



March 24, 2025

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**Notice of the Action to Implement Management
that is Conscious of Cost of Capital and Stock Price (Update)**

Rhythm Co., Ltd.(the “company”) hereby announces that it has updated its policies and initiatives for improvement based on an analysis and assessment of the current situation regarding the "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" announced on March 4, 2024 at Board of Directors meeting held today.

In addition, today the company formulated and announced a new medium-term management plan with FY2025 as the first year. In this plan, as in the current medium-term management plan, we set forth initiatives for capital cost management. At present, its PBR is about 1 times, but the company will continue to strive to realize management that is conscious of cost of capital and stock price, and to further improve our PBR, with priority given to improving Corporate Value through business expansion.

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.



**Action to Implement Management that is Conscious of
Cost of Capital and Stock Price
(Update)**

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

I Overview and Policy

II Current Status Analysis of Capital Cost and Capital Profitability

III Initiatives

Notes

- Unless otherwise noted in this document, amounts are rounded down, and years represent the fiscal year (April to March).
- FY 2024 performance forecast is based on the figures from the "Financial Results Forecast for the Fiscal Year Ending March 2025" in the Second Quarter (Interim) Financial Report announced on November 14, 2024.
- FY 2024 mid-term plan figures are from the "Mid-term Management Plan (FY2022-2024)" announced on March 23, 2022.
- The mid-term plan figures for FY 2025-2027 are from the "Mid-term Management Plan 2027" announced on March 24, 2025.

I Overview and Policy

Action to implement management that is conscious of cost of capital and stock price

	End of December 2024	[Issues] ✓ Delays in earnings growth ✓ Ensuring capital profitability that exceeds the cost of capital ✓ Appropriate market assessment of growth potential (Maintaining appropriate stock price levels)
Stock price	¥4,105	
PBR	1.08 times	
ROE (annualized)	2.3%	

Analysis of Current Status

- Due to changes in the business environment, the profit level is below the medium-term management plan.
- **ROE remains 2.3%**, below the target of ROE5.6% set forth in the medium-term management plan and below WACC, which is 6% level, calculated as the cost of capital by the company.
- **The latest PBR is about 1**, but continuous and further improvement is required.
- The PER has declined from 61 in the previous fiscal year to 34, but remains high. Earnings remain unable to keep pace with the stock price.

Policy

- Expansion of business performance under the New Medium-Term Management Plan (Medium-Term Management Plan 2027)
- Appropriate allocation of management resources to achieve sustainable growth

Details of initiatives for improvement

- **Achievement of Medium-Term Management Plan 2027 (FY 2025 to FY 2027)**
 - Aim to achieve growth strategy, sustainable growth, and Corporate Value improvement by expanding business performance under the new Medium-Term Management Plan
- **Promotion of ROIC management**
 - Business portfolio and KPI evaluation with consideration of WACC and ROIC
 - Monitoring of ROIC tree by business segments
 - Individual Investment Decision based on investment criteria
- **Active investment in growth areas**
 - Capital investment, R & D investment, human capital investment, M & A
- **Improvement of shareholder returns and execution of capital policies**
 - FY 2024 dividend increase (¥73 per share)
 - Achievement of further shareholder returns by expanding business performance under the new Medium-Term Management Plan
- **Strengthening IR activities**
 - Disclosure in English, IR event for individual Investor, 1on1 meeting with Institutional Investor
- **Improvement of Corporate Governance**
 - All items of the Corporate Governance Code are complied. Further Enhance Effectiveness

II Current Status Analysis of Capital Cost and Capital Profitability

II Current Status Analysis of Capital Cost and Capital Profitability

Sales and Profit Plan							
	FY 2023 Actual	Medium- Term Plan	FY 2024 Q3	Progress Rate * 1	Forecasts	FY 2027 Medium- Term Plan	Compare to FY 2024
Net Sales	32,602	35,500	25,386	72%	33,000	40,000	7,000
Precision parts Business	25,173	26,300	19,316	73%	25,100	30,000	4,900
Livingware Business	7,027	8,800	5,770	66%	7,500	9,400	1,900
Other Business	401	400	299	75%	400	600	200
Operating income	730	2,000	656	33%	1,200	2,500	1,300
Precision parts Business	1,769	2,300	1,647	72%	2,100	2,850	750
Livingware Business	-704	200	-658	—	-400	150	550
Other Business	68	75	43	58%	50	110	60
Adjustments	-401	-575	-376	—	-550	-610	-60
Ordinary profit	1,259	2,250	958	43%	1,600	2,800	1,200
Profit attributable to owners of parent	477	1,600	549	34%	1,000	2,100	1,100
ROE	1.6	4.7	*2 2.3	—	3.2	6.0	2.8
Exchange Rate	151.41	120.00	158.18	—	145.00	140.00	-

