

Up to 8.8x market capitalization upside potential according to GCC Management™ analysis

At a company of around 100 people, the ability to hire 46 consultants in one year is the source of growth

At full operation, there is an extremely high possibility of generating

1 billion yen in sales = minimum revenue of 20 million yen × 46 people

This report will analyze corporate value from the perspective of "GCC Management™," a framework developed by J Phoenix Research ("JPR") that emphasizes the three elements of Growth (sales growth), Connection (improved connections between people and business = higher return on capital), and Confidence (improved trust = lower business risk). Corporate value analysis from the perspective of GCC Management™, which emphasizes the three elements of social capital, human capital, and financial capital.

**A Comprehensive Consulting Firm
Pioneering the Mid-Cap Market**

Def consulting, inc.(formerly Success Holders, hereinafter "Def consulting") is rapidly building an ecosystem that provides end-to-end support from strategy formulation to implementation support, having recruited extensively from major general consulting firms, FAS and IT consulting firms. While Def consulting had 103 employees as of March 2024, 46 of these were hired during the fiscal year ending March 2024. With consulting needs dramatically increasing in AI/IT/DX strategy, the market environment could sustain high growth at a CAGR of 50% if talent can be secured. The Def consulting's strengths lie in new business development by specialized sales staff and collaboration with partner companies cultivated through their technology solutions business. As a medium-term growth scenario, Def consulting aims for a CAGR of 50% over the next 5 years, planning to expand to a consulting structure of 300-500 consultants in 3-5 years. Currently, 57.8% of small and medium-sized enterprises have "neither used nor considered using" consulting services. Through developing this untapped market, Def consulting aims to become a leader in the mid-cap market. Their target clients are companies with annual sales of 10-200 billion yen, which are not typically the main clients of large consulting firms. Def consulting identifies four similar companies targeting the mid-cap market: Sigmaxyz Holdings (6088), Rise Consulting (9168), INTLOOP (9556), and Management Solutions (7033). These four companies have histories of evolving from IT domains to strategic domains. In contrast, Def consulting's distinctive approach is to lead with strategic consulting similar to major firms and then expand into IT domains.

Supplying More Consultants Through Strong Recruitment Capabilities That Enabled Nearly Double Staff Growth in 1 Year

The Def consulting's growth strategy consists of two main pillars: "project acquisition" and "talent acquisition." For project acquisition, they are expanding their sales team and promoting business partnerships. Through dedicated sales staff conducting new business development and collaboration with partner companies, they are building a broad project acceptance system to create demand. Regarding talent, which is particularly crucial on the supply side, experienced recruiters and the CEO are actively involved in hiring, resulting in the recruitment of 46 new employees in FY2024 and establishing a 103-person structure. They secure talent through various channels including recruitment agencies, direct recruiting, and media strategies. Additionally, they support consultant growth through training and qualification support programs. On the financial front, they raised approximately 500 million yen in May 2023, which was allocated to talent acquisition and education. They aim for sustainable growth by strengthening their financial foundation through stable funding. While professionals from the IT industry and major consulting firms often remain just a cog in the machine when serving large corporations, at Def consulting, consultants find it highly attractive that they can work with mid-cap companies from a management perspective. This characteristic is believed to drive the recruitment of many consulting professionals despite Def consulting's current size. This ability to attract talent reflects their unique value proposition: offering consultants the opportunity to have more strategic impact and closer interaction with client leadership, contrasting with the more specialized roles typically available at larger firms serving major corporations.

Consultant Revenue: 20 Million Yen per Person × 100 People = 2 Billion Yen in Sales

Looking at the sales per person of the four companies already mentioned, they can expect to earn at least 20 million yen, and if 100 people are fully operational, they will earn 2 billion yen, and if they have 500 people, they will earn 10 billion yen. Based on this understanding, and assuming that the hiring of consultants will continue in the long term, JPR predicted that sales will grow at a CAGR of 42.6% by the fiscal year ending March 2035, and that ROIC will increase from -157.5% based on the Def consulting plan for the fiscal year ending December 2024 to 60.4% for the fiscal year ending December 2034, assuming that the average operating profit margin of the four companies is achieved at 20%. JPR also assumed that WACC would remain constant at 10.2%. As a result of estimating the stock price based on this premise, if we factor in the growth value over 10 years, the shareholder value will be 15.53 billion yen, and the stock price will be 521 yen, 8.8 times the closing price on November 1st. For details, please refer to "Details of the Financial Model".

