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March 24, 2025

Company name: RHYTHM CO., LTD.

Representative: Takeo Yumoto

President and Representative Director

(Securities code: 7769; TSE Prime Market)

Inquiries: Tatsuya Aizawa

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#### Announcement of Medium-Term Management Plan 2027

The Company hereby announces that it has formulated the Medium-Term Management Plan 2027, which covers the 3 years from the fiscal year ended March 2026 to the fiscal year ended March 2028.

The current Medium-Term Management Plan is in the "Realization of Growth Strategy" phase, and the Company has set basic policies such as "Expanding growth areas through an integrated manufacturing, sales and technology strategy" and "Strategic investment with an emphasis on business growth and improving shareholder returns" and has been working to improve business performance and corporate value. In the new Medium-Term Management Plan 2027, the Company will take a further step forward and position it as the "Realization of New Growth by Establishing Business Model" phase, in which the Company will complete the business transformation and work to further increase corporate value by expanding self-driven growth that is not affected by changes in the external environment.

#### 1. Basic Policy

- Business Strategy: Strengthening of competitiveness in new business model
- · Financial Strategy: Growth investment and improved capital efficiency
- Management Foundation Strategy: Enhance of management driving force
- · Sustainability Strategy: Synchronization with management and business activities

#### 2. Management Goals (planned exchange rate US\$1=JPY140)

Management Goals	Fiscal Year Ended March 2025	Fiscal Year Ended March 2028
	Forecast *	Plan
Net sales	33 billions of yen	40 billions of yen
Operating profit	1.2 billions of yen	2.5 billions of yen
Net profit	1 billions of yen	2.1 billions of yen
Operating profit margin	3.6%	6.3%
ROE	3.2%	6.0%
Mobility sales	12 billions of yen	13 billions of yen
Livingware products sales	2.5 billions of yen	5 billions of yen
Overseas sales ratio	42%	41%

(\*Note)

The financial results forecast for fiscal the year 2024 is based on "Consolidated Financial Results for the Year Ended March 31, 2025" announced on November 14, 2024.



# Medium-Term Management Plan 2027

(Fiscal Year Ended March 2026 to Fiscal Year Ended March 2028)

March 24, 2025 RHYTHM CO., LTD. (TSE Prime Market 7769)

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## 1. Review of Medium-Term Management Plan 2024

(Fiscal Year Ended March 2023 to Fiscal Year Ended March 2025)

# 2. Long-term Vision

## 3. Medium-Term Management Plan 2027

(Fiscal Year Ended March 2026 to Fiscal Year Ended March 2028)

#### Note:

- •Unless otherwise noted in this document, amounts are rounded down and years represent the fiscal year (April to March of the following year).
- •The financial results forecast for fiscal year 2024 is based on "Consolidated Financial Results for the Year Ended March 31, 2025" announced on November 14, 2024.



# 1. Review of Medium-Term Management Plan 2024



Achievement rate of net sales is about 93%, and profitability is an issue. Must be able to respond to changes in the business environment.

### **Plan and Forecast**

Fian and Forecast					
	FY 2024 Plan	FY 2024 Forecast			
Net sales	<b>35.5</b> billions of yen	<b>33.0</b> billions of yen			
Operating profit	<b>2.0</b> billions of yen	<b>1.2</b> billions of yen			
Net profit	<b>1.6</b> billions of yen	<b>1.0</b> billions of yen			
Operating profit margin	<b>5.6</b> %	3.6 %			
ROE	<b>5.6</b> %	3.2 %			
Overseas sales ratio	<b>48</b> %	<b>42</b> %			
Vehicle- related sales	<b>12.0</b> billions of yen	<b>12.0</b> billions of yen			

### **Results and Issues**

	Expanded business by M&A and carried out business structural reform
Business	Precision parts  While Rhythm Shoei joined by M&A, existing invehicle and assembly businesses were affected by customer inventory adjustments, etc.
	Livingware  China factory achieved definite results of the reform.  Mobile fan was a hit in Livingware products*1, but ensuring profits (measures against weak yen) is still an issue.
Finance	Implemented management that is conscious of cost of capital and strengthened shareholder returns  Implemented aggressive investment beyond plan, partial sales of
	strategic investment stocks and real estate, and <b>dividend increase</b> . Need to <b>improve ROE by improving earnings</b> urgently.
Sustainability	Worked together with whole RHYTHM group to promote environmental and D&I activities  Reduced CO2 emissions earlier than planned. Measures to achieve net zero will be considered and women's empowerment will be further strengthened.
~	Turtrier Strengthened.
Managemen foundation	Made foundation stronger to support business  Conducted a wide range of activities including corporate governance, HR, IT, and SR*2. Replacing enterprise system is under implementation after reviewing the plan.

<sup>\*1</sup> Small home appliances and miscellaneous goods category including mobile fans, circulators, and humidifiers, etc.

