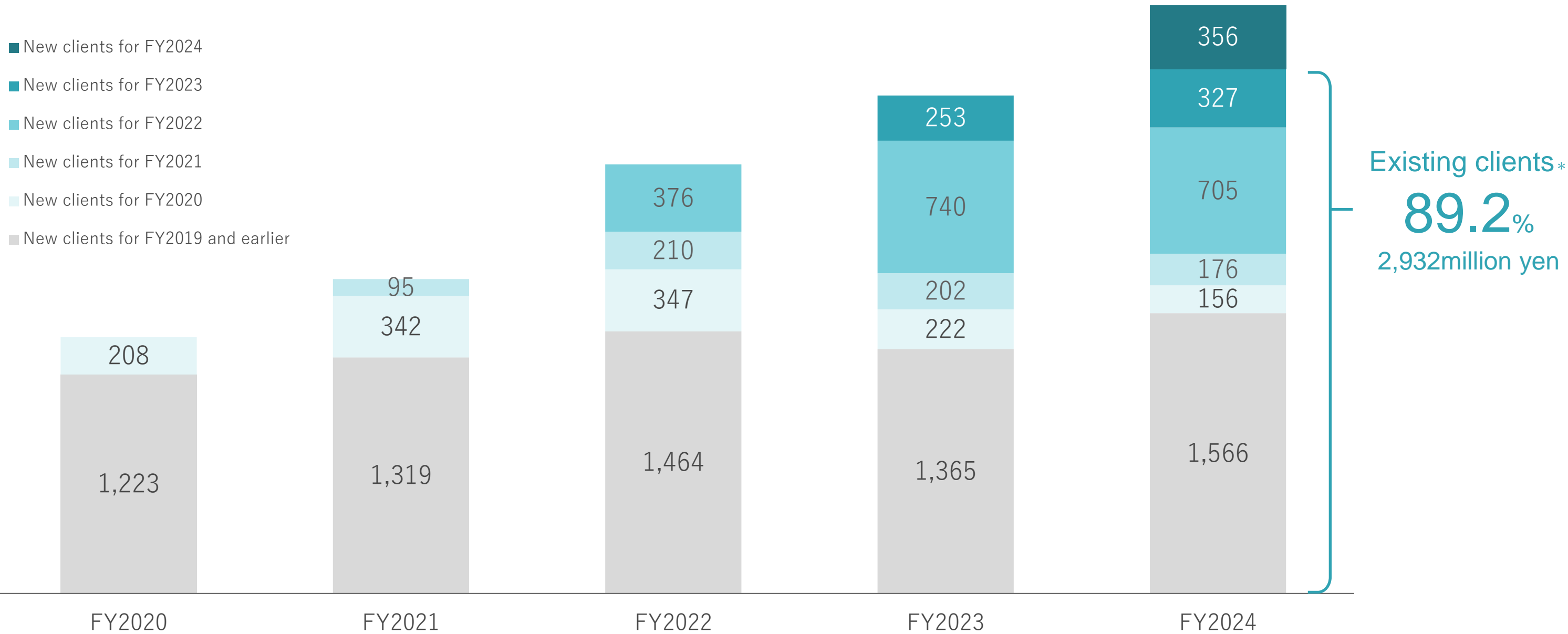


* : Figures indicate the number of clients and transaction amount in FY2024.

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 revenue structure follows a **recurring model** that generates continuous revenue from existing clients

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]

Competitive Environment

- ✓ Major competitors include large multinational accounting firms and solution vendors
- ✓ Established a unique position and achieved top market share in GRC tool market trend analysis

Competitors

Solutions



UK



UK




Netherlands




U.S.


Products




U.S.



U.S.

