

## DANTO HOLDINGS CORPORATION

## GCC Management™ analysis suggests a possible price target of 1,732 yen.

## Increase in value of tile business and expansion of investment business through collaboration with designers.

This report will analyze corporate value from the perspective of "GCC Management™," a framework developed by J-Phoenix Research Corporation ("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). This report analyzes corporate value from the perspective of GCC Management™, which emphasizes the three elements of GCC Management™. This report is based on JPR's own projections based on disclosed materials, not on interviews with the company.

## High possibility of profitability after 2025

DANTO HOLDINGS CORPORATION ("DANTO HOLDINGS") was founded in 1885 on Awaji Island in the tile business (construction ceramics, etc.) to produce and sell tiles for buildings. The key points for DANTO HOLDINGS in terms of shareholder value are (1) turning around its tile business, which has been significantly in the red, and (2) the upside of its investment-related business, which has been expanding since it became a pure holding company in 2006. With respect to (1), we believe that JPR is on track to return to profitability through structural reforms and rationalization, expansion of direct sales via the Internet, improvement of design quality in collaboration with famous designers, and sales expansion through participation in prominent overseas trade fairs. Looking at Q1 FY12/2024, sales are up 16% YoY, and the operating loss is shrinking. We expect further improvement in the future due to the above two factors.

## Human network and fundraising capacity

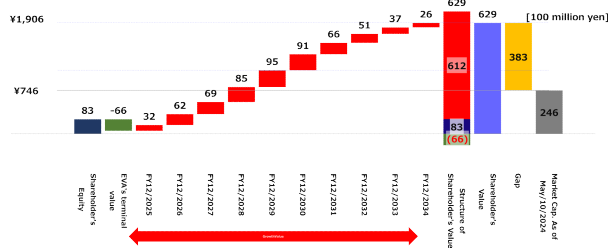
The above two points are supported by the support of DANTO HOLDINGS' major shareholders and its ability to raise funds flexibly. Chairman Tomohiko Kato is strong in human networking and has been encouraging investors to invest in DANTO HOLDINGS. As a result, DANTO HOLDINGS has been able to aggressively raise funds and management resources, including a third-party allocation of new shares to Honolulu, Hawaii-based TAT Capital Fund LLC ("TAT") in January 2023. Recently, on May 15, DANTO HOLDINGS disclosed a fundraising using stock acquisition rights, which was well received by the market, with the share price rising 4% from the closing price on the following day. In this report, we analyze the business of DANTO HOLDINGS, focusing on its three subsidiaries, and also analyze the companies in which venture capitalists have invested. The report also analyzes the portfolio companies from the perspective of their future prospects and shareholder value (Reference: DANTO group's notable portfolio companies).

## Target share price: 1,732 yen

Under the above scenario, shareholder value was estimated using the "Excess Profit Method" (see Appendix 2) based on the GCC Management™ framework, and if 10 years of growth value is factored in, shareholder value is estimated to be 62.9 billion yen, or approximately 2.6 times the closing market price on May 4, 2024.

If the growth value for 10 years is factored in, the shareholder value is estimated to be 62.9 billion yen, approximately 2.6 times the market capitalization based on the closing price on May 4, 2024, or 1,906 yen in terms of the share price. Considering the upside of the venture capital investment (estimated at over 70 billion yen in the reference material), JPR believes there is a good chance that this share price will be realized within two years. This price does not take into account the impact of the stock acquisition rights; the target price would be 1,732 yen, assuming an increase of 3,300,000 shares as a result of the fundraising in May.

## Target share price is 1,732 yen when dilution is taken into account



## Basic Report

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**JPR**

Independent Research & Advisory

## Company Profile

Location of Head Office	Kita Ward, Osaka City
Representative	Tomohiko Kato and Tatsushi Maeyama
Date of Establishment	1885/8/15
Paid-in Capital	JPY 2.85 billion
Date of Listing	May1,1949
URL	https://www.danto.co.jp/
Industry	Glass and stone products

## Key Indicators As of May22,2024

Stock Price	JPY 802
52-week high	JPY 1,337
52-week low	JPY 562
Shares Outstanding	33,000,000stocks
Trading Units	100stocks
Market Capitalization	JPY 26,466million
Company Projected Dividend	JPY 0
Estimated EPS based on net income	JPY 1.85
Forecast PER	437 times
Actual BPS (As of December 31, 2023)	JPY 264.99
Actual PBR	3.03times

Performance trends	Net sales (Millions of yen)	compared to previous period %	Operating income (Millions of yen)	compared to previous period %	Ordinary income (Millions of yen)	compared to previous period %	Net income (Millions of yen)	compared to previous period %	EPS (yen)	Stock prices	
										High price (yen)	Low price (yen)
FY12/2020 Results	5,415	-11.9	-1,181	—	-1,230	—	-195	—	-6.60	1,065	58
FY12/2021 Results	5,018	-7.3	-898	—	-1,031	—	-967	—	-32.61	490	190
FY12/2022 Results	4,644	-7.4	-1,044	—	-1,082	—	-370	—	-12.49	417	203
FY12/2023 Results	5,554	19.6	-860	—	-954	—	-955	—	-29.47	1,000	206
FY12/2023 1Q Results	1,388	24.2	-146	—	-176	—	-193	—	-6.05	565	206
FY12/2024 1Q Results	1,623	16.9	-106	—	-128	—	75	—	2.31	1,337	742
FY12/2024 Plan	6,300	13.4	-290	—	-280	—	60	—	1.85	—	—

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# 1. Investment Summary

Shareholder value analysis

Maximum upside in market capitalization estimated at 62.9 billion yen

## Estimation using the excess profit method

Up to 2.6x upside depending on realization of growth scenario

Based on the future prospects regarding the business development of DANTO HOLDINGS CORPORATION, JPR estimated shareholder value using the "Excess Profit Method" (see "Appendix 2") according to the GCC Management™ framework. The following chart visualizes the framework of the qualitative and quantitative story and the results of the trial calculation. Assumptions are explained on the next page and beyond. We estimate a maximum upside of 2.6 times depending on the realization of the growth scenario, and a maximum market capitalization upside of 62.9 billion yen.

## Qualitative story framework and corporate value creation cycle

### Qualitative story framework

**Growth: Turnaround in tile business and upside in investment business**

**Connection: Leverage human networks and investments**

**Confidence: Contributing to society and creating local jobs through investment**

Support from Awaji Kotsu Group and U.S. funds and flexible financing



Tile business to web commerce & real estate DX & investment in promising ventures



Turnaround of tile business & expansion of scale of real estate business & capital gain



Activation of IR activities



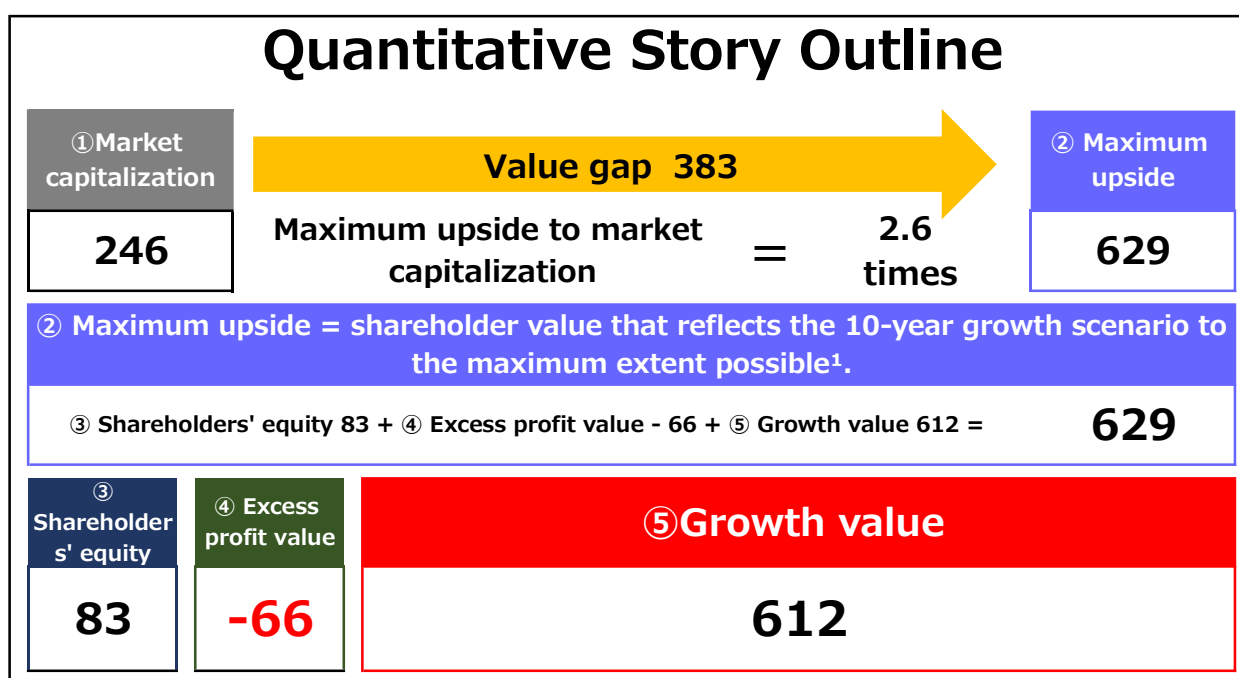
Visualization of long-term growth story of "Turnaround and Future Prospects"



To stabilize stock price & achieve higher market capitalization

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## Shareholder Value Analysis (Billions of Yen)



Source: Compiled by JPR. Market capitalization is based on closing price on February 8, 2024.