<sup>\*2</sup> Stakeholder Relations



### Consolidated statements of income

	FY 2021	FY 2	022	FY 2023 FY 2		FY 2024		
(Millions of yen)	Result	Plan	Result	Plan	Result	Plan	Forecast	Compared to plan
Net sales	29,999	30,700	31,231	33,000	32,602	35,500	33,000	-2,500
Precision parts	22,133	22,700	23,561	24,600	25,173	26,300	25,100	-1,200
Livingware	7,422	7,600	7,222	8,000	7,027	8,800	7,500	-1,300
Others	444	400	446	400	401	400	400	-
Operating profit	892	1,000	886	1,600	730	2,000	1,200	-800
Precision parts	1,535	1,760	1,873	2,100	1,769	2,300	2,100	-200
Livingware	-174	-280	-432	0	-704	200	-400	-600
Others	64	60	64	70	68	75	50	-25
Adjustments	-532	-540	-620	-570	-401	-575	-550	25
Ordinary profit	1,286	1,300	1,246	1,850	1,259	2,250	1,600	-650
Net profit	1,031	1,000	794	1,300	477	1,600	1,000	-600
Exchange rate	122.39	120.00	133.53	120.00	151.41	120.00	145.00	25.00



# 2. Long-term Vision



Have comfortable moments in safe and secure lives supported by manufacturing techniques cultivated over 70 years of clock manufacturing.

Business Philosophy We shall contribute to the formation of an enriched, enjoyable and safe society through the ongoing pursuit of unrelenting creation and innovation.

# "Strong manufacturing" RHYTHM aim for



Pursuit of productivity

Technology development ability

Purchasing power

Productivity



Rationality

Organizational capacity in whole group

Driving force

Ability to solve problems

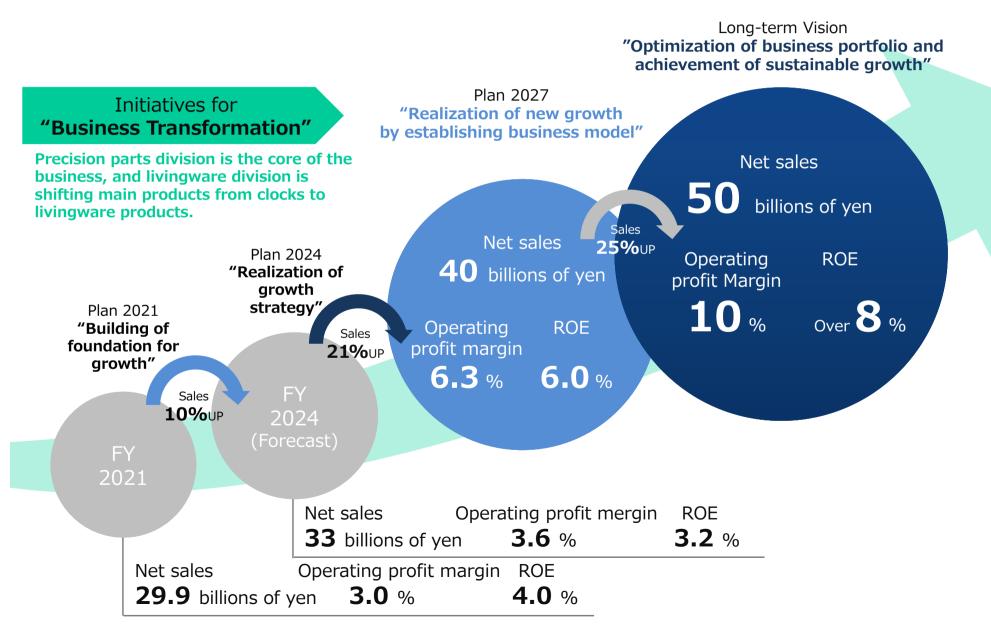
Corporate culture for innovations

Ideal state

As "a company of precision parts and livingware products" RHTYHM deliver "safety, security and comfort" to the world.



Aim to increase net sales by 7 billions of yen during medium-term management plan 2027. Aim to achieve 50 billions of yen in net sales in the near future.