Basic Report

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Company Profile

Location	Minato-ku, Tokyo
Date of Establishment	Yuta Shimomura
Paid-in Capital	100 million yen
Date of Listing	1987/8/20
URL	https://defconsulting.co.jp/
Industry	Service

Key Indicators As of 2024/11/1

Stock price	60 yen
52-week high	109 yen
52-week low	48 yen
Number of shares issued	29,302,015 shares
Trading unit	100 shares
Market capitalization	1,758 million yen
Forecasted dividends	0 yen
Forecasted net income	- yen
Forecasted PER	- times
Actual BPS (As of March 31, 2025)	21.74 yen

Performance Trends	Sales (Mil of Yen)	YoY %	Operating Profit (Mil of Yen)	YoY %	Ordinary Profit (Mil of Yen)	YoY %	Net Profit (Mil of Yen)	YoY %	EPS (Yen)	Stock Prices	
										High (yen)	Low (yen)
FY2022 Results	1,577	-14.8%	-366	-	-353	-	-417	-	-16.77	302	190
FY2023 Results	620	-60.2%	-423	-	-420	-	-521	-	-20.94	213	102
FY2024 Results	532	-14.2%	-300	-	-311	-	-311	-	-10.90	127	76
FY2024 2Q Results	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.00	-	-
FY2024 2Q Results	265	-40.1%	-167	-	-178	-	-178	-	-6.41	127	101
FY2025 2Q Results	289	8.9%	-184	-	-184	-	-186	-	-6.34	100	48
FY2025 Plans	(Unreleased)										

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1. Investment Summary

Shareholder
value
analysis

Maximum
Upside 8.8x in
Market
Capitalization
Estimated

Estimation using the excess profit method

Maximum upside 8.8x depending on realization of growth scenario

Looking ahead to the next 10 years, Def consulting is expected to accelerate its growth as a leading company that enhances Japan's competitiveness through supporting small and medium-sized enterprises. Taking into account Def consulting's business development and future prospects, JPR will estimate shareholder value using the GCC Management™ framework based on the "excess profit method (see Reference 1. for details)." The outline of the qualitative story that serves as the premise is explained below, and the estimated shareholder value based on that premise is explained on the following pages.

■ Shareholder Value Analysis(Unit: JPY 100 million)

Qualitative Story Outline

Growth: Providing the highest quality consulting services to all small and medium enterprises in Japan

Connection: Consistent support across 3 domains (Strategy, Operations, and IT) woven together through people and expertise

Confidence: Sustainable growth based on strong relationships with clients



Outline of the value creation story

Social mission: Improve Japan's competitiveness by supporting small and medium-sized enterprises



Market strategy: CAGR +50% in FY24-29, 300-500 consultants in 3-5 years



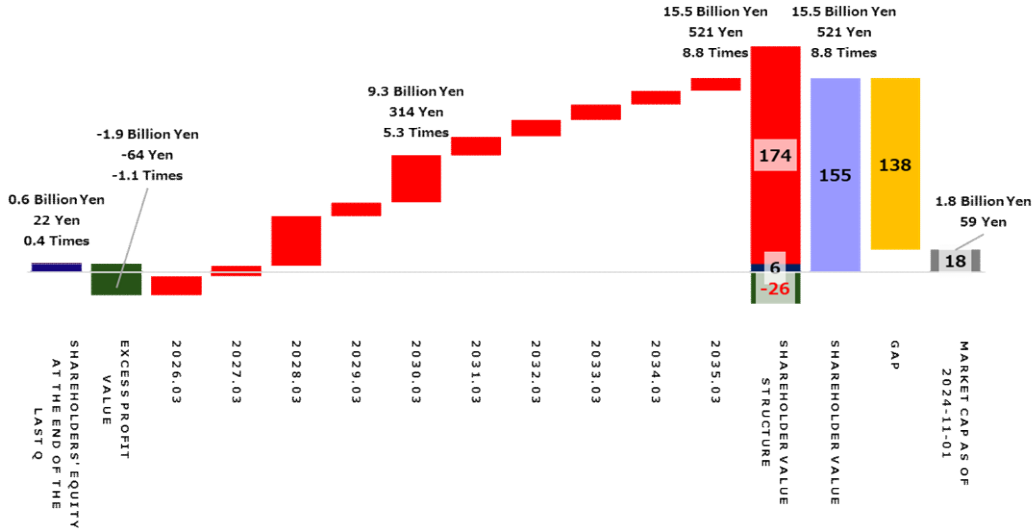
Human capital: Strengthen value creation by developing experts in strategy, operations, and IT



Revenue model: Achieve operating profit margin of 22% and ROIC of 60%

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Shareholder Value Structure and Value Gap Analysis Using the Excess Profit Method (100 million yen)



[Source] Compiled by JPR. Market capitalization is closing price on November 11, 2024.

Shareholder Value Structure and Value Gap Analysis Based on the Excess Profit Method (Details)

*Except for %, use Million yen, yen, or times.