1: Fractions do not match due to rounding.

Source: JPR.

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

[¥100mn]	Current Year 2024.12	1 year later 2025.12	2 years later 2026.12	3 years later 2027.12	4 years later 2028.12	5 years later 2029.12	6 years later 2030.12	7 years later 2031.12	8 years later 2032.12	9 years later 2033.12	10 years later 2034.12
Sales	63	72	98	134	180	234	289	338	380	412	438
Operating income	-3	4	18	36	60	89	119	144	165	182	195
Operating margin	-4.6%	5.8%	18.7%	26.8%	33.1%	37.8%	41.2%	42.5%	43.4%	44.1%	44.5%
Sales growth rate	13.4%	13.9%	36.5%	37.0%	34.2%	30.2%	23.2%	17.2%	12.2%	8.7%	6.1%
NOPAT margin	-3.2%	4.0%	12.9%	18.5%	22.9%	26.1%	28.4%	29.3%	30.0%	30.4%	30.7%
Invested capital turnover ratio	74.2%	79.6%	74.4%	69.9%	66.5%	64.1%	62.6%	61.6%	60.9%	60.6%	60.4%
WACC	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%	10.6%
ROIC = NOPAT margin ÷ invested capital net sales ratio	-4.3%	5.0%	17.3%	26.5%	34.4%	40.7%	45.4%	47.6%	49.2%	50.2%	50.9%
ROIC / WACC (value created with the original hand of 1 ye	(¥0.4)	¥0.5	¥1.6	¥2.5	¥3.2	¥3.8	¥4.3	¥4.5	¥4.6	¥4.7	¥4.8
NOPAT	-2.00	2.86	12.62	24.81	41.15	61.10	82.06	99.18	113.71	125.40	134.43
Invested capital × WACC	4.98	6.08	7.75	9.98	12.74	15.99	19.24	22.18	24.62	26.60	28.14
EVA	-6.98	-3.22	4.8681	14.83	28.41	45.11	62.81	77.00	89.09	98.79	106.29
EVA = NOPAT - invested capital × WACC	-6.98	-3.22	4.87	14.83	28.41	45.11	62.81	77.00	89.09	98.79	106.29
Value created in each year	-66	35	76	94	128	157	166	133	114	91	70
Discount Rate	100%	90%	82%	74%	67%	60%	54%	49%	45%	40%	36%
Present value of EVA	-66	32	62	69	85	95	91	66	51	37	26
Invested capital ① Origin	47										
Over profit value (Permanent value of EVA of this term)	-66										
Growth value (Present value of increase in EVA) ③	612										
Non-business asset value ④	62										
Corporate value = ① + ② + ③ + ④	654.66										
Interest-bearing debt, etc.	-26										
Incremental stockholders' equity book value at the end of the immediately preceding quarter and at the end of the fiscal year	0										
Shareholder value	629										

Source:JPR

※A more detailed assumed financial model is provided in "5. Financial Model".

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Three qualitative and quantitative information assumptions set for estimating shareholder value\*1 (in 100 million yen)

**Growth: Turnaround in tile business and upside in investment business**

Value and worldview	Value and growth potential	Net sales				
<p><b>Multiplication of tradition and cutting-edge</b></p> <p>DANTO HOLDINGS has 139 years of history and tradition as a cornerstone in the tile production and sales business. DANTO HOLDINGS aims to pursue convenience and design by building relationships with overseas designers and collaborating with web marketing companies. In addition, DANTO HOLDINGS is developing investment businesses in Touchstone Capital Management Co., Ltd. and Danto Technologies Incorporated, and aims for profitability and long-term growth through both stock-type earnings from investment businesses.</p>	<p><b>Contribution to markets through the investment business</b></p> <p>In the tile business, DANTO HOLDINGS provide highly convenient products for users and offer designs created in collaboration with overseas designers. Touchstone Capital Management has been in the business of selling Japanese real estate to foreign institutional investors, but will now expand its clientele to include Japanese institutional investors and individuals by digitally securitizing real estate and small lots. Danto Technologies is engaged in investment activities in venture companies that contribute to reducing environmental impact and advancing scientific technology.</p>	<p><b>CAGR of 21.0% is expected</b></p> <table border="1"> <tr> <td>FY2024.12</td> <td>FY2034.12</td> </tr> <tr> <td><b>63</b></td> <td><b>438</b></td> </tr> </table> <p>Enjoying high growth</p> <p><b>Growth value</b></p> <p><b>612</b></p>	FY2024.12	FY2034.12	<b>63</b>	<b>438</b>
FY2024.12	FY2034.12					
<b>63</b>	<b>438</b>					

**Connection:Leverage human networks and investments**

Strategy	Business model	ROIC				
<p><b>Evolution of tile business and utilization of human resources in</b></p> <p>To further evolve the tile business, we will collaborate with overseas designers and utilize web marketing to expand sales channels. In the investment business, we have recruited and hired excellent human resources in both the real estate and venture capital businesses, and are making full use of their domestic and overseas networks to develop and invest in quality properties and projects.</p>	<p><b>Investment funds are raised domestically and internationally</b></p> <p>Chairman Tomohiko Kato has a strong human network. In January 2023, DANTO HOLDINGS raised funds through a third-party allocation of new shares to TAT Capital Fund LLC (TAT), based in Honolulu, Hawaii. The funds will be used to hire human resources, improve DANTO HOLDINGS's website, and stimulate investment activities.</p>	<p><b>Expected to improve by 55.1 points</b></p> <table border="1"> <tr> <td>FY2024.12</td> <td>FY2034.12</td> </tr> <tr> <td><b>-4.3 %</b></td> <td><b>50.9 %</b></td> </tr> </table> <p>To a very high level</p> <p><b>Excess profit value</b></p> <p><b>-66</b></p>	FY2024.12	FY2034.12	<b>-4.3 %</b>	<b>50.9 %</b>
FY2024.12	FY2034.12					
<b>-4.3 %</b>	<b>50.9 %</b>					

**Confidence: Contributing to society and creating local jobs through investment**

Financial sustainability	Contribute to social sustainability	WACC
<p><b>Support comes from the chairman's connections</b></p> <p>DANTO HOLDINGS is attracting investor funds from its chairman's connections, which allows for bold measures to be taken. Funds are available until the tile business becomes profitable and the investment business grows profitable, making the business highly sustainable. DANTO HOLDINGS's funding has been established jointly with other group companies, and its cash flow is more stable than that of other small venture capital firms.</p>	<p><b>Contribute to both local and global</b></p> <p>DANTO HOLDINGS has a corporate culture that prioritizes quality and environmental protection. By hiring external expertise, DANTO HOLDINGS enhances its advanced management capabilities. DANTO HOLDINGS is dedicated to comprehensive employee training and safety measures, establishing sustainable manufacturing processes, continuous quality improvement, job creation, and community contribution. In its investment business, DANTO HOLDINGS supports the growth of venture companies, contributing to society and developing technologies for disaster response to protect the natural environment.</p>	<p><b>Maintenance of status quo</b></p> <p><b>10.6 %</b></p> <p>Maintenance of status quo</p> <p><b>Capital stock</b></p> <p><b>83</b></p>

\*1Compiled by JPR based on its own estimates of post-company plan estimates based on company disclosed materials.

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## 2.Overview

### Company profile

Company Name	DANTO HOLDINGS CORPORATION ダントーホールディングス株式会社
Establishment	1885/8/15
Representative	Tomohiko Kato, Tatsushi Maeyama
Head Office	Osaka Head Office 3F Umeda Daibiru, 3-3-10 Umeda, Kita-ku, Osaka 530-0001,
Capital	2.085 billion yen (as of December 31, 2023)
Number of Employees	199 Employees
Fiscal Year End	Dec.
Business	Pure holding company, real estate leasing business
Date of Listing	1949年5月1日
Stock exchange where listed	Tokyo Stock Exchange Standard

Source: Prepared by JPR based on company data.

