



March 24, 2025

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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 Forecast *	Fiscal Year Ended March 2028 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)

Note:

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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

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

Results and Issues

Business	<u>Expanded business by M&A and carried out business structural reform</u> <div>Precision parts</div> While Rhythm Shoei joined by M&A, existing in-vehicle and assembly businesses were affected by customer inventory adjustments, etc. <div>Livingware</div> 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	<u>Implemented management that is conscious of cost of capital and strengthened shareholder returns</u> Implemented aggressive investment beyond plan, partial sales of strategic investment stocks and real estate, and dividend increase . Need to improve ROE by improving earnings urgently.
Sustainability	<u>Worked together with whole RHYTHM group to promote environmental and D&I activities</u> Reduced CO2 emissions earlier than planned. Measures to achieve net zero will be considered and women's empowerment will be further strengthened.
Management foundation	<u>Made foundation stronger to support business</u> Conducted a wide range of activities including corporate governance, HR, IT, and SR *2. Replacing enterprise system is under implementation after reviewing the plan.

*1 Small home appliances and miscellaneous goods category including mobile fans, circulators, and humidifiers, etc.

*2 Stakeholder Relations

Consolidated statements of income

(Millions of yen)	FY 2021 Result	FY 2022		FY 2023		FY 2024		
		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

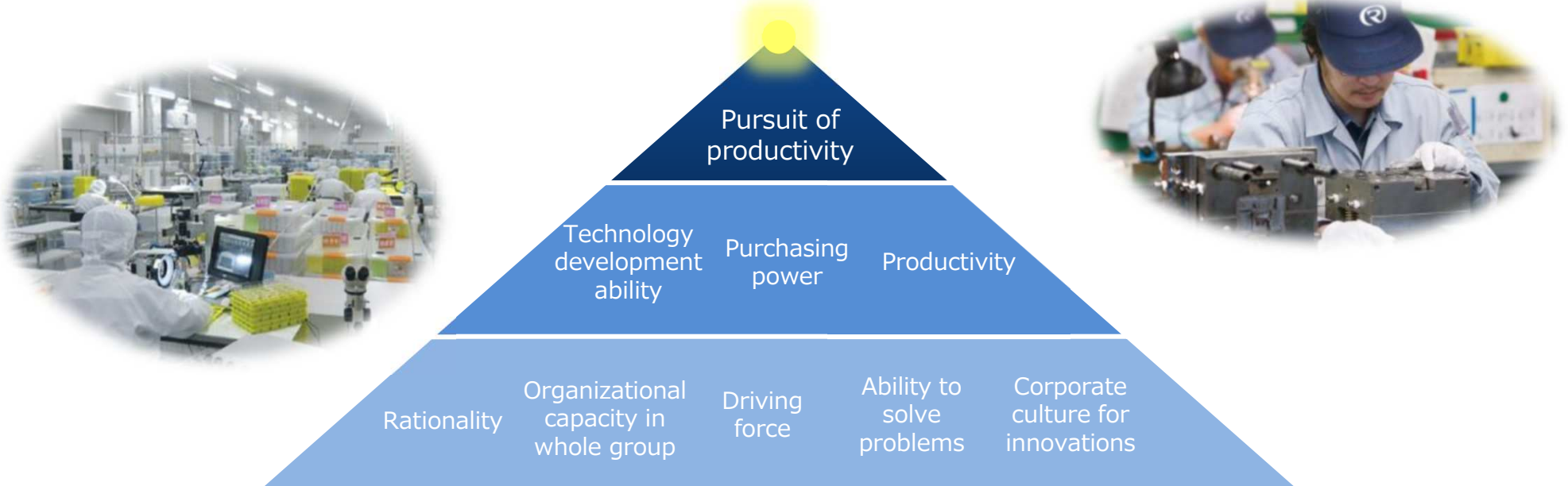
2. Long-term Vision

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

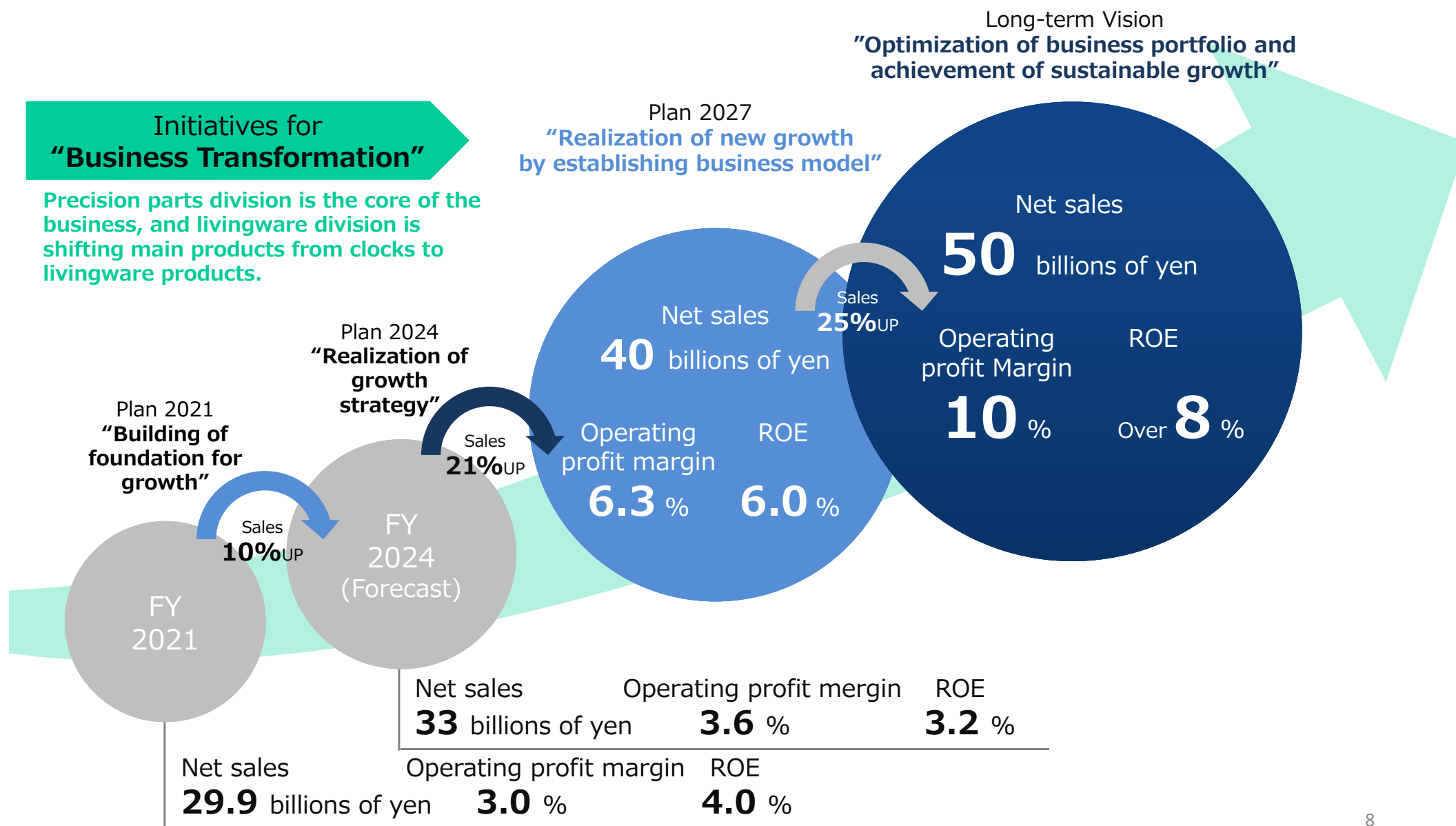


Ideal state

As **“a company of precision parts and livingware products”**
RHYTHM deliver "safety, security and comfort" to the world.