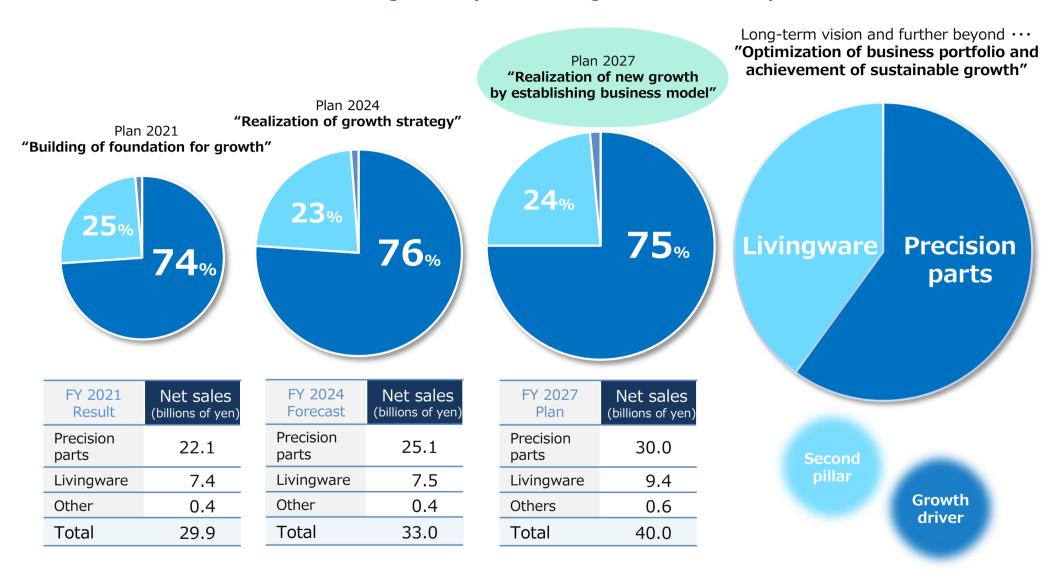




# 3. Medium-Term Management Plan 2027



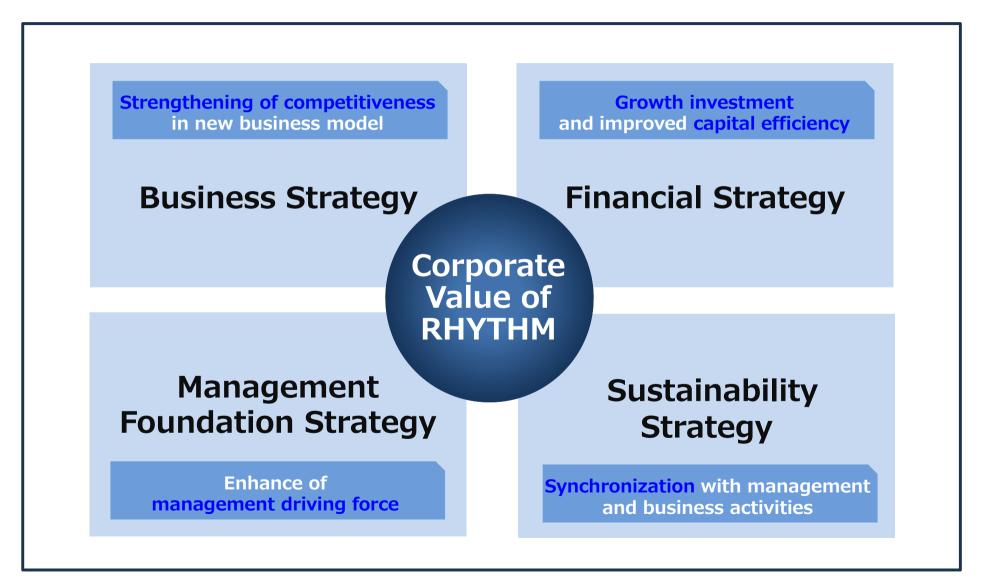
### Positioned as "Realization of new growth by establishing business model" phase.



Uninfluenced by business conditions such as economic conditions, foreign exchange rates and others, then build a balanced business portfolio.



<u>Transform to a highly porofitable structure and improve capital efficiency by 4 strategies and basic policies</u>





# Overcoming remaining issues of Medium-Term Management Plan 2024 (Profitability and ability to adapt to change)

### **Overall Policy**

### **4 Strategies and Basic Policies**

# **Expanding self-driven growth** that can withstand changes in the external environment

Shift to a high-profit structure



### **Management Goals**

	FY 2027 Plan		FY 2027 Plan
Net sales	<b>40.0</b> billions of yen	Mobility sales	<b>13.0</b> billions of yen
Operating profit	2.5 billions of yen	Livingware products sales	5.0 billions of yen
Operating profit margin	6.3 %	Overseas sales ratio	<b>41</b> %
ROE	6.0 %		

## Strengthening of competitiveness in new business model

Precision parts

Continuing to focus on **mobility as the most important market**, expanding **RHYTHM original parts** with high added value.

Livingware

Earning profits quickly and establishing a stable profit structure by expanding the business scale of livingware products.

Finance

Business

# Growth investment and improved capital efficiency

Strengthening management that is conscious of cost of capital. Building a stable earnings base resulting from business expansion, and making aggressive investments for the future.

Management fundation

# **Enhance of management driving force**

Achieving growth through both **proactive and defensive corporate governance**, **IT/DX** initiatives, and cultivating **human resources** with highly driving force.

Sustainability

**Synchronization** with management and business activities

Promote **environmental and DEI** activities as **a survival strategy** for the company.



