

## **RHYTHM recorded a substantial increase in profit driven by solid orders in the Precision Parts Business and structural reforms in the Livingware Business**



\*This transcript contains no slides. Please refer to the presentation materials in Japanese version.

### **Contents**

Takeo Yumoto: I am Takeo Yumoto, President and Representative Director of RHYTHM CO., LTD. Thank you very much for taking the time out of your busy schedules to attend our financial results briefing today. I would also like to express my sincere gratitude for your continued strong support and expectations for our company.

Here is today's agenda. First, I will introduce our business segments, and then I will explain the business overview for the fiscal year ended March 2026 in order. Thank you for your attention.

### **Our Business Segments**

First, I'd like to introduce our business segments; Our company was founded in 1950 as a clock manufacturer, and in response to changes in the business environment, we have shifted our business toward the manufacture of precision products cultivated through our founding business. Today, the Precision Parts Business accounts for approximately 77% of our overall operations and has grown into our core business.

In the Precision Parts Business, we have earned the trust of many customers for highly sophisticated precision parts, primarily including terminal parts for electrical components, coil parts, and plastic molded parts centered on mold manufacturing.

The Livingware Business has struggled significantly in recent years due to declining demand for clocks, our founding business. However, by leveraging the know-how and assets built up through the clock business, we launched "comfortable products" business in 2020 as a new product category and are working to nurture it as a second growth driver alongside Precision Parts business.

## Overview of Results for the Fiscal Year Ended March 2026

I will now explain the results for the fiscal year ended March 2026. First, an overview; This fiscal year was the first year of Medium-Term Management Plan 2027, and the business structure reforms carried over from the previous medium-term plan finally began to bear fruit, enabling us to secure a substantial increase in profit along with higher revenue. We were able to make the first step as planned toward "new growth through the establishment of a business model," as set forth in Medium-Term Management Plan 2027.

In the Precision Parts Business, in addition to solid orders for parts related to high-end home appliances and existing parts, new orders started for parts related to AI data servers, driving overall performance. In the Livingware Business as well, the results of structural reform steadily became apparent, leading to improved profitability.

## Consolidated Results for the Fiscal Year Ended March 2026

In the statement of profit and loss, net sales were ¥34.7 billion, and operating profit was ¥1.5 billion, representing an increase of 94% year on year. Net profit reached ¥2.3 billion, achieving a substantial increase of 204% year on year. ROE also improved significantly to 7.1% in line with higher profitability. Earnings per share also improved substantially.

Next are the major factors behind the increase and decrease in profit for the fiscal year. Net profit totaled ¥2.3 billion, an increase of approximately ¥1.5 billion from the previous fiscal year. In addition to improved operating profit, extraordinary income such as gains on the sale of real estate and gains on the liquidation of subsidiaries also contributed.

In the balance sheet, total assets came to ¥49 billion, an increase of approximately ¥4 billion from the previous fiscal year. The equity ratio remained at a high 69%, and our financial base continues to be stable.

Cash flows from operating activities increased to ¥3.3 billion, and free cash flow also improved to ¥1.5 billion. Regarding investing activities, we are actively working to balance growth investment and shareholder returns.

## Consolidated Results for the Fiscal Year Ended March 2026 by Segment

In the results by segment, the Precision Parts Business drove overall growth, and the Livingware Business also significantly improved profitability. Net sales in the Precision Parts Business were ¥26.6 billion and operating profit was ¥2.5 billion, an increase of ¥0.4 billion year on year. Net sales in the Livingware Business were ¥7.5 billion, and operating profit was negative ¥78 million, narrowly missing a return to profitability.

## FY2025 Consolidated Results by Segment

### 1. Precision Parts Business

I will explain the key points by segment. Net sales in the Precision Parts Business increased to ¥26.6 billion. As a key initiative, we are working to expand new orders through proposals for combination parts. By

integrating components, we aim to eliminate customers' time and effort for management and inspection, improve productivity, and enhance overall added value.

Mobility sales remained solid for hybrid vehicle parts, although orders for EV-related parts declined slightly in the most recent period.