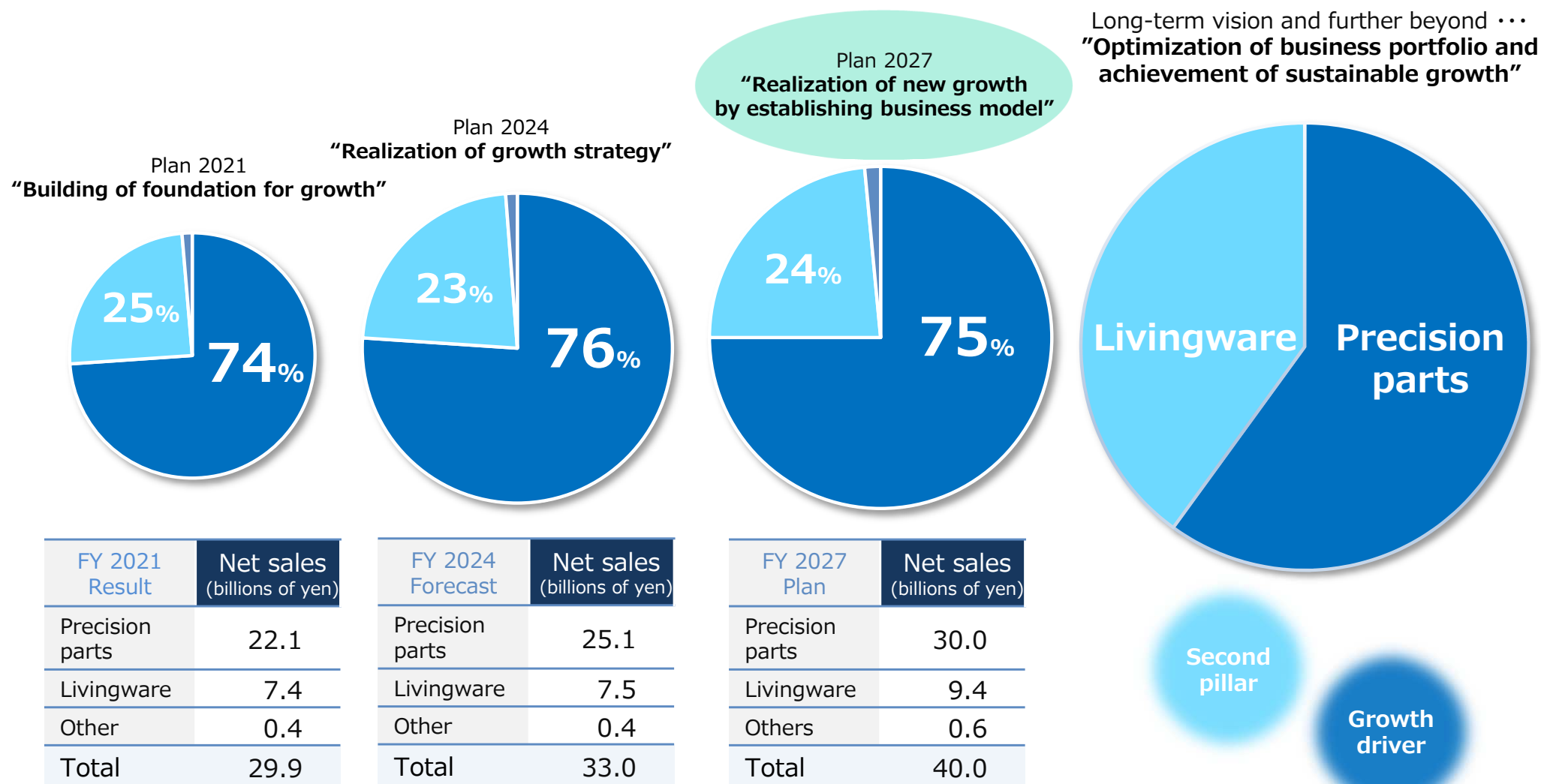
Aim to increase net sales by 7 billions of yen during medium-term management plan 2027.

Aim to achieve 50 billions of yen in net sales in the near future.



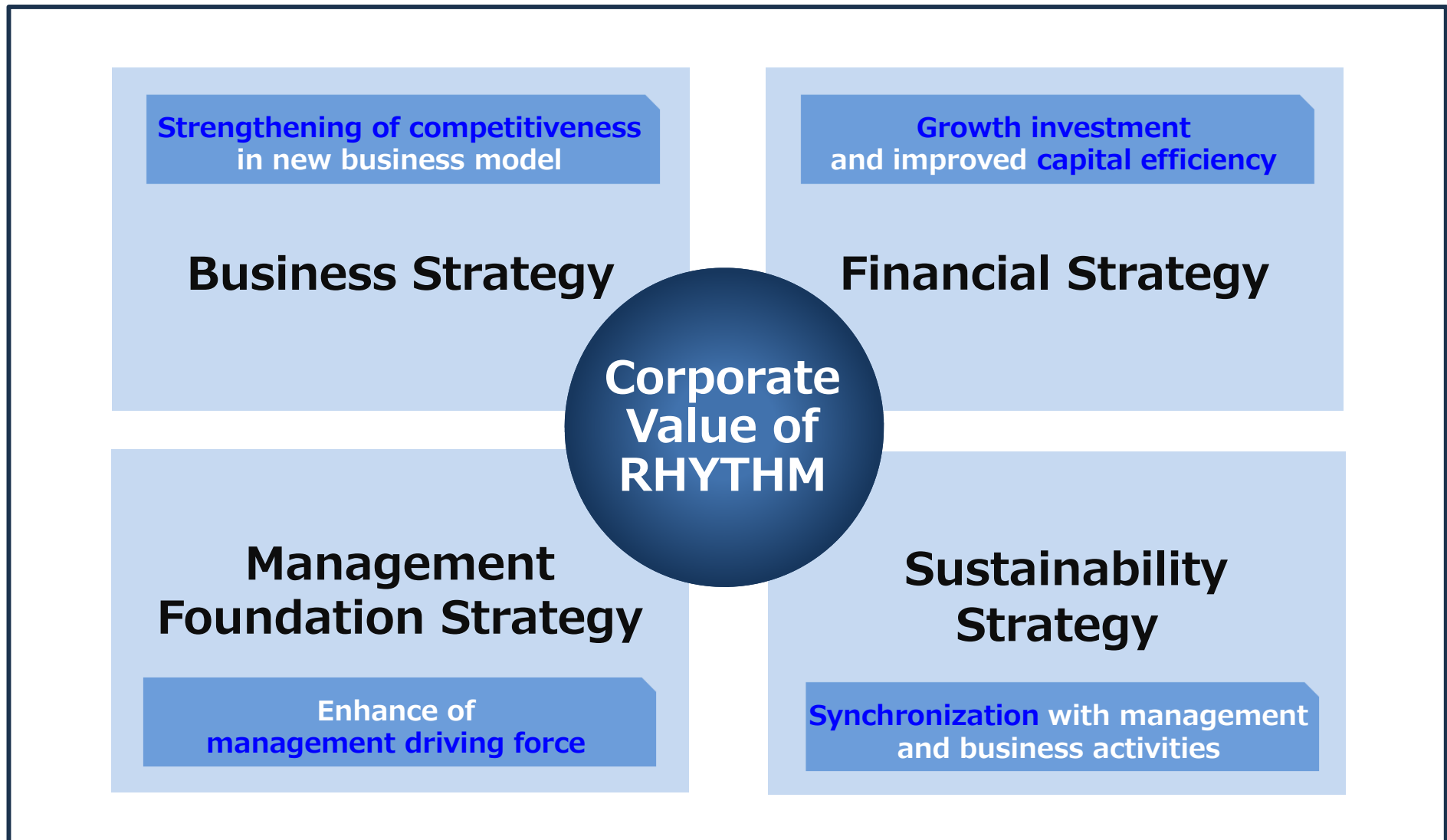
3. Medium-Term Management Plan 2027

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.**

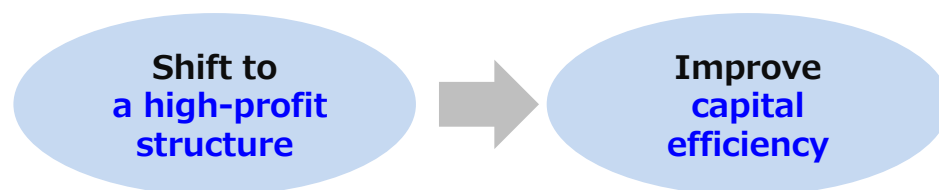
Transform to a highly profitable structure and improve capital efficiency by 4 strategies and basic policies



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

Overall Policy

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



Management Goals

	FY 2027 Plan		FY 2027 Plan
Net sales	40.0 billions of yen	Mobility sales	13.0 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	41 %
ROE	6.0 %		

4 Strategies and Basic Policies

Business	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	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 foundation	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

(Millions of yen)	FY 2024 Forecast	FY 2025 Plan	FY 2026 Plan	Plan	FY 2027 Compared to FY 2024	
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 Indicators					
	FY 2024 Forecast	FY 2025 Plan	FY 2026 Plan	FY 2027	
				Plan	Compared to FY 2024
Operating profit margin	3.6 %	4.2 %	5.4 %	6.3 %	2.7 pt
ROE	3.2 %	4.0 %	5.0 %	6.0 %	2.8 pt
Mobility Sales *1	10.0 billions of yen	10.5 billions of yen	11.5 billions of yen	13.0 billions of yen	3.0 billions of yen
Livingware products Sales	2.5 billions of yen	3.7 billions of yen	4.3 billions of yen	5.0 billions of yen	2.8 billions of yen
Overseas sales ratio *2	42 %	41 %	41 %	41 %	-1 pt
(Precision parts)	50 %	48 %	47 %	46 %	-4 pt
(Livingware)	21 %	20 %	26 %	27 %	6 pt