### Consolidated statements of income

	FY 2024	FY 2025	FY 2026	FY 2027		
(Millions of yen)	Forecast	Plan	Plan	Plan	Compa FY 2	ared to 1024
Net sales	33,000	33,500	37,000	40,000	7,000	21.2%
Precision parts	25,100	24,700	27,500	30,000	4,900	19.5%
Livingware	7,500	8,300	9,000	9,400	1,900	25.3%
Others	400	500	500	600	200	50.0%
Operating profit	1,200	1,400	2,000	2,500	1,300	108.3%
Precision parts	2,100	2,150	2,450	2,850	750	35.7%
Livingware	-400	-250	50	150	550	-
Other	50	90	100	110	60	120.0%
Adjustments	-550	-590	-600	-610	-60	_
Ordinary profit	1,600	1,700	2,300	2,800	1,200	75.0%
Net profit	1,000	1,200	1,700	2,100	1,100	110.0%
exchange rate	145.00	140.00	140.00	140.00	-5.00	



Key Performance Indic	ators
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	FY 2024 Forecast	FY 2025 Plan	FY 2026 Plan	FY 20 Plan	027 Compared to FY 2024
Operating profit margin	3.6 %	4.2 %	<b>5.4</b> %	<b>6.3</b> %	<b>2.7</b> pt
ROE	3.2 %	4.0 %	<b>5.0</b> %	<b>6.0</b> %	<b>2.8</b> pt
Mobility Sales *1	<b>10.0</b> billions of yen	<b>10.5</b> billions of yen	<b>11.5</b> billions of yen	<b>13.0</b> billions of yen	<b>3.0</b> billions of yen
Livingware products Sales	<b>2.5</b> billions of yen	<b>3.7</b> billions of yen	<b>4.3</b> billions of yen	<b>5.0</b> billions of yen	<b>2.8</b> billions of yen
Overseas sales ratio *2	<b>42</b> %	<b>41</b> %	<b>41</b> %	<b>41</b> %	<b>-1</b> pt
(Precision parts)	<b>50</b> %	<b>48</b> %	<b>47</b> %	46 %	<b>-4</b> pt
(Livingware)	<b>21</b> %	20 %	<b>26</b> %	<b>27</b> %	<b>6</b> pt

<sup>\*1</sup> Calculation method has changed from Medium-Term Management Plan 2027. FY 2024 forecast is 12 billion yen using the previous calculation method.

<sup>\*2</sup> As domestic sales growth ratio will exceed the overseas sales growth ratio, it is expected to decline overseas sales ratio compared to FY2024.



Medium-Term Management Plan 2027

**Business Strategy** 

Precision parts



Mobility is the most important market and especially focus on electrical components and ADAS. Aim to expand the field of sensors.

### **Expansion of fields related to Advanced Driver Assistance Systems ADAS** Head-up displays, sensor cameras, etc. In response to the advancement of sensors, **Expansion of camera components** Multifunctionality **Under development of new** technologies Increase in adoption of "NEW" With engine No engine electrical components in line with installed installed the increase in electric current due to electrification and multifunction of vehicles **HEV** BEV Stable growth in "EXISTING" electrical components **FCEV PHEV** installed in both types of vehicles

**Electrical components** 

Steady growth is expected regardless of spread in electric vehicles



"Micron-level molding technologies" and "Customer-oriented proposals" are RHYTHM's strengths.



Molded plastic parts

"Micron-level molding technologies"

- Lightweighting and mass production of plastics that are difficult to process
- One thousandth of a millimeter (1 micron) processing technology to meet high precision requirements

Sensor Camera

Metal parts



 Technological development and proposal to solve customer problems

Suitable for automated mounting machine

Supply parts packed in tape to customers. Customers can set supplied parts as they are in their automated mounting machine. This package contributes to increased production efficiency and quality stabilization for customers.

More than 1000 customers including Tier 1 companies of Japanese and foreign automobile manufacturers, major electronics manufacturers and optical manufacturers.



Seeding for the widespread use of electric vehicles, and ensuring reaping of existing and new parts.

Kev measures 1

## **Deepning** existing parts

#### Solenoid coils

- New development fully utilizing metal processing, plastic molding, and winding technology
- Strengthening sales to a wide range of markets including automobiles and home appliances



Kev measures 2

## **Evolving to** new parts

### **Unit parts**

New development of plastic unit parts with something additional value

### **Assembly products**

From design to assembly. Cultivating as the next pillar of business after molded plastic parts and metal parts

### **Electrical components**

Development and sales of new parts for mobility

Kev measures 3

## **Productivity** improvement

### **Automation and** rationalization

- Imprement of drastic measures such as full automation
  - ->Expansion of production capacity
  - ->Shortening production lead time

Per capita Production FY 2027

Over **10**% increase (Compared to FY 2024)