### History

Year	Month	Details
1885	Aug.	Dantoshia was established at the current location of the head office, the Aman Plant (now Awajishima Plant Aman), with a capital of 10,000 yen, succeeding Sumihei Pottery.
1893	Jul.	Company was reorganized as a joint-stock company and renamed Danto Corporation in accordance with the Commercial Code of Japan.
1901	Mar.	Completed domestic tiles on the same level as imported tiles, becoming a pioneer in the manufacture of interior tiles in Japan.
1906	Jul.	Opened Osaka branch office.
1923	Feb.	Opened Tokyo Branch.
1949	May	Listed on the First Section of Osaka Securities Exchange.
1961	Oct.	Entered the Kanto region as the first production base in the tile industry.
1965	Jun.	Began construction of Fukuyama Plant, completed in September of the following year.
1966	Jul.	Increased capital to 1 billion yen and listed on the First Section of the Tokyo Stock Exchange.
1985	Apr.	Changed company name to Danto Co., Ltd.
	Aug.	Celebrated the 100th anniversary of the company's founding.
1987	Jul.	Technical Research Institute was established in Fukura Plant (now Awajishima Plant Fukura).
1999	Apr.	Aman and Fukura plants merged and renamed Awajishima Plant.
	Apr.	Newly established a comprehensive showroom, Tile & Living Museum "D+dee plus" Tokyo, in Shinjuku OZONE, Tokyo.
	Apr.	Completion of "D hall", an energy-saving building for the global environment, at the Utsunomiya Plant.
	Dec.	"D hall" received the 'Mark of Excellence for Environment and Energy' from the Institute for Building Environment and Energy Conservation.
2000	Jan.	Awajishima Plant obtains ISO9002 certification, an international standard for quality assurance.
2001	Oct.	"D+dee plus" brand products were established.
2004	Jan.	Awajishima Plant obtains ISO 14001 certification, an international standard for environmental management systems.
2006	Jul.	Transition to a holding company structure through a corporate split
	Jul.	Danto Co., Ltd. changed its name to DANTO HOLDINGS CORPORATION.
	Jul.	Danto Corporation, Danto Products Corporation, and Danto Capital Corporation were established as new group companies.

Source: Prepared by JPR based on company data.

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## History

Year	Month	Details
2007	Oct.	Danto agreed to a business alliance with TOTO LTD. in the fields of tile manufacturing and technology.
2015	May	Established Danto USA Inc.
2016	Jan.	Danto Tile Corporation, Danto Corporation, and Danto Capital Corporation merged with Danto Tile Corporation as the surviving company.
2018	Aug.	Touchstone Capital Management Co., Ltd. became a consolidated subsidiary through the acquisition of all shares of Touchstone Capital Management Co.
	Dec.	Danto Investment Management, Inc. became a consolidated subsidiary through the acquisition of all of its shares.
2019	Jun.	Established limited liability company deeplus.
2020	Jul.	Acquired 50% of the shares of SRE Mortgage Alliance Inc. and made it a consolidated subsidiary.
2022	Jul.	Danto Technologies Incorporated is established.
	Nov.	Danto Power Incorporated (former Japan Polymer Material Laboratory Inc.) became a consolidated subsidiary through the acquisition of all shares.

Source: Prepared by JPR based on company data.

## Major consolidated subsidiaries and group companies

Business lines	Company name	Business outline	Capital	Investment ratio
Manufacturing, Wholesale	DANTO TILE CO.,LTD.	Manufacture, sale and construction of ceramics, etc.	60 million yen	100%
Real Estate	Touchstone Capital Management Co., Ltd.	Real estate investment and management	400 million yen	50%
CVC	Danto Technologies Incorporated	Provision of funds and support for venture companies	1 billion yen	50%

Source: Prepared by JPR based on company data.

### 3. Growth story and evaluation based on the GCC Management™ framework

#### Growth

**Tile business returned to profitability**  
**Investment business growth**

**Tile business turns profitable and investment business has upside**

#### DANTO HOLDINGS CORPORATION

##### Turnaround and Future Prospects

DANTO HOLDINGS has a 139-year history and tradition as its foundation, and its philosophy is to take off in a big way into the future. DANTO operates three businesses through its three consolidated subsidiaries, East Japan Danto Tile Corporation, Touchstone Capital Management Co., Ltd. and Danto Technologies Incorporated, and this report provides a GCC analysis of each of these three companies.

##### Shareholders Supporting the Growth of the Three Companies

DANTO is reforming through capital injected by its major shareholders, and in July 2022, it will establish Danto Technologies, aiming for long-term growth by investing in advanced technologies to generate profits.

##### Earnings Targets (Consolidated basis) (Millions of yen)

	2024	2025	2026	2027	2028
DANTO TILE CO.,LTD.	△200	0	50	100	200
Touchstone Capital Management Co., Ltd.	330	585	1458	2558	4145
Danto Technologies Incorporated	66	316	807	1423	2105
Total	196	901	2315	4081	6450

Source: Compiled by JPR from the company website.

#### DANTO TILE CO.,LTD.

##### Creating "Comfortable Living with Tile"

DANTO TILE's corporate philosophy is "Life with Tile," and they aim to contribute to society by creating "comfortable living with tile" and providing affluent spaces. DANTO TILE's origins can be traced back to the Sumimpei-yaki pottery that flourished during the Bunsei Era (1818-1830), and Dantosha was founded in 1885 and has been producing tiles for many years since. The secret to DANTO TILE's popularity over the years is its high quality and design, and the company's unique manufacturing system and "commitment" support its market superiority.

##### Pursuit of convenience from a designer's point of view through a renewed web design

DANTO TILE aims to provide "comfortable living with tiles" by pursuing convenience and design in collaboration with overseas designers and web marketing companies. Its high-quality tiles are highly valued in the construction industry, renovation market, and consumer market, and the company aims to achieve sales of 5 billion yen in 10 years.

**Tradition as a foundation for modern design**



## Needs for foreign investors

## Funding for promising technological developments through the Fund

### Touchstone Capital Management Co., Ltd.

#### Shift Japan's financial assets from "savings" to "investment"

Touchstone Capital Management Co., Ltd. aims to contribute to the promotion of digitalization of financial assets through the construction of systems utilizing cutting-edge technologies (IT, AI, blockchain, etc.) and to shift Japanese financial assets from "savings" to "investment". In addition, by promoting DX in the real estate business, the company aims to revitalize the Japanese real estate market and meet the needs of overseas investors.

#### Digital securitization of real estate

Touchstone Capital Management, previously focused on selling Japanese real estate to foreign institutional investors, will now expand its clientele to include Japanese institutional investors and individuals by digitally securitizing real estate and small lots. This approach, considered less risky than holding stocks, offers a new asset management method for Japanese investors, promoting a shift from financial assets to "investment." The company aims to triple its current AUM to 300 billion yen and its fees to about 1.5 billion yen through this strategy. Additionally, it plans to start self-investment for capital gains, which is expected to generate even greater profits.

### Danto Technologies Incorporated

#### Identifying and fostering Japanese venture companies that promote global innovation

Danto Technologies is engaged in the business of investing in venture companies that contribute to the reduction of environmental impact and scientific and technological progress. Noteworthy is the "emergency LP gas generator" useful in times of disaster, etc., provided by Danto Power Corporation (formerly Japan Polymer Material Laboratories Co.)

#### Features of the emergency LP gas generator and comparison with other products

Currently, storage batteries and diesel generators are the main sources of electricity supply during disasters. Storage batteries cannot be reused once depleted until power lines are restored, while LP gas generators can be reused as many times as logistics allow. Diesel generators can also be reused, but their fuel needs to be changed every six months, whereas LP gas generators do not require such fuel changes.

#### Other areas of investment

Technology	Features
Water plasma generator	The patented water plasma generator is used to treat difficult-to-treat wastes that have become an environmental problem. Major applications include nuclear power plant decommissioning projects and asbestos waste disposal.
Compact and lightweight binary generators	Automotive on-board generators. More than half of the power generated by an engine is wasted heat. Using patented technology, the heat is used to generate electricity, turning the car into a running power plant.
Next-generation batteries	Rechargeable batteries with low cost and high energy density (patented). Main features are extremely low material and manufacturing costs. No rare metals are used. Easy to mass-produce. High safety (flame-retardant materials used).

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## Connection

Local and  
global network

Creating a  
climate  
conducive to  
working with  
designers

International  
brand value  
increase.

### Leverage human networks and investments

#### DANTO HOLDINGS CORPORATION

##### Chairman Kato's Human Network

The driving force behind Growth's reforms described above is Chairman Tomohiko Kato. Kato also serves as president of Awaji Kotsu, which owns 28.88% of DANTO HOLDINGS' shares. With its strength in human network, the company is reaching out to global investors to turn around the company, and in January 2023, it aggressively raised funds and management resources through a third-party allocation of new shares to Honolulu, Hawaii-based TAT Capital Fund LLC ("TAT"). DANTO HOLDINGS has been actively procuring funds and management resources.