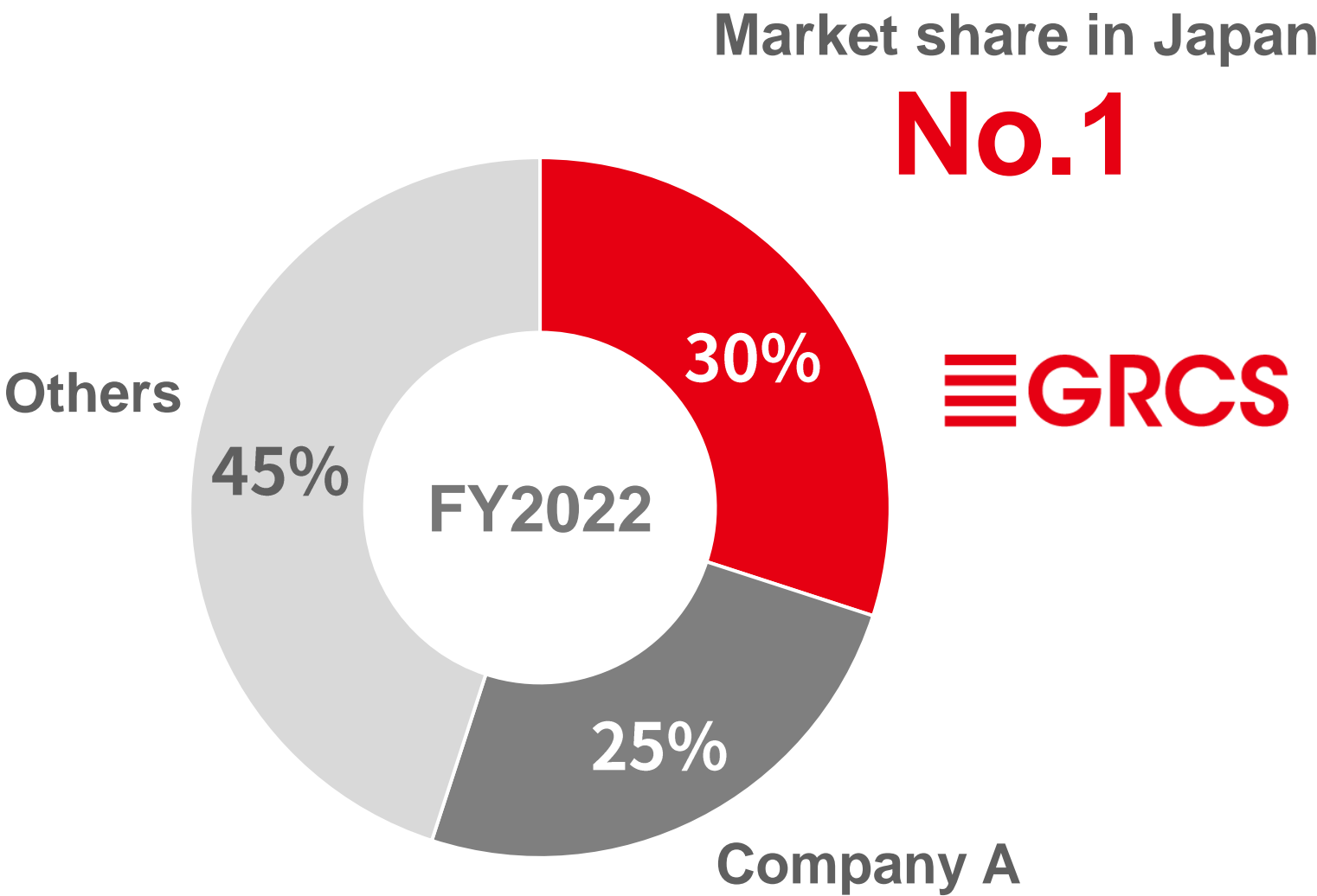


U.S.