	2025.03	2026.03	2027.03	2028.03	2029.03	2030.03	2031.03	2032.03	2033.03	2034.03	2035.03	
Sales	6	24	32	56	70	106	126	146	166	186	206	
Sales Growth Rate	-4.9%	302%	35%	74%	25%	52%	19%	16%	14%	12%	11%	
Sales Change	-0	18	8	24	14	36	20	20	20	20	20	
Operating Profit	-3.5	-0.3	1.5	10.3	13.1	23.7	28.4	33.1	37.8	42.5	47.2	
Operating Profit Margin	-59.80%	-1.47%	4.74%	18.49%	18.88%	22.37%	22.55%	22.69%	22.79%	22.87%	22.94%	
NOPAT	-2.5	-0.2	1.1	7.1	9.1	16.4	19.7	23.0	26.3	29.5	32.8	
NOPAT Margin	-41.6%	-1.0%	3.3%	12.9%	13.1%	15.6%	15.7%	15.8%	15.8%	15.9%	16.0%	
Sales to Beginning Invested Capital Ratio	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	26.4%	
ROIC	-157.5%	-3.9%	12.5%	48.7%	49.7%	58.9%	59.4%	59.8%	60.0%	60.3%	60.4%	
WACC	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	
ROIC-WACC	-167.7%	-14.1%	2.3%	38.5%	39.5%	48.7%	49.2%	49.5%	49.8%	50.0%	50.2%	
Beginning Invested Capital	1.6	6.3	8.4	14.7	18.4	27.9	33.2	38.5	43.8	49.0	54.3	
Perpetual Value of Changes in Excess Profit	-25.5	16.9	10.5	53.3	15.8	61.9	26.7	26.7	26.7	26.7	26.7	
Present Value Factor	1.00	0.91	0.82	0.75	0.68	0.61	0.56	0.51	0.46	0.42	0.38	
Present Value of Perpetual Value of Changes in Excess Profit	-25.5	15.3	8.6	39.8	10.7	38.1	14.9	13.5	12.3	11.1	10.1	
Cumulative Shareholder Value	-19.1	-3.8	4.9	44.7	55.4	93.4	108.3	121.8	134.1	145.2	155.3	
Estimated Stock Price (per share)	¥ -64	¥ -13	¥ 16	¥ 150	¥ 186	¥ 314	¥ 364	¥ 409	¥ 450	¥ 487	¥ 521	
Comparison to Current Stock Price (Multiple)	-1.09	-0.21	0.28	2.54	3.15	5.31	6.16	6.93	7.63	8.26	8.84	
Stock Price Closing as of 2024-Nov-01	¥59											
Excess Profit Value [100 Million Yen]	-26		Shareholder Value				15.5 Billion Yen				Market Cap as of 2024-11-01	1.8 Billion Yen
Growth Value [100 Million Yen]	174		Stock Price Conversion				521 yen				Closing Stock Price	59 Yen
Shareholders' Equity [100 Million Yen]	6											

[Source] JPR

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Three qualitative and quantitative information assumptions set for estimating shareholder value*1

Providing the highest quality consulting services to all small and medium enterprises in Japan

Value and worldview	Value and growth potential	Net sales
<p>Strengthening Japan through Consulting</p> <p>Def consulting realizes sustainable growth support for small and medium enterprises through the 'democratization' of high-quality consulting services. Focusing on SMEs, which make up 99% of domestic companies, we aim to enhance Japan's industrial competitiveness by providing high-quality services regardless of company size. This social mission encourages consultants' self-improvement and indicates a direction for achieving valuable growth for all stakeholders.</p>	<p>Value Proposition & Growth Potential: Highest Quality at Accessible Prices</p> <p>The consulting market is expected to grow to over 1 trillion yen by 2027. Within this market, our company aims to gain market share in the medium and small enterprise sector by providing major consulting firm-level quality at accessible prices. Leveraging our partnership with Deloitte and our unique sales model, we plan to achieve CAGR +50% for FY24-29, and establish a consultant workforce of 300-500 people in 3-5 years.</p>	<p>CAGR of 42.6% is expected</p> <p>FY2025.3 FY2035.3</p> <p>5.9 Bill Yen ▶ 206 Bill Yen</p> <p>※JPR Forecast</p> <p>The sales are expected to gradually expand as the business cycle progresses smoothly.</p> <p>Growth value</p> <p>174 Billion Yen</p>

Consistent support across 3 domains (Strategy, Operations, and IT) woven together through people and expertise