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

*2 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

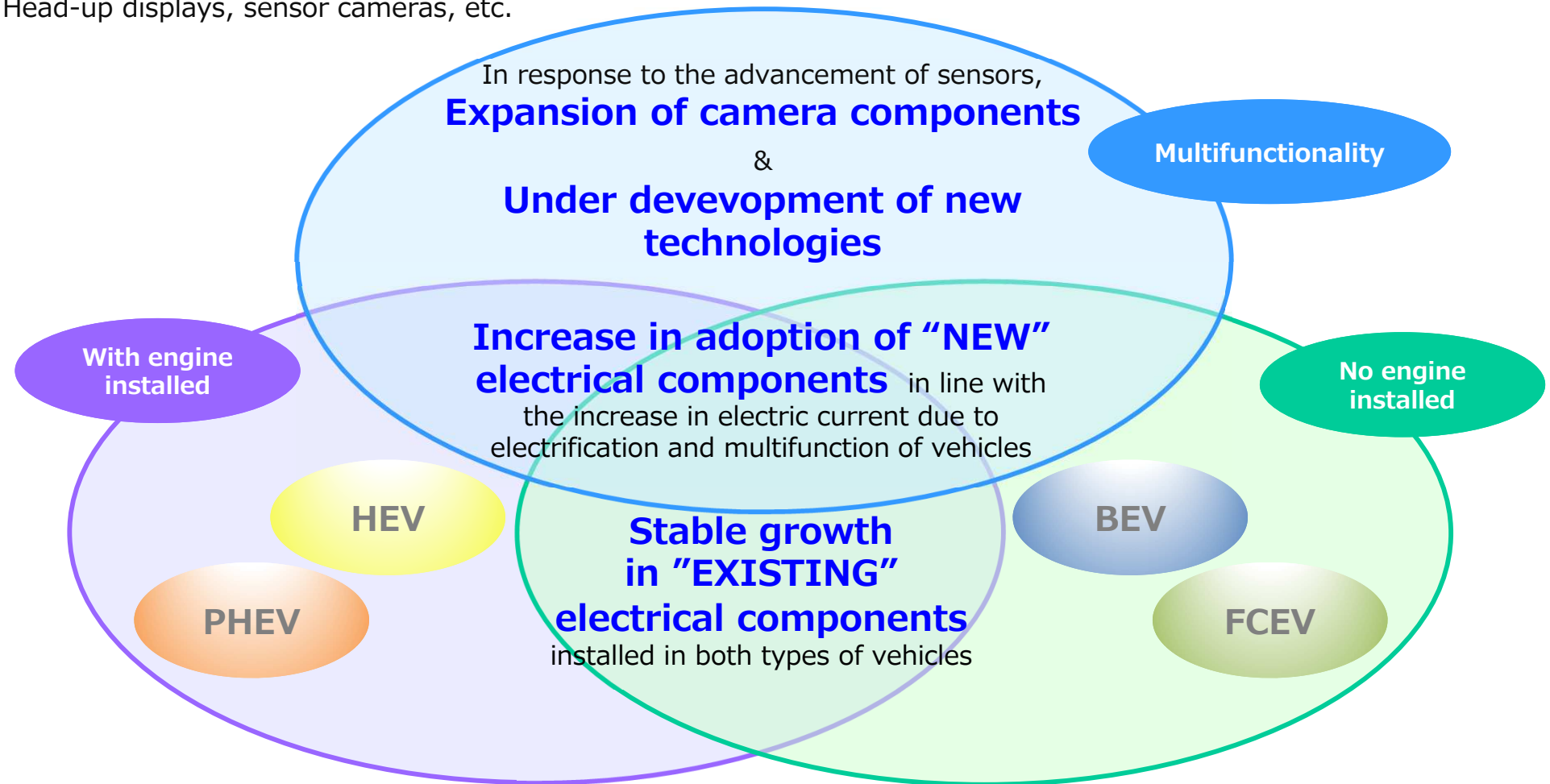
Precision parts

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

ADAS

Expansion of fields related to Advanced Driver Assistance Systems

Head-up displays, sensor cameras, etc.



Electrical components

Steady growth is expected regardless of spread in electric vehicles

Suspensions, inverters, converters, chargers, etc.

“Micron-level molding technologies” and “Customer-oriented proposals” are RHYTHM’s strengths.



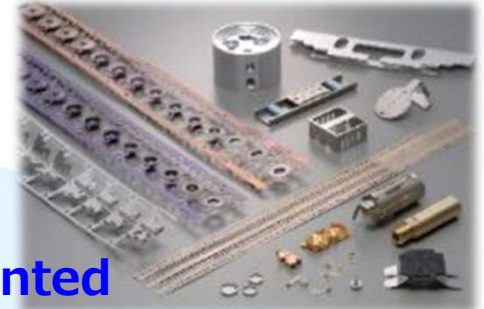
Molded plastic parts

“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



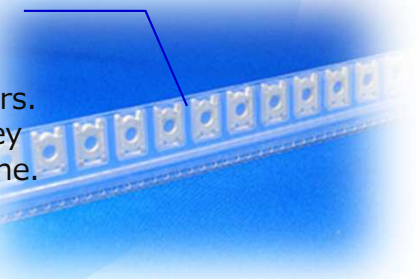
Metal parts

“Customer-oriented proposals”

- Technological development and proposal to solve customer problems

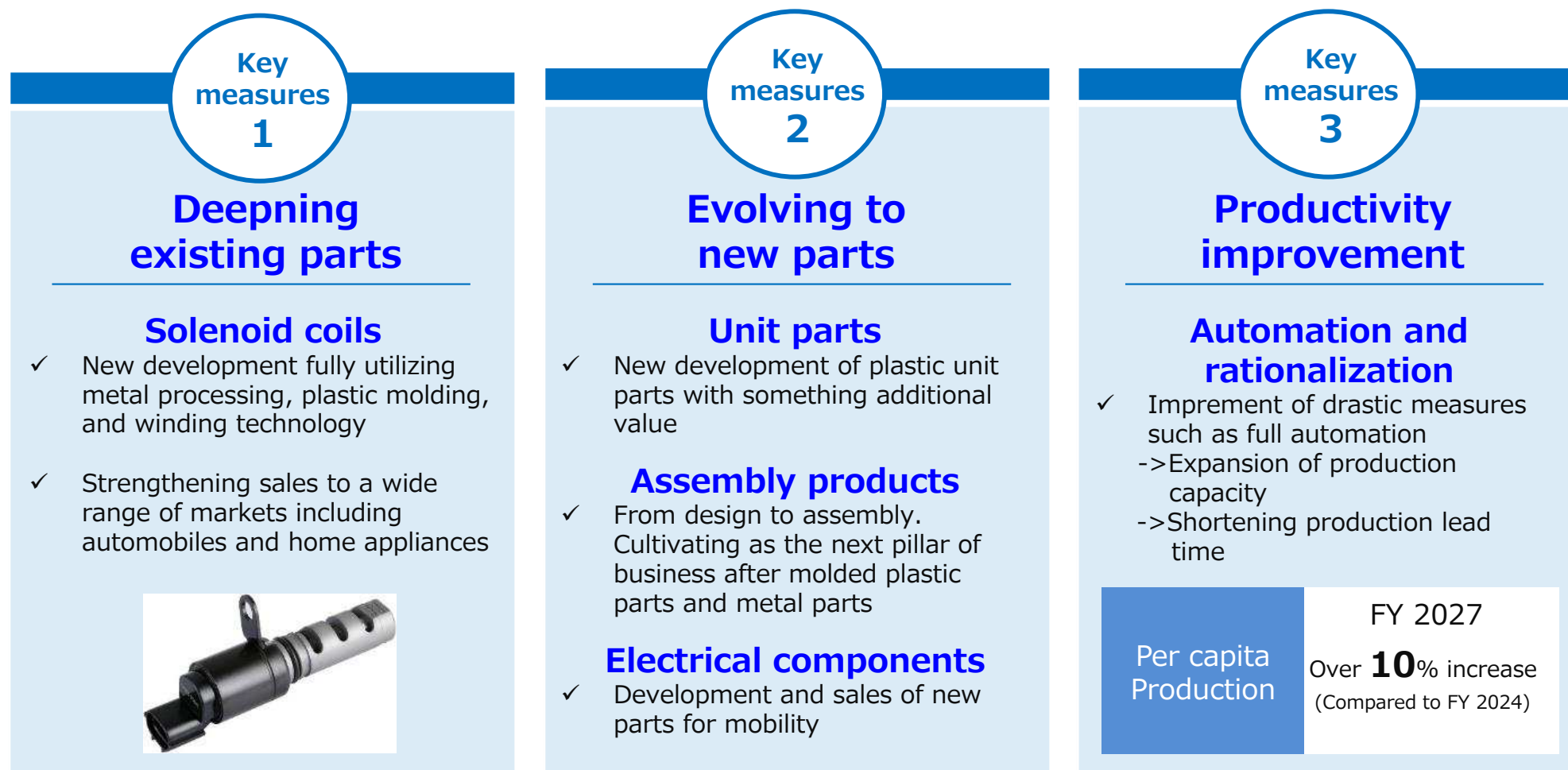
Suitable for automated mounting machine

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.



Common policy

- [Products] 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.**
- [Sales] **Deepening cultivation of strategic customers** utilizing global networks.