*1 Progress Rate versus Medium-Term Management Plan. *2 Annualized ROE

Status of PBR								
	Tradable Share Market Capitalization (million yen)	Net Income (million yen)	Stock Price (Yen)	EPS (Yen)	PER (times)	Tradable Share Ratio	BPS (Yen)	PBR (times)
FY 2022 Actual	9,068	794	1,652	96.16	17.2	65.4%	3,497	0.47
FY 2023 Results	11,197	477	3,551	57.86	61.4	37.6%	3,773	0.94
FY 2024 End of December	13,386	1,000 *3	4,105	*1 119.26	34.4	38.9% *4	*2 3,808	1.08

*1, * 2 Calculated as the number of all shares excluding treasury stock *3 Net income for FY 2024 is based on business forecast *4 Calculated by the Company at the end of September 2024

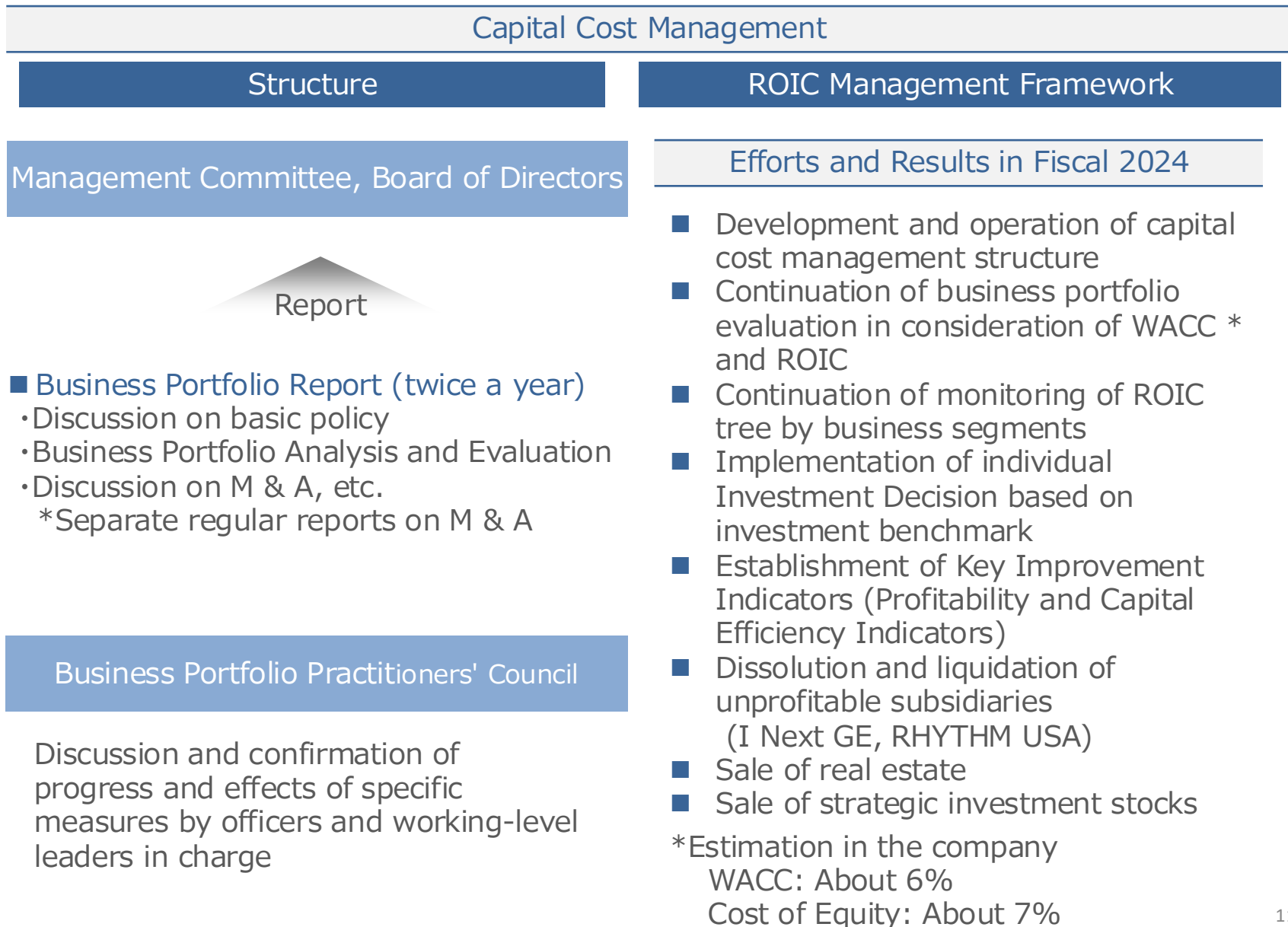
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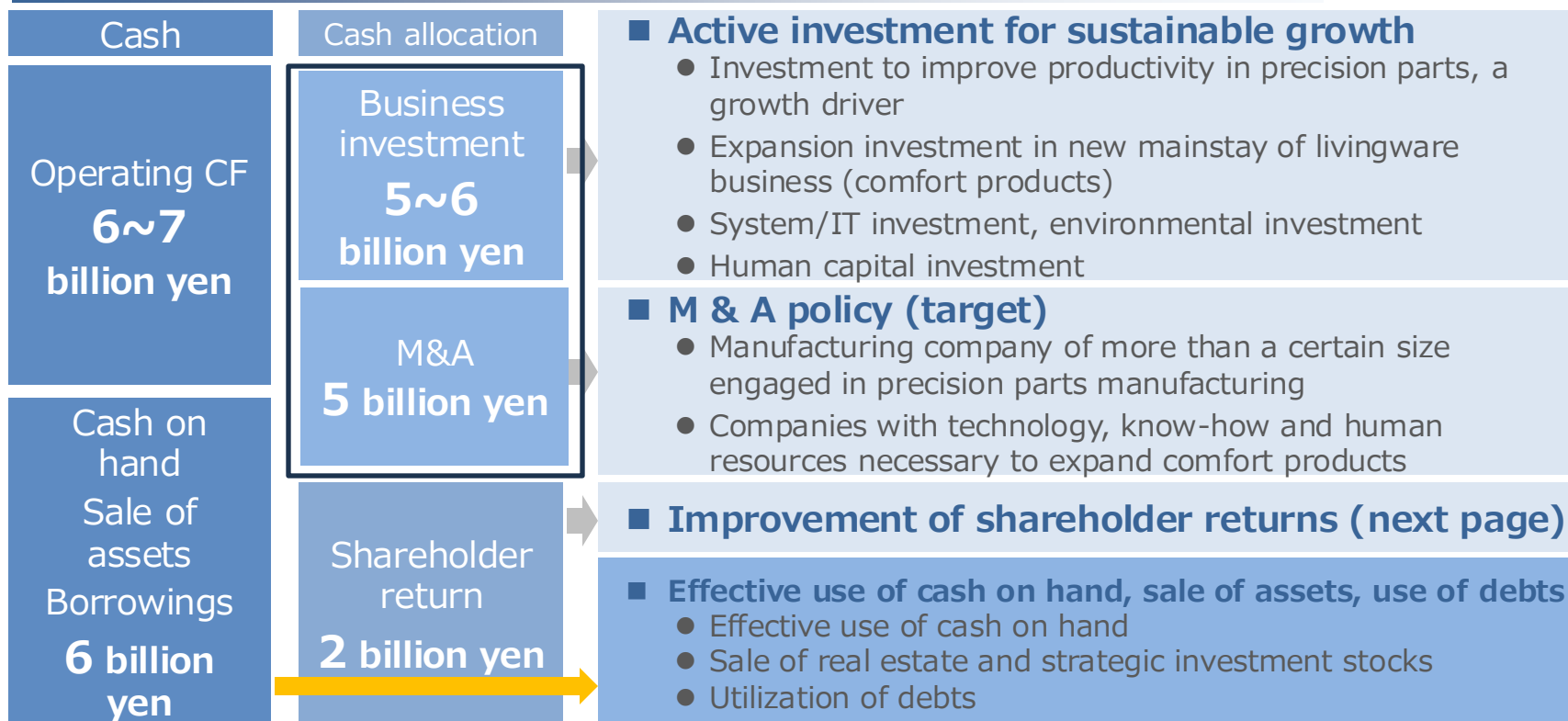
III Initiatives