Strategy	Business Model	ROIC
<p>Organizational Strength that Maximizes Human Capital</p> <p>The source of value creation in consulting business lies in human capital. Personnel with diverse backgrounds, including those from Big 4 firms, develop their expertise through consistent support from strategy to implementation. Through internal training systems and qualification support, along with knowledge acquisition through business partnership with Deloitte, we achieve continuous growth of consultants.</p>	<p>Realizing Strategy that Maximizes Revenue</p> <p>Achieving stable project generation through new business development by specialized sales teams and collaboration with partner companies. Based on relationships with existing customers accounting for about 70% of sales, revenue is maximized through the multiplication of average sales unit price × number of consultants × utilization rate. We aim to build a profit structure targeting an operating profit margin of 22% or higher and ROIC of 60% or higher over the next 5 years.</p>	<p>Expected to improve by 1.3 points</p> <p>FY2025.3 FY2035.4</p> <p>-158 % ▶ 60 %</p> <p>Both operating profit and capital efficiency are expected to improve.</p> <p>Excess Profit Value</p> <p>-26 %</p>

Sustainable growth based on strong relationships with clients

Financial sustainability	Contribute to social sustainability	WACC
<p>Continuous Project Generation from Existing Clients</p> <p>Building strong customer relationships through consistent support from strategy to implementation, achieving continuous project generation from existing clients. Aiming for CAGR 50% growth over the next 5 years through comprehensive sales approaches and high utilization rates. As of March 2024, holding 656 million yen in cash and deposits, balancing growth investment with financial stability.</p>	<p>Strong Capabilities in ESG Support</p> <p>Def consulting supports the sustainable growth of small and medium-sized enterprises (SMEs), which account for 99% of all companies in Japan, and contributes to the revitalization of local economies. Also helps their clients develop decarbonization strategies on the environmental side, human resource development and diversity promotion on the social side, and building a highly transparent management structure on the governance side.</p>	<p>Maintenance of status</p> <p>10.2 %</p> <p>The cost of debt, which constitutes the majority of the WACC, is expected to remain low due to RJ's procurement strategy.</p> <p>Capital Stock</p> <p>6 Billion Yen</p>

*1Compiled by JPR based on its own projections of post-company plan estimates based on company hearings.

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2. Overview

Company overview

Company Name	Def consulting, inc. (In Japanese : 株式会社Def consulting)
Establishment	1987/8/20
Representative	Yuta Shimomura
Head Office Location	21F Toranomon Hills Mori Tower, 1-23-1 Toranomon, Minato-ku, Tokyo
Capital	100million yen
Number of Employees	103 (as of March 31, 2024)
Fiscal Year End	March
Business	Consulting
Date of Listing	2001/3/22
Stock Exchange Listing	Tokyo Stock Exchange Growth Market [Stock Code: 4833]

Source: Compiled by JPR based on company data.

History

Yaer	Mon	Contents
1987	8	Ebara Corporation and Toppan Printing Co., Ltd., along with other investors, established Pado Co., Ltd.
1992	6	Independence from Ebara Corporation through a Management Buyout (MBO).
2001	3	Listed on NASDAQ Japan (Currently Tokyo Stock Exchange Growth Market).
2020	10	Changed the company name to Success Holders Co., Ltd.
	11	Launched the "Technology Business" as a new venture.
2021	5	Acquired shares to make P&P Co., Ltd., a system development and engineer dispatch company, a subsidiary.
2022	3	Absorbed P&P Co., Ltd., a wholly-owned subsidiary, through a merger.
	6	Established Success Holders Split Preparation Co., Ltd. through a company split to transfer the media business. Transferred all shares of this wholly-owned subsidiary to Nakahiro Co., Ltd.
	10	Launched the "Consulting Business" as a new venture.
2024	8	Changed the company name to Def consulting, inc.

Source: Compiled by JPR based on company data.

■ Major Consolidated Subsidiaries and Group Companies

Company	Business outline	Capital	Investment Ratio
-	-	-	-

Source: Compiled by JPR based on company data.

■ Major business and capital alliances

Year	Mon	Company	Purpose
2024	8	Deloitte Tohmatsu Human Resources Co., Ltd.	Through this partnership, both companies will be able to collaborate flexibly on personnel and projects, establishing a system that enables them to deliver strategic and effective services to a larger client base. While the impact on short-term performance is minimal, the partnership is expected to contribute to business expansion and competitive strength in the medium to long term.
2024	11	Regarding membership in ACP Limited Liability Partnership (ACP-LLP)	By joining this partnership, the company anticipates increased opportunities for assignment to new consulting projects led by Accenture Co., Ltd., which is expected to contribute to the expansion of the company's business scale and enhancement of its competitiveness in the medium to long term.

Source: Compiled by JPR based on company data.