#### DANTO TILE CO.,LTD.

##### Building Relationships with Designers

DANTO TILE owns not only a manufacturing plant, but also facilities for research and development from the raw material soil, and is engaged in a one-stop business of developing, manufacturing, and selling high-quality tiles in-house. In the future, the company plans to focus on the pursuit of design and the expansion of sales channels. In the pursuit of design, the company is collaborating with overseas designers. DANTO TILE has already exhibited at the Milan Design Week\* and has established a relationship of trust with designers. In order to expand sales channels, DANTO TILE is utilizing web marketing, enabling direct communication with designers and creating an environment that makes it easier to propose unique designs.

\*Milano Design Week: An event held every April in Milan in conjunction with the Milano Salone, the world's largest interior design trade fair, attracting one million people, and the world's largest design festival.

##### Respecting tradition, progressive brands are born.

In April 2024, the new brand "Alternative Artefacts Danto" was presented at Milan Design Week. Creative direction will be provided by Teruhiro Yanagihara, a high-profile designer based in the Kansai region with projects underway in Japan, Sweden, Denmark, Italy, Belgium, and elsewhere, and the first collaborator, India Mahdavi, a furniture designer active in Iran and France. The first collaborator, India Mahdavi, is a furniture designer working in Iran and France.

100 billion in  
transactions in  
6 months.

Tailwind from  
legal reform

## Touchstone Capital Management Co., Ltd.

### Expansion into Digital Asset Management

TAT, a U.S. company with which we have a capital alliance, has developed numerous projects over the past 50 years, mainly in the states of Hawaii and California. For example, TAT's development of the Ko Olina Resort in Oahu, Hawaii, and the Grand Wailea Resort in Maui are now recognized as international luxury resorts. Sharing these achievements and know-how has greatly contributed to strengthening the company's competitiveness.

Touchstone Capital Management is one of the top-ranked firms in Japan in terms of transaction volume in this area from foreign investors, having executed approximately 100 billion yen in transactions in the six months from August 31, 2023 to February 29, 2024.

As a short-term goal, the company plans to expand its domain from traditional asset management to digital asset management by 2026.

## Danto Technologies Incorporated

### Expanding the digital securities market through secondary distribution markets

Danto Technologies plans to establish a Worldwide Innovation Technology Fund with a view to collaborating with Touchstone Capital Management Co. The fund aims to raise funds from the market widely by utilizing a secondary secondary market (distribution among investors) platform to sell the shares of companies in which it has invested to date to other investors as a private equity fund.

Until now, the sale and purchase of security tokens, which are tokens of equity in anonymous associations, between investors has been a bottleneck because it has been necessary to give notice by deed. This has been eased under specific conditions under the Law for Partial Revision of the Industrial Competitiveness Enhancement Law (2021), etc. With the opening of a private trading system in December 2023, which will be operated by the Osaka Digital Exchange (ODX), the development of a secondary distribution market is expected to provide the market for digital securities with a tailwind is blowing.

**Confidence**

**Financial strength of many investors**

**Contribution to the local community**

**Financial stability**

**Social contribution**

**Contributing to society and creating local jobs through investment**

**DANTO HOLDINGS CORPORATION**

**Buying Support by Investors**

According to the JPR hearing, DANTO HOLDINGS is attracting investor funds through its chairman's connections, which allows it to take bold measures. Funds are ready by the time the tile business turns profitable and the investment business grows profitable, making the business very sustainable.

**DANTO TILE CO.,LTD.**

**Commitment to Quality and Contribution to Society**

DANTO TILE has a corporate culture that places the highest priority on quality and environmental protection, and values trust and integrity through contributions to society. Specifically, the company is committed to thorough employee training and implementation of safety measures, establishment of sustainable manufacturing processes, continuous improvement of quality, creation of local employment, and community contribution activities. These activities, together with the technology and trust accumulated through years of business operations, have led to a lower cost of capital, which is the foundation of the company's financial stability.

**Touchstone Capital Management Co., Ltd.**

Touchstone Capital Management has developed a structure to make the acquisition and sales of income-producing real estate overseas and in Japan, which is a combination of around 30% equity and around 70% non-recourse loans (loans whose repayment source is solely the cash flow generated by the assets), the core of its future earnings structure. The company is particularly focused on this business, which is considered to be highly stable in terms of income and expenditures.

**Danto Technologies Incorporated**

Danto Technologies Incorporated contributes to society by supporting the growth of innovative venture companies, and also contributes to social contribution and protection of the natural environment through the development of emergency LP gas generators that are effective in times of disaster. Funds are raised jointly with other group companies, and the company's cash flow is more stable than that of other small venture capital firms.

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## 4. Summary of Business Results for the First Quarter of the Fiscal Year Ending December 31, 2024

### Summary of financial results

Operating loss improved  
Net income returned to profitability

Both net sales and operating loss down

Real estate booming due to yen depreciation

Venture development and investment

### Corporate Results

#### Summary of Business Results

DANTO HOLDINGS posted consolidated sales of 1,623 million yen in Q1 FY12/2024, up 16.9% YoY. Operating loss was 106 million yen, an improvement from 146 million yen a year earlier. Recurring loss was 128 million yen, down from 176 million yen a year earlier. Net income attributable to parent company shareholders was 75 million yen, up from -193 million yen a year earlier, and total assets were 12,172 million yen, up from 11,959 million yen a year earlier.

#### Segment information

##### Construction ceramics and other business

Net sales were 1,205 million yen in the same period of the previous year (2023) and 1,161 million yen in the current period (2024), a decrease of 44 million yen (about 3.7%) from the same period of the previous year. Operating loss was 205 million yen in the same period of the previous year (2023) and 221 million yen in the current period (2024), an increase of 16 million yen (approx. 7.8%) year-on-year.

##### Real estate business

With regard to the real estate business, while investors in Europe and the U.S. remain cautious, Asian and domestic investors are actively investing in Japanese real estate due to the weak yen, and the market is firm. In this environment, the company worked to expand assets under management in the first quarter, receiving additional asset management mandates from existing overseas investors as well as fees from the sale of assets under management.

##### Venture capital business

Since the previous fiscal year, the company has begun equity investments using its own funds and acquiring income-producing real estate, and is now considering the acquisition of specific projects and the execution of investments. In addition, consolidated subsidiary Danto Technologies Incorporated is engaged in the worldwide innovation business, which aims to discover and nurture Japanese venture companies, especially in terms of financial support. The program evaluates promising venture companies in new scientific and technological fields and promotes efforts to make new investments. This project will be carried out in collaboration with Touchstone Capital Management Co., Ltd.