In China and Southeast Asia, stagnation had continued, but new orders in Vietnam for AI server-related parts and OEM products for North America contributed to results. Through improved productivity associated with expanded orders, we secured operating profit of approximately ¥2.5 billion, an increase of ¥0.4 billion from the previous fiscal year.

## **2. Livingware Business**

In the Livingware Business, net sales reached ¥7.5 billion due to the expansion of comfortable products. Operating profit was a loss of ¥78 million, leaving a slight loss, but the increase in sales of comfortable products enabled us to absorb a part of the upfront investment in product development costs.

Also, cost improvements through production efficiency contributed to a major improvement in profitability of approximately ¥680 million from the previous fiscal year. We had also struggled with foreign exchange loss on imports caused by the rapid depreciation of the yen, but the conditions for achieving profitability have finally come together.

### **Forecast for the Fiscal Year Ending March 2027**

Next, I will explain the full-year earnings forecast for the fiscal year ending March 2027. For FY2026, we forecast net sales of ¥37.0 billion, an increase of ¥2.2 billion from the previous fiscal year. Operating profit is forecast at ¥2.0 billion, an increase of ¥0.4 billion year on year. We plan ordinary profit of ¥2.3 billion and net profit of ¥1.7 billion.

### **Forecast for the Fiscal Year Ending March 2027 by Segment**

#### **1. Precision Parts Business**

In the Precision Parts Business, we expect net sales of ¥27.7 billion, an increase of ¥1.0 billion from the previous fiscal year. In FY2025, sales were strong mainly in mobility-related products, with solid existing parts as well as strong orders for new parts. We recognize component integration as a valuable business model that creates significant added value for customers as well, and we are actively engaged in proposal activities.

We also expect expanded orders for AI server-related parts and semiconductor manufacturing-related parts, and we intend to accelerate the reorganization and reassessment of our production structure to prepare for increased production. Operating profit is planned at ¥2.7 billion, an increase of ¥0.2 billion from the previous fiscal year. We aim to achieve greater earnings through increased orders, stronger structures, and higher productivity.

## 2. Livingware Business

Next is the Livingware Business. We plan net sales of ¥8.7 billion. In Japan, we are working not only to expand mobile fans but also to broaden our lineup of year-round products, including winter seasonal products.

Five years have passed since we began taking on the challenge of the comfortable products business, and collaboration with major domestic retailers on sales expansion measures has deepened further, making the expansion of our sales network a major source of strength. In addition, the strengthening of sales in China and Asia, which we have focused on since last year, is also progressing, and we expect to move one step forward this fiscal year by adding further initiatives.

As for operating profit, the path to profitability has finally come into view. We expect to achieve profitability through reforms to the cost structure associated with higher sales.

### Medium-Term Management Plan 2027

I'd like to mention the progress of Medium-Term Management Plan 2027. We almost completed structural reforms in FY2024, and we believe FY2025 marked a step forward toward establishing the target business model. In FY2026, we plan to steadily execute the measures we have set forth and build new growth toward the certain achievement of Medium-Term Management Plan 2027.

### Progress of Medium-Term Management Plan: Financial Indicators

Next, I will explain the progress of finance, capital, and shareholder returns. This slide shows the financial indicators in the Medium-Term Management Plan. As the global economy shows signs of various changes, we will work to establish the business model set out in the Medium-Term Management Plan and strive to generate greater profit and improve capital efficiency.

In our financial and capital policies, we recognize that securing capital profitability above the cost of capital and obtaining an appropriate market valuation are key issues.

### Medium-Term Management Plan: Financial and Capital Policy

We have achieved an ROE of 7.1% and set an early achievement of a PBR above 1.0 as an individual issue. Through achievement of the Medium-Term Management Plan in FY2026 and FY2027, we aim to overcome these issues.

Regarding cash flow, we plan to secure ¥7.0 billion to ¥8.0 billion in cash flows from operating activities and, together with cash on hand and proceeds from asset sales, allocate approximately ¥5.0 billion to ¥6.0 billion to business investment, approximately ¥5.0 billion to M&A, and approximately ¥5.0 billion to shareholder returns. We intend to promote well-balanced capital allocation.