3. Growth Story and Assessment through the GCC Management™ Framework

Growth

A Virtuous Cycle of IT Innovation and Growth for the Future of SMEs

Comprehensive support through the integration of strategy and technology

Providing the highest quality consulting services to all small and medium-sized enterprises in Japan

Partner in digital innovation to unlock the unlimited potential of people and companies

Value and Worldview Background: Leaders in Value Innovation

Def consulting places the creation of Japan's economic future through the digital transformation of SMEs at the heart of its values. With a strong track record as the publisher of Pado, the world's leading free paper by circulation, and a solid foundation in IT talent provision, Def consulting embodies transformation and adaptability.

In a time when management outsourcing is increasingly common, the company's mission is to support the sustainable growth of SMEs. Employees are given significant responsibility, fostering personal development. Through its "Nurturing Plan," Def consulting creates a cycle of talent development and corporate growth, enabling sustainable value creation with clients.

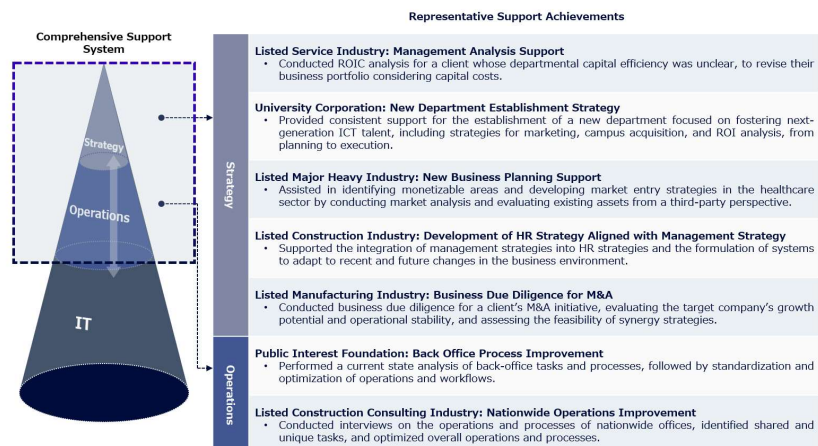
Leveraging its IT expertise, Def consulting combines strategic insight with technological execution. Despite being a late entrant, the company has positioned itself as a trailblazer in growth markets, continuously pursuing the creation of new value.

The Power to Lead Change

Def consulting aims to comprehensively address the management challenges of SMEs through its trinity of services in strategy, IT, and business improvement. The specific value it provides can be summarized in three key points.

First, Def consulting delivers consistent support for clients' growth strategies through comprehensive consulting, spanning from strategy formulation to execution. Second, it promotes digital transformation by leveraging IT technology to enhance operational efficiency and innovate business models. Third, it develops systems to improve productivity and maximize performance through process improvement and organizational reform.

These services are made possible by combining the expertise of experienced consultants, including those from the Big 4, with IT implementation capabilities cultivated in its technology solutions business. This integration enables a seamless, one-stop support structure from planning to execution. Armed with strong expertise and agility, Def consulting remains committed to supporting the sustainable growth of SMEs.



Source: Company data

**Reinforcing
Strategic
Foundations for
Sustainable
Growth**

10-year outlook for financial market growth story metrics and sales

Def consulting's sales for the fiscal year ending March 31, 2024, were 532 million yen (171 million yen in the consulting business and 361 million yen in the technology solutions business). Going forward, Def consulting is looking to accelerate growth, targeting an average annual growth rate of 50%, with FY2024 net sales of 500 million yen as the base point. To achieve this goal, Def consulting plans to establish a structure of 300 to 500 employees within 3 to 5 years. Furthermore, Def consulting will use the 500 million yen in funds obtained through the capital increase to aggressively recruit and train talented personnel, thereby strengthening its growth base. Aiming to improve profitability by maintaining high occupancy rates and increasing unit prices, Def consulting is concurrently promoting brand enhancement measures, such as relocating its head office to Toranomon Hills and changing its trade name. Through these efforts, Def consulting aims to build a foundation for sustainable growth.

TAM/SAM/SOM: IT services sector is growing rapidly

The domestic consulting services market (TAM) is expected to grow to 1.235 trillion yen by 2027, of which the consulting market for SMEs (SAM) is estimated to account for about 40%. Our feasible market size (SOM) is targeted at 5-10% of SAM. In particular, in this growing market, where DX-related demand accounts for more than 50% of total demand, Def consulting aims to establish a unique position by leveraging its strategic and IT expertise. Currently, the consulting business is growing steadily, increasing 363.4% YoY to 171 million yen, and the technology solutions business is growing 32.1% YoY to 361 million yen, and by using the approximately 500 million yen in capital increase funds, the company is accelerating the hiring and training of human resources and expanding its market share.