## 5. Financial model

FY	Millions of yen	Company	JPR	JPR	JPR	JPR	JPR	JPR	JPR	JPR	JPR	JPR	JPR	
		Plan	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
		JPR	2024.12	2025.12	2026.12	2027.12	2028.12	2029.12	2030.12	2031.12	2032.12	2033.12	2034.12	2035.12
PL	Net sales		6,300	7,175	9,793	13,413	18,001	23,438	28,878	33,838	37,953	41,247	43,774	43,759
	(Construction ceramics		4,900	5,200	5,500	5,800	6,000	6,200	6,400	6,600	6,700	6,800	6,900	7,000
	(Real estate business)		1,100	1,500	2,915	5,116	8,290	11,890	15,505	18,804	21,605	23,858	25,600	25,600
	(Venture capital business)		421	632	1,613	2,845	4,210	6,038	7,874	9,550	10,972	12,116	13,001	13,001
	(Adjustment amount)		▲ 121	▲ 157	▲ 235	▲ 348	▲ 499	▲ 691	▲ 901	▲ 1,116	▲ 1,325	▲ 1,528	▲ 1,726	▲ 1,841
	Cost of sales		4,540	4,657	5,486	6,763	8,292	10,046	11,700	13,408	14,792	15,894	16,733	16,722
	Selling, general and		2,050	2,103	2,478	3,055	3,745	4,538	5,285	6,056	6,681	7,179	7,558	7,553
	Percentage increase in			108.1%	120.5%	120.8%	119.3%	117.2%	113.3%	110.0%	107.1%	105.1%	103.6%	100.0%
	EBITDA		▲ 59	679	2,111	3,894	6,280	9,188	12,239	14,728	16,841	18,539	19,850	19,850
	Total depreciation and		231	264	282	299	316	333	346	355	361	366	367	367
	Operating income		▲ 290	415	1,829	3,595	5,964	8,854	11,892	14,373	16,479	18,173	19,483	19,483
	(Building a business with		▲ 630	▲ 430	▲ 380	▲ 330	▲ 230	▲ 30	290	290	290	290	290	290
	ceramic magnets, etc.)		330	585	1,458	2,558	4,145	5,921	7,721	9,365	10,759	11,881	12,749	12,749
	(Real estate business)		66	316	807	1,423	2,105	3,019	3,937	4,775	5,486	6,058	6,500	6,500
	(Venture capital business)		▲ 56	▲ 56	▲ 56	▲ 56	▲ 56	▲ 56	▲ 56	▲ 56	▲ 56	▲ 56	▲ 56	▲ 56
	(Adjustment amount)		0	0	0	0	0	0	0	0	0	0	0	0
	Interest expenses		10	0	0	0	0	0	0	0	0	0	0	0
	Other non-operating		▲ 280	415	1,829	3,595	5,964	8,854	11,892	14,373	16,479	18,173	19,483	19,483
	Ordinary income		300	0	0	0	0	0	0	0	0	0	0	0
Extraordinary gains/losses		20	415	1,829	3,595	5,964	8,854	11,892	14,373	16,479	18,173	19,483	19,483	
Income before income		▲ 40	127	560	1,100	1,825	2,709	3,639	4,398	5,043	5,561	5,962	5,962	
Income taxes		60	288	1,269	2,495	4,139	6,145	8,253	9,975	11,437	12,612	13,521	13,521	
Comprehensive income		33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	
Number of shares issued		0	0	0	0	0	0	0	0	0	0	0	0	
Number of shares issued		33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	
EPS (yen)		1.82	8.73	38.46	75.60	125.42	186.21	250.10	302.27	346.57	382.19	409.73	409.73	
Dividends		0	0	0	0	0	0	0	0	0	0	0	0	
Dividends paid		60	288	1,269	2,495	4,139	6,145	8,253	9,975	11,437	12,612	13,521	13,521	
Retained earnings		563	768	1,052	1,412	1,838	2,264	2,653	2,976	3,234	3,432	3,431	3,431	
Liquidity on hand		0	0	0	0	0	701	6,198	13,879	23,456	34,620	48,149	61,670	
Surplus cash and deposits		3,894	5,314	7,279	9,769	12,720	15,672	18,364	20,597	22,384	23,756	23,748	23,748	
Working capital		0	0	0	0	0	0	0	0	0	0	0	0	
Short-term marketable		3,178	3,400	3,621	3,838	4,050	4,252	4,380	4,467	4,534	4,580	4,580	4,580	
Depreciable property,		5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	5,063	
Investment securities		453	637	898	1,238	1,656	2,094	2,517	2,894	3,223	3,502	3,501	3,501	
Other assets		13,151	15,182	17,913	21,320	25,326	30,046	39,175	49,877	61,895	74,953	88,472	101,993	
Total assets		1,267	1,728	2,368	3,177	4,137	5,097	5,973	6,699	7,280	7,726	7,724	7,724	
Current liabilities other		1,271	2,553	3,375	3,478	2,385	0	0	0	0	0	0	0	
than interest-bearing debt		0	0	0	0	0	0	0	0	0	0	0	0	
Short-term debt		1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269	
Long-term debt		2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530	2,530	
Other long-term liabilities		1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	1,110	
Capital stock, etc.		6,814	7,102	8,371	10,866	15,005	21,150	29,404	39,379	50,815	63,428	76,949	90,470	
Foreign currency		13,151	15,182	17,913	21,320	25,326	30,046	39,175	49,877	61,895	74,953	88,472	101,993	
Retained earnings, etc.		▲ 69	▲ 205	▲ 284	▲ 360	▲ 426	▲ 427	▲ 389	▲ 323	▲ 258	▲ 198	1	0	
Net assets and liabilities		▲ 475	▲ 1,420	▲ 1,965	▲ 2,490	▲ 2,950	▲ 2,952	▲ 2,692	▲ 2,233	▲ 1,787	▲ 1,372	8	0	
Liquidity on hand		155	462	639	810	960	960	876	726	581	446	▲ 3	0	
Working capital		▲ 824	▲ 486	▲ 503	▲ 517	▲ 528	▲ 535	▲ 474	▲ 442	▲ 428	▲ 411	▲ 367	▲ 367	
Current liabilities other		231	264	282	299	316	333	346	355	361	366	367	367	
Investment in tangible		0	0	0	0	0	0	0	0	0	0	0	0	
Depreciation of property,		0	0	0	0	0	0	0	0	0	0	0	0	
Short-term marketable		0	0	0	0	0	0	0	0	0	0	0	0	
Investment securities		▲ 55	▲ 184	▲ 261	▲ 341	▲ 418	▲ 438	▲ 423	▲ 377	▲ 328	▲ 279	1	0	
Other assets		60	288	1,269	2,495	4,139	6,145	8,253	9,975	11,437	12,612	13,521	13,521	
Retained earnings, etc.		▲ 977	▲ 1,282	▲ 822	▲ 103	▲ 1,093	▲ 3,086	5,497	7,681	9,577	11,164	13,529	13,521	
Operating CF		977	1,282	822	103	1,093	2,385	0	0	0	0	0	0	
Short-term debt		0	0	0	0	0	0	0	0	0	0	0	0	
Long-term debt		0	0	0	0	0	0	0	0	0	0	0	0	
Other Long-term Liabilities		0	0	0	0	0	0	0	0	0	0	0	0	
Equity financing		977	1,282	822	103	1,093	2,385	0	0	0	0	0	0	
Financing CF		0	0	0	▲ 0	0	701	5,497	7,681	9,577	11,164	13,529	13,521	
Surplus Cash and Deposits		0	0	0	0	0	701	5,497	7,681	9,577	11,164	13,529	13,521	
Surplus Cash and Deposits		0	0	0	▲ 0	0	0	0	0	0	0	0	0	
Check		0	0	0	0	0	0	0	0	0	0	0	0	

Source: JPR

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# TSE Standard DANTO HOLDINGS CORPORATION[5337]issued date:June11,2024

FY	Millions of yen	Company Plan	JPR		JPR		JPR		JPR		JPR		JPR	
		JPR Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
		2024.12	2025.12	2026.12	2027.12	2028.12	2029.12	2030.12	2031.12	2032.12	2033.12	2034.12	2035.12	
KPI	Ratio of invested capital to sales at the beginning of the period	74.2%	79.6%	74.4%	69.9%	66.5%	64.1%	62.6%	61.6%	60.9%	60.6%	60.4%	60.4%	
	Invested capital at the	4,674	5,711	7,281	9,372	11,970	15,016	18,075	20,831	23,125	24,985	26,434	26,426	
	Sales Growth Rate	13.4%	22.2%	27.5%	28.7%	27.7%	25.4%	20.4%	15.2%	11.0%	8.0%	5.8%	0.0%	
	NOPAT	-201	288	1,269	2,495	4,139	6,145	8,253	9,975	11,437	12,612	13,521	13,521	
	ROIC	-4.3%	5.0%	17.4%	26.6%	34.6%	40.9%	45.7%	47.9%	49.5%	50.5%	51.2%	51.2%	
	Ratio of working capital to	198	198	198	198	198	198	198	198	198	198	198	198	
	Cost of sales / (Cost of	68.89%	68.89%	68.89%	68.89%	68.89%	68.89%	68.89%	68.89%	68.89%	68.89%	68.89%	68.89%	
	SG&A expenses/(cost of	31.11%	31.11%	31.11%	31.11%	31.11%	31.11%	31.11%	31.11%	31.11%	31.11%	31.11%	31.11%	
	Operating income ratio	0.00%	5.78%	18.68%	26.80%	33.13%	37.78%	41.18%	42.48%	43.42%	44.06%	44.51%	44.52%	
	Current liabilities other than interest-bearing debt	64	64	64	64	64	64	64	64	64	64	64	64	
	Liquidity on hand monthly	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	
	Short-term debt interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
	Long-term debt interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
	Effective tax rate	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	
	Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
	Gross DE ratio	13.6%	26.5%	31.0%	26.0%	13.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
	Net DE ratio	7.6%	18.5%	21.3%	15.4%	3.1%	-12.5%	-27.7%	-40.2%	-50.0%	-57.7%	-64.9%	-64.9%	
	Property, plant and	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	
	WACC	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	
	ROIC-WACC	-10.1%	-0.7%	11.6%	20.8%	28.8%	35.1%	39.9%	42.1%	43.7%	44.7%	45.4%	45.4%	
	Excess profit = (ROIC-	-472	-43	848	1,952	3,446	5,276	7,207	8,769	10,098	11,166	11,991	11,991	
	Permanent value of excess	-8,150	-737	14,642	33,718	59,516	91,116	124,469	151,450	174,401	192,845	207,091	207,091	
	Estimated value of growth	7,413	15,379	19,076	25,798	31,600	33,354	26,981	22,951	18,444	14,246	14,246	14,246	
	Present Value Factor	95%	89%	84%	80%	75%	71%	67%	64%	60%	57%	54%	54%	

Source: JPR

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## Reference: Announced on May 15, 2024 Issuance of stock acquisition rights

## Outline of stock acquisition rights

2.5 billion yen raised from stock acquisition rights

Aiming for sustainable earnings

Focus on new business

### Outline of the offering of stock acquisition rights

DANTO HOLDINGS announced on May 15, 2024 that it will issue its first series of stock acquisition rights (with an exercise price amendment clause) through a third-party allotment to EVO FUND. The allotment date of the stock acquisition rights is May 31. A total of 33,000 stock acquisition rights will be issued (3.3 million potential shares). The company will raise an estimated net amount of 2,508 million yen, which will be used for investment funds. The dilution ratio is 10.00%.

