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The corporate governance of RHYTHM CO., LTD. (the “Company”) is described below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

In order to realize sustainable corporate growth and the improvement of Corporate Value over the medium to long term, the group will build good relationships with its shareholders and various other stakeholders, make transparent and fair decisions based on social trends, and implement necessary measures as appropriate.

Business Philosophy

[Basic Principles] We shall contribute to the formation of an enriched, enjoyable and safe society through the ongoing pursuit of unrelenting creation and innovation.

- We shall create products and services that please all.
- We shall endeavor to facilitate the prosperity of affiliated parties through business dealings all over the world.
- We shall establish a corporate culture rich in vitality.

[Corporate motto: Code of Conduct and Rhythm Spirit]

- Maintain a spartan spirit
- Maintain an uncompromised scientific （rational） spirit
- Maintain a wholesome and cooperative （harmonious） spirit

[Reasons for Non-Implementation of the Principles of the Corporate Governance Code]

The Company implements all of the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-4 Cross-Shareholdings]

1. Policy on Cross-Shareholdings

Regarding shares held for purposes other than net investment purposes, the basic policy is rationality of the purpose of holding such as business alliance, maintenance and strengthening of transactions, and social contribution, etc., and Director in charge conducts prior verification once every year and reports it to Board of Directors.

(Policy and Views on Cross-Shareholdings' Reduction)

The Company will endeavor to reduce Cross-Shareholdings by examining the medium- to long-term economic rationality, etc. of individual Cross-Shareholdings shares, and selling shares that are judged to be unnecessary to be held continuously.

(Verification method)

For each individual share, the Company examines Cross-Shareholdings carefully whether the purpose of holding is appropriate and whether the benefits and risks associated with holding are commensurate with the cost of capital and confirms the appropriateness of holding at Board of Directors every year.

2. Exercise of Voting Rights

Exercise of voting rights is considered an important means of influencing the management of the investee company and leading to the improvement of its corporate value. The Company does not make decisions for or against shareholder in a uniform manner based on fixed and short-term criteria, but from the viewpoint of whether it will lead to improvement of its corporate value over the medium term and shareholder returns. In addition, the Company considers each proposal and makes decisions for or against each proposal, focusing on whether the investee company is conducting management that emphasizes the development of the company and the interests of shareholders, etc.

The Board of Directors will vote against shareholder in the event of serious corporate governance concerns such as serious damage to the company or social scandals.

[Principle 1-7 Related Party Transactions]

Competitive transactions and conflict-of-interest transactions with Directors and corporations substantially controlled by Directors require deliberation and resolution by Board of Directors in accordance with the rules.

[Supplementary Principle 2-4 ①] (Ensuring Diversity)

The group believes that the realization of diversity leads to corporate growth, and has established the Rhythm DEI Vision to describe the ideal state of group employees, and has established various policies related to human rights and human capital, the Human Rights Policy, the Human Resources Development Policy, and the Internal Environment Improvement Policy. Based on these policies, the Company has implemented various initiatives to respect human rights, promote the advancement of diverse human resources, and reform working styles and corporate culture.

In addition, in order to realize the Rhythm DEI Vision, the Company regards “creating a workplace where diverse human resources can make the most of

their abilities" and "active participation of women" as important issues, monitors highly relevant indicators, and sets targets and evaluate particularly relevant indicators.

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

The Company recognizes that the management of corporate pension funds has an impact on its own financial situation as well as on the stable asset formation of employees. The management of corporate pension funds is determined by the Pension Asset Management Committee, which is chaired by Director in charge of corporate management, and is entrusted entirely to asset management companies. The Company makes efforts to appropriately manage conflicts of interest that may arise between corporate pension beneficiaries and the Company by receiving periodic reports from the asset management companies on the asset management status and stewardship activities, etc., and by monitoring the asset management companies by person in charge of personnel department and accounting department. The results are reported quarterly.

[Principle 3-1 Enhancing Information Disclosure]

1. The Company's Objectives, Business Philosophy, etc., Business Strategy, and Management Plan

The Company's Objectives, Business Philosophy, etc., and Medium-Term Management Plan are posted on the Company website.

[Management Philosophy] https://www.rhythm.co.jp/about/philosophy.html

[Medium-Term Management Plan] https://www.rhythm.co.jp/ir/plan.html

2. Basic Views and Policies on Corporate Governance

The basic views on corporate governance are described in the Corporate Governance Report. In addition, the basic policy [Corporate Governance System] is described in the securities report and on the Company website.

[Corporate Governance System] https://www.rhythm.co.jp/ir/governance.html

3. Policy and Procedures for Determining Remuneration of Management Executives and Directors

Director's remuneration for Director excluding Director who is a member of Audit and Supervisory Committee is determined by Board of Directors and for Director who is a member of Audit and Supervisory Committee is determined by consultation of Directors who are members of Audit and Supervisory Committee, after discussion at the Governance Committee which is composed of mainly Independent Outside Director, within the limit of the total amount of remuneration determined by General Shareholders Meeting, taking into consideration of the Company's business performance, management conditions, economic conditions, and other factors. The determination policy is disclosed in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in this report. Regarding [Supplementary Principle 4-2 ①], the remuneration of management executives consists of a fixed salary portion (basic remuneration) and a performance-linked portion (bonuses for officers). Regarding Directors excluding members of Audit and Supervisory Committee and Executive Officers, to be linked to medium- to long-term performance, a certain amount of basic remuneration is allocated to the acquisition of the Company shares by contributing to the Stock Ownership Plan for Executives, and the acquired shares are held continuously during their term of office and for one year after their retirement.