Def consulting's main target is small and medium-sized companies with market capitalizations of 10-300 billion yen, with a particular focus on mid-sized companies facing challenges in promoting DX, core regional companies in the growth phase, and companies considering business succession or structural reform. Def consulting aims to establish leadership in these market segments where large consulting firms have not been able to adequately respond. With the domestic consulting market expected to grow to over 1 trillion yen by 2027, Def consulting is accelerating the development of new clients through the educational activities of its dedicated sales team and collaboration with partner firms, leveraging its strength in combining extensive experience in the IT domain with knowledge of strategic consulting.

Connection

The Future of Productivity Created by Highly Efficient Teams Combining Expertise

A model for supporting the growth of small and midsize companies

Investor Value Aimed at through Profit Structure Reform and Synergy Creation

Integrated support in three areas (strategy, operations, and IT) spun by people and expertise

Friends who build the future

Def consulting's greatest strength lies in its diverse group of professionals: strategy consultants from the Big 4, IT technology experts, and business professionals with extensive industry experience working together as one team. The division of labor creates an efficient organizational structure, enabling each team member to maximize their expertise. A dedicated sales team focuses on new business development and client relations, while a team of consultants delivers high-quality support, resulting in high productivity. The entire organization continuously enhances its problem-solving capabilities by sharing knowledge internally and fostering ongoing learning opportunities. Notably, since 3Q, the utilization rate of consultants has remained above 90%, with some consultants working on multiple projects, further driving high productivity.

The Power of Value Created by Bonding

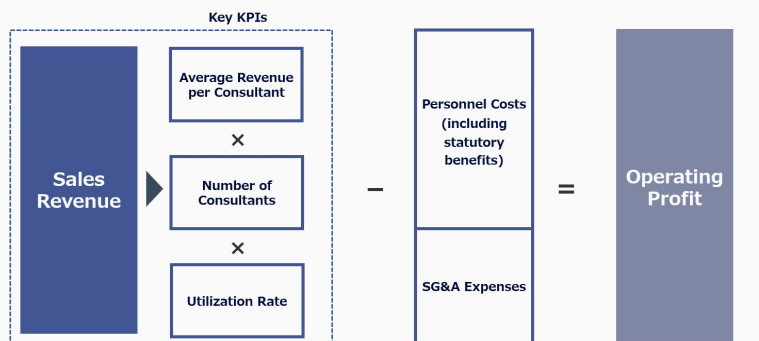
The division of labor between sales and consulting enables Def consulting to efficiently acquire projects while delivering high-quality services. Def consulting has established a system where experts in strategy, operations, and IT collaborate to provide comprehensive solutions to clients' challenges. Additionally, through the educational activities of its sales team, Def consulting has successfully secured projects from companies that had not previously used its consulting services, establishing a unique support model tailored to small and midsize companies while leveraging its track record with major corporations. Alongside strengthening its service delivery capabilities through collaboration with partner companies and developing systems to meet client needs, Def consulting is also enhancing its talent acquisition efforts by deepening ties with recruitment agencies.

Strategic measures to improve ROIC

Reinforcement of Earnings Structure

Def consulting is focused on strengthening its profit structure with the goal of sustainable value creation. Def consulting manages sales, number of consultants, and utilization ratio as key KPIs to maintain high productivity. Additionally, Def consulting is building a stable foundation for growth by enhancing its sales structure, expanding its project pipeline, and recruiting and training talented personnel. Furthermore, Def consulting is leveraging synergies with its technology solutions business and collaborating with partner companies to improve operational efficiency. By strengthening its financial base and improving profitability, Def consulting aims to secure investor confidence and reduce the cost of capital. In the medium term, Def consulting is pursuing measures to maximize corporate value, targeting an average annual growth rate of 50% and an increase in ROIC.

Revenue Model



Source: Company data

Confidence

A Stable Foundation and Human Resources Strategy to Build Trust and Accelerate Growth

Digitalization Support and Brand Enhancement Strategies for Small and Mid-Size Companies

A future of trust and corporate value built on revenue growth and financial strength

Sustainable growth based on strong customer relationships

Trust Story, Earnings, and Financial Stability

A Promise of Trust and Growth

Def consulting's key strategy is to secure the trust of its clients and build lasting relationships with them, promoting the improvement of service quality and the strengthening of its financial base in an integrated manner. Def consulting is enhancing the stability of its business foundation by providing highly specialized consulting services, primarily delivered by professionals from major consulting firms, alongside the stable revenue generated by its technology solutions business. Additionally, Def consulting is improving its organizational competitiveness by effectively utilizing approximately 500 million yen in funds obtained through the capital increase and aggressively hiring and training talented personnel. Furthermore, while ensuring a stable revenue base through thorough project management and maintaining high utilization rates, Def consulting is also working to improve employee engagement by expanding its human resource development system and creating a comfortable work environment. Through these measures, Def consulting aims to provide consistent value to its clients and investors.