### Purpose and reason for solicitation

DANTO HOLDINGS aims to recover its business performance and build a stable earnings base with its main focus on the construction ceramics business and real estate business. To this end, the company will invest in real estate equity with its own funds through consolidated subsidiary Touchstone Capital Management Co., Ltd. and promote the worldwide innovation business through Danto Technologies Incorporated. Specifically, DANTO HOLDINGS will invest in income-producing real estate, primarily in Tokyo, and make equity investments of 580 million yen in Japanese venture companies. In order to achieve high profitability and social contribution through these investments, the company resolved to issue stock acquisition rights through a third-party allotment to raise equity investment and working capital.

### Specific use of funds to be raised

DANTO HOLDINGS intends to use the estimated proceeds of 2,508 million yen from the issuance of the SARs for loans to group companies, equity investments in Touchstone Capital Management and Danto Technologies, and working capital for business strategies. The Company intends to use the proceeds of 2,508 million yen as working capital for its business strategy. If the amount raised exceeds the planned amount, it is planned to be used for equity investment in Touchstone Capital Management.

### Specific use of funds to be raised

Specific use	Amount (Millions of yen)	Scheduled date of expenditure
Equity investment in Touchstone Capital Management Co.	1,250	July 2024 - December 2024
Equity investment in Danto Technologies Incorporated	1,000	June 2024 to December 2025
Working capital in business strategy	258	June 2024 to December 2025
Total	2,508	—

Source: Company website. Notice Concerning Issuance of First Series of Stock Acquisition Rights (with a Clause to Revise Exercise Price) by Third-Party Allotment and Execution of a Stock Acquisition Rights Purchase Agreement (Commit Issue)

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**Stable earnings  
and innovative  
growth expected**

### **Growth perspective**

Touchstone Capital Management Co., Ltd. will utilize its real estate investment know-how and crowdfunding information to promote equity investments in income-producing real estate using its own funds. The company plans to invest in office buildings, rental condominiums, hotels, logistics facilities, and commercial facilities in Tokyo and other metropolitan areas, and plans to allocate 1,250 million yen from July to December 2024. By doing so, the company aims to ensure the liquidity of its assets and increase revenues at the time of sale. In addition, Danto Technologies Incorporated plans to promote its worldwide innovation business and allocate 1,000 million yen from June 2024 to December 2025 for equity investment in new ventures. This will strengthen the company's competitiveness in growth markets and increase long-term earnings.

**Co-creation with  
society**

### **Connection perspective**

Touchstone Capital Management Co., Ltd. and Danto Technologies Incorporated will collaborate to identify and nurture Japanese venture companies. In particular, they will promote equity investments in companies with environmental and innovative technologies. This will ensure sustainable growth and the introduction of new technologies to the market. In addition, DANTO TILE Corporation will borrow 168 million yen as working capital to develop new designs and high value-added products and strengthen promotional activities for overseas markets. This will maximize the use of each company's management resources in an effort to rebuild the brand and expand the market.

**Optimize cost of  
capital and  
increase  
shareholder value**

### **Confidence perspective**

DANTO HOLDINGS plans to allocate 258 million yen from June 2024 to December 2025 as working capital to ensure the stability and reliability of each business. In particular, the company will loan 90 million yen to Danto Power Incorporated to develop an emergency LP gas generator utilizing IoT technology and to promote public relations activities. This will strengthen the company's preparedness for natural disasters and provide the market with highly reliable products. In addition, through prompt and flexible provision of funds, the company will support the establishment of technology and business turnaround of portfolio companies to improve investment returns. These efforts will enhance corporate stability and secure the trust of stakeholders.

## Reference: DANTO group's portfolio companies of interest

### Danto Power Incorporated's value growth story

#### Growth: Shaping the future of energy

Values and Worldview	Value provided and growth potential	Net sales
<p><b>Disaster Preparedness and Clean Energy Development</b></p> <p>Danto Power is on a mission to pioneer the future of energy and is focused on providing the next generation of convenience and security to society. While developing and marketing emergency LP gas generators needed in times of disaster and emergency situations, the company is also focusing on research and development of clean energy. As a value proposition, the company provides safe and reliable solutions that meet the needs of its customers while being environmentally conscious and protecting the global environment.</p>	<p><b>LP gas compensates for the shortcomings of existing fuels</b></p> <p>Currently, storage batteries and diesel generators are the mainstream sources of electricity supply in times of disaster. Storage batteries cannot be reused once they are exhausted until the power lines are restored, whereas LP gas generators can be reused as many times as logistics allow. Diesel generators can also be reused, but the fuel needs to be changed every six months, whereas LP gas generators do not.</p>	<p><b>Assuming 20% market share</b></p> <p>According to the National Emergency Generator Safety Association, there are approximately 200,000 units of emergency power generation equipment in the national stock (2020). We calculated this figure assuming that 20% of these can be replaced by our LP gas and that the unit sales price is 200,000 yen.</p>
		<p><b>Future Sales Targets</b></p> <p><b>8 billion yen</b></p>

#### Connection: A sustainable energy future through innovation

Strategies	Business model	ROIC
<p><b>Energy-centered product development</b></p> <p>Danto Power's main business is the development, manufacture, and sale of "emergency LP gas generators," which are currently being developed by Danto Technologies Incorporated, a consolidated subsidiary. Danto Power also plans to develop and market other products that can contribute to society at large, such as "clean energy-related research and development.</p>	<p><b>Types available for each need</b></p> <p>Two types of emergency LP gas generators are available: a stationary type that can be remotely operated using IoT technology (to be available in spring 2024) and a portable type that is lightweight, quiet, and easy to use in a variety of locations. The stationary type, in particular, will reduce maintenance costs.</p>	<p><b>Assumed to be average</b></p> <p>ROIC is assumed to be 15%, which is the value of an average trading company. Assuming that the ratio of invested capital to sales is also 40%, the NOPAT is 480 million yen.</p>
		<p><b>ROIC</b></p> <p><b>15%</b></p>

#### Confidence: Stable earnings and social contribution through environmentally friendly energy

Financial sustainability	Contribution to social sustainability	WACC
<p><b>Cost reduction with IoT</b></p> <p>Demand is expected to grow further in the future, given the advantages of LP gas as a fuel, its environmental friendliness, and its potential use in times of disaster. Furthermore, by integrating IoT technology, which enables remote monitoring and operational efficiency, into its generators, the company is increasing cost performance and promoting repeat business. These strategies will generate stable cash flow and strengthen the company's financial base.</p>	<p><b>Major contribution to the SDGs</b></p> <p>Contributing to the sustainability of society by promoting clean energy. Generators fueled by low-polluting LP gas provide a reliable source of energy while reducing environmental impact. They promote the use of renewable energy resources and reduce greenhouse gas emissions. Additionally, our generators can provide a stable power supply in times of disaster, contributing to the restoration and preservation of social infrastructure.</p>	<p><b>Assumed to be average</b></p> <p>WACC is assumed to be 8% as the value of an average trading company. The excess profit spread would then be 7%.</p>
		<p><b>WACC</b></p> <p><b>8%</b></p>

\*1Compiled by JPR based on company disclosures and its own estimates of post-company plan estimates. JPR did not interview the company.

## Helix Co., Ltd's value growth story

### Growth: Contribute to human development and leave a beautiful planet for future generations

Values and Worldview	Value provided and growth potential	Net sales
<p><b>Balancing science and the environment</b></p> <p>HELIX's corporate philosophy focuses on contributing to human development and global environmental conservation by providing innovative products and services under the theme of "handing over a beautiful earth to future generations." The company aims to embody "wisdom, action, and logic" through technological innovation in the environmental business. HELIX strives to balance scientific progress, economic growth, and environmental conservation, representing a new corporate model for the 21st century.</p>	<p><b>Minimizing negative environmental impact</b></p> <p>By providing quick and effective solutions to the difficult environmental challenges of modern society, such as the treatment of industrial and medical waste, as well as the decommissioning of nuclear power plants, the company is earnestly working to clear the "bill" of economic costs and environmental burdens. Through its environmentally friendly water plasma technology-based treatment systems for difficult-to-process materials, the company is addressing the three major challenges of the waste problem: quantity, quality, and price.</p>	<p><b>Assumed share to waste haulers</b></p> <p>In 2018, there were approximately 200,000 industrial waste disposal permits. Assuming that the system could be introduced in 20 of these cases, the unit cost was set at 400 million yen.</p>
		<p><b>Future Sales Targets</b></p> <p><b>8 billion yen</b></p>