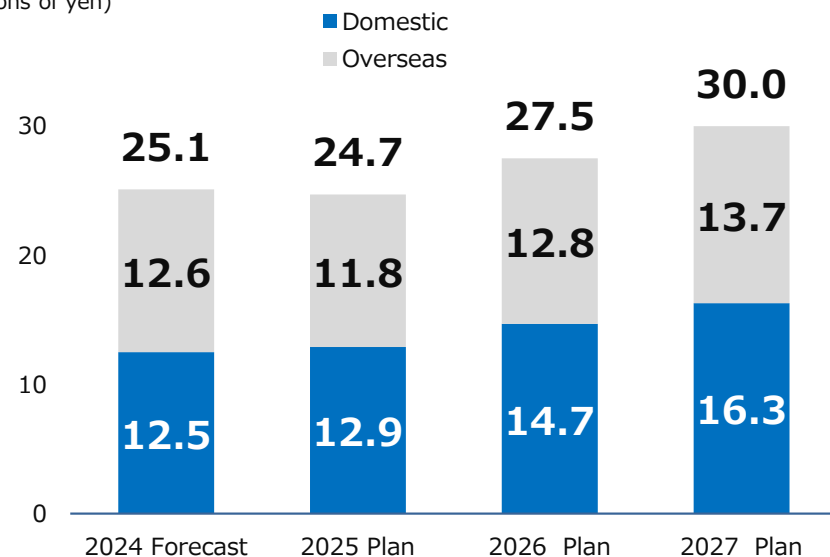
3. Medium-term management plan 2027 (5) Business Strategy - Targets

Precision parts



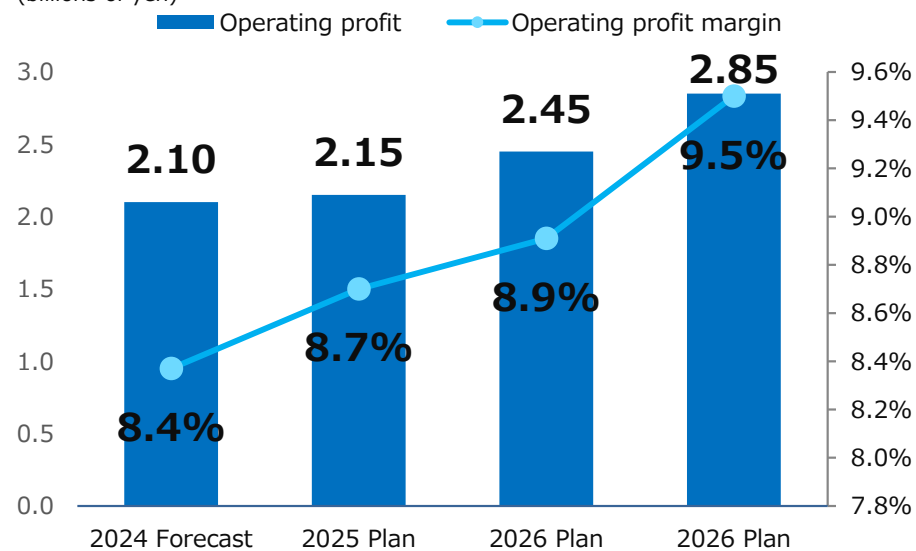
Net sales

(billions of yen)



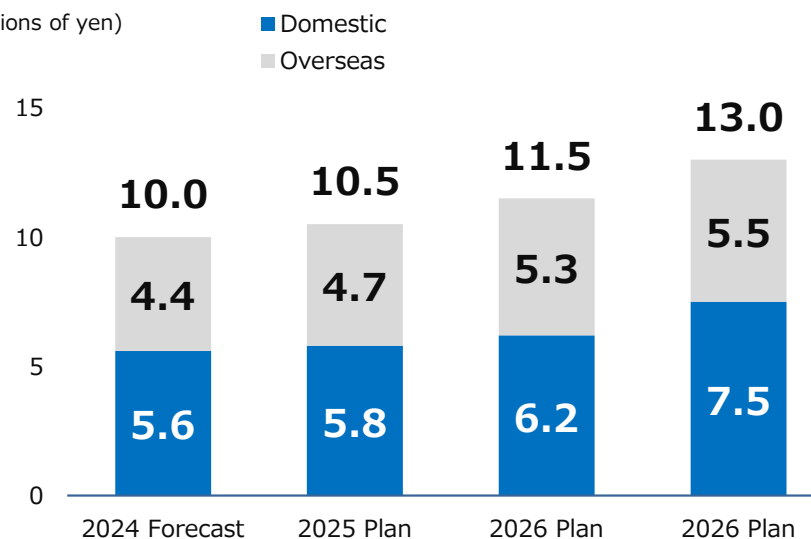
Operating profit

(billions of yen)



Mobility sales

(billions of yen)



Medium-Term Management Plan 2027

Business Strategy

Livingware

Ensuring the results of structural reform since FY2020.

Business Environment

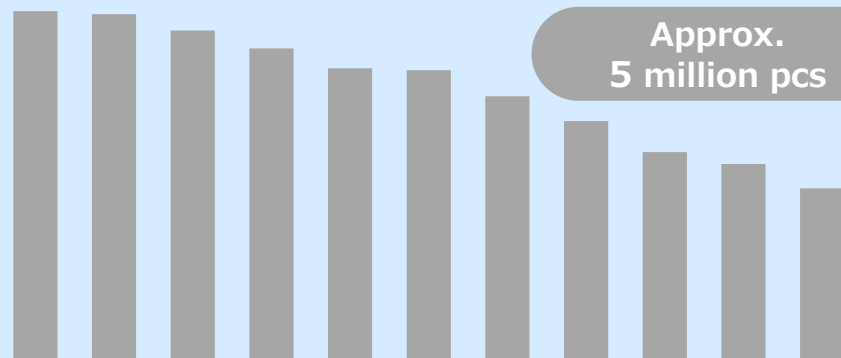
[Domestic Clock Market]
Shipping quantity of clocks

2012

Approx.
10 million pcs

2022

Approx.
5 million pcs



* Source: Japan Clock and Watch Association

Leaving from **clock-dependent business**

Building **new business model**

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

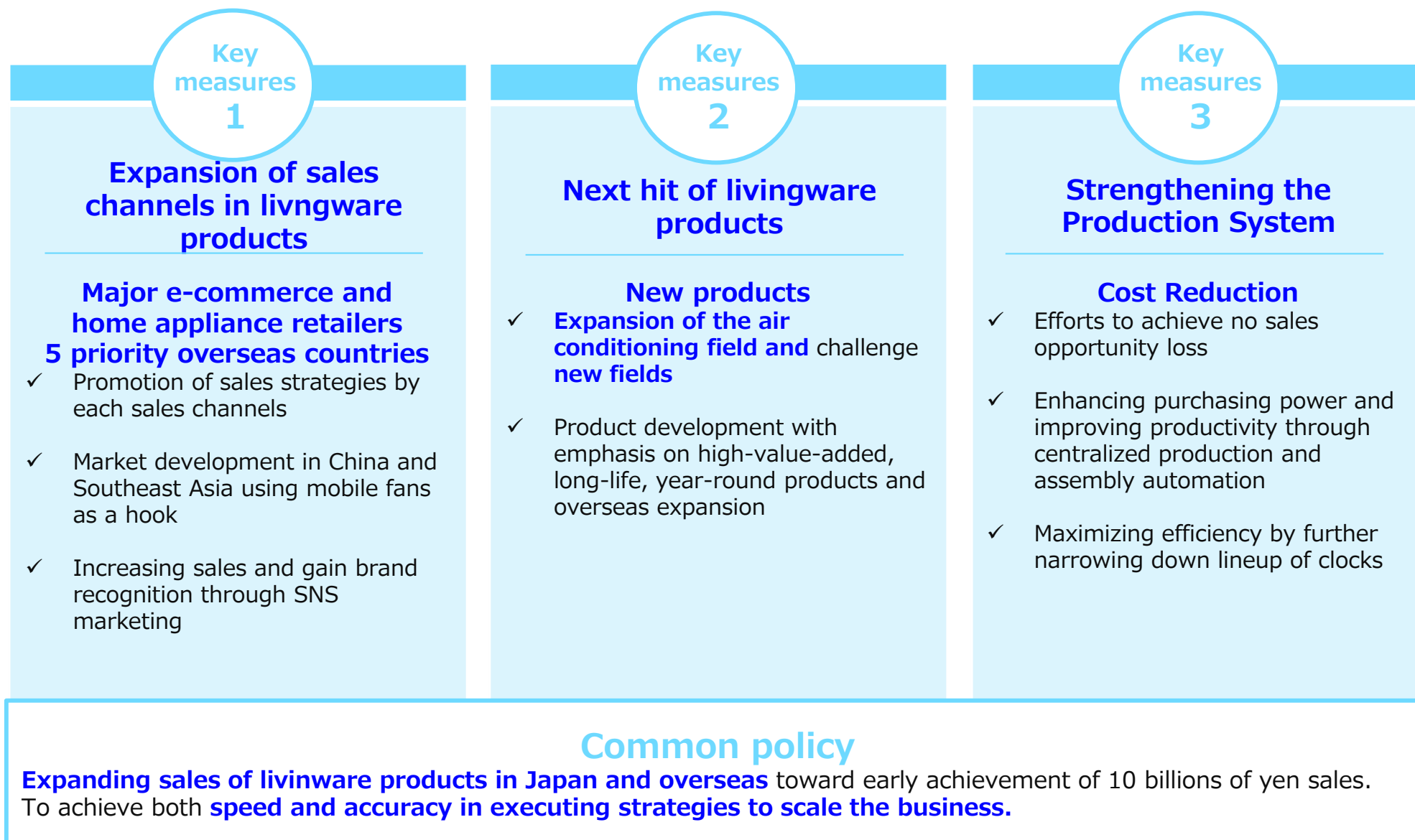
Medium-Term Management Plan 2027

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.