4. Policies and Procedures for Appointment of Executive Officers of Management and Nomination of Candidates for Directors

In nominating candidates for Director excluding a member of Audit and Supervisory Committee the Company makes a comprehensive judgment based on such factors as the fact that the candidate is a person who can be expected to contribute to the further development of the group as a whole, which conducts international business, taking into account diversity such as gender, internationality, work experience, and age, in addition to his/her knowledge, experience, and ability. After discussion at the Governance Committee, which is composed mainly of Independent Outside Director, Board of Directors makes a decision. In nominating Director who is a member of Audit and Supervisory Committee, in addition to the above, the Company makes a comprehensive judgment based on such factors as the fact that the candidate can audit the execution of duties of Director excluding a member of Audit and Supervisory Committee, contribute to ensuring the soundness of management, and has expertise in legal affairs, accounting, or corporate management. Outside Director's term of office is limited to 10 years in principle from the viewpoint of securing Independence.

In the event that there is misconduct in the execution of duties or a material violation of laws, regulations, the Articles of Incorporation, etc., the dismissal of a Executive Officer of Management is decided by Board of Directors after discussion at the Governance Committee.

5. Explanation of Individual Appointment and Nomination

The background and reasons for appointment of each candidate for Director are described in the Notice of Convocation of General Shareholders Meeting.

[Supplementary Principle 3-1③] (Sustainability initiatives, etc.)

The group has positioned a sustainability strategy as one of its important strategies. While creating social value through its business and corporate activities leads to the improvement of Corporate Value, the Company believe that human rights and environmental initiatives not only within the company but throughout the supply chain are important factors that enhance corporate sustainability.

The Company has set the group's materialities as "Environment" responding to climate change and "DEI* (Diversity, Equity, and Inclusion)" including human rights and human capital. To promote these initiatives, a promotion system centered on the Sustainability Committee has been built. In addition to establishing a corporate philosophy system including the Basic Sustainability Policy, the Company has set targets such as reduction of CO_2 emissions and formulated and implemented specific measures to achieve these targets. Through regular and quantitative monitoring, the Company will achieve these targets.

* In Medium-Term Management Plan 2027, the concept of "Equity" is added to "D&I", the former materiality.

Regarding sustainability-related governance and risk management, the Company established the Sustainability Committee, chaired by President, with the aim of strengthening initiatives for sustainability at the management level. The Sustainability Committee deliberates on policies and important issues for sustainability activities, monitors and evaluates performance held 4 times a year, and reports 2 times a year to Board of Directors via Management Committee.

In addition, as a subordinate organization of Sustainability Committee, group-wide working groups have been established for each of the materiality of "Environment" and "DEI". The responsible persons and persons in charge have been selected from all divisions of the Company and all of the group, and

the activities place importance on communication with employees. With regard to risk management related to sustainability, the Company is taking measures within the group's comprehensive Risk Management structure, and among these, it is recognized that climate change risks are an important issue. Details of the assessment of the risks and opportunities posed to the Company's business and countermeasures are disclosed based on the recommendations of TCFD (Climate-related Financial Information Disclosure Task Force).

The company's sustainability system, approach, and status of initiatives are posted on the Company website as needed.
[Sustainability] https://www.rhythm.co.jp/sustainability/
[Approach to Sustainability] https://www.rhythm.co.jp/sustainability/policy.html
[Environmental Awareness Issues, Targets, and Initiatives] https://www.rhythm.co.jp/sustainability/environment.html
[DEI Vision, Human Rights Policy, etc.] https://www.rhythm.co.jp/sustainability/diversity.html
[TCFD] https://www.rhythm.co.jp/ir/ir_pdf/2025/20250226_3.pdf
[CSR Activities] https://www.rhythm.co.jp/sustainability/csr.html

Regarding investment in human capital, in addition to the above DEI initiatives, the Company is promoting initiatives aimed at fostering human resources and improving the motivation for working through corporate culture reform, fostering global human resources, new graduate recruitment activities, and various training programs.

Regarding intellectual property, the Company is promoting establishment of the rights and utilization of intellectual property, including overseas, and also focusing on initiatives from the viewpoint of counterfeiting. These initiatives are managed by the divisions related to R & D and new product planning and development, as they enhance the Company's competitiveness and lead to the improvement of Corporate Value.

[Supplementary Principle 4-1 ①] (Outline of Scope of Delegation to Management)

The Board of Directors Rules clarify matters to be judged by Board of Directors. In addition, Management Committee has been established to deliberate in advance matters required Board of Directors' decisions, and to make decisions on other matters related to business execution within the scope of the authority entrusted by Board of Directors.

Regarding [Supplementary Principle 4-1 ③] (Establishment of Succession Plan) is as follows.

The succession of the Chief Executive Officer, etc. of the Company, which conducts international business, is to be decided by Board of Directors after comprehensively judging qualities, leadership abilities, management abilities, etc., after discussion at the Governance Committee, which is composed mainly by Independent Outside Director. With regard to the development of the succession of Director and the Chief Executive Officer, etc., the Company has formulated a Management Succession Plan, which sets criteria for the appointment and dismissal of senior management, selects and evaluates candidates for the succession of Director and the Chief Executive Officer, etc., and formulates a development policy. In these processes, the Governance Committee, of which Outside Director is the majority, is involved to enhance objectivity, transparency, and appropriateness. Currently, from the viewpoint of the development of successors, the Company provides opportunities for Executive Officers, etc. to participate in group management by having them attend important meetings, etc., of the Group.

[Principle 4-9 Independence Criteria and Qualifications for Independent Outside Director]

In accordance with the Companies Act, Independence Standards stipulated by the Tokyo Stock Exchange, and the Company's own Independence Standards for Outside Director, the Company appoints Independent Outside Director for his/her high level of expertise and abundant experience in providing candid and constructive advice and supervision to the management of the Company.

The Company's own Independence Standards for Outside Director are disclosed in "Independent Directors" of this report.

[Supplementary Principle 4-10 ①] (Establishment of Advisory Committee with Independent Outside Director as a major member)

The number of Independent Outside Director currently stands at four, which does not meet the majority of Board of Directors. As part of enhancement functions of Board of Directors, the Governance Committee, a majority of which is headed by Independent Outside Director, has been established as a voluntary body that can provide advice on the nomination and remuneration of Management executives. The concept of the Committee's independence, authority, and roles are set forth in the Governance Committee Regulations.