### Connection: Collaborating with other research institutions to make effective use of byproducts

Strategies	Business model	ROIC
<p><b>Collaboration with other research institutions</b></p> <p>Due to the development of advanced technology and handling of hazardous materials in treatment technology research, collaboration with the government, universities, and other research institutions is essential. HELIX collects data internally and also relies on external organizations to measure and verify data independently. Currently, HELIX is conducting research on water plasma systems in collaboration with Kyushu University, Tokyo Institute of Technology, and several domestic and international companies.</p>	<p><b>Toward a total business by utilizing by-products</b></p> <p>In the future, our business strategy will be based on the "Deployable Core Technology Strategy," which aims not only to reduce environmental impact but also to further develop our core technologies, including the establishment of technologies for the effective use of by-products to contribute to the recycling of resources.</p>	<p><b>Assumed to be average</b></p> <p>ROIC is assumed to be 15%, which is the value of the average manufacturing industry. Assuming that the ratio of invested capital to sales is also 75%, which is the average for the manufacturing industry, the NOPAT is 900 million yen.</p>
		<p><b>ROIC</b></p> <p><b>15%</b></p>

### Confidence: Sufficient research resources to reduce environmental impact

Financial sustainability	Contribution to social sustainability	WACC
<p><b>Research funding is available for the foreseeable future</b></p> <p>Helix has increased its capital to 10 million yen (capital surplus of 85 million yen) and is considered to be well funded. Financial sustainability is high because research expenses are being funded by Danto Technologies with plans to convert to equity later, and can be covered by investor introductions from DANTO HOLDINGS.</p>	<p><b>Use in industrial waste treatment</b></p> <p>The water plasma treatment system is suitable for specially controlled industrial waste, which is difficult to treat in incinerators and melting furnaces, and contributes greatly to reducing environmental impact.</p>	<p><b>Assumed to be average</b></p> <p>WACC is assumed to be 8% as the value of the average manufacturing industry. The excess profit spread would then be 7%.</p>
		<p><b>WACC</b></p> <p><b>8%</b></p>

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## Mobility Energy Circulation Co.,Ltd.'s value growth story

### Growth: Building a "Running Power Plant"

Values and Worldview	Value provided and growth potential	Net sales
<p><b>Exhaust heat is the next generation of sustainable power sources</b></p> <p>Mobility Energy Circulation views waste heat, which is discarded throughout society, as an important resource and is developing technology to convert it into electricity. By utilizing unused waste heat, the company is helping to reduce fuel costs and CO2 emissions. In particular, Mobility Energy Circulation has developed a compact and lightweight binary generator that can be installed in vehicles and small facilities that have been difficult to use in the past. By converting small-scale waste heat into a valuable energy source, Mobility Energy Circulation will promote measures against global warming and the transition to a decarbonized society.</p>	<p><b>Reducing CO2 emissions by utilizing exhaust heat</b></p> <p>Ultra-compact, lightweight binary generators have at their core the technology to convert exhaust heat into electrical energy, which allows them to be installed in small-scale facilities, vehicles, and ships. In particular, vehicle-mounted binary generators use exhaust heat from engines to generate electricity, contributing to improved fuel efficiency and reduced CO2 emissions in refrigerated refrigeration vehicles and other vehicles. Demand is expected to grow especially in the industrial and transportation sectors, which demand more efficient energy use, and the market is expected to expand with the current increase in awareness of environmental issues.</p>	<p><b>Assumption of loading at 0.1%.</b></p> <p>The number of trucks owned in Japan is approximately 14.36 million (2022 Japan Automobile Manufacturers Association). Assuming that 0.1% of these trucks will be equipped with onboard generators, the unit cost of an onboard generator was calculated at 500,000 yen.</p>
		<p><b>Future Sales Targets</b></p> <p><b>7.1 billion</b></p>

### Connection: Combining sustainability and market expansion

Strategies	Business model	ROIC
<p><b>Developing new markets with waste heat binary generators</b></p> <p>The underlying strategy is to develop a new market segment in the existing waste heat binary generator market by achieving ultra-compact, lightweight, and low-cost products. By making products available to small-scale facilities, vehicles, and ships, which have traditionally been difficult to install large-scale, high-cost binary generators, Mobility Energy Circulation is expanding the market for efficiently converting waste heat into electricity. In addition, the company's strategy is to establish technological barriers to entry and maintain its competitive advantage by acquiring patents.</p>	<p><b>Accelerate market entry with a diversified revenue structure</b></p> <p>In addition to product sales, Mobility Energy Circulation is developing a diversified revenue structure that includes leasing and an electricity sales revenue sharing model. This approach reduces the initial investment burden for customers and lowers the barriers to product adoption. The company demonstrates the performance and practicality of its products through demonstration tests, enhancing market recognition and reliability. Additionally, Mobility Energy Circulation actively seeks domestic and international patents to protect its technology and maintain a competitive advantage.</p>	<p><b>Assumed average value</b></p> <p>ROIC is assumed to be 15%, which is the value of the average manufacturing industry. Assuming that the ratio of invested capital to sales is also 75%, which is the average for the manufacturing industry, the NOPAT is 800 million yen.</p>
		<p><b>ROIC</b></p> <p><b>15%</b></p>

### Connection: Toward a sustainable society by preventing global warming

Financial sustainability	Contribution to social sustainability	WACC
<p><b>Research and development expenses are sufficient</b></p> <p>In addition to the investment from the DANTO group, Mobility Energy Circulation has been selected for a grant project by the New Energy and Industrial Technology Development Organization (NEDO) in 2021, and is very well funded. Mobility Energy Circulation is also working with renewable energy facilities and expanding into diverse industries to achieve sustainable growth.</p>	<p><b>Utilizing exhaust heat for a sustainable society</b></p> <p>The contribution of ultra-compact and lightweight binary generators to social sustainability lies in their ability to efficiently utilize waste heat that would otherwise be discarded, thereby reducing environmental impact. This technology converts waste heat from vehicles, factories, and hot springs into electricity, enhancing energy efficiency and reducing CO2 emissions. By generating power without the use of fuel, it reduces dependence on fossil fuels and helps prevent global warming.</p>	<p><b>Assumed average value</b></p> <p>WACC is assumed to be 8% as the value of the average manufacturing industry. The excess profit spread would then be 7%.</p>
		<p><b>WACC</b></p> <p><b>8%</b></p>

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## CIB Solution Co.,Ltd.'s value growth story

### Growth: Solving society's overall energy problems

Values and Worldview	Value provided and growth potential	Net sales
<p><b>Innovation for sustainability and safety</b></p> <p>CIB Solution Co., Ltd. is focusing on developing technologies to improve the safety and efficiency of lithium-ion batteries with the aim of realizing a sustainable society. At the same time, the company is actively researching alternative materials and developing new energy storage systems to address the problem of lithium resource depletion. By promoting technological innovation in this way, the company aims to provide next-generation solutions in the energy field to conserve the global environment and use resources sustainably.</p>	<p><b>Providing innovative energy solutions</b></p> <p>CIB is bringing innovation to the energy sector through the provision of high-performance and safe battery technology. In particular, by reducing the risk of lithium-ion battery ignition and providing the market with higher capacity and more efficient energy storage solutions, CIB is facilitating their expanded use in various applications, including electric vehicles (EVs). CIB also supports the sustainable use of resources through research and development of environmentally friendly batteries made from new materials other than lithium.</p>	<p><b>Assumed market share of 3%</b></p> <p>The lithium-ion battery market is worth 697.1 billion yen (Nikkei COMPASS survey 2024). Since we own the patent for copper-ion batteries, we assume that we can replace 3% of the market with copper-ion batteries.</p>
		<p><b>Future Sales Targets</b></p> <p><b>21 billion</b></p>

### Connection: Securing market superiority through patents

Strategies	Business model	ROIC
<p><b>Promoting next-generation energy solutions</b></p> <p>Our objective is to provide sustainable energy solutions. CIB is engaged in R&amp;D, manufacturing, sales, and import/export of batteries, new energy-related equipment, and electrical equipment, and is strengthening its efforts to address environmental issues through technological innovation. CIB supports sustainable development in the energy sector and is working to increase its corporate value to contribute to the achievement of the SDGs.CIB has secured a competitive advantage in the market and created new business opportunities by patenting copper-ion batteries and other technologies.</p>	<p><b>High potential for business development</b></p> <p>The patented copper-ion battery has a simple battery structure, which means that material and manufacturing costs are extremely low and rare metals are not used. With the simplification of the manufacturing process and the prospect of mass production, the potential for business development is quite high.</p>	<p><b>Assumed average value</b></p> <p>ROIC is assumed to be 15%, which is the value of the average manufacturing industry. Assuming that the ratio of invested capital to sales is also 75%, which is typical of the average manufacturing industry, the NOPAT is 2.36 billion yen.</p>
		<p><b>ROIC</b></p> <p><b>15%</b></p>

### Connection: Environmental responsiveness and market competitiveness

Financial sustainability	Contribution to social sustainability	WACC
<p><b>Low cost and environmentally friendly</b></p> <p>CIB is developing a financial strategy to support R&amp;D and market expansion. Specifically, the company secures stable earnings through businesses related to the manufacture and sale of various types of batteries and new energy-related equipment. Copper-ion batteries are a low-cost, environmentally friendly, and simple to manufacture alternative to lithium-ion batteries. These innovative technological developments strengthen the financial sustainability of CIB and keep it competitive in the market.</p>	<p><b>Sustainability through energy technology</b></p> <p>CIB is developing copper-ion batteries to provide sustainable energy solutions. This technology improves energy efficiency, reduces CO2 emissions, and contributes to less dependence on fossil fuels. The smaller size and lower cost of this technology allows it to be installed in smaller facilities and is expected to expand its use in a wide range of industries. This is effective in preventing global warming and offers society a new model for sustainable energy use.</p>	<p><b>Assumed average value</b></p> <p>WACC is assumed to be 8% as the value of the average manufacturing industry. The excess profit spread would then be 7%.</p>
		<p><b>WACC</b></p> <p><b>8%</b></p>

\*1Compiled by JPR based on company disclosures and its own estimates of post-company plan estimates. JPR did not interview the company.