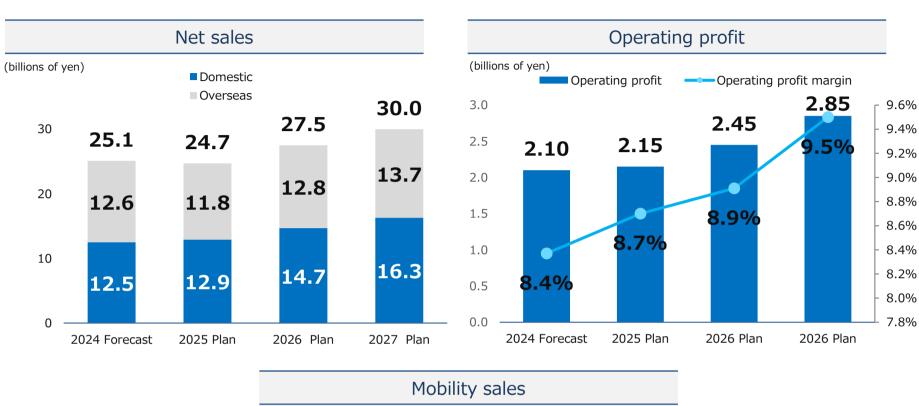
## **Common policy**

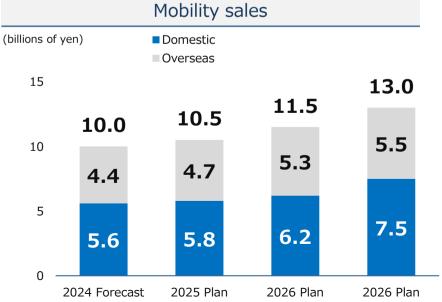
[Products] [Sales]

Develop **RHYTHM original parts** with high added value and aim to **quantitative expansion by versatility**. [Production] Expansion of Unit parts utilizing one-stop production system.

Deepening cultivation of strategic customers utilizing global networks.









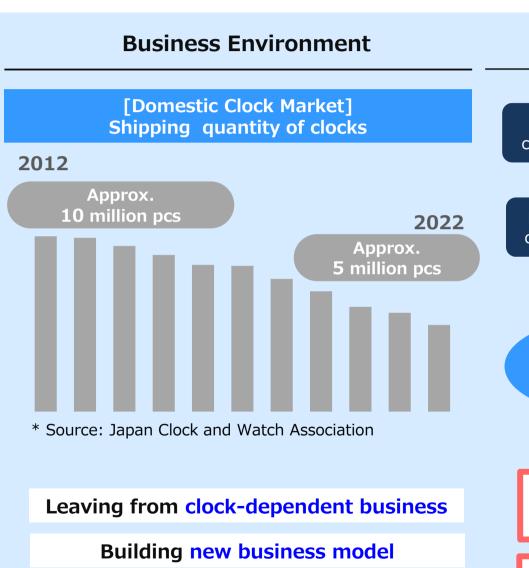
Medium-Term Management Plan 2027

**Business Strategy** 

Livingware



### **Ensuring the results of structural reform since FY2020.**



### **Structural Reform**

Selection and concentration of clocks

Reconstruction of factory in China

Product development of livingware products

Liquidation of two subsidiaries

Medium-Term Management Plan 2024

Improved profitability of factory in China

Big hit of mobile fans

Medium-Term Management Plan 2027

#### **Making profit quickly**

(expanding livingware products including overseas market and reducing costs)

Creating a next hit of livingware products





Must achieve profitability in Medium-Term Management Plan 2027. Increasing sales with livingware products at the core of product portfolio.

Key measures
1

Expansion of sales channels in livngware products

Major e-commerce and home appliance retailers 5 priority overseas countries

- ✓ Promotion of sales strategies by each sales channels
- Market development in China and Southeast Asia using mobile fans as a hook
- Increasing sales and gain brand recognition through SNS marketing

Key measures 2

# Next hit of livingware products

**New products** 

- Expansion of the air conditioning field and challenge new fields
- ✓ Product development with emphasis on high-value-added, long-life, year-round products and overseas expansion

Key measures

# **Strengthening the Production System**

#### **Cost Reduction**

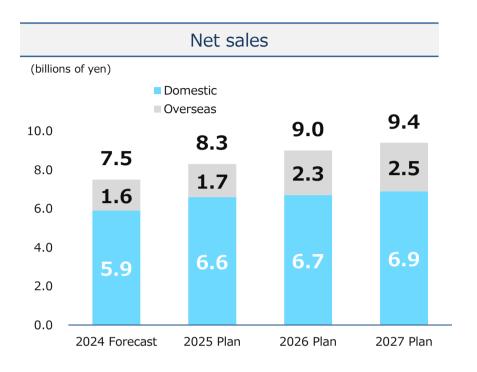
- Efforts to achieve no sales opportunity loss
- Enhancing purchasing power and improving productivity through centralized production and assembly automation
- Maximizing efficiency by further narrowing down lineup of clocks