[Supplementary Principle 4-11 ①] (Board of Directors' overall approach to knowledge, experience, capabilities, balance, diversity, and its scale)

Nomination of candidates for Director is made comprehensively from the perspective of the matters to ensure accurate and prompt decision-making, appropriate risk management, oversight of business execution by Board of Directors, and to ensure a balance and experience that can cover each of the Company's functions and business divisions and global perspectives and awareness.

In addition, in light of changes in the business environment, business strategy and management plan, the knowledge, experience, and abilities expected of Director are visualized in the Skills Matrix (https://www.rhythm.co.jp/ir/governance.html) to optimize the balance of Board of Directors' composition, ensure diversity, and improve the effectiveness of Board of Directors.

[Supplementary Principle 4-11 ②] (Status of concurrent positions at Director)

At the end of each fiscal year, the Company conducts a questionnaire survey to confirm the existence of related party transactions and the status of concurrent positions, and has established a system to manage the status of concurrent positions held by Management executives. The results of this survey are disclosed every year in the business report of General Shareholders Meeting, the Annual Securities Report, and the Corporate Governance Report.

[Supplementary Principle 4-11 ③] (Effectiveness of Board of Directors)

As part of its efforts to enhance the effectiveness of corporate governance, the Company conducts an evaluation of the effectiveness of the Board of Directors at least once a year with the aim of contributing to the management of Board of Directors. With regard to the evaluation of effectiveness, the Company conducts information disclosure on the outline of the results of the evaluation with the aim of promoting cooperation with stakeholders.

[Evaluation of the Effectiveness of Board of Directors]

In order to ensure objectivity and transparency, the Company conducts a questionnaire survey of Board of Directors members with the support of an external organization. In addition, based on the results of the questionnaire survey, Board of Directors conducts discussions, and analysis and evaluation. The outline of these analyses and evaluations is as follows. (Date of survey: March 24, 2025 to April 7)

(1) Although the effectiveness of the Company's Board of Directors has improved, it is necessary to continue efforts to strengthen group governance.

(2) Board of Directors' support system is generally appropriate, but there is room for improvement in the narrowing of the agenda items to be discussed at Board of Directors and the way of its management.

Based on the above results, the Company will strive to make improvements as much as possible in the future. With regard to the composition of Board of Directors, although the appointment of female is also progressing, the Company will work to ensure further diversity.

In addition, Board of Directors will not be limited to the results of these analyses and evaluations, but will proactively work to improve the effectiveness of the Company's corporate governance.

[Supplementary Principle 4-14 ②] (Director Training)

The training policy for Management executives is to provide training for each executive as needed and various training programs held jointly for Executives based on the annual schedule so that Executives can fully fulfill its role. The purpose of these programs is to contribute to the development of the Company and the industries to which the group companies belong by acquiring knowledge and information that is necessary for their business and responsive to the changing times.

[Principle 5-1 Constructive Dialogue Policy with Shareholders]

The Company has established a disclosure policy and responds to requests from Investors and shareholders. The department in charge of Investor Relations serves as the contact point, and the director in charge of corporate management oversees it.

In addition, regular briefings to Investors are provided through one-on-one meetings with Investors and shareholders, financial results briefings twice a year, and corporate briefings for individual Investors, and other opportunities for Dialogue with Investors. Videos and materials of the financial results briefings are available on the Company website.

[Financial Results Briefing] https://www.rhythm.co.jp/ir/settlement.html (Available from the explanatory materials and video links)

[Implementation Status at dialogue with shareholders]

For Dialogue with shareholders, President and Representative Director, Director in charge of IR, and others conduct the meetings. Outside Director participates in the financial results briefings and, upon request, responds to individual Dialogue meetings.

In FY2024, the main events held in Dialogue with shareholders were financial results briefings of 2 times, company briefings for individual Investor of 1 time, and individual consultations and meetings of 48 times. At Dialogue, the main themes and topics of interest include growth strategy, progress of medium-term management plan, investment plan, approach to shareholder return, initiatives for capital cost management, and financial and capital policies. The questions and answers, opinions, requests, and comments held at Dialogue are shared among Executives and reported to Board of Directors twice a year on IR activities. Based on the opinions of Investors and Analysts and the requests of shareholders, etc., the Company expands disclosure information, examines shareholder return policy, and takes measures to realize management that is conscious of capital cost and stock price.

[Status of Dialogue with Shareholders and Investor] https://www.rhythm.co.jp/ir/discussion.html

[Action to implement management that is conscious of capital cost and stock price] [Disclosure in English] [Update: March 24, 2025]

Based on the Medium-Term Management Plan announced in 2022, the Company has been reviewing its business portfolio, implementing capital investment plans, and investing in human capital. An overview of the policies and status is announced at financial results briefings held twice a year, and videos and materials are available on the Company website. Since FY 2022, the Company has been implementing and upgrading capital cost management by adopting ROIC, hurdle rate, and other measures for business portfolio analysis and individual investment case evaluation.

The Medium-Term Management Plan 2027 formulated in March 2025, the first year of which is FY 2025, also stated the promotion of capital cost management and set the targets for FY 2027 to achieve an operating profit margin of 6.3% and a ROE of 6.0%.

In this way, the Company is promoting management that is conscious of cost of capital and stock price, and has published "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" on the Company website.