### Capital Expenditures and Depreciation

With regard to capital expenditures, in FY2025 we carried out approximately ¥1.4 billion of investments,

centered on production facilities and new product development. Going forward, with a focus on strengthening the overall production structure of our manufacturing plants through further productivity improvements, labor-saving equipment, and R&D for new products, we plan to execute proactive investment of ¥1.8 billion in FY2026.

### **Shareholder Returns**

Regarding shareholder returns, last year we significantly revised our shareholder return policy and established a basic policy of maintaining stable dividends with a dividend payout ratio of 35% or more and DOE of 4% or more. We have also decided to introduce a shareholder benefit plan for the first time.

In addition, we will begin paying interim dividends from this fiscal year. We position shareholder returns as an important measure and will continue striving to earn your support.

### **Sustainability Initiatives**

This section covers the status of our sustainability initiatives. The environmental and DEI activities launched in FY2022 have now been supported by a group-wide framework, and concrete initiatives have become established. We are currently moving into the phase of realizing their effects.

In the environmental field, for CO2 reduction, we aim to reduce emissions by 30% by FY2027 compared with FY2018. This fiscal year, we have achieved results through measures such as bringing forward CO2 emissions reduction targets, introducing renewable energy, and reducing electricity charges.

In DEI, we are promoting initiatives such as research on advancing women's participation and health and productivity management, aiming to create a workplace where diverse human resources can develop their abilities.

### **Strengthening Human Capital Strategy**

Regarding the strengthening of our human capital strategy, we are focusing particularly on strengthening new graduate recruitment activities, implementing a core human resource development program, and expanding measures to improve employee engagement. We truly believe that people are the foundation of the company. We will continue to study various measures and work with a strong commitment to securing and developing the human resources who will shape the future.

### **TOPICS: Precision Parts Business**

Next are some topics. First, I would like to introduce combination parts in the Precision Parts Business, which I mentioned earlier. Many of our parts are individual components, and in most cases, they are delivered to Tier 1 and Tier 2 suppliers and then incorporated into larger parts.

We excel not only in individual components but also in combination parts covering their connection and assembly. One of a combination part we produce is a solenoid coil. It is an example of manufacturing

combination parts in which the coil is built in.

By integrating multiple parts in a consistent process, we can significantly reduce processes such as product launch, inspection, and evaluation that had previously occurred for each individual part. We can also ensure consistent quality, producing strong effects in reducing development time and indirect costs.

We have not highlighted this capability very much in the past, but in recent years we have been actively making proposals, and new orders and requests have been gradually increasing. By leveraging RHYTHM's unique production capabilities, we would like to provide customers with even greater added value.

There is our new product, the "SMD Busbar." It is used in circuit boards for electrical systems in electric vehicles and data centers. It is simple, supports space saving, and can also handle larger currents. Costs have also been significantly reduced, and orders are increasing.

### **TOPICS Livingware Business**

Next, I would like to talk about the handy fan in the Livingware Business. The handy fan, which has become our hit product, has been improved every year to enhance usability, including adding new functions. In FY2026, by slightly modifying the blade shape, we made improvements that allow stronger turbo performance for a longer time and shorter charging time, and launched the latest model, "Silky Wind Mobile 4."

Next, I would like to introduce the "Silky Wind Circulator." It achieves overwhelmingly powerful airflow through our proprietary dual counter-rotating fan. The airflow reaches approximately 35 meters. It also adopts a one-direction slit design, allowing easy cleaning with a dedicated brush.

Some people may not be very familiar with our circulators, but they are widely used during the rainy season for drying laundry indoors. By using them together with air conditioners in both summer and winter, they greatly help equalize indoor temperatures. We would like to further expand this lineup of products that can be used comfortably in this way.

As I have explained, we will work sincerely to establish a growth business model and strive to meet your expectations. We appreciate your continued support.

This concludes my presentation. Thank you very much for your kind attention.