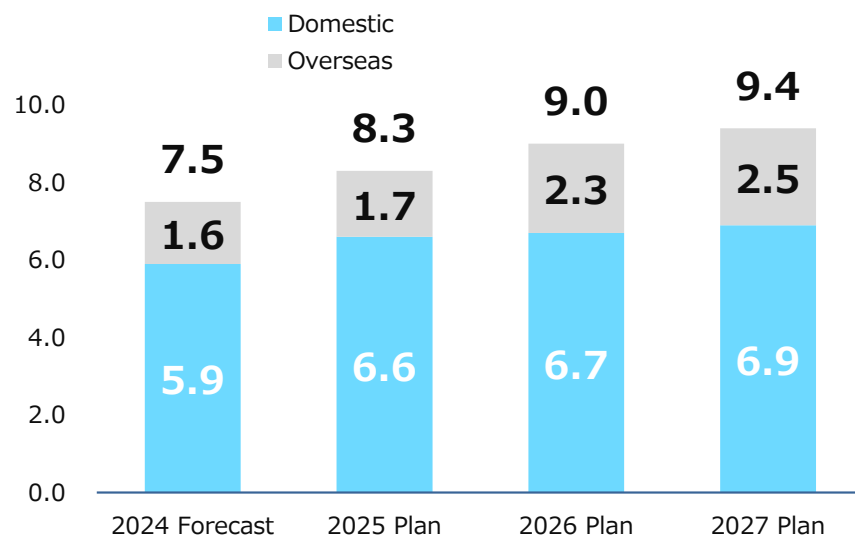
3. Medium-Term Management Plan 2027 (6) Business Strategy - Targets

Livingware



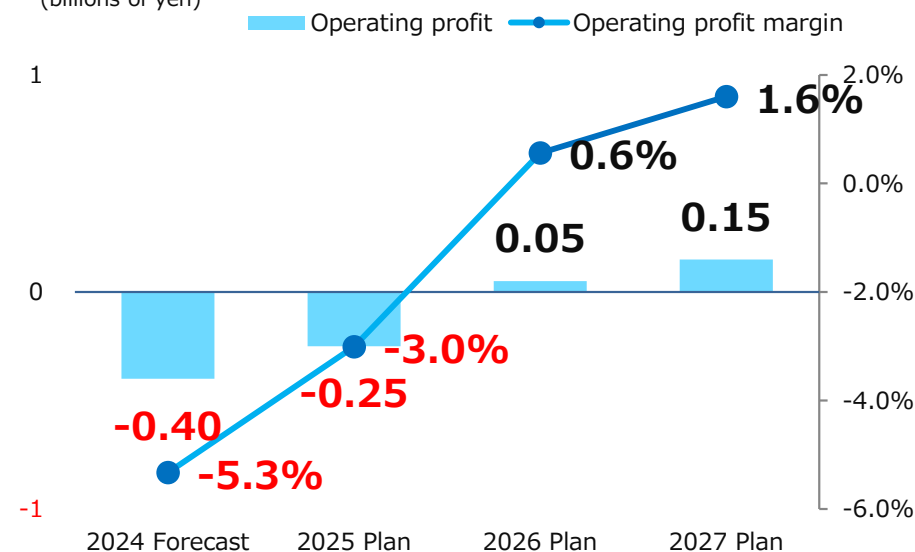
Net sales

(billions of yen)



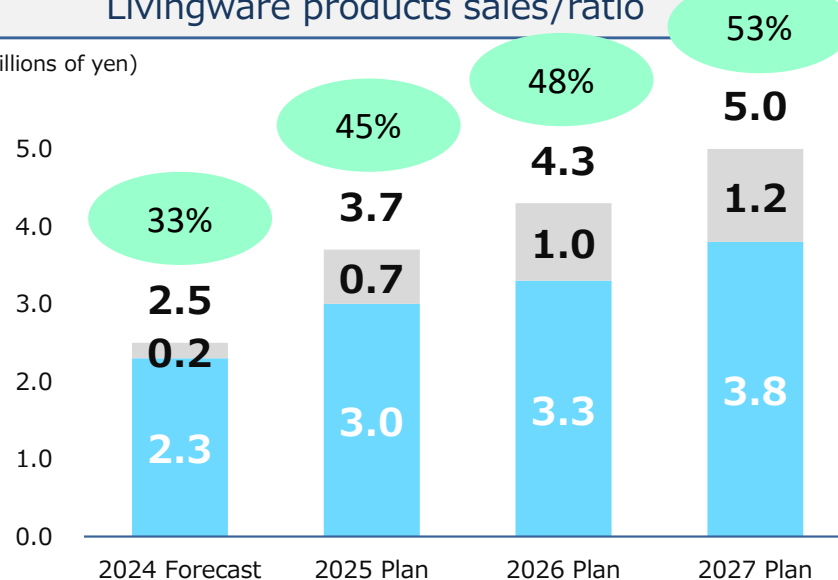
Operating profit

(billions of yen)



Livingware products sales/ratio

(billions of yen)



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

Continue to promote management that is conscious of cost of capital based on ROIC management 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

