February 26, 2025

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(Securities code: 7769; TSE Prime Market)
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Disclosures Based on TCFD Recommendations

At the Board of Directors meeting held on February 26, 2025, RHYTHM CO., LTD. (the "Company") resolved to express its support for the Task Force on Climate-related Financial Disclosures (TCFD)* and to disclose climate-related financial information.

Recognizing climate change as a critical management issue, the Company is committed to contributing to a sustainable society. In alignment with the TCFD recommendations, the Company has conducted scenario analyses to assess climate-related risks and opportunities impacting its businesses and is disclosing its initiatives for addressing these.

The Company will continue to enhance its climate-related disclosures and promote environmentally responsible business activities in pursuit of a sustainable society.

* The TCFD is a task force established by the Financial Stability Board (FSB) at the request of the G20 to examine corporate climate-related disclosures and financial sector responses.

TCFD-Based Disclosures

February 26, 2025

RHYTHM CO., LTD.

The RHYTHM Group operates under the corporate philosophy, “We shall contribute to the formation of an enriched, enjoyable, and safe society through the ongoing pursuit of unrelenting creation and innovation.” Guided by this philosophy, we have established a fundamental sustainability policy that emphasizes the efficient use of resources and the preservation of the global environment, with the goal of contributing to a sustainable society. In line with this sustainability policy, each of our manufacturing bases has formulated its own environmental policy, working toward building a sustainable society as a shared objective. As part of these efforts, we recognize climate change as an urgent and critical management issue and are disclosing relevant information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

1. Governance

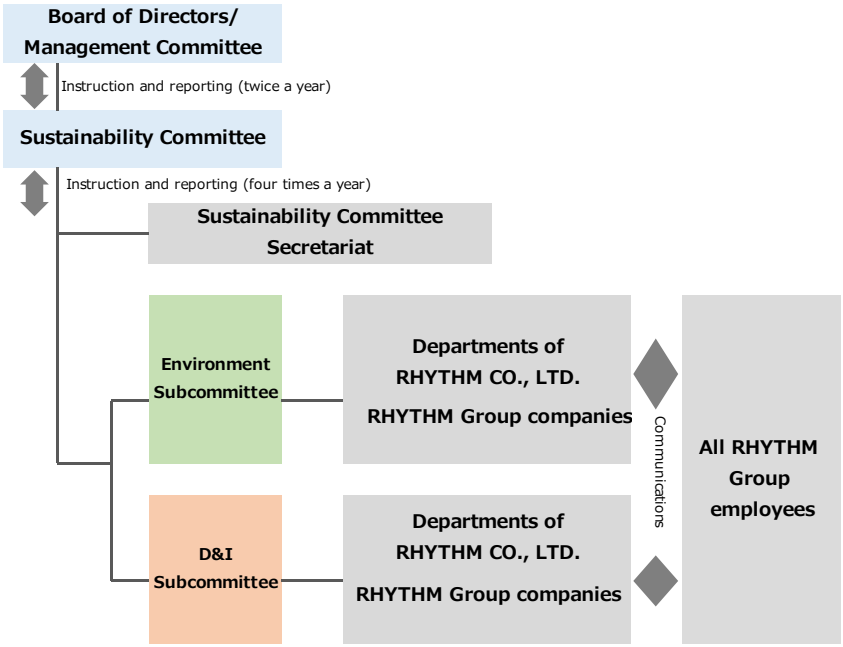
The RHYTHM Group has established the following governance framework to drive our sustainability initiatives:

(1) Sustainability Committee
We have established a Sustainability Committee to streamline sustainability discussions and drive and oversee initiatives at the management level. Recognizing climate change issue as a critical management issue and proactively contributing to its resolution, the committee is chaired by the President and Representative Director and convenes four times a year. The committee assesses risks and opportunities related to environmental issues, including climate change, and formulates key policies and measures to address them. Its discussions and decisions are reported to the Board of Directors twice a year via the Management Committee, ensuring that sustainability initiatives and progress toward targets are effectively monitored.

(2) Board of Directors and Management Committee
The deliberations of the Sustainability Committee are reported to the Management Committee and subsequently presented to the Board of Directors twice a year. In terms of climate change, the Board monitors progress toward emission intensity reduction targets, as well as the effectiveness and advancement of appropriate decarbonization initiatives.

