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(Translated from the Japanese original)

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Notice Regarding Disposal of Treasury Stock as Restricted Stock Incentive for Employee Shareholding Association

Rinnai (hereafter, “Rinnai” or the “Corporation”) hereby announces that the Board of Directors adopted a resolution at its meeting today for the disposal of treasury stock (hereafter, the “Disposal of Treasury Stock” or the “Disposal”) as restricted stock for Rinnai Employee Shareholding Association (hereafter, the “Shareholding Association”) under a restricted stock incentive plan (hereafter the “Plan”). Details are provided below.

1. Outline of Disposal of Treasury Stock

(1)	Date of disposal	April 24, 2023
(2)	Class and number of shares to be disposed of	77,000 shares of common stock
(3)	Disposal price	¥9,880 per share
(4)	Total disposal value	¥760,760,000 (Note)
(5)	Disposal method (Planned allottee)	The number of shares requested, as decided by Shareholding Association within the range of number of shares for disposal under (2) above, will be granted by Rinnai through a third-party allotment of shares, on the condition that request for subscription comes from the Shareholding Association. (The allotted number will be the number of shares disposed of.) Rinnai Employee Shareholding Association: 77,000 shares Rinnai will not accept requests from Eligible Employees (as defined below) for partial subscription of shares to be granted.
(6)	Other	The Disposal of Treasury Stock is conditioned upon the Securities Registration Statement, filed in accordance

		with the Financial Instruments and Exchange Law, coming into effect.
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- Note 1 Amounts for “number of shares to be disposed of” and “total disposal value” assume an employee pool of 3,850 people—the maximum number of people eligible under the Plan—with each employee granted 20 restricted common shares. The actual number of shares disposed of and actual total disposal value will be determined according to the number of Rinnai employees (maximum: 3,850) who commit to the Plan (hereafter, “Eligible Employees”), which will be known once the Corporation wraps up a membership drive targeting employees who qualify but have yet to join the Shareholding Association and once the Corporation obtains approval from membership. That is to say, as described in (5) above, the number of shares to be disposed of will be the number of requested shares decided by the Shareholding Association, and total disposal value will be this number times the disposal price per share. Rinnai will pay monetary claims of ¥197,600 uniformly to all Eligible Employees and will allot 20 shares uniformly to all Eligible Employees through the Association.
- Note 2 As described in the news release “Notice Regarding Stock Split and Partial Amendment of Articles of Incorporation,” dated today, Rinnai has authorized a three-for-one split of shares of common stock. The record date for this stock split will be March 31, 2023, and the effective date will be April 1, 2023 (hereafter, “Effective Date”). The date of disposal for the Disposal of Treasury Stock will be April 24, 2023, which is after the Effective Date of the stock split. Paralleling the stock split, the Corporation expects that the number of shares disposed of in the Disposal of Treasury Stock will be 231,000, the number of shares of common stock allocated to each Eligible Employee will be 60, and the disposal price and total disposal value will be ¥3,294 and ¥760,914,000, respectively.

2. Purpose and reason for Disposal

The Board of Directors resolved at its meeting today that Rinnai would introduce the Plan to encourage employees to take a more vested interest in improving corporate performance from a shareholder’s perspective and also to provide employees with enhanced employee benefits.

An overview of the Plan is presented below.

Overview of the Plan

Under the Plan, Rinnai provides Eligible Employees with a special financial incentive in the form of monetary claims used to grant 20 shares per person (Note 1) as restricted stock (hereafter, “Special Financial Incentive”), and Eligible Employees then allocate their Special Financial Incentive to the Shareholding Association. The Shareholding Association pays Rinnai, using the Special Financial Incentive given by each Eligible Employee, and receives common shares issued or disposed of by Rinnai as restricted stock.

Based on the Plan, the amount to be paid per share of common stock in the event Rinnai newly issues or disposes of common stock will be determined by the Board of Directors to the extent that the amount is not particularly advantageous to the Shareholding Association—and by extension, Eligible Employees—based on the closing price of Rinnai’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution by the Board of Directors pertaining to said issue or disposal (or the closing price on the trading day immediately prior thereto if no trading is made on that day).