Roadmap for ROE Improvement

FY 2024
3.2%

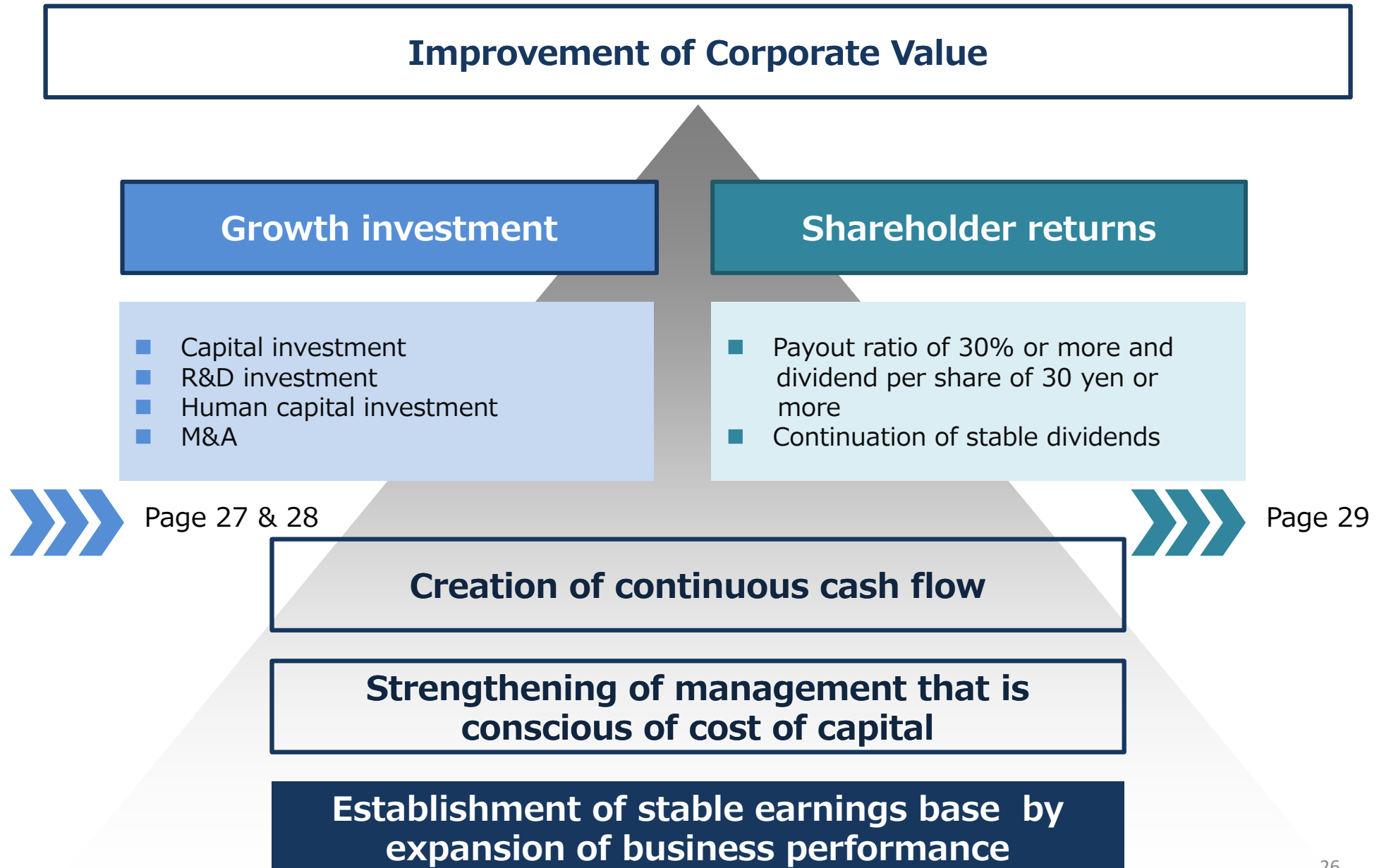
FY 2027
6.0%

Long-term Vision
Over **8%**

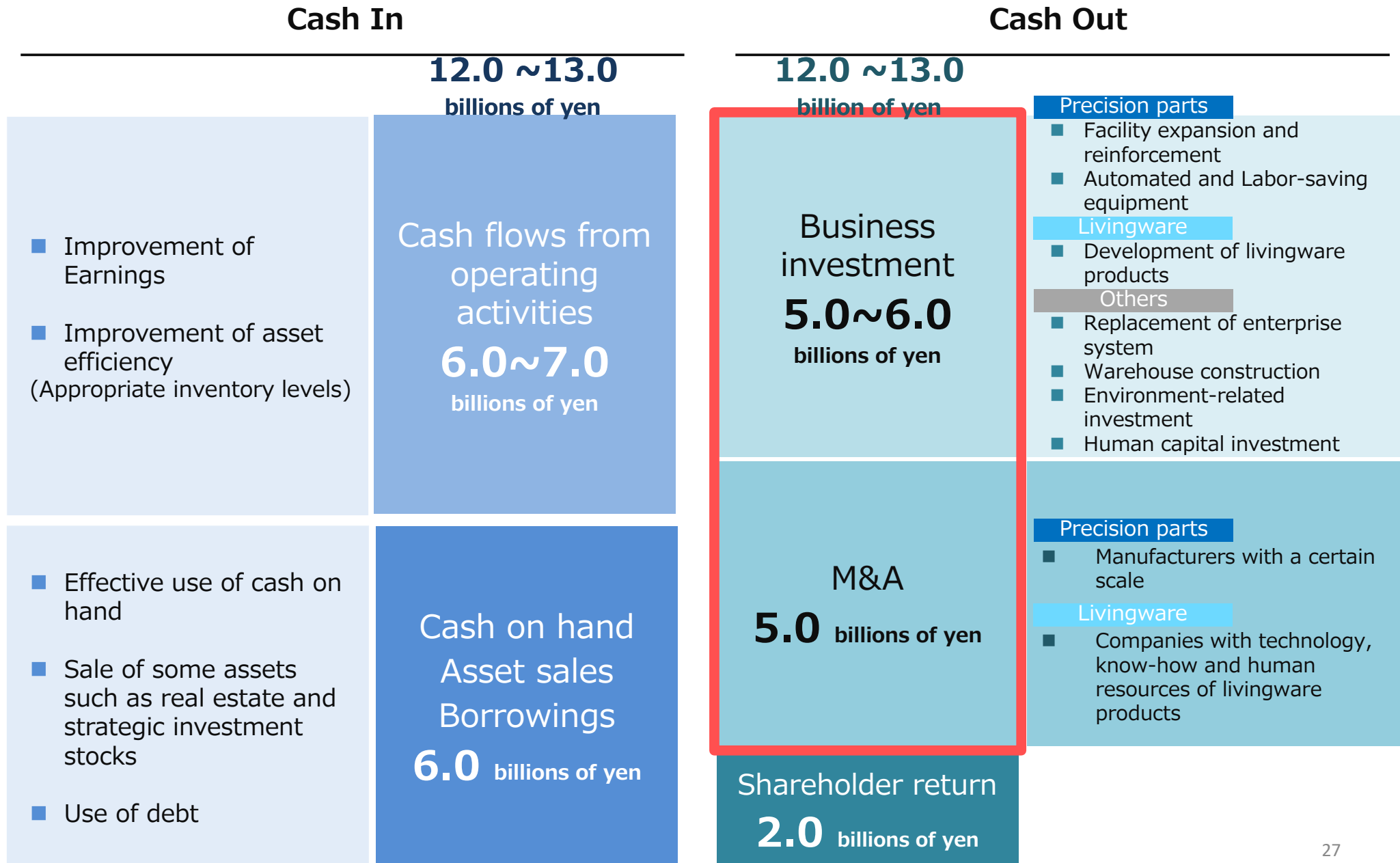
Management of shareholder equity and realization of optimal capital structure

Active investment to maximize profits

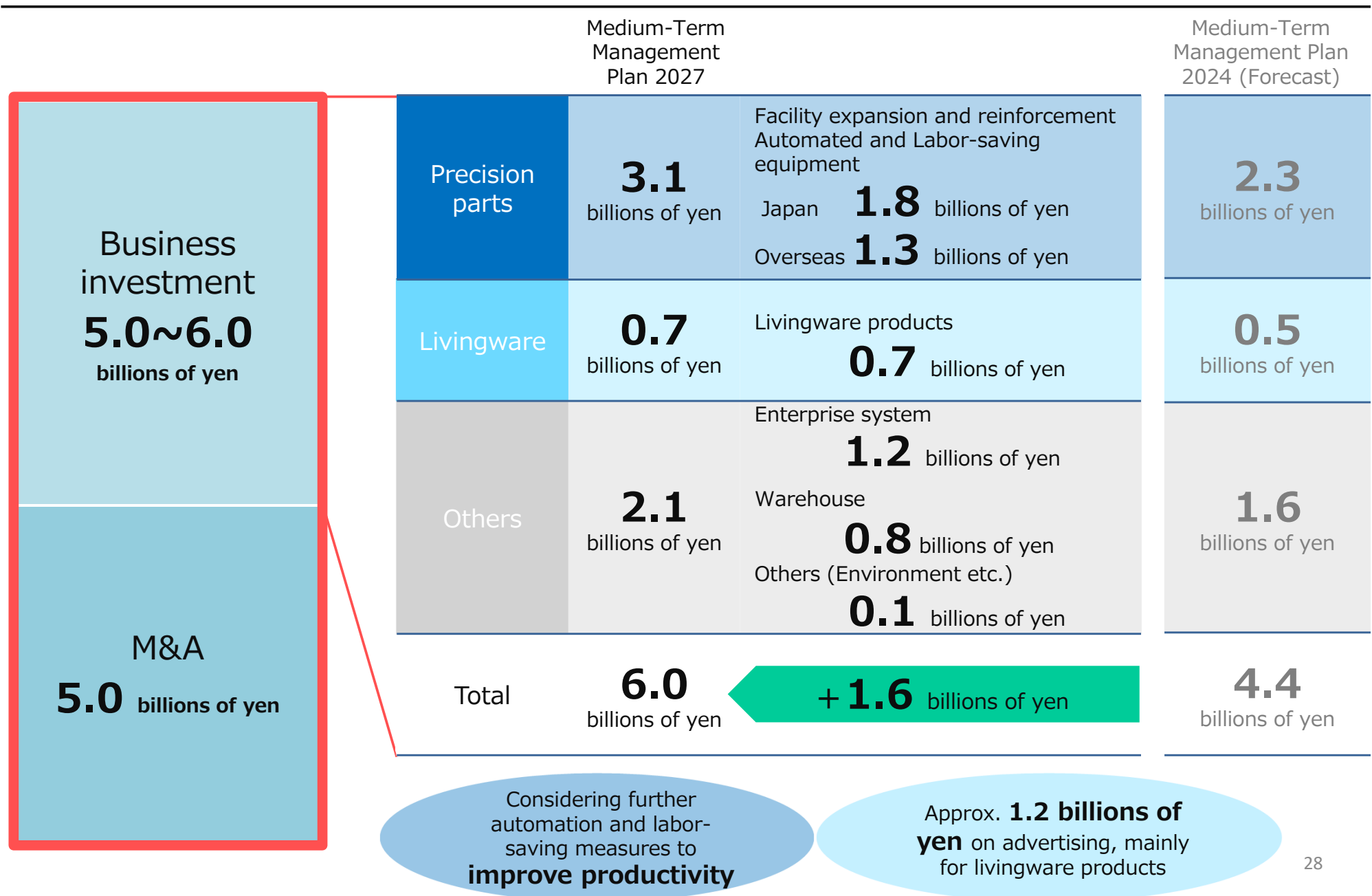
To improve Corporate Value by [allocating resources in an optimal balance](#) based on [stable earnings base](#).



Plan for **aggressive investment for growth** based on cash generated from improved earnings and sales of certain assets