Walking with Society into the Future

Def consulting aims to contribute to the sustainable development of the Japanese economy by supporting the digitalization and management reform of small and medium-sized enterprises (SMEs). In particular, Def consulting plays a role in promoting corporate transformation to address social issues such as regional development and industrial upgrading. Furthermore, by strengthening corporate governance, Def consulting ensures highly transparent management and secures the trust of its stakeholders. Through the development of a risk management system and strict compliance measures, Def consulting is building a foundation for sustainable growth. Def consulting is also enhancing its corporate brand by adopting its new trade name, Def consulting, and relocating its headquarters to Toranomon Hills. Additionally, Def consulting aims to increase its corporate value by deepening dialogue with shareholders and investors through proactive IR/PR activities.

Indicators of Financial Market Confidence Stories

Def consulting aims to earn the confidence of the market by strengthening its financial base and improving profitability. Def consulting has enhanced its financial stability by raising funds through capital increases and improving profitability, while also securing the trust of investors by strengthening its corporate governance and risk management system. In terms of performance, the consulting business grew strongly, increasing 363.4% YoY to 171 million yen, and the technology solutions business also expanded steadily, rising 32.1% to 361 million yen. Operating losses are also improving due to cost optimization efforts. Def consulting plans to continue improving profitability and strengthening its financial base to sustainably increase its corporate value.

4. Summary of Financial Results for the 2Q of FY March 31, 2025

Profit and loss summary

Steady increase in sales

Developing the mid-sized and small enterprise market through hands-on support services

Impact on profit and loss due to upfront investment for business expansion

Segment integration Strengthening the foundation for growth

Profit and loss summary

Corporate results

Sales

In 2Q FY2025, Def consulting's sales reached 289 million yen (up 8.9% YoY). While Japan's economy shows signs of recovery through corporate investment and improved employment leading to higher personal consumption, uncertainty persists due to international instability and exchange rate fluctuations. Def consulting maintains its philosophy of 'Creating a new world where any company can easily utilize consulting services,' receiving positive recognition for comprehensive consulting from strategy to implementation through its hands-on client approach. Def consulting will continue enhancing value delivery to clients to achieve sustainable growth. From this interim period, the company has transitioned to a single 'Consulting Business' segment.

Profit and Loss

In the second quarter of fiscal year ending March 2025, as a result of upfront investments for business expansion (including consultant recruitment and head office relocation), operating loss was 184 million yen (compared to 167 million yen in the same period last year), ordinary loss was 184 million yen (compared to 178 million yen in the same period last year), and interim net loss was 186 million yen (compared to 178 million yen in the same period last year).

Consulting Business

Previously, Def consulting disclosed two business segments: 'Consulting Business' and 'Technology Solutions Business,' but from this interim accounting period, we have changed to a single segment of 'Consulting Business.'

Regarding human resources, while competition for highly skilled professionals is intensifying across the entire consulting industry, our company is strengthening its growth foundation through active recruitment and development efforts. Additionally, while the utilization rate of consulting services among medium and small enterprises remains low, and there is an increasing trend in profitable companies going bankrupt, Def consulting is focusing on educating about the value of consulting services and developing this potential market. Through these efforts, Def consulting aims to expand our position in the mid-cap market over the medium to long term.

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Appendix 2. WACC calculation procedure

■ WACC calculation process

Beta = VI (volatility index) x COR (correlation coefficient), where VI is the standard deviation of individual stock returns divided by the standard deviation of TOPIX returns and COR is the standard deviation of individual stock returns divided by the correlation coefficient of TOPIX returns. For each, a weighted average of the individual stock and industry is used from a statistical perspective. The weighted averages in this document can be found in the table below. Calculated on a daily basis over the past five years in this document. β is all debt-free β . RP: risk premium, RFR: risk-free rate (10-year government bond yield, source: Ministry of Finance), leverage: estimated risk-increasing effect of borrowing, calculated as $1 + (1 - \text{TaxRate}) \times D/E$. Leveraged β = Leverage x Debt-free β , where D is debt outstanding in the previous quarter, E is market capitalization on the calculation date, COE: Cost of Equity = $\beta \times \text{Leverage} \times \text{RP} + \text{RFR}$. Stock prices are based on daily data for the past 5 years. The WACC calculation method used in this document is described in detail below.