III Initiatives -1. Medium-Term Management Plan (FY 2025 – 2027)
Toward Expanding Performance



Numerical Plan					
	FY 2024 Forecast	FY 2025 Medium-Term Plan	FY 2026 Medium-Term Plan	FY 2027 Medium-Term Plan	Compare to FY 2024
Net Sales	33,000	33,500	37,000	40,000	7,000
Precision parts Business	25,100	24,700	27,500	30,000	4,900
Livingware Business	7,500	8,300	9,000	9,400	1,900
Other Business	400	500	500	600	200
Operating income	1,200	1,400	2,000	2,500	1,300
Precision parts Business	2,100	2,150	2,450	2,850	750
Livingware Business	-400	-250	50	150	550
Other Business	50	90	100	110	60
Adjustments	-550	-590	-600	-610	-60
Ordinary profit	1,600	1,700	2,300	2,800	1,200
Profit attributable to owners of parent	1,000	1,200	1,700	2,100	1,100
ROE	3.2	4.0	5.0	6.0	2.8
Exchange Rate	145.00	140.00	140.00	140.00	-





[Cash In]

- In addition to improving business performance and earnings, operating cash flows are secured by optimizing inventory levels.
- Real estate sales are being conducted as appropriate. The policy will continue to be considered in accordance with the status of real estate utilization.
- Efforts are underway to reduce strategic investment stocks. (Reduced the number of listed stocks held in FY 2024 from 11 to 6.)