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price] https://www.rhythm.co.jp/ir/ir_pdf/2024/202040304.pdf

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

https://www.rhythm.co.jp/ir/action.html

https://www.rhythm.co.jp/ir/ir_pdf/2025/20250324_en.pdf 【English】

2. Capital Structure

Foreign Shareholdings Ratio	Less than 10%

[Status of Major Shareholders]

Name or Company Name	Number of Shares Owned	Percentage (%)
Kankuro Ueshima	1,185,100	14.36
UESHIMA Co., Ltd.	990,900	12.01
DOE5% Co., Ltd.	918,900	11.13
Citizen Watch Co., Ltd.	597,181	7.24
Nippon Life Insurance Company	471,023	5.71
Saitama Resona Bank, Ltd.	360,108	4.36

The Kyoei Fire and Marine Insurance Co., Ltd.	350,240	4.24
Sumitomo Mitsui Banking Corporation	343,282	4.16
Sumitomo Mitsui Trust Bank, Limited	300,000	3.63
The Musashino Bank, Ltd.	217,161	2.63

Foreign shareholding ratio

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	———

Name of Parent Company, if applicable	None

Supplementary Explanation

The above "Status of Major Shareholders" is as of March 31, 2025.

3. Corporate Attributes

Listed Stock Exchanges and Market Segments	Prime Market
Fiscal Year-End	March
Business Sector	Precision Instruments
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥10 billion or more but less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

———

5. Other Special Circumstances which may have a Material Impact on Corporate Governance

———

II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Committee

[Director]

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Kinya Suzuki	Certified public accountant											
Hitomi Uchida	From Another Company											
Hideyasu Yoshida	Lawyer											
Takashi Miyajima	From Another Company											

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. Person who executes business for the Company or its subsidiary

b. Person who executes business for a non-executive director of the Company's parent company

c. Person who executes business for a fellow subsidiary

d. Person/entity for which the Company is a major client or a person who executes business for said person/entity

e. Major client of the Company or a person who executes business for said client

f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor

g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)

h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)

i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)

j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)

k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reason for Appointment
Kinya Suzuki	○	○	———	As a certified public accountant, Mr. Kinya Suzuki has abundant knowledge and experience in finance and accounting, and has appropriately performed the duties of Outside Director of the Company from a neutral and objective standpoint. He was one of the representative employees of Deloitte Touche Tohmatsu LLC (assumed office in June 2014), a former accounting Auditor in the Company, but retired in July 2014. In addition, since he has not been directly involved in audit operations of the Company in the past, and since the accounting Auditor of the Company has been changed to Ark LLC since FY2020, he does not violate the "Independence Standards for Outside Directors" established by the Company. Therefore, there is no risk of conflict of interest with general shareholders, and the Company has determined that he is qualified as an Independent Director.
Hitomi Uchida	○	○	———	After consultant for second career support and career change support, Ms. Hitomi Uchida established her own company in 2015 with the aim of promoting the activity of female human resources. She has sufficient knowledge and high insight to ensure the diversity of human resources in the Company, and is appropriately executing her duties of Outside Director. Ms. Uchida does not come from a major shareholder or major business partner, etc., and does not conflict with the "Independence Standards for Outside Directors" established by the Company. Therefore, there is no risk of conflict of interest with general shareholders, and the Company has determined that she is qualified as an Independent Director.
Hideyasu Yoshida	○	○	———	Hideyasu Yoshida is well-versed in corporate legal affairs as a lawyer, possesses sufficient knowledge and high level of insight to ensure the soundness of corporate management, and is appropriately executing the duties of Outside Director of the Company from a neutral and objective standpoint. Hideyasu Yoshida does not come from a major shareholder or major business partner, etc., and does not conflict with the "Independence Standards for Outside Directors" established by the Company. Therefore, there is no risk of conflict of interest with general shareholders, and the Company have determined that he is qualified as an Independent Director.
Takashi Miyajima	○	○	———	Mr. Takashi Miyajima serves as a member of Outside Director, including Outside Audit & Supervisory Committee Member and Outside Auditor, at several listed companies. The Company believes that he is appropriately executing the duties of Outside Director of the Company, utilizing his high level of insight based on his experience in corporate management and sufficient knowledge to ensure soundness. Mr. Miyajima does not come from a major shareholder or major business partner, etc., and does not conflict with the "Independence Standards for Outside Directors" established by the Company. Therefore, there is no risk of conflict of interest with general shareholders, and the Company has determined that he is qualified as an Independent Director.

[Audit and Supervisory Committee]

Composition of Committee Members and Attributes of Chairperson

All Committee	Full-time Members	Inside Directors	Outside Directors	Committee Chair

	Members				
Audit and Supervisory Committee	5	1	1	4	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

Audit and Supervisory Committee Office has been established to assist the duties of Audit and Supervisory Committee. Those who assist the duties of the Audit and Supervisory Committee are subject to the instructions and orders of Audit and Supervisory Committee.
Personnel related matters (changes, etc.) of such assistants shall be approved by Audit and Supervisory Committee. There is no Director to assist the duties of Audit and Supervisory Committee.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Department

Audit and Supervisory Committee members attend Board of Directors and other important internal meetings and exchange opinions with Representative Director. In addition, some Members of Audit and Supervisory Committee also serve as Auditors in domestic and international group companies, and therefore hold interviews with the representative or responsible person. Audit and Supervisory Committee members audit the status of business execution of Directors and each Group company from a fair and objective standpoint, and strive to improve transparency and objectivity.
Regarding the system for reporting to Audit and Supervisory Committee members, the status of implementation of important meetings, internal control, crisis management, etc. is reported as needed. In addition, Members of Audit and Supervisory Committee and Internal Audit Office work closely together to exchange information and opinions through explanations of the Annual Audit Plan, implementation of the Joint Audit, sharing of Audit Report, etc., in order to improve the quality of audit and supervision.

[Voluntary Established Committee]

voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Governance Committee	7	0	3	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Governance Committee	7	0	3	4	0	0	Outside Director

Supplementary Explanation

The majority of the members of the Governance Committee are independent directors. The Governance Committee performs functions related to both nomination and remuneration, discusses matters such as management, executive personnel, and executive remuneration, and provides advice and recommendations to Board of Directors.