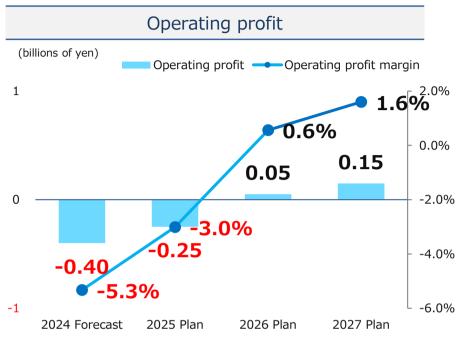
## **Common policy**

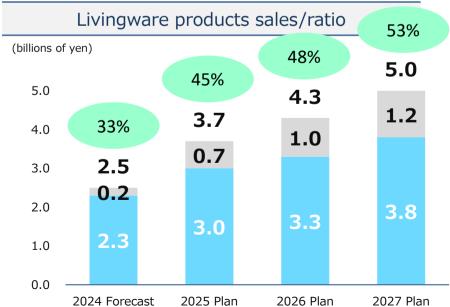
**Expanding sales of livinware products in Japan and overseas** toward early achievement of 10 billions of yen sales. To achieve both **speed and accuracy in executing strategies to scale the business.** 











### **Concept of livingware products**

Recognizing the essential value of life and providing **products that provide "spending a relaxing time"** with problem-solving, new uses, and high-quality design.



# Medium-Term Management Plan 2027

# **Financial Strategy**



<u>Continue to promote management that is conscious of cost of capital based on ROIC management</u> framework.

#### Structure

Management Committee / Board of Directors

### **Business portfolio report (twice a year)**

- Discussion on basic policy
- Business portfolio evaluation
- Discussion on M&A, etc.
  - \*There is regular reports on M&A separately.

**Business Portfolio Practitioners' Council** 

Topics of discussion with working-level leaders

- Setting of key improvement indicators
- Confirmation of progress and effects of specific measures

## ROIC management framework

# Business portfolio evaluation

# Decision of investment based on capital cost

(Estimation by the company) WACC approx. 6% Cost of equity approx. 7%

### **Asset optimization**

Sale of real estate Sale of strategic investment stocks Efforts to optimize inventories



Active investment to maximize profits



To improve Corporate Value by allocating resources in an optimal balance based on stable earnings base.

## **Improvement of Corporate Value**

### **Growth investment**

- Capital investment
- R&D investment
- Human capital investment
- M&A

### **Shareholder returns**

- Payout ratio of 30% or more and dividend per share of 30 yen or more
- Continuation of stable dividends



Page 27 & 28

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Creation of continuous cash flow

Strengthening of management that is conscious of cost of capital

Establishment of stable earnings base by expansion of business performance

Page 29



<u>Plan for aggressive investment for growth</u> based on cash generated from improved earnings and sales of certain assets

Cash In

Cash Out

12.0 ~13.0

billions of yen

- Improvement of Earnings
- Improvement of asset efficiency(Appropriate inventory levels)

Cash flows from operating activities

6.0~7.0

billions of yen

- Effective use of cash on hand
- Sale of some assets such as real estate and strategic investment stocks
- Use of debt

Cash on hand Asset sales Borrowings

6.0 billions of yen

Business investment

 $12.0 \sim 13.0$ 

billion of ven

5.0~6.0

billions of yen

M&A

**5.0** billions of yen

Shareholder return

2.0 billions of yen

Precision parts

- Facility expansion and reinforcement
- Automated and Labor-saving equipment

Livingware

Development of livingware products

Others

- Replacement of enterprise system
- Warehouse construction
- Environment-related investment
- Human capital investment