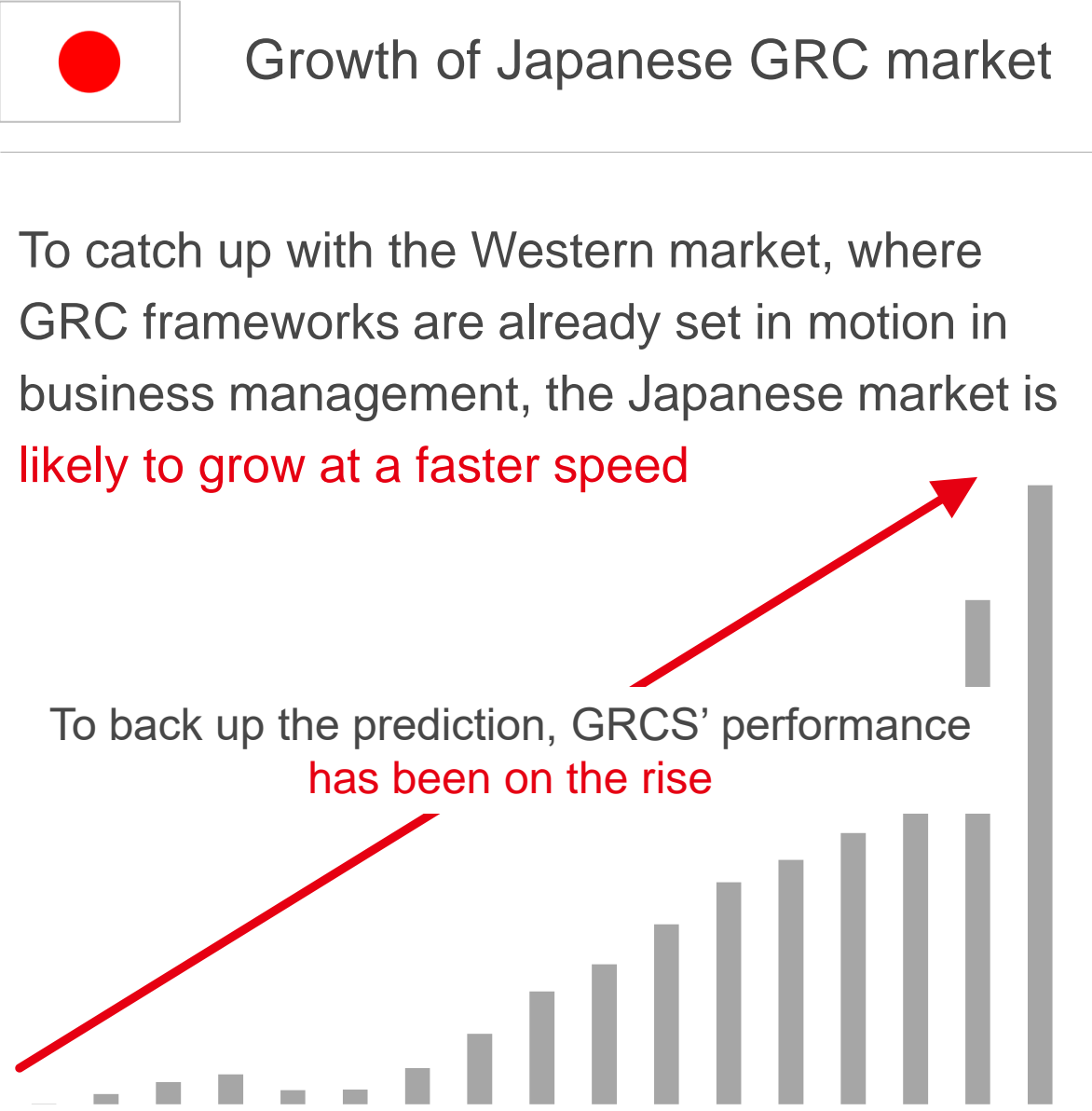
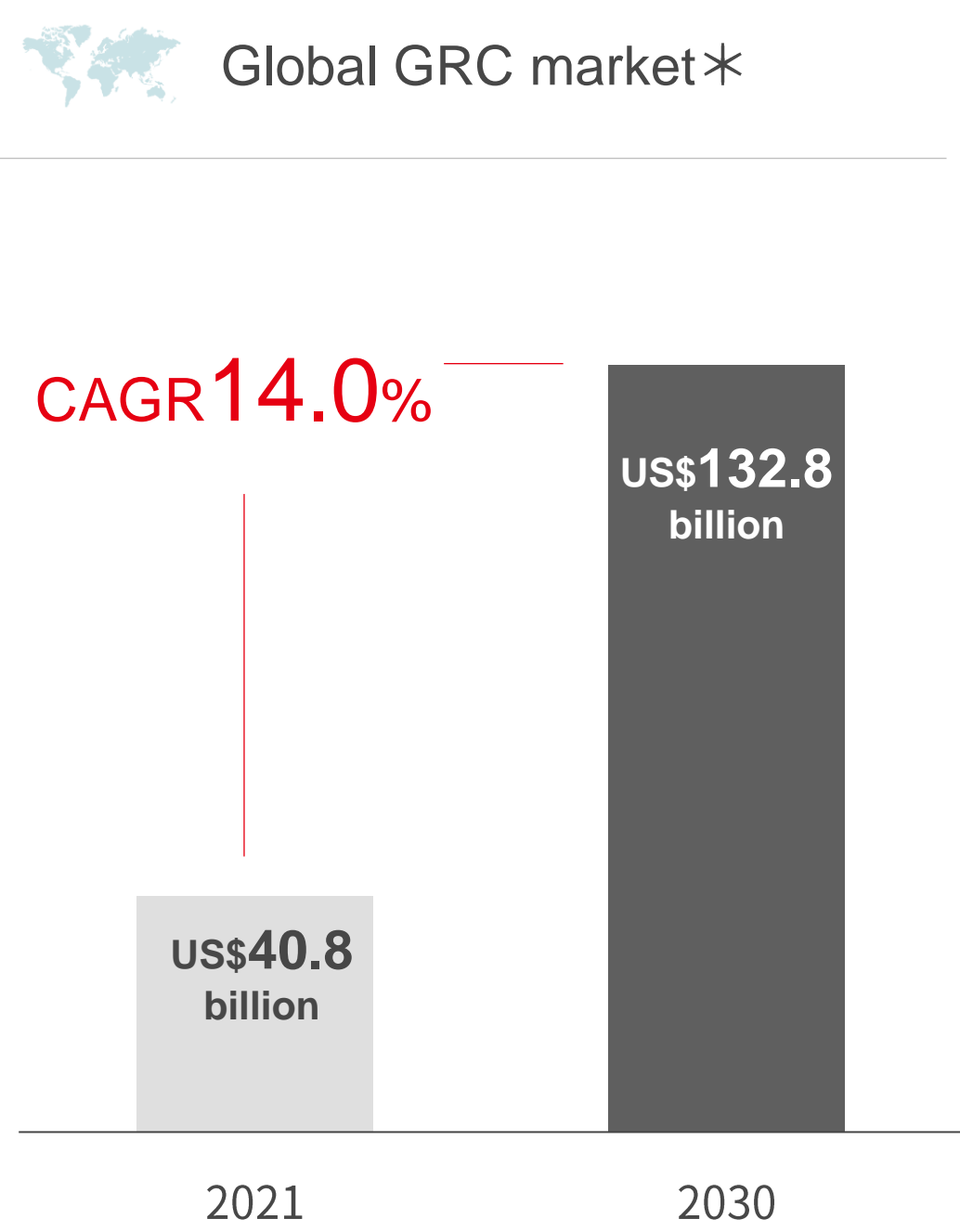
Germany

GRC Tool Entrant Trends



* : Figures based on number of companies
* : See “2023 Future Prospects of Digital Technology to Realize DX/Web3.0” (Fuji Chimera Research Institute Co., Ltd.)

- ✓ 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 forecasted to grow by 14.0% annually on average; similar growth is anticipated for Japan



A high-level risk management scheme is required due to compliance with overseas regulations or oversight by government agencies

▼

Demand is strong from industries under stricter regulations



Finance



Telecom



Global

* : Prepared by GRCS based on the data from Grand View Research/Enterprise Governance, Risk & Compliance Market Size, Share & Trends Analysis Report By Component, By Software, By Services, By Organization Size, By Vertical, And Segment Forecasts, 2022 - 2030



www.grcs.co.jp