[Matters Concerning Independent Directors]

Number of Independent Directors	4

Other Matters Concerning Independent Directors

The Company adopted a resolution on Independence Standards for Outside Directors (revised on March 1, 2021) at Board of Directors on May 20, 2015 as a standard for maintaining a neutral position independent of Management of the Company, and a person who meets the criteria is designated as an independent director.
In addition to the standards for independent directors required by laws and regulations and the Rules of the Financial Instruments Exchange, the Company stipulates that an independent outside officer of the Company must not fall under any of the following from its own perspective, and must be neutral and independent of Management of the Company.

1. A person who has not served as Director, Audit & Supervisory Board Member, accounting advisor, executive officer, or other important employee (Hereinafter referred to as "Director, etc.".) of the company or its subsidiaries at present or in the past 10 years (However, excluding current Outside Directors).
2. A person who is not a relative within the second degree of kinship with Director, etc. of the company or its subsidiaries.
3. A person who has not belonged to a company or organization that holds 10% or more of the company's issued shares as of the end of the previous fiscal year,

or a company or organization in which the company holds 10% or more of its issued shares as of the end of the previous fiscal year.

4. A person who has not served as a Director, etc. of a major business partner of the group (an amount equivalent to 2% or more of the company's consolidated net sales in the previous fiscal year) currently or in the past 5 years.

5. A person who has not served as a Director, etc. of a financial institution of the group (providing loans of an amount equivalent to 2% or more of its consolidated total assets) currently or in the past 5 years.

6. A person who has not received, at present or in the past 5 years, annual remuneration exceeding ¥7 million other than executive remuneration from the company or its subsidiaries.

[Incentives]

Implementation Status of Measures related to Incentives Granted to Directors	None

Supplementary Explanation for Applicable Items

The exercise periods of the stock options implemented in July 2004 and July 2005 respectively in June 2009 and June 2010 have expired.

Persons Eligible for Stock Options	

Supplementary Explanation for Applicable Items

———

[Director Remuneration]

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors

Supplementary Explanation for Applicable Items

5th fiscal year (From April 1, 2024 to March 31, 2025)
Director (Excluding Audit and Supervisory Committee Members and Outside Directors) Total ¥140.55 million (number of members: 7)
Audit and Supervisory Committee Members (Excluding Outside Directors) Total: ¥15 million (number of members: 1)
Outside Directors Total: ¥19.2 million (number of members: 6)

Policy for Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

At Board of Directors on February 24, 2021, the Company established Policy for Determining the Details of Individual Director's Remuneration (Hereinafter referred to as the "Policy".). The outline is as follows.

The basic policy is that the remuneration of Director of the Company will be a remuneration system linked to shareholder interests so as to fully function as an incentive for the sustainable improvement of Corporate Value, and that the remuneration of individual Director will be determined at an appropriate level in consideration of each position.

There is no retirement benefit system for Director.

Remuneration of Directors excluding Audit and Supervisory Committee Members consists of a fixed salary portion (basic remuneration) and a performance-linked portion (executive bonuses). The fixed salary portion of Director excluding Audit and Supervisory Committee Members is determined by Board of Directors after discussions at the Governance Committee, which is composed mainly by Independent Outside Director. The amount of individual remuneration is determined by President as delegated by Board of Directors, taking into consideration business performance within the limit. The amount of remuneration for Director excluding Audit and Supervisory Committee Members was resolved at Board of Directors held on June 21, 2024.

The performance-linked portion (executive bonuses) is determined by resolution of Board of Directors, taking into consideration business performance, etc., to the amount calculated by multiplying consolidated net income by a certain rate, using consolidated net income as an index in light of the Company's business conditions, etc., in order to raise awareness of improving business performance for each business year and to achieve sustainable improvement of Corporate Value. The amount of individual executive bonuses is determined by President as delegated by Board of Directors, taking into consideration business performance within the limit. Non-monetary remuneration is not introduced.

The maximum total amount of remuneration for Directors excluding Audit and Supervisory Committee Members was resolved at the 92 Annual General Shareholders Meeting held on June 20, 2018 to be 180 million yen per year or less. The number of Directors excluding Audit and Supervisory Committee Members as of the conclusion of this Annual General Shareholders Meeting was 3.

The remuneration of Director and Audit and Supervisory Committee Member is to be paid only a fixed salary (basic remuneration) in light of his/her duties. Individual remuneration amounts are determined through consultation with Audit and Supervisory Committee held on June 21, 2024.

The maximum total amount of remuneration for Directors and Audit and Supervisory Committee Members was resolved to be 48 million yen per year or less at the 92 Annual General Shareholders Meeting held on June 20, 2018. The number of Directors and Audit and Supervisory Committee Members as of the conclusion

of this Annual General Shareholders Meeting was 4.

Regarding Director's remuneration for the fiscal year under review, a resolution was passed at Board of Directors held on June 21, 2024 to delegate the determination of specific details of individual remuneration, etc. to President Takeo Yumoto. The reason why President was entrusted is that he is the most suitable person to evaluate each Director while overseeing the performance of the Company as a whole. The details of individual remuneration, etc. were determined based on the rules and discussions at the Governance Committee composed mainly by Independent Outside Director, and Board of Directors has concluded that content of the remuneration is in line with the determination policy.

[Support System for Outside Directors]

There is no dedicated person in charge of Outside Director.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

(1) Overview of the Company's Organization

The Company has adopted a company with Audit and Supervisory Committee, with 10 directors. Of these, 5 are Director and Audit and Supervisory Committee Member. 4 of them are Outside Director and Audit and Supervisory Committee Member, including one female member.

The Company and each Director who is a member of Audit and Supervisory Committee, have entered into a liability limitation agreement to limit their liability under Article 427, Paragraph 1 of the Companies Act, and the maximum amount of liability under the agreement is the minimum amount stipulated by laws and regulations.

The Company aims to improve management efficiency by having Board of Directors be made up of Director, who is well versed in the Company business, and continues to strengthen the soundness of management by enhancing audit and supervisory functions of Outside Director.