Precision parts

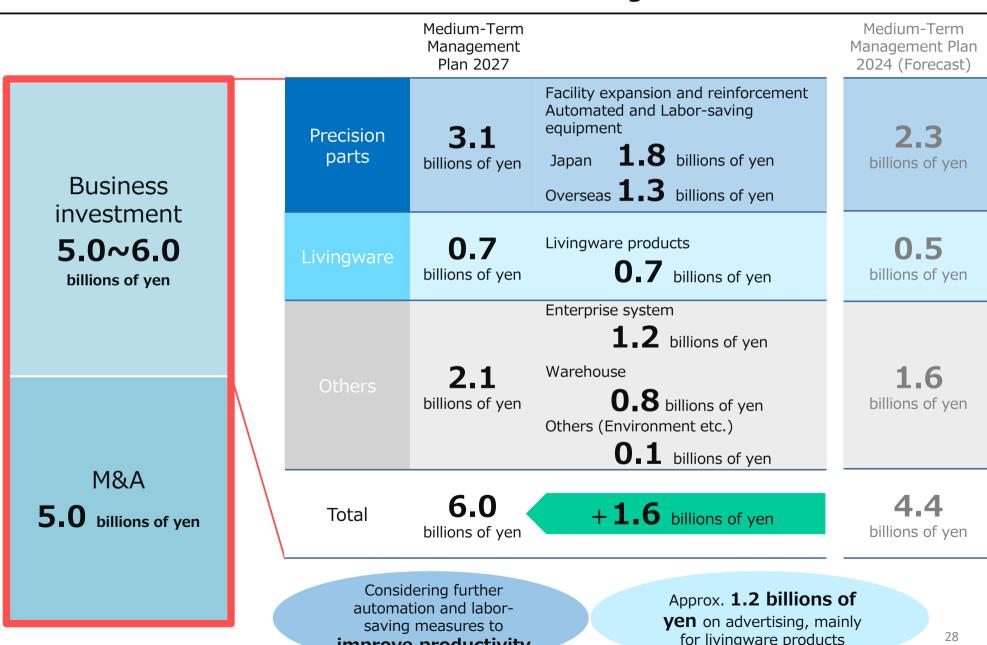
Manufacturers with a certain scale

Livingware

Companies with technology, know-how and human resources of livingware products



## Breakdown of investment for growth



improve productivity



# Improve shareholder returns along with investment for growth by improving earnings and generating more cash.

Dividends Basic Policy

- Payout ratio of 30% or more and dividend per share of 30 yen or more
- Continuation of stable dividends

	FY 2024 Forecast	FY 2025 Plan	FY 2026 Plan	FY 2027 Plan
Net sales (millions of yen)	33,000	33,500	37,000	40,000
Net profit (millions of yen)	1,000	1,200	1,700	2,100
Earnings per share (yen)	121.14	145.38	205.96	254.42
Dividends per share (yen)	73	73	73	76
Payout ratio (%)	60	50	35	30

<sup>\*</sup>The planned figures are estimates based on the Medium-Term Management Plan 2027 and do not guarantee the dividends described above.

Shareholder return 2.0 billions of yen

Consideration of further dividends depending on performance, cash on hand, and investment



# Medium-Term Management Plan 2027

# **Management Foundation Strategy**



#### Securing, developing, and properly allocating human resources to drive management strategy.

**Linkage** between management strategy and human resources strategy

Virtuous cycle of development of RHYTHM and employee growth Policy

Through **high productivity and creativity** of diverse human resources, creating an organization that can **promote management strategy** 

Human Resources Required

- Executives with high perspectives
- Managers and leaders with high management skills
- Specialists (Technology, Overseas)
- Autonomous and capable of challenging change
- Digital natives

Management Commitment

- Human capital investment for leaders and employees
- Sustainability Committee's promotion of DEI activities

Human resources pipeline

- Proper allocation of human resources and providing opportunities for active participation
- Implementation of education by level and theme
- Implementation of retention measures
- Restructuring of the personnel system
- Use of engagement surveys

Systematization of human resources development

for improving practical skills on the job



### Achieving overwhelming speed through IT/DX and realizing DX vision

### DX Vision **Evolution to a digital-native company** Gain overwhelming business speed **Business Transformation** Sales **Factory** Indirect administration productivity operations **50**% 30% **50**% **Improvement** Decrease Decrease **Business Transformation** Factory IoT IT infrastructure Data Analysis

**Foundation** 

IT Literacy

Digital Human

Resources

### Long-term policy

### Promoting IT strategies overlook the whole group

 Analysis of current situation, planning and implementation of measures in Medium-Term Management Plan 2027

### Promoting IT/DX

 Matching the latest technology with on-site demand by IT/DX promotion department

Important measures in Medium-Term Management Plan 2027

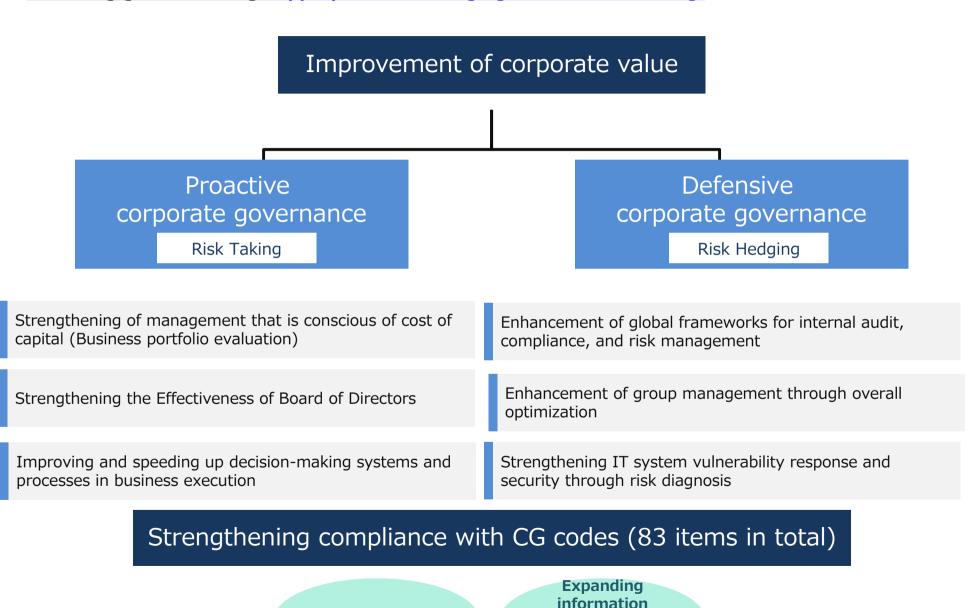
### Replacing enterprise system

 Standardization, efficiency, and control enhancement through business process integration