[Cash Allocation]

- Top priority is given to Capital investment, R & D investment, and human capital investment, which is the source of business growth.
- A quota for M & A investment is established to achieve discontinuous growth.

Improvement of shareholder returns

[Basic Dividend Policy]

- Dividend ratio: 30% or more, dividend per share: 30 yen or more
- Continual stable dividends

Dividends (Calculation based on profit plan)

	FY 2024 Forecasts	FY 2025 Medium-Term Plan	FY 2026 Medium-Term Plan	FY 2027 Medium-Term Plan
Net sales (million yen)	33,000	33,500	37,000	40,000
Net income (million yen)	1,000	1,200	1,700	2,100
Net income per share (yen) * ₁	121.14	145.38	205.96	254.42
Dividend per share (yen) * ₂	73	73	73	76
Dividend payout ratio (%)	60	50	35	30

* 1 calculated as the number of all shares excluding treasury stock. * 2 The planned figure is a calculation based on the medium-term management plan and does not guarantee the dividends stated above.

- In FY 2024, although the earnings forecast was revised downward, the **dividend forecast was maintained at 73 yen.**
- Under the basic dividend policy, further dividends will be paid in accordance with the performance, cash reserves and capital expenditure status.
- By improving business performance and profitability through the promotion of the Medium-Term Management Plan 2027 and generating further cash flow, the Company will promote active investment for growth and steadily improve shareholder return.

Strengthening IR

■ Enhancing the quality and volume of Information Disclosure and promoting Dialogue with Investor

Specific Initiatives

■ Enhancing the quantity and volume of Information Disclosure and raising awareness of Investor

- Financial Results Briefing for Institutional Investor 2 times a year, 1on1 Meeting
- Expansion of English Disclosure (April 2025: Response to Disclosure Obligation in English in Prime Market)
- IR event for Individual Investors (continued from FY 2023)
- Registered as the company "Wish to have more active contact from institutional investors"

■ Active Initiatives and Disclosure of Sustainability and Human Capital Investment (Non-Financial Information Disclosure)

- Promote Sustainability Initiatives by the group under the Sustainability Committee
- Promotion of environmental initiatives such as the introduction of solar power generation, implementation of human rights DD and initiatives to ensure diversity, and expansion of Information Disclosure

- In addition to the requests made to Prime Listed Companies, the quantity and volume of various Information Disclosure will be enhanced based on Dialogue with Investor.
- In addition to Institutional Investor and Overseas Investor, efforts will be taken to raise awareness of Individual Investor in particular, which will lead to the proper evaluation of Corporate Value of the company.

III Initiatives -6. Improvement of Corporate Governance

Corporate Governance Improvement

■ Implementation of all items of the Corporate Governance Code

Revised CG Code / Major Initiatives

Items and Principles		Response Status and Policy
1-2 ④	Use of Electronic Voting Platform and English Translation of Convocation Notice	✓ Platform usage and English translation of convocation notice started in FY 2022
2-4 ①	Measurable targets for ensuring diversity, human resource development policy, and internal environment development policy should be disclosed	✓ Targets for ensuring diversity, human resource development and internal environment development policy has been disclosed since FY 2022
3-1 ②	Disclosure and provision of required information in English should be made	✓ English translation of financial results and convocation notices started in FY 2022 Partially preemptive action was implemented toward English Disclosure Obligation enforced from April 2025.
3-1 ③	Enhance the quality and volume of disclosure based on TCFD	✓ Sustainability Committee was established in FY 2022. Disclosure based on TCFD was implemented on Feb. 2025.
4-1 ③	Succession plans should be formulated and implemented, and appropriate supervision should be conducted	✓ In FY 2024, a management succession plan was formulated and put into operation.
4-8	Independent Outside Director is appointed at least 1/3 of Directors	✓ 4 Independent Outside Directors out of 11 Directors
4-10 ①	Independent Outside Director makes a majority of nominations and remuneration committee	✓ Governance Committee is composed of a majority of Independent Outside Director.

※ Items marked with ✓ are complied.

- In FY 2024, TCFD disclosure and succession planning were implemented. **All items for Prime Market listed companies were complied with.**
- We will continue to meet Corporate Governance standards required for Prime Market listed companies and further enhance their effectiveness.

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 any commitments or guarantees. Please note that this document may differ from the company's future results.

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