In issuing or disposing of Rinnai common stock based on the Plan, the Corporation and the Shareholding Association will sign a restricted stock allotment agreement (hereafter, the “Agreement”), which includes such points as (1) the Shareholding Association being prohibited from transferring, establishing security interest on, or otherwise disposing of the allotted shares during a certain period (hereafter, “Transfer Restrictions”); and (2) Rinnai acquiring allotted shares without compensation should certain events occur. In addition, provision of the Special

Financial Incentive to Eligible Employees will be conditioned upon the signing of the Agreement between the Corporation and the Shareholding Association.

Furthermore, in regard to individual members' equity interest on restricted stock acquired by the Shareholding Association through issuance or disposal (hereafter, "Restricted Stock Equity Interest" or "RS Equity Interest"), Eligible Employees will not be allowed to withdraw restricted stock corresponding to Restricted Stock Equity Interest until Transfer Restrictions associated with such restricted stock are lifted, in accordance with Shareholding Association Rules, Shareholding Association Detailed Operation Rules and other rules pertaining to the Shareholding Association (hereafter, collectively, "Rules") (Note 2).

Note 1 As described in Note 2 under **1. Outline of Disposal** above, Rinnai resolved to authorize a three-for-one split of shares of common stock, effective April 1, 2023. In connection with this stock split, the number of shares granted to Eligible Employees will be 60 per person.

Note 2 In anticipation of the Disposal of Treasury Stock, the Shareholding Association expects its governing board, which will convene soon after the date on which Rinnai's Board of Directors makes its decision, to authorize amendments to the Rules aligned with the Plan. Such revisions are scheduled to take effect two weeks from the date that notification is sent to members of the Shareholding Association, in accordance with the Rules and if less than one-third of membership is opposed to the changes.

In the Disposal of Treasury Stock, common shares of Rinnai stock will be disposed of to the Shareholding Association, with the Shareholding Association, as the planned allottee, using all of the Special Financial Incentives received from Eligible Employees as contributed assets, based on the Plan, for payment (hereafter, "Allotted Shares" as the allotted shares in the Plan). In the Disposal of Treasury Stock, the outline of the Agreement signed by Rinnai and the Shareholding Association is as described in **3. Outline of Allotment Agreement** below. The number of shares disposed of in the Disposal of Treasury Stock will be determined at a later date, as described in Note 1 of **1. Outline of Disposal** above, but Rinnai expects potential disposal of 77,000 shares (Note 3) if all 3,850 employees of Rinnai—the maximum number that could be eligible for the Plan—join the Shareholding Association and if they all commit to the Plan. The scale of dilution due to the Disposal of Treasury Stock is, assuming the aforementioned number of shares disposed of, 0.15% (rounded to two decimal places, hereafter, the same in percentage calculations) on the total number of outstanding shares, at 50,021,057 as of September 30, 2022, and 0.16% on the total number of voting rights, at 487,391 as of September 30, 2022.

Note 3 As described in Note 2 of **1. Outline of Disposal**, Rinnai resolved to authorize a three-for-one split of shares of common stock, with the effective date being April 1, 2023. Paralleling this stock split, Rinnai expects a potential share count of 231,000, if all 3,850 employees of the Corporation—the maximum number eligible for the Plan—join the Shareholding Association and commit to the Plan.

Note that implementation of the Disposal of Treasury Stock will be conditioned upon amended Rules coming into effect by the day preceding the date for disposal pertaining to the Disposal of Treasury Stock.

3. Outline of Allotment Agreement

(1) Transfer restriction period: From April 24, 2023 to May 31, 2026

(2) Condition for lifting Transfer Restrictions

Transfer Restrictions will be lifted as of the expiration of the transfer restriction period for all Allotted Shares in a number corresponding to the Restricted Stock Equity Interest held by an Eligible Employee, conditioned upon the Eligible Employee being a member of the Shareholding Association on a continuous basis during the transfer restriction period.