#### Achieving growth through appropriate risk hedging and bold risk taking.

**Human capital** 



disclosure and dialogue with

investors

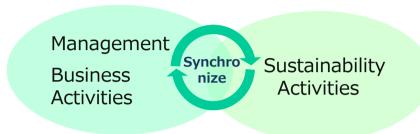


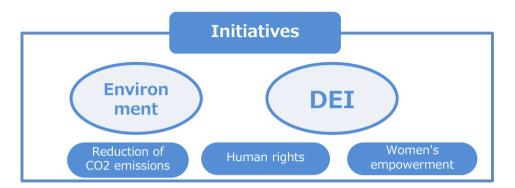
# Medium-Term Management Plan 2027

# **Sustainability Strategy**



### Synchronize with management and business activities to promote sustainable management.





Framework construction and establishment of activities

- Building promotion system in whole group
- Establishment of a philosophy system
- Understanding the current status and implementation of measures
- Implementation of monitoring (PDCA cycle)

Synchronization with management and improvement of effectiveness

- Linking activities with business activities as a survival strategy
- Autonomy of various activities
- Expansion of monitoring effects

#### Ideal state

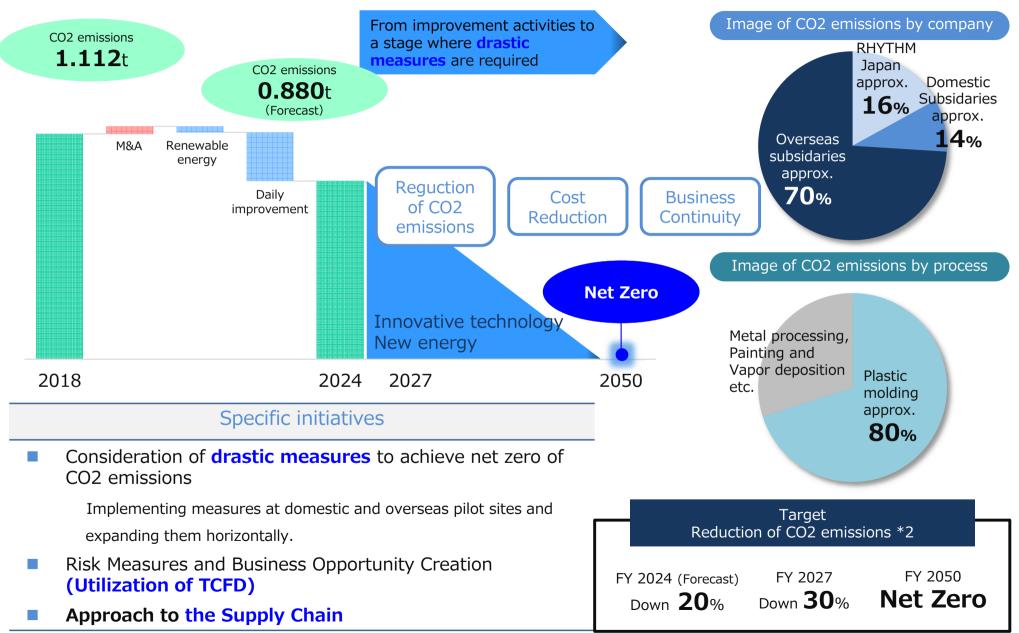
- Becoming an indispensable member of society through RHYTHM's unique products and services
- Participating in the sustainable activities of all stakeholders and advancing to the future together

Medium-Term Management Plan 2024 Medium-Term Management Plan 2027

Long-term Vision



## To reduce CO2 emissions \*1 by 30% by FY 2027, ahead of the initial plan.



<sup>\*1</sup> CO2 emissions per 1 million of yen of sales



From D&I to DEI. Achieving the advancement of diverse human resources, including women and persons with disabilities, on the basis of respect for human rights.



Basic sustainability policy

RHYTHM DEI Vision

- 1. Safe and secure products and services
- 2. Promotion of compliance
- 3. Conservation of the environment
- 4. Respect for diversity and human rights
- 5. Harmonious coexistence with the local community
- Respecting human rights, individuality, and values, and fostering relationships of trust with stakeholders
- Creating new value by incorporating diverse viewpoints into manufacturing
- Taking joy and pride in coexisting with society and Leading to the growth of RHYTHM group

Human rights policy
Human resources development policy
Working environment improvement policy

\*The full policy will be published on the company website.

### Specific initiatives

- Human rights initiatives (strengthening the operation of human rights due diligence)
- Initiatives for Women's empowerment

Diverse work style systems, career advancement support, women themselves and corporate awareness reform

- Initiatives for the recruitment, training, and retention of persons with disabilities
- Promotion of health management





This document has been prepared to provide an understanding of the company.

Forecasts, plans, and other forward-looking statements in this document are based on information available at the time and do not constitute guarantees. Please note that this document may differ from the company's future results.

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