(3) Environment Subcommittee
Under the umbrella of the Sustainability Committee, we have established working groups to ensure the effectiveness of our sustainability initiatives. In addition, we have formed the Environment Subcommittee to lead on environmental matters, including climate change. This subcommittee consists of nominated representatives and key personnel from all departments of headquarters and the entire RHYTHM Group. The subcommittee actively engages with employees to monitor progress on sustainability initiatives and climate-related goals, while overseeing the implementation of practical measures.

■ RHYTHM Group Governance Structure



2. Strategy

(1) The RHYTHM Group's Approach to Sustainability

The RHYTHM Group considers its Sustainability Strategy to be a key pillar alongside Business Strategy and Financial Strategy. We strive to enhance corporate value by creating social value through our business and corporate activities. Additionally, we recognize that addressing human rights and environmental issues, both within the company and across the entire supply chain, is a critical factor in ensuring corporate sustainability. To support long-term sustainable growth, we acknowledge the importance of understanding the potential impacts of climate change—an inherently uncertain factor—on our business and conduct scenario analysis in accordance with the TCFD framework.

(2) Implementation of Scenario Analysis

The following outlines the scenario analysis conducted during FY2024. To identify climate-related risks and revenue opportunities, we referenced external scenarios from organizations such as the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). Our analysis considered multiple temperature scenarios to explore possible future global conditions. The scenario analysis covered the entire RHYTHM Group, including consolidated subsidiaries. In accordance with the Paris Agreement, we set 2030 as the mid-term target year and 2050 as the final target year for our analysis.

i) Assumptions for Scenario Analysis

Assumptions for Scenario Analysis		
Temperature scenario	1.5°C Scenario	4°C Scenario
Scope	All businesses, including all consolidated subsidiaries	
Target years	2030 and 2050	

Major reference scenarios	IEA Net Zero Emission by 2050 Scenario IEA Announced Pledges Scenario IPCC RCP2.6	IEA Stated Policies Scenario IPCC RCP8.5
Global outlook under given scenario	A world where global temperature rise is limited to approximately 1.5°C above pre-industrial levels by 2100. This scenario assumes ambitious climate policies, stricter regulations, and advancements in low-carbon technologies across multiple countries to achieve a decarbonized society.	A world where global temperatures rise by approximately 4°C above pre-industrial levels by 2100. In this scenario, climate policies and regulations remain unchanged beyond current measures, and low-carbon technology advances at a slow, business-as-usual pace.

ii) Scenario Analysis Results

Based on the scenario analysis, we have identified the following risks and opportunities:

■ Risks

Category	Item	Timeframe	Description of Risk	Impact	
				1.5℃	4℃
Technology	**Advancements in low-carbon technologies**	Long term	Demand for precision components related to internal combustion engine vehicles declines.	**High**	**Medium**
Markets	**Changes in raw material costs**	Medium to long term	Procurement costs for raw materials such as metals and plastics increase due to carbon taxes and GHG emission regulations.	**High**	**Medium**
Markets	**Changes in energy costs**	Short to medium term	Electricity prices soar due to shifts in demand and higher power generation costs resulting from the transition to renewable energy.	**Medium**	**Low**
Policies & Regulations	**Carbon pricing (Carbon tax)**	Medium to long term	Operational costs increase due to carbon taxes imposed on CO_2 emissions from business activities.	**Medium**	**Low**
Acute Physical Risks	**Intensification of extreme weather events (typhoons, torrential rain, storm surges, etc.)**	Short to long term	More severe extreme weather events cause damage to business sites, disrupt supply chains, and lead to operational shutdowns, resulting in losses and soaring fire insurance premiums.	**Medium**	**High**

■ Opportunities

Category	Item	Timeframe	Description of Opportunity	Impact	
				1.5℃	4℃
Products & services	**Advancements in electrification**	Medium to long term	Growth in electric vehicle adoption increases sales of automotive electrical components.	**High**	**Medium**

Markets	**Growing demand for products with low environmental impact**	Medium to long term	Market expansion driven by increasing environmental awareness and growth in sales of our components and consumer products: • Components for electric-assisted bicycles • Components for air conditioning equipment with inverter control functions • Components for residential solar power systems • Air conditioning home appliances	**High**	**High**
Markets	**Growth in demand for automation**	Medium to long term	Further advancements in automation to improve productivity drive increased demand for energy-efficient machine tools, boosting sales of related components.	**High**	**Medium**
Policies & Regulations	**Reductions in operating costs**	Medium to long term	Adoption of energy-efficient equipment and promotion of energy-saving initiatives reduce utility expenses and other running costs.	**Medium**	**Medium**

