



RHYTHM

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Notice Concerning Disposal of Treasury Shares Through Third-Party Allotment Due to Introduction of Employee Stock Ownership Plan (ESOP) Trust

RHYTHM CO., LTD. (the “Company”) hereby announces that it resolved, at the Board of Directors meeting held today, to implement disposal of treasury shares through Third-Party Allotment (the “Treasury Share Disposal”) due to the introduction of the Employee Stock Ownership Plan (ESOP, hereinafter referred to as the “Plan”).

1. Overview of disposal

(1) Date of disposal	March 6 th , 2026 (planned)
(2) Class and number of shares to be disposed	The Company’s common shares: 139,600 shares
(3) Disposal value	4,080 yen per share
(4) Total disposal amount	569,568,000 yen (planned)
(5) Disposal methods	Third-party allotment
(6) Allottee	Sumitomo Mitsui Trust Bank, Limited (trust account) (Re-trustee: Custody Bank of Japan, Ltd. (trust account))
(7) Other	The Treasury Share Disposal is conditional on filing under the Financial Instruments and Exchange Act taking effect.

2. Purpose and reason for disposal

At the Board of Directors meeting held today, the Company resolved to introduce the Plan as part of employee benefit packages for the purpose of raising the corporate value over the medium- to long-term by enhancing sustainable asset building of the employees of the Group through the activation of the employee stock ownership plan and by providing incentives to the employees of the Group to take a greater part in its management and to improve business performance.

For an outline of the Plan, please refer to the “Notice Concerning Introduction of Employee Stock Ownership Plan (ESOP) Trust” announced today.

The Treasury Share Disposal shall be conducted with Sumitomo Mitsui Trust Bank, Limited (trust account), the trustee of the trust introduced for the Plan (hereinafter referred to as the “Trust”) (trustee of re-trust: Custody Bank of Japan, Ltd. (trust account)).

The number of shares to be disposed will correspond to the amount scheduled to be purchased by the Rhythm Group Employee Shareholding Association (the “Association”) for the trust duration of approximately 5 years, which is based on the current annual purchasing history of the Association (annualized amount based on immediately preceding monthly purchases and purchases using bonuses), divided by the disposal price. The scale of dilution will be approximately 1.66% of the total issued shares of 8,385,093 shares as of September 30, 2025 (The ratio against the total number of voting rights of 78,951 as of September 30, 2025, is approximately 1.77%. Each figure has been rounded to the one-hundredth of one percent).

The Company concluded that the Plan will promote to raise the corporate value of the Company over the medium- to long-term by providing incentives to the employees of the Group to take a greater part in its management, to improve business performance and to enhance their motivation to work through capital participation as shareholders. It concluded that the number of treasury shares to be disposed and the scale of dilution are reasonable and that the impact on the secondary market will be minor.

(Reference) Outline of trust agreement relating to ESOP trust

Trustor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trustee: Custody Bank of Japan, Ltd.)
Beneficiary	Members of the Association who meet beneficiary requirements
Exercise of Voting Rights	The trustee shall exercise the voting rights of the company's shares based on the instructions of the trust administrator.
Trust contract date	March 6, 2026 (planned)
Trust period	March 6, 2026, to the end of February 2031 (planned)
Purpose of the trust	Stable and continuous supply of shares of the Company's stock to the Association and delivery of trust assets to beneficiaries who are confirmed as beneficiaries through determination proceedings

3. Basis of calculation of disposition price and its details

The disposition price has been determined to be 4,080 yen, which is the closing price of the Company's shares on Tokyo Stock Exchange on February 12, 2026 (business day immediately preceding the date of the resolution of the Company's Board of Directors), concerning the recent share price performance and for the purpose of eliminating arbitrariness. The Company decided to use the closing price of the business day immediately preceding the day of the resolution of the Board of Directors because it was the market value immediately preceding the day of the resolution of the Board and was considered to be highly objective and reasonable as a basis for calculation.

With respect to the disposition price, the rate of deviation from the average closing price of 4,050 yen, (figures of less than one yen are rounded down) for the one month immediately preceding the day of the resolution of the Board (January 13, 2026 – February 12, 2026) is 0.74%, that from the average closing price of 3,806 yen, (figures of less than one yen are rounded down) for the three months immediately preceding the day of the resolution of the Board (November 13, 2025 – February 12, 2026) is 7.20% and that from the average closing price of 3,567 yen, (Figures of less than one yen are rounded down.) for the six months immediately preceding the day of the resolution of the Board (August 13, 2025 – February 12, 2026) is 14.38% (each ratio of deviation has been rounded to the one-hundredth of one percent).

After having considered these facts, the Company concluded the disposal value related to the Treasury Share Disposal is reasonable because it is not particularly advantageous to the planned allottees.

Moreover, regarding the disposal value described above, the Audit & Supervisory Committee (comprising

5 members, 4 of whom are Outside Directors) expressed its opinion that the calculation basis for disposal value is not especially favorable to the planned allottees and is lawful.

4. Matters regarding procedures pertaining to the Code of Corporate Conduct

Because the Treasury Share Disposal will (i) result in a dilution rate of less than 25% and (ii) not be accompanied by a change in the controlling shareholders, the procedures provided in Article 432 of the Securities Listing Regulations prescribed by Tokyo Stock Exchange, Inc. to obtain an opinion from independent third parties or to confirm the intent of shareholders are not required.