(2) Governance Committee

The Company has introduced an Executive Officer System and a Governance Committee as of June 22, 2016. The purpose of the Executive Officer System is to separate the "business execution function" from the role of Board of Directors and concentrate on the "decision-making and supervisory functions," while the purpose of the Governance Committee is to "ensure Transparency of management" by making its members mainly Outside Director, and will further strengthen and enhance governance.

3. Reasons for Adoption of Current Corporate Governance System

The Company has transitioned from a company with a Audit and Supervisory Board to a company with a Audit and Supervisory Committee as of the 92 Annual General Shareholders Meeting held on June 20, 2018. The purpose of the Governance Committee is to strengthen its audit and supervisory functions by granting Voting Rights in Board of Directors to a member of Audit and Supervisory Committee.

With regard to important matters concerning the management of the Company and its group, in accordance with Management Committee Statute, which was resolved in Board of Directors, Management Committee, which is composed of Directors and Executive Officers other than Outside Director, deliberates on matters stipulated in laws and regulations, the Articles of Incorporation and matters to be submitted to Board of Directors as stipulated in the Company's Board of Directors Statute, and makes decisions on other matters concerning the execution of business within the scope of the authority entrusted by Board of Directors.

The execution of business based on the decisions made by Board of Directors is swiftly executed by Directors in charge of business and Executive Officers under direction of President. In addition, in order to establish internal control function, the authority of duties, clarification of the person in charge of execution, and appropriate business procedures are stipulated in the Organization Statute and Authority of Duties Statute.

With regard to the involvement of lawyers and accountants in corporate governance, the Company receives guidance from legal counsel as appropriate, and accountants from audit firm regularly conduct Audit visits on the Company and the group companies. At the conclusion of Continuing Meeting of the 94 Annual General Shareholders Meeting held on July 29, 2020, ARK LLC, Audit Corporation, was newly appointed as Accounting Auditor of the Company.

5 Director and Audit and Supervisory Committee members, including 4 Outside Directors, participate in Board of Directors meetings every month, and the system is in place to sufficiently monitor the execution of duties by Directors in charge of business affairs and Executive Officers. Audit visits to each business site are regularly conducted. In addition, the Director, who is a member of Audit and Supervisory Committee, receives reports from Accounting Auditor on the methods and results of Accounting Audit, and strives for mutual cooperation.

The Company believes that the above system will enable fair and efficient corporate management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Company will strive to send Convocation Notices early so that shareholders have sufficient time to consider proposals. The Company will endeavor to send Convocation Notices earlier than the statutory date and disclose them on the websites of the Company and the Tokyo Stock Exchange prior to the date of dispatch. Since FY 2016, the Company has implemented online disclosure prior to dispatch.
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	Annual General Meeting of Shareholders was held on June 18, 2025
Electronic Exercise of Voting Rights	In FY 2020, the Company introduced Electronic Voting System via the Internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company began participating in the Electronic Voting Platform in FY 2022.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	Since FY 2022, the Company has provided the Notice of Convocation and Reference Documents in English.
Other	Since FY 2022, the Company has provided the Summary of Financial Results in English.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company has established a disclosure policy to respond to requests from Investors and shareholders. The department in charge of Public Relations and Investor Relations serves as the contact point, and the director in charge of Corporate Administrative Div. oversees it. The Disclosure Policy is available on the Company website. (https://www.rhythm.co.jp/disclosure/)	
Regular Investor Briefings held for Analysts and Institutional Investors	The Company discloses the 3-year Medium-Term Management Plan 2027 starting from FY2025 (formulated in March 2025). The Company holds periodic financial results briefings on the progress of business results and the status of initiatives based on this plan. Videos of the financial results briefings are available on the Company website (for a limited period).	Yes
Online Disclosure of IR Information	Summary of financial results, explanatory materials for financial results, securities reports, other various reports, etc. are posted on the Company website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	Corporate Planning Department	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Prescribed as a code of conduct and action guidelines in the Compliance Manual.

IV Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The Company has established the Basic Policy for Internal Control System (revised on February 1, 2024) as follows.

(1) Systems to ensure that the execution of duties by Directors and employees of the Company and its subsidiaries complies with laws and regulations and the Articles of Incorporation

① Directors and Executive Officers of the group take the lead in establishing Corporate Ethics in the group which consist of the Company and its subsidiaries, hereinafter the same, and in complying with laws and regulations, the Articles of Incorporation, and internal rules through the Corporate Philosophy and the Code of Conduct, which express the mission, rules, and concepts that the group should share, as well as repeatedly disseminating information on the importance of compliance and ensuring thorough awareness of compliance.

② Compliance & Risk Management Department, which oversees the entire compliance, has been established under the direct control of President, and the

Rhythm Group Compliance Manual, which was established based on the Corporate Philosophy and the Code of Conduct, has been distributed to all employees of the group, and has been trained every year to ensure thorough compliance.

③ Compliance Promotion Committee, which consists of the Company officers, receives periodic reports on the status of promotion from Compliance Promotion Subcommittee, which has been established at major sites in the Company and all subsidiaries, and confirms that there is no violation of compliance in the execution of duties.

④ In order to prevent and detect incidents caused by acts in violation of laws and regulations, the Articles of Incorporation, etc. or misconducts within the group, the Company has established an internal whistleblower system with internal and external consultation points which are providing multilingual support and enables reporting from overseas sites.

⑤ Internal Audit Department has been established under the direct control of Audit and Supervisory Committee, which is independent from the Business Execution Division, and conducts Audit checks in accordance with Audit Plan to determine whether business execution in the group complies with laws and regulations and internal rules, and the appropriateness of business. The Company aims to develop human resources who will be capable for Internal Audit, and Internal Audit Department seeks the participation of external experts as necessary in internal audit.