Breakdown of investment for growth



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

*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

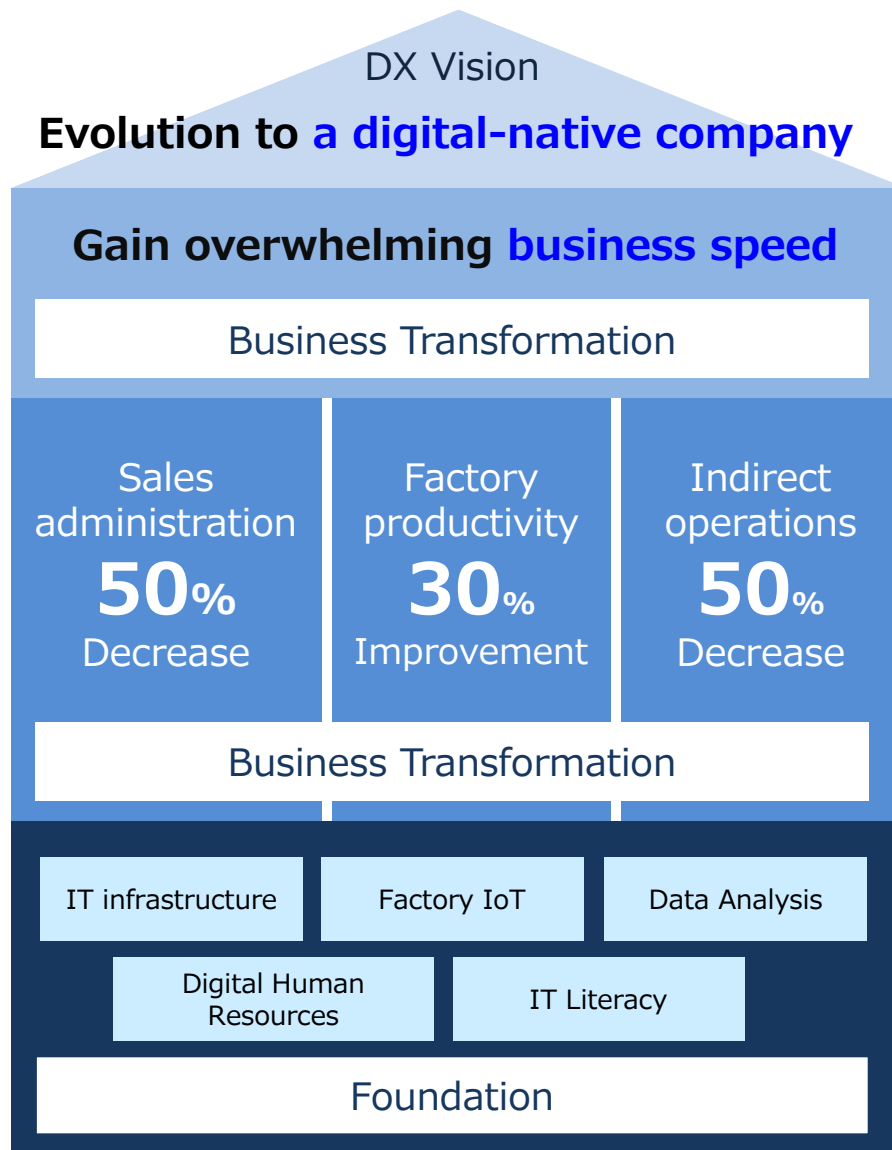
- **Human capital investment** for leaders and employees
- Sustainability Committee's promotion of **DEI** activities

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



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

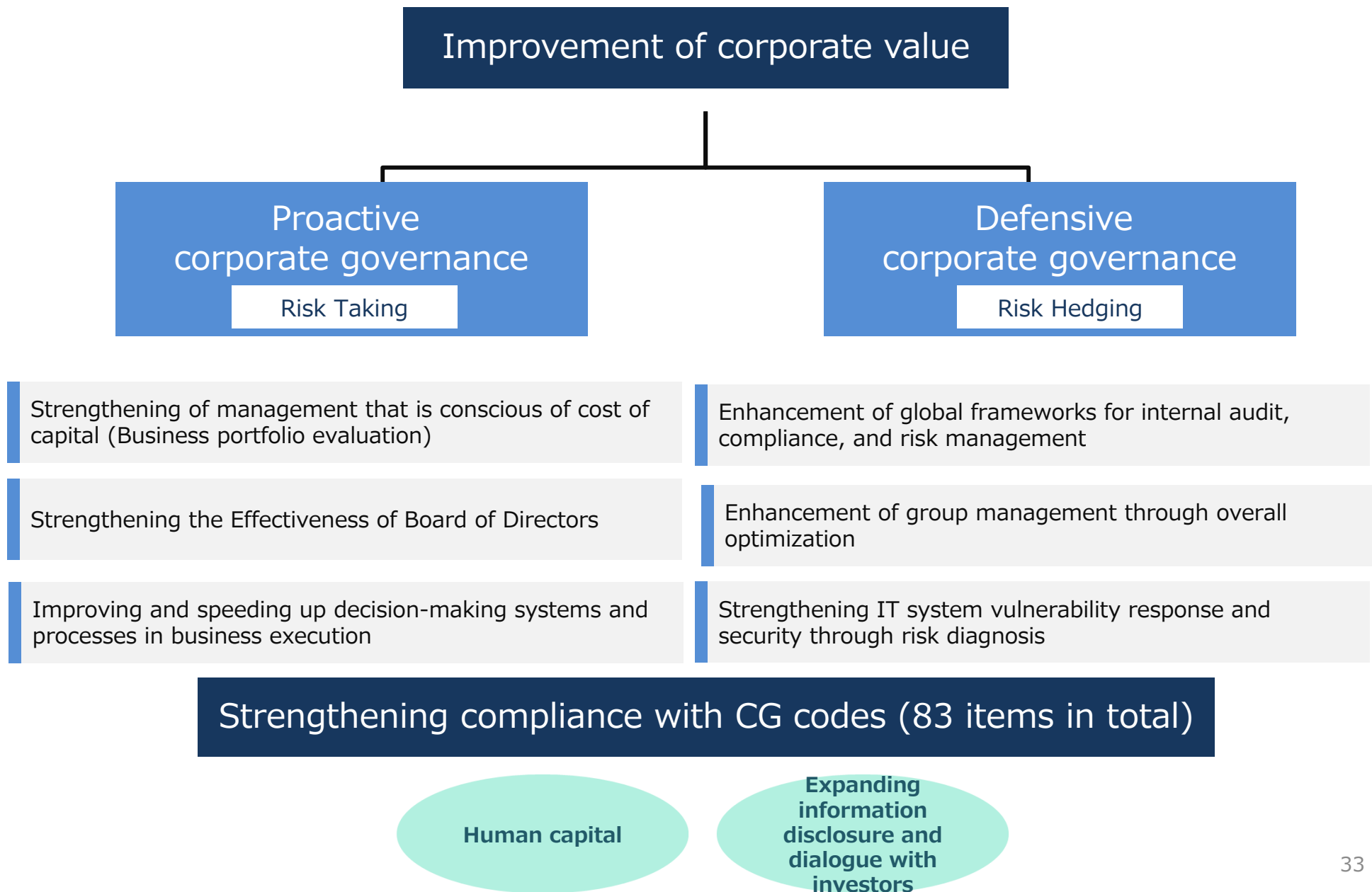
- Matching the latest technology with on-site demand by IT/DX promotion department

**Important measures in
Medium-Term Management Plan 2027**

Replacing enterprise system

- Standardization, efficiency, and control enhancement through business process integration

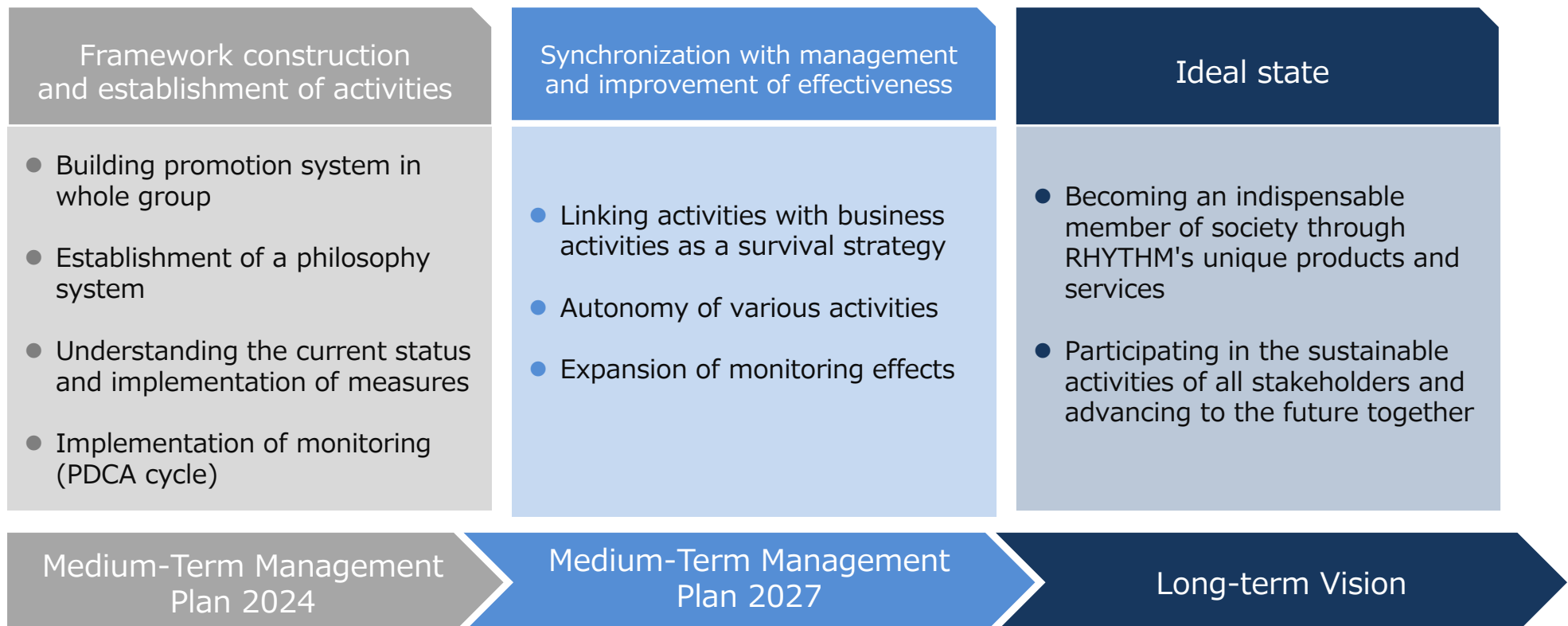
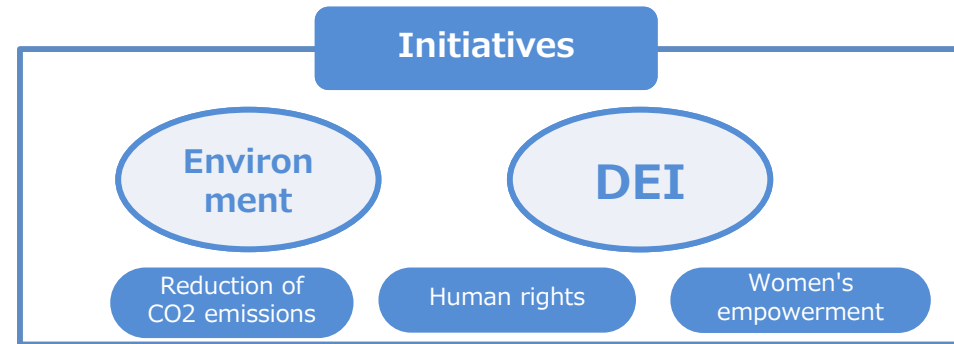
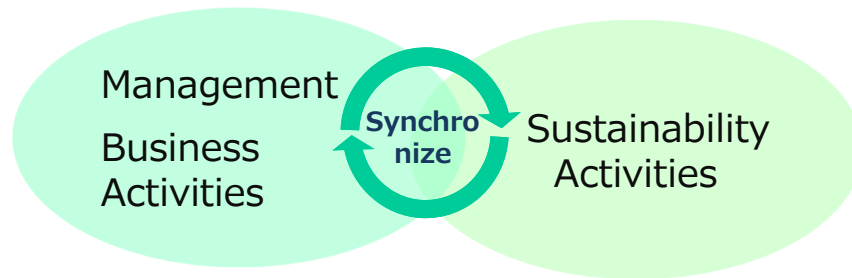
Achieving growth through appropriate risk hedging and bold risk taking.