β Builder 1: calculation for the entire company									
Volatility Index (VI) x Correlation Coefficient (COR) = β relationship calculation (debt-free)									
Select the weight (0-9) of the VI and COR you want to use to calculate the applicable β .									
VI*	Company adjustment	2.415	1	17%	COR	Company COR	0.321	1	17%
	Industry VI	1.530	0	0%		Industry COR	0.470	0	0%
	Reference industry/other companies VI selection →	2.492_6088_SIGMAXYZ Holdings Inc.	1	17%		Reference industry/other companies COR selection →	0.445_6088_SIGMAXYZ Holdings Inc.	1	17%
		2.386_9168_RISE Consulting Group Inc.	1	17%			0.493_9168_RISE Consulting Group Inc.	1	17%
		2.386_9168_RISE Consulting Group Inc.	1	17%			0.242_9246_ProjectHoldings, Inc.	1	17%
		3.703_9556_INTLOOP Inc.	1	17%			0.294_9556_INTLOOP Inc.	1	17%
	3.431_7033_Management Solutions Co., Ltd.	1	17%		0.384_7033_Management Solutions Co., Ltd.	1	17%		
Applicable VI	2.802			Applicable COR	0.363				
VI* suggested that VI adjsted differs from the original VI									
Applicable β1									
1.01757									

WACC calculation process		
β used for calculation		
β1	1.0176	
E: Market Cap (billion yen)	D: Interest-bearing debt (billion yen)	TaxRate
17.3	0.0	30.5%
RP	RFR(2024-07-31)	Leverage
9.000%	1.07%	1.000
COE	Historical interest paid	COD
10.23%	0.00%	0.00%
D/(D+E)	E/(D+E)	D/E
0.00%	100.0%	0.0%

$\text{COE} \times E / (E+D) + \text{COD} \times D / (E+D) =$ WACC 10.23%
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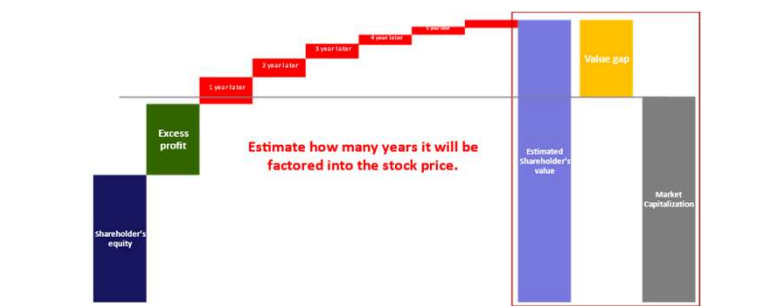
Reference 1. Basis of Calculation

Corporate value estimated by use of ROIC and excess return

Excess return analysis framework

Excess profit or economic value added is globally used as an indicator to estimate corporate value, evidenced by its adoption by Kao Corporation, a Grand Prix winner of the Tokyo Stock Exchange Fifth Corporate Value Improvement Award (FY2016). In the calculation of excess return, corporate value can be broken down into four elements: invested capital, excess return value, growth value, and non-business assets. This facilitates a better understanding of the structure that creates corporate value. A company might be overvalued or undervalued when its market cap is higher or is lower than its theoretical corporate value, respectively. The contribution of each year's corporate value can be visualized in the following figure, wherein shareholders' equity is simply represented as a sum of invested capital and non-business asset, subtracting interest-bearing debts. The figure below allows us to estimate how many years of growth might be incorporated into the stock price.

Breakdown of corporate value using excess return



[source] JPR

Estimated excess return is profit that exceeds investors' return expectations against invested capital. Its present value is "excess return value," while a potentially growing portion of excess return is "growth value." Moreover, assets not used in business are added as non-business asset value in estimating a theoretical corporate value. Theoretically, the estimated corporate value using excess return should be the same as the value estimated using the discount cash flow (DCF) model. This report calculates excess return by using the following figures in a simplified manner.

- Excess return = NOPAT - Invested capital X WACC
- Net Operating Profit After Tax (NOPAT) = Operating profit X (1 - Effective tax rate)
- Invested capital = Total assets - Non-business assets - Current liabilities excluding Interest-bearing debt
- Non-business assets = Cash and deposits exceeding 10% of sales + Short-term investment securities + Investment securities + Deferred gains or losses on hedges + Land revaluation difference + Foreign currency translation adjustments
- Weighted average cost of capital (WACC) = After-tax interest rate of interest-bearing debt X (D/ (E+D)) + Cost of shareholders' equity X (E/D+E)
- Cost of shareholders' equity = 0.5% + 5% X β
- β = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company
- E = Market cap at the time of calculation
- D = Short-term interest-bearing debt + Long-term liabilities + Minority interests in the latest financial statements at the time of calculation

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