(2) System for Preservation and Management of Information Pertaining to the Execution of Director's Duties

① Based on laws and regulations and internal rules, the Company appropriately preserves and manages the minutes of Shareholder’s Meeting, minutes of Board of Directors, minutes of Management Committee, requests for approval, and other documents and information pertaining to the execution of Director's duties.

② The Company has established and maintains a system to immediately respond to requests from Directors including Director and Audit and Supervisory Committee members to inspect these documents.

(3) Regulations and other systems for the management of risk of loss at the Company and its subsidiaries

① Based on the Management Crisis Management Regulations and Risk Management Rules, the Company will conduct risk management effectively and comprehensively under a consistent policy as a group.

② In the event of an emergency, a task force will be established to respond as necessary.

(4) Systems to ensure efficient execution of duties by Directors and employees of the Company and its subsidiaries

① The group holds regular Board of Directors meetings at least once a month in principle, and extraordinary Board of Directors meetings as necessary. In addition to matters stipulated by laws and regulations and the Articles of Incorporation, the Company makes decisions based on the Company's Board of Directors Regulations, which stipulate important matters to be resolved and reported by Board of Directors, and the group's common Board of Directors Regulations for Affiliated Companies, and supervises the execution of business by Directors.

② An executive officer system has been established to promote prompt execution of business.

③ In order to ensure prompt and efficient execution of business, in accordance with Management Committee Regulations resolved at Board of Directors, Management Committee, which is composed of Director and executive officers other than Outside Director , deliberates on matters stipulated in laws and regulations, the Articles of Incorporation, and matters to be submitted to Board of Directors as stipulated in the Company's Board of Directors Regulations, and makes decisions on other matters related to business execution within the scope of the authority entrusted by Board of Directors.

④ Regarding business execution based on decisions made by Board of Directors and Management Committee, the authority and responsibility of each responsible person are clarified in the Organization Statute, Authority of Duties Statute, and the Division of Duties Regulations, and the details of the execution procedures are specified.

(5) System for reporting to the Company regarding the execution of duties by Directors of the subsidiaries

① Based on the Affiliated Company Management Regulations, the affiliated company management department is in charge of the operations of subsidiaries. Director and Audit and Supervisory Board Member, in the case of Indonesian subsidiaries, Komisaris, are dispatched to subsidiaries as necessary. They also receive reports from subsidiaries on important matters concerning the business operations of subsidiaries and hold discussions with them. The Company will systematically promote the training of senior management of subsidiaries necessary for this purpose.

② In order to improve the soundness of management and ensure the appropriateness of operations in the group, prior approval by the Company will be sought or reports to the Company will be required on important matters concerning the business operations of subsidiaries.

③ With regard to important matters related to the group, the Company shall facilitate communication with subsidiaries and share information, and create an environment in which subsidiaries voluntarily report business issues to it.

④ Departments in charge of risk management and the affiliated company management shall identify risks that impede the proper or efficient execution of operations by subsidiaries and provide guidance and support so that subsidiaries can conduct risk management appropriately.

(6) Matters concerning employees in cases where Director and Audit and Supervisory Committee member requests that such employees be appointed to assist in the duties of such Director and Audit and Supervisory Committee member

① An office shall be established in the department in charge of corporate management to assist Director and Audit and Supervisory Committee member.

② The number and personnel of the office shall be determined through consultation between Director and Audit and Supervisory Committee members and the other Directors.

(7) Matters concerning ensuring the effectiveness of instructions given to employees who are to assist Director and Audit and Supervisory Committee members, by Independence from other Directors

① In order to ensure Independence from Director excluding Director and Audit and Supervisory Committee member, prior consent of Audit and Supervisory Committee shall be obtained for personnel changes of staff of the office.

② When requested by Director and Audit and Supervisory Committee Member, the office staff shall follow the instructions and orders of Audit and Supervisory Committee.

(8) System for reporting by Directors and employees of the Company and its subsidiaries to Director and Audit and Supervisory Committee Member

① Director of the group shall immediately report to Director and Audit and Supervisory Committee Member, if it discovers any act in violation of laws and regulations or the Articles of Incorporation or any fact that may cause substantial damage to the company. Employee of the group shall immediately report to Director if it discovers any of the aforementioned facts.

② Director of the group shall promptly report matters concerning the execution of business when requested by Director and Audit and Supervisory Committee Member.

(9) System to ensure that persons who report to Director and Audit and Supervisory Committee Member, will not be treated disadvantageously because of such report

Based on laws and regulations and the Rhythm Group Compliance Manual, the group shall thoroughly inform its officers and employees that it shall prohibit any person who reports to Director and Audit and Supervisory Committee Member, from being treated disadvantageously by such person as disciplinary punishment or unreasonable reassignment for the reason of such report.

(10) Matters concerning policies on procedures for the advance payment or reimbursement of expenses arising from the execution of duties of Director and Audit and Supervisory Committee Member

① With regard to expenses necessary for the execution of duties by Director, who is a Member of Audit and Supervisory Committee, a system shall be established to smoothly carry out procedures for advance payment or reimbursement in accordance with the request of Director, who is a Member of Audit and Supervisory Committee, so that the execution of duties may be carried out smoothly.

② A certain amount of budget shall be established every year to reimburse expenses incurred in the execution of duties by Director, who is a Member of Audit and Supervisory Committee.

(11) Other systems to ensure the effective implementation of audit by Director, who is a Member of Audit and Supervisory Committee

① An environment shall be established in which Director, who is a Member of Audit and Supervisory Committee, can attend in Board of Directors, Management Committee and other important meetings and express opinions as necessary.

② Director, who is a Member of Audit and Supervisory Committee, regularly exchanges opinions with Representative Director and other Director regarding issues to be addressed by the Company, the state of environmental improvement at audit by Director, who is a Member of Audit and Supervisory Committee, and important issues in audit.

③ Director, who is a Member of Audit and Supervisory Committee, shall exchange information with Accounting Auditor as appropriate and establish a system for mutual cooperation.