Impact…High: Financial impact exceeding 1% of consolidated revenue; Medium: Financial impact less than 1% of consolidated revenue; Low: Negligible

Timeframe…Short term: Up to 1 year; Medium term: 2 to 5 years; Long term: over 5 years

iii) Impact on the RHYTHM Group Under Each Scenario

[1.5°C Scenario]
Under the 1.5°C scenario, countries worldwide accelerate climate change initiatives to achieve a decarbonized society, implementing policies such as carbon pricing systems, stricter recycling regulations for materials like metals and plastics, and the mandatory adoption of energy-efficient and renewable energy technologies. As a result, global demand shifts toward low-carbon energy sources, particularly renewable energy, making high-cost electricity supply the global standard to promote its development and driving a significant rise in electricity prices. Additionally, suppliers' regulatory compliance costs are expected to be passed on through higher raw material prices.

The primary raw materials used in our products include metals such as copper and plastics, both of which consume significant energy and generate greenhouse gas emissions during production. A financial impact assessment of rising electricity prices and the introduction of carbon pricing suggests a potential decline in our operating profit due to these increased costs. However, aggressive decarbonization policies, regulations, and technological advancements introduced by governments worldwide are also accelerating the electrification of vehicles. As a result, while demand for internal combustion engine components is expected to decline, the demand for electrical system components used in electric vehicles (EVs) is projected to grow significantly. Additionally, growing environmental awareness is driving the expansion of markets for electric-assisted bicycles, air conditioning equipment with inverter control functions, residential solar power systems, and energy-efficient machine tools in the industrial sector. These trends are expected to lead to higher sales of our components and air conditioning home appliances. Furthermore, the adoption of energy-efficient equipment and promotion of energy-saving initiatives within the company will help reduce operating costs, including utility expenses. Thus, while climate change presents risks, it also creates business opportunities for the RHYTHM Group, offering the potential for a positive impact on revenue growth.

[4°C Scenario]
Under the 4°C scenario, extreme weather events such as typhoons and floods are expected to intensify and

occur more frequently on a global scale.

A 2024 domestic hazard map assessment confirmed that among the RHYTHM Group's bases, the Aizu Factory, Kawagoe Factory, and our subsidiary PRITEC CO., LTD. are at particularly high risk of flooding. Additionally, overseas bases, especially those in Vietnam, Indonesia, and other Southeast Asian regions, are in general highly vulnerable to water-related disasters, with the potential for severe damage in the event of one. Beyond direct physical damage, business disruptions could lead to production halts, posing a significant risk to the company. Furthermore, if suppliers are affected, disruptions in raw material procurement could result in reduced production capacity and additional costs for securing alternative supply sources.

iv) Response to Risk Mitigation and Business Opportunity Expansion

The RHYTHM Group is committed to mitigating transition risks, supporting our customers in reducing CO_2 emissions across their supply chains, and actively pursuing business opportunities while addressing physical risks posed by extreme weather events.

We have set a target to reduce CO_2 emissions intensity by 30% by FY2027 (compared to FY2018, measured as Scope 1 and 2 emissions per unit of revenue) and to achieve net-zero emissions by FY2050. To achieve these goals, we are implementing the following concrete initiatives:

CO_2 Emission Reduction and Energy Cost Reduction Initiatives	● Implementing renewable energy systems, such as solar power generation facilities ● Promoting electricity conservation through awareness campaigns, energy-saving patrols, and inspections ● Installing energy-efficient equipment, including LED lighting, upgraded air conditioning systems, and air leak detection devices ● Pursuing efficiency in the production process ● Reviewing electricity contract terms across all company bases
Responding to Rising Costs	● Revising product pricing
Responding to Physical Risks from Extreme Weather Events	● Developing business continuity plans (BCPs) ● Diversifying raw material procurement sources
Business Opportunity Expansion Initiatives	● Advancing product development and expanding sales of automotive electrical components, energy-efficient machine tool components, and air conditioning components ● Developing adaptation products for extreme weather disasters, such as disaster prevention clocks and emergency alert radios for government disaster prevention systems

[Solar power generation] Solar power generation systems have been installed at three RHYTHM Group bases.