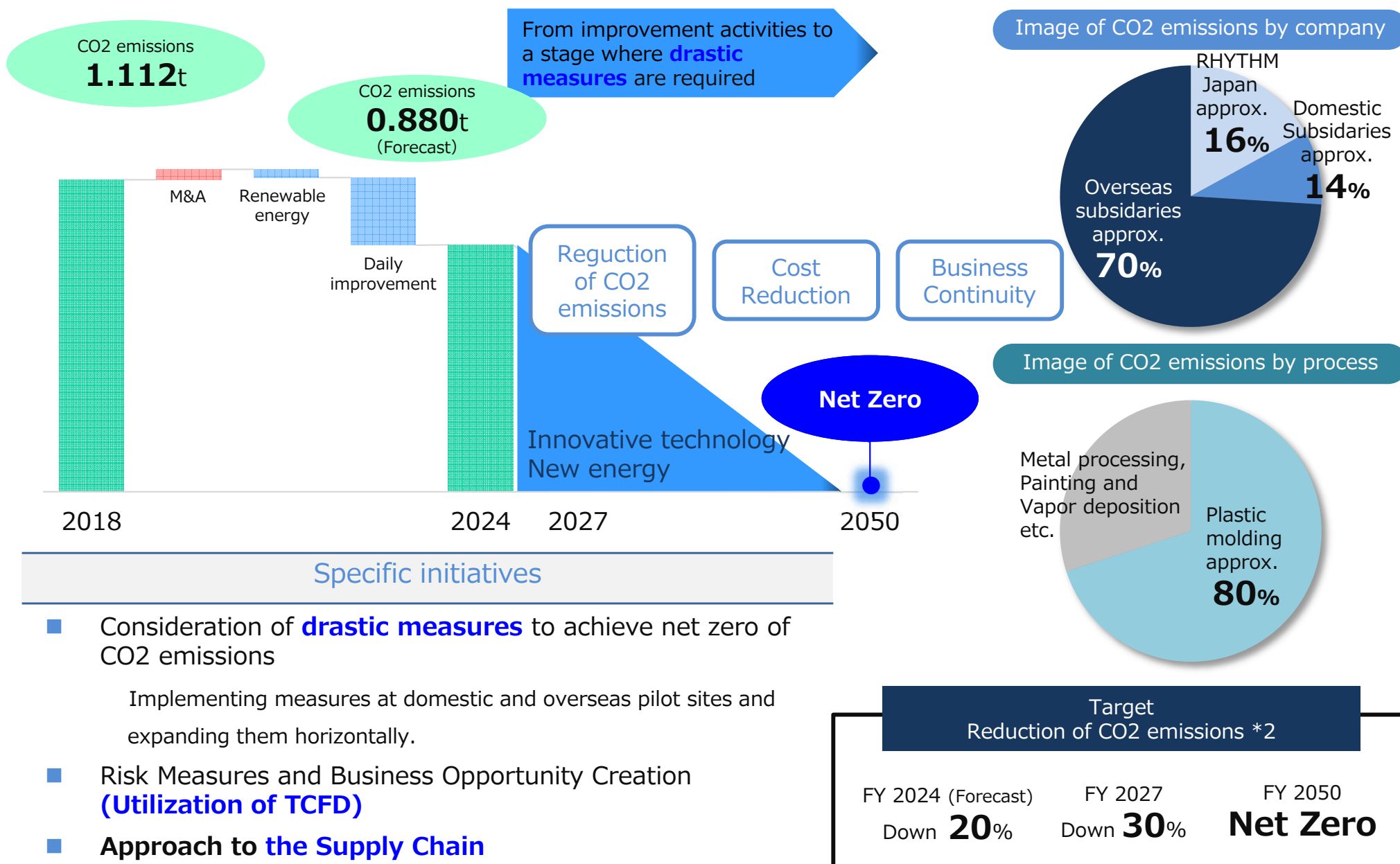
Medium-Term Management Plan 2027

Sustainability Strategy

Synchronize with management and business activities to promote sustainable management.



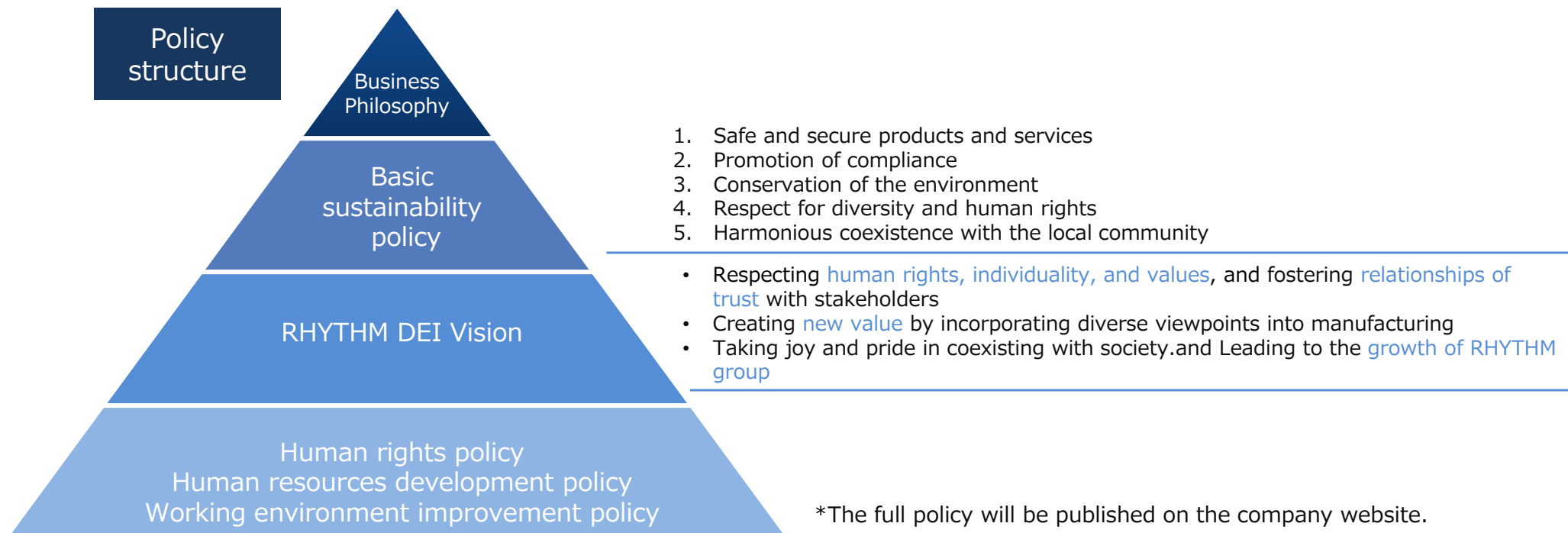
To reduce CO2 emissions *1 by 30% by FY 2027, ahead of the initial plan.



*1 CO2 emissions per 1 million of yen of sales

*2 Target compared to FY 2018

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.



*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**

Target
Ratio of female managers

FY 2024*	FY 2027
21.7% (Group as a whole)	30% (Group as a whole)
6.8% (Domestic group)	10% (Domestic group)
32.8% (Overseas group)	40% (Overseas group)

Long-term vision
over **40%**
(Group as a whole)

* As of end September 2024

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