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## ■ Summary of growth value of four companies

Company name	Net sales	Invested capital	NOPAT	ROIC	Excess profit	Shareholder value impact
Danto Power Incorporated	8 billion yen	3.2 billion yen	480 million yen	15%	220 million yen	2.8 billion yen
Helix Co., Ltd	8 billion yen	6 billion yen	900 million yen	15%	420 million yen	5.25 billion yen
Mobility Energy Circulation Co.,Ltd.	7.1 billion yen	5.33 billion yen	800 million yen	15%	370 million yen	4.66 billion yen
CIB Solution Co.,Ltd.	21 billion yen	15.75 billion yen	2.36 billion yen	15%	1.1 billion yen	13.78 billion yen
Total	44.1 billion yen	30.28 billion yen	4.54 billion yen	15%	2.11 billion yen	26.49 billion yen

\*JPR's own estimates of post-plan estimates based on company disclosures. JPR has not interviewed the company. Rounded to two decimal places.

## Reference 1. For those new to JPR reports

### GCC Management™ Analysis

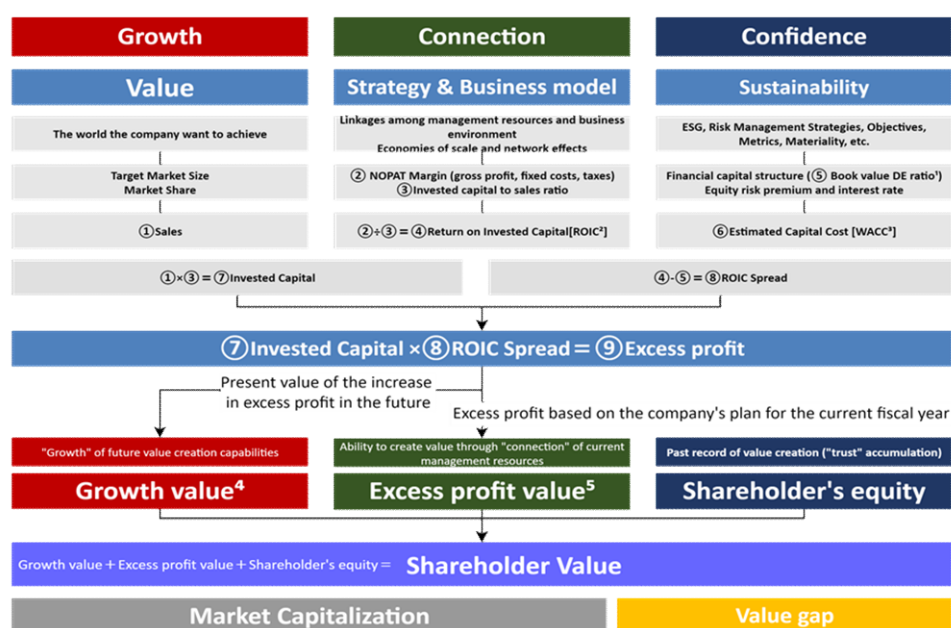
Visualize the value gap between theoretical shareholder value and market capitalization

Analyze by the three elements of Growth, Connection, and Confidence.

A framework for directly linking qualitative stories to shareholder value

This report analyzes corporate value from the perspective of GCC Management™, a framework developed by J-Phoenix Research Corporation ("JPR"), emphasizing three elements: Growth (sales growth), Connection (improved human and business connections = higher return on capital), and Confidence (improved trust = lower business risk). The following chart shows the overall picture of the GCC Management™ framework. The following diagram shows the overall picture. The qualitative future story is linked to financial indicators, which are finally integrated to estimate shareholder value. Using the excess profit method (see "Appendix 3. Basis of Calculation" at the end of this report), JPR estimates the final theoretical shareholder value and visualize the value gap by comparing it with the market capitalization.

### GCC Management™ Analysis Framework



[Source: JPR] [Notes] 1. Book value DE ratio: Ratio of interest-bearing debt to shareholders' equity. 2. ROIC: Return on Invested Capital, See "Appendix 3." at the end of this document. 3. WACC: Weighted Cost of Capital, see "Appendix 3." at the end of this document. 4. growth value = cumulative present value of the perpetuity value of the excess profit increment through year X. The perpetuity value is calculated as the excess profit increment divided by WACC. The present value of that amount is discounted by the WACC. Cumulative future value up to year X as assumed by the growth scenario. 5. Excess profit value = the perpetual value of excess profit based on the current year's company plan. The excess profit value is estimated by dividing the excess profit calculated from the current year's company plan and the invested capital at the beginning of the period by the WACC.

Source: JPR

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**GCC  
Management™  
Evaluation  
System**

**Evaluate the feasibility of the Growth and Connection story of the value creation process from three perspectives**

## Evaluation of Growth and Connection

**Evaluate the feasibility of qualitative stories from three perspectives**

JPR evaluates the feasibility of the value creation process based on GCC analysis from three perspectives: conceptual design, implementation design, and actual performance. "Conceptual design" is defined as "conceptualizing the concept of the value creation process" and "implementation design" is defined as "creating and operating a system to systematize and implement the management resources necessary to realize the concept of the value creation process. Value creation becomes an "achievement" only when "conceptual design" becomes "implementation design. JPR conducts subjective evaluations of "conceptual design," "implementation design," and "performance," which are then rated in an easy-to-understand manner at 90%, 70%, 50%, 30%, and 10%. Specifics are described below.

### Conceptual Design," "Implementation Design," and "Performance" Evaluation Framework

% indication	90%	70%	50%	30%	10%
"Conceptual design"	Conceptual design is very logically organized	Conceptual design is approximately logically organized	Conceptual design is about halfway organized	Conceptual design is organized to a certain degree	Conceptual design is organized to a certain degree
"Implementation design"	Conceptual design is almost implemented	Conceptual design is almost implemented	Conceptual design is about half implemented	Conceptual design is implemented to a certain degree	Conceptual design has been implemented, albeit marginally.
"Performance"	Targeted outcomes are observed as actual results almost exactly as intended by the conceptual design	Targeted outcomes are observed as actual results almost exactly as intended by the conceptual design	Targeted outcomes are observed as actual results as intended by the conceptual design about half way through	Targeted outcomes are observed as actual results to a certain degree, as intended by the design	Targeted outcomes are observed as achievements, albeit slight, as intended by the conceptual design

Source: JPR

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## Evaluation of Confidence

### Evaluation of financial stability and social contribution

#### Credibility of the value creation process

JPR evaluates the feasibility of the value creation process based on GCC analysis from three perspectives: "Conceptual Design", "Implementation Design", and "Actual Performance." "Conceptual Design" is defined as "conceptualizing the concept of the value creation process" and "Implementation Design" is defined as "creating and operating a system to systematize and implement the management resources necessary to realize the concept of the value creation process." Value creation becomes an "Actual Performance" only when "Conceptual Design" becomes "Implementation Design." JPR conducts subjective evaluations of "Conceptual Design," "Implementation Design," and "Actual Performance," which are then rated in an easy-to-understand manner at 90%, 70%, 50%, 30%, and 10%. Specifics are described below.

### "Conceptual Design," "Implementation Design," and "Actual performance" Evaluation Framework

% indication	90%	70%	50%	30%	10%
<b>Financial Stability</b> The evaluation is based on a five-point scale from the viewpoint of sufficient experience in the value creation process, differentiated value creation capabilities that are difficult to imitate, low risk of fluctuations such as economic and seasonal fluctuations due to stockholding, and an optimized capital-liability structure.	Very Highly commendable	Highly commendable	Can be evaluated as a listed company on average	Can be commendable to a certain degree	Partially commendable
<b>Social Contribution</b> The social issues addressed are generally of great importance to society, the path to their solution is not yet clear, and they are tackling a challenging task that requires both the creation of a new concept and the systematic creation of the optimal governance structure for its implementation.	Very Highly commendable	Highly commendable	Can be evaluated as a listed company on average	Can be commendable to a certain degree	Partially commendable

Source: JPR

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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  $\beta$
- $\beta$  = 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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