Aizu Factory

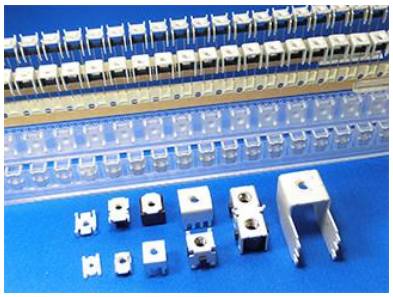
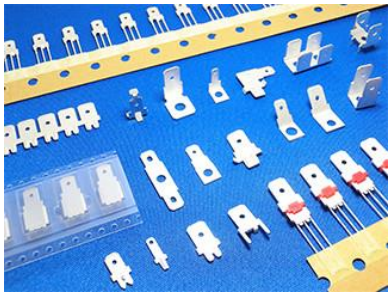
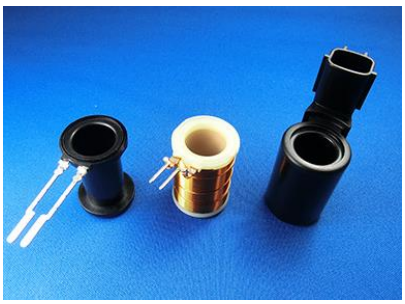


Goshogawara Factory



KYOSHIN VIETNAM CO., LTD.

[Automotive Electrical Components] Electrical components (Precision Parts Business: various terminals, solenoid coils, etc.)

[Disaster Preparedness Products]



Emergency alert radio for government disaster prevention systems



Disaster prevention clock (4RQ002-003）



Disaster prevention clock (9YYA45RH08）

3. Risk Management

(1) Risk Management Process across the entire RHYTHM Group

The RHYTHM Group has established a Compliance Promotion and Risk Management Department led by a director responsible for overseeing risk management. This department promotes compliance awareness and enhancement, manages the internal reporting system, and conducts risk identification and assessment at the Group level. The department consolidates risks identified through risk assessments conducted by each department and Group entity, ensuring a comprehensive understanding of risks across the entire organization. Based on the RHYTHM Group's risk management regulations, the Board of Directors identifies “Group Critical Risks,” prioritizing key business risks from the consolidated risk findings of each department and Group entity. For identified risks, the Compliance Promotion and Risk Management Department oversees the development of response measures, aiming to prevent risks from occurring or minimize losses if they materialize.

(2) Climate Change Risk Management Process

Among the various risks faced by the RHYTHM Group, critical risks related to climate change are identified and assessed by the Environment Subcommittee. This subcommittee analyzes department- and Group-specific climate-related risks, utilizing scenario analysis methodologies to identify risks at the Group-wide level. For risks where financial impact can be estimated, a quantitative evaluation is conducted to assess the future financial impact. Risks are assessed based on two key dimensions: the magnitude of financial impact (both qualitative and quantitative) and the expected timeframe for risk materialization. Through this evaluation, critical risks are identified. The identified risks are shared with the Compliance Promotion and Risk Management Department and reported to the Board of Directors via the Sustainability Committee. Through these processes, the assessment and management of climate change risks are integrated into the company-wide risk management framework and appropriately monitored.

4. Indicators and Targets

The RHYTHM Group has set the following CO_2 emissions reduction targets for Scope 1 and 2 emissions. To achieve these goals, we are actively pursuing initiatives such as the installation of solar panels. In FY2022 and FY2024, solar power generation systems were introduced at the Aizu Factory and Goshogawara Factory respectively, while in FY2023, they were installed at KYOSHIN VIETNAM CO., LTD., a Group company. As a result of measures such as electricity conservation efforts, energy efficiency inspections, and the implementation of energy-saving equipment, Scope 1 and 2 emissions in FY2023 totaled 27,278 tons, with an emissions intensity of 0.837 tons per ¥1 million in revenue. Given the steady progress toward our targets, we brought the target year forward to FY2027. Looking ahead, we plan to install solar power systems at RHYTHM VIETNAM (HANOI) CO., LTD. in FY2025 and will continue working to increase renewable energy usage at production sites, further reducing our CO_2 emissions.

(1) CO_2 Emission Reduction Targets

Targets	● 30% reduction in CO_2 emissions by FY2027 (compared to FY2018) ● Net-zero emissions by FY2050 * Measured by Scopes 1 and 2 emissions and emissions intensity

(2) Progress Made in Reducing CO2 Emissions

	FY2018	FY2021	FY2022	FY2023
Scope 1 emissions	609t	517t	437t	921t
Scope 2 emissions	33,872t	29,940t	28,390t	26,357t
Total Scopes 1 and 2 emissions	34,481t	30,458t	28,827t	27,278t
Emissions intensity *	1.112t	1.015t	0.923t	0.837t
Reduction rate (%)	-	8.7%	17.0%	24.7%

* CO_2 emissions per ¥1 million in revenue (Total Scope 1 & 2 emissions)