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Notice Concerning 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 introduce an Employee Stock Ownership Plan (ESOP) Trust (hereinafter referred to as the “Plan”), an incentive plan aimed at raising the corporate value over the medium- to long-term utilizing the employee stock ownership plan of Company group and enhancing employee benefit packages. Details are as follows.

1 . Purpose of Introduction

The Company will introduce the Plan as part of employee benefit packages with the aim of improving 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 its employees to take a greater part in its management and to improve business performance.

2 . Outline of the Plan

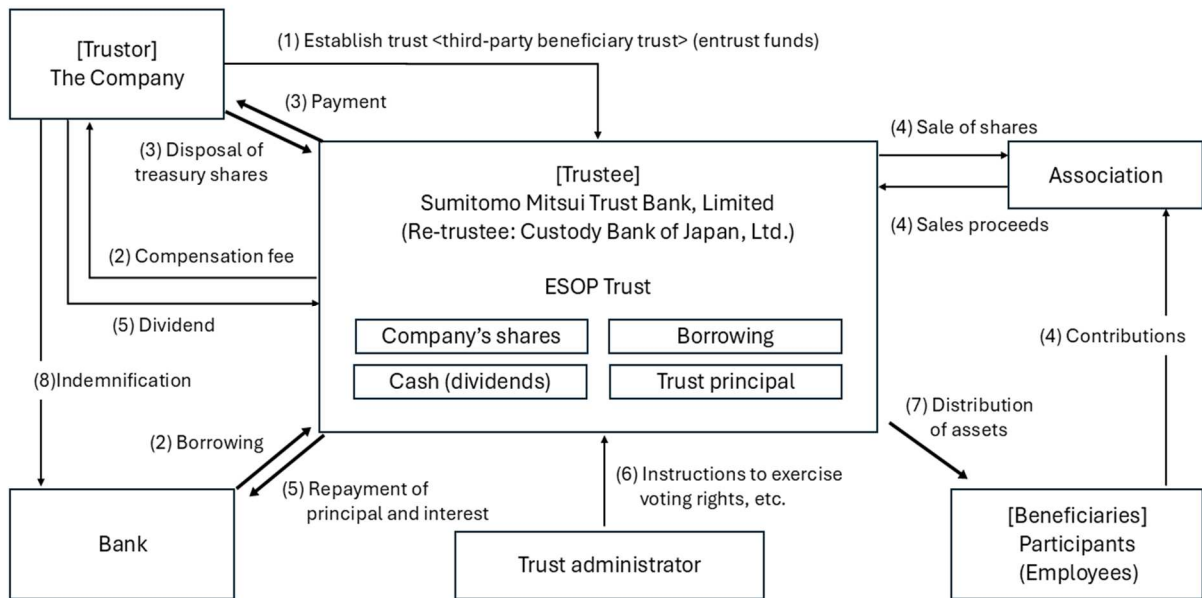
The Company will introduce the Plan for its employees of the Company group who participate in Rhythm Group Employee Stock Ownership Association (hereinafter referred to as the “Association”).

The Company will establish an employee stock ownership trust (a third-party beneficiary trust; the “ESOP Trust”) for those among members of the Association who meet certain beneficiary requirements.

The ESOP Trust will use the funds raised by borrowings to collectively acquire shares of the Company’s stock in the number that is expected to be acquired by the Association for 5 years after the conclusion of trust agreement. The Company will indemnify the said borrowing to be made by the ESOP Trust.

After the Plan is introduced, the acquisition of shares of the Company’s stock by the Association will be implemented through purchases to be made from the ESOP Trust. If the ESOP Trust has an accumulated amount equivalent to the gain on sales of shares through the acquisition of shares of the Company’s stock by the Association, the ESOP Trust will distribute such amount to employees who are beneficiaries at the end of the ESOP Trust. On the other hand, if the ESOP Trust fails to pay off its debts due to a decline in the price of the Company’s stock, the Company will repay outstanding debt to the lending bank. In that case, the Company’s employees who are members of the Association will not be held liable to the obligations.

3. Structure of the Plan



(i) The Company will establish an ESOP Trust.

(ii) The ESOP Trust will borrow from a bank that is needed to acquire shares of the Company's stock. In the said borrowing, an indemnity contract will be concluded among the Company, the ESOP Trust and the bank to the effect that the Company will indemnify any loss sustained by the bank with regard to borrowings to be made by the ESOP Trust. As consideration of the indemnity contract, the ESOP Trust will pay the Company compensation fee.

(iii) The ESOP Trust will collectively acquire shares of the Company's stock in the number that is expected to be acquired by the Association within the trust period (the method is the disposal of treasury shares (third-party allotment)).

(iv) The ESOP Trust will sell the shares it holds to the Association at market price on a certain day every month throughout the trust period.

(v) The ESOP Trust will use proceeds from the sale of shares of the Company's stock received from the Association and dividends with regard to shares held to repay the principal and interest of borrowings from the bank.

(vi) Throughout the trust period, the trust administrator who protects the interests of the beneficiaries and monitors the trustee will give instructions on the management of trust assets, including the exercise of voting rights.

(vii) Any residual assets in the ESOP Trust after the repayment of borrowings through the sales of shares of the Company's stock will be distributed to employees of the Company group who meet beneficiary requirements depending on the amount contributed during the trust period.

(viii) If there remains a debt obligation after residual assets in the ESOP Trust are disposed, the Company will repay the debt obligation in accordance with the indemnity contract.

In the Plan, Sumitomo Mitsui Trust Bank, Limited, which acts as the trustee, will entrust the management of the trust assets to Custody Bank of Japan, Ltd. (re-trust).

4 . Outline of ESOP Trust

(1) Trustor	the Company
(2) Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trustee: Custody Bank of Japan, Ltd.)
(3) Beneficiaries	Members of the Association who meet beneficiary requirements
(4) Type of trust	Money trust (Third-party beneficiary trust)
(5) Trust Contract Date	March 6, 2026 (planned)
(6) Trust Period	March 6, 2026 to the end of February 2031 (planned)
(7) Purpose of 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

5 . Details of the Company's shares acquired by the ESOP Trust

(1) Shares to be acquired	139,600 shares of the Company's common stock
(2) Total acquisition cost	569,568,000 yen (planned)
(3) Date of acquisition of shares	March 6, 2026 (planned)
(4) Acquisition method of shares	Acquisition through the disposal of treasury shares (third-party allotment)