(12) System for Ensuring the Reliability of Financial Reporting

① In order to ensure the reliability of financial reporting, the group shall establish the "Internal Control Basic Policy on Financial Reporting" in accordance with the purpose of laws and regulations such as the Financial Instruments and Exchange Act, and shall develop and operate internal control for financial reporting, and shall continuously evaluate and report on its effectiveness. If there is a material deficiency, improvement measures shall be taken to correct it, and internal control shall be developed and operated appropriately.

② Internal Audit Department shall review and evaluate the development and operation status of internal control for financial reporting, and the divisions that received audit shall take measures to correct or improve it, and shall ensure the appropriate development and operation of internal control.

(13) Cooperation between Audit and Supervisory Committee and Internal Audit Department

In order to ensure and improve the effectiveness and efficiency of internal audit, General Manager of Internal Audit Department will participate in Audit and Supervisory Committee and report on the situation in internal audit.

(14) Basic Concept and System for Eliminating Anti-Social Forces

① Compliance Action Guidelines stipulate as a basic policy that anti-social forces and organizations that pose a threat to the order and safety of civil society shall be confronted firmly and shall not have any relationship with them.

② Under the supervision of the division in charge of corporate management, external expert organizations such as police and legal counsel shall be cooperated as appropriate to respond systematically and promptly.

2. Basic Concept and System for Eliminating Anti-Social Forces

Compliance Action Guidelines stipulate as a matter of compliance that the Company shall not respond to unreasonable demands from anti-social forces or take advantage of them. In addition to establishing department to deal with anti-social forces, the Company has joined organizations in corporate groups in specific regions to eliminate unreasonable demands from anti-social forces, such as purchasing goods, and to collect information on these. In the event that an unreasonable demand is made to a business office, etc., the Corporate Planning Department will be contacted and it will consult with the police and legal counsel as necessary to respond.

V. Others

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

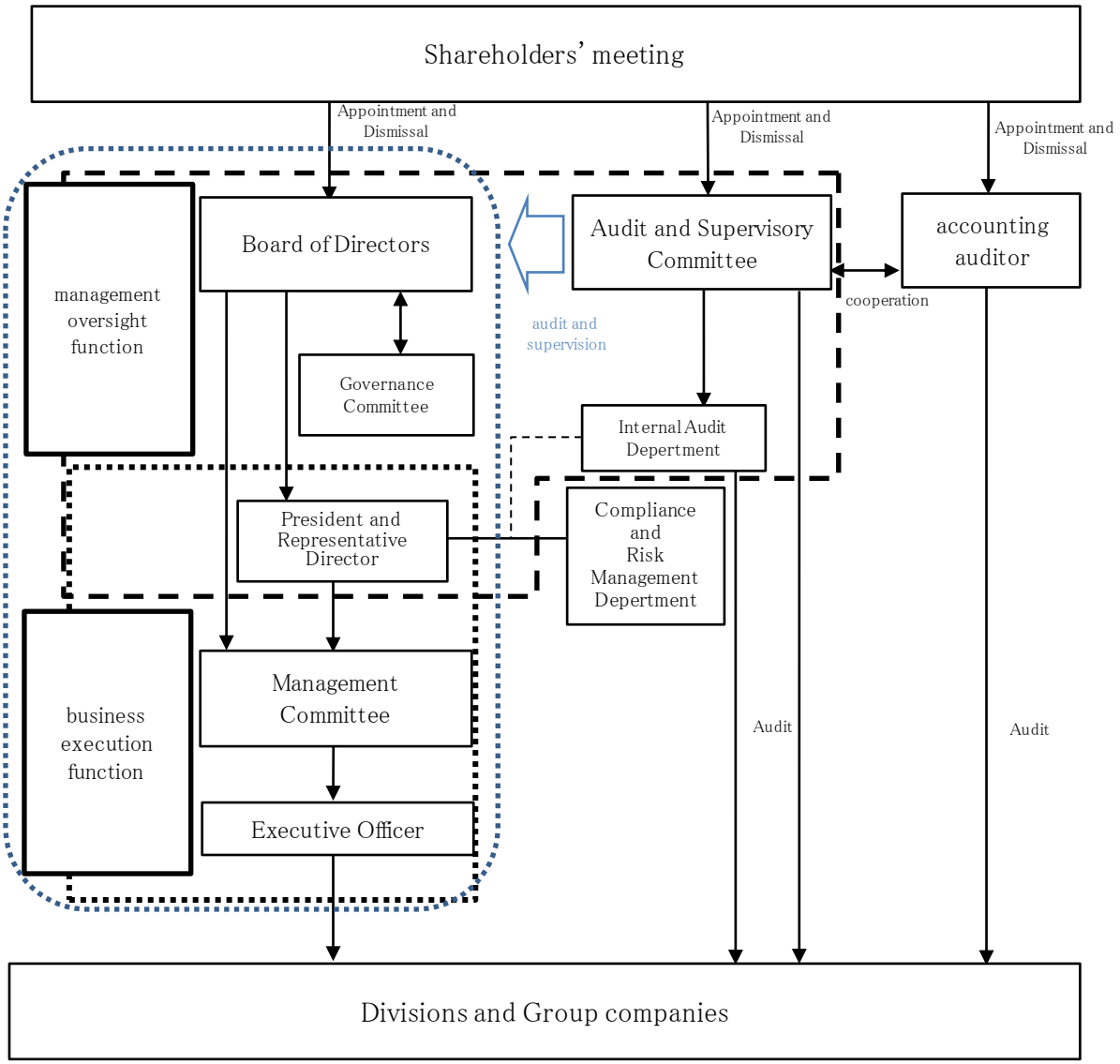
Other Matters Concerning the Corporate Governance System

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2. Other matters concerning the corporate governance system

The Company's governance system as of the date of submission of this Corporate Governance Report is as follows:

Governance System as of March 2021



As of the date of the submission of this Corporate Governance Report, our company's "Confirmation System for Timely Disclosure" is as follows.