(3) Treatment upon withdrawal from Shareholding Association

In the event an Eligible Employee withdraws from the Shareholding Association, as a consequence of retirement from a position serving the Corporation that qualifies the employee for membership in the Shareholding Association (refers to situations where the employee loses membership qualification or applies to terminate membership, and includes end of membership due to death; hereafter, the same) during the transfer restriction period because the employee has reached retirement age or is promoted to the position of director, member of Audit & Supervisory Board or executive officer, or for any other justifiable reason (does not include voluntary retirement), Rinnai will lift Transfer Restrictions on all Allotted Shares in a number corresponding to the Restricted Stock Equity Interest held by the Eligible Employee as of the date that the application for withdrawal is received by the Shareholding Association.

(4) Treatment if employee becomes non-resident

In the event an internal decision, including overseas assignment, causes an Eligible Employee to be deemed a non-resident (Income Tax Act (No.33 of 1965 and including later revisions) during the transfer restriction period, Rinnai will lift Transfer Restrictions on all Allotted Shares in a number corresponding to the Restricted Stock Equity Interest held by the Eligible Employee as of the date that the overseas assignment was decided on.

(5) Acquisition without compensation by the Corporation

Naturally, Rinnai will acquire without compensation any Allotted Shares for which Transfer Restrictions have not been lifted at the time the transfer restriction period expires or at the time Transfer Restrictions described in (3) and (4) above are lifted.

(6) Administration of shares

During the transfer restriction period, Allotted Shares will be maintained in a dedicated account opened at Nomura Securities Co., Ltd., by the Shareholding Association to prevent it from transferring, establishing security interest on, or otherwise disposing of Allotted Shares during the transfer restriction period. In addition, the Shareholding Association will, in accordance with provisions such as the Rules, register and administer ordinary equity interest held by Eligible Employees separately from Restricted Stock Equity Interest.

(7) Treatment in the event of organizational restructuring

In situations when, during the transfer restriction period, a merger agreement that leads to the disappearance of Rinnai as a corporate entity, a share exchange agreement or share transfer plan that turns Rinnai into a wholly owned subsidiary, or other matters related to organizational restructuring is approved at a general meeting of shareholders of the Corporation (however, when organizational restructuring does not require approval at a general meeting of shareholders, then, by the Board of Directors), Transfer Restrictions will be lifted by resolution of the Corporation's Board of Directors on the day immediately before the business day prior to the effective date of said organizational restructuring for all Allotted Shares corresponding to the

Restricted Stock Equity Interest held by Eligible Employees among Allotted Shares held by the Shareholding Association on the date of said approval.

4. Basis for calculating disposal price and other specific details

The Disposal of Treasury Stock to the planned allottee, the Shareholding Association, will be carried out by having Eligible Employees give to the Shareholding Association as contributed assets the Special Financial Incentive they receive from Rinnai to be used for granting Restricted Stock. Thinking that the most recent price of Rinnai's common shares should accurately reflect the Corporation's stock price, Rinnai will set the disposal price at ¥9,880, the closing price of the Corporation's common stock on the Prime Market of the Tokyo Stock Exchange on February 7, 2023 (the business day prior to the day of the Board of Directors' resolution). This is the market price on the day immediately preceding the day of the Board of Directors' resolution and is thus considered to be a reasonable price and one that is not particularly advantageous to the Shareholding Association or its members. Note that, as described in Note 2 of **1. Outline of Disposal** above, Rinnai has authorized a three-for-one split of shares of common stock, effective April 1, 2023. Paralleling this stock split, the Corporation expects that the aforementioned disposal price will be ¥3,294.

The deviation rate (rounded to two decimal places) of this price from the average closing price of Rinnai stock on the Tokyo Stock Exchange Prime Market is as follows:

Term	Average closing price (rounded down if less than one yen)	Deviation rate
One month (January 8, 2023 – February 7, 2023)	¥9,831	0.50%
Three months (November 8, 2022 – February 7, 2023)	¥9,952	-0.72%
Six months (August 8, 2022 – February 7, 2023)	¥10,220	-3.33%

All four members of the Audit & Supervisory Board (including two outside members) who attended the Board of Directors' meeting today expressed an opinion to the effect that the process Rinnai applied to determine the aforementioned disposal price is not particularly advantageous to the planned allottee, the Shareholding Association, and is reasonable and that the decision is legitimate, given that the purpose of the Disposal of Treasury Stock is to introduce the Plan and that the disposal price is the closing price on the day before the day of the Board of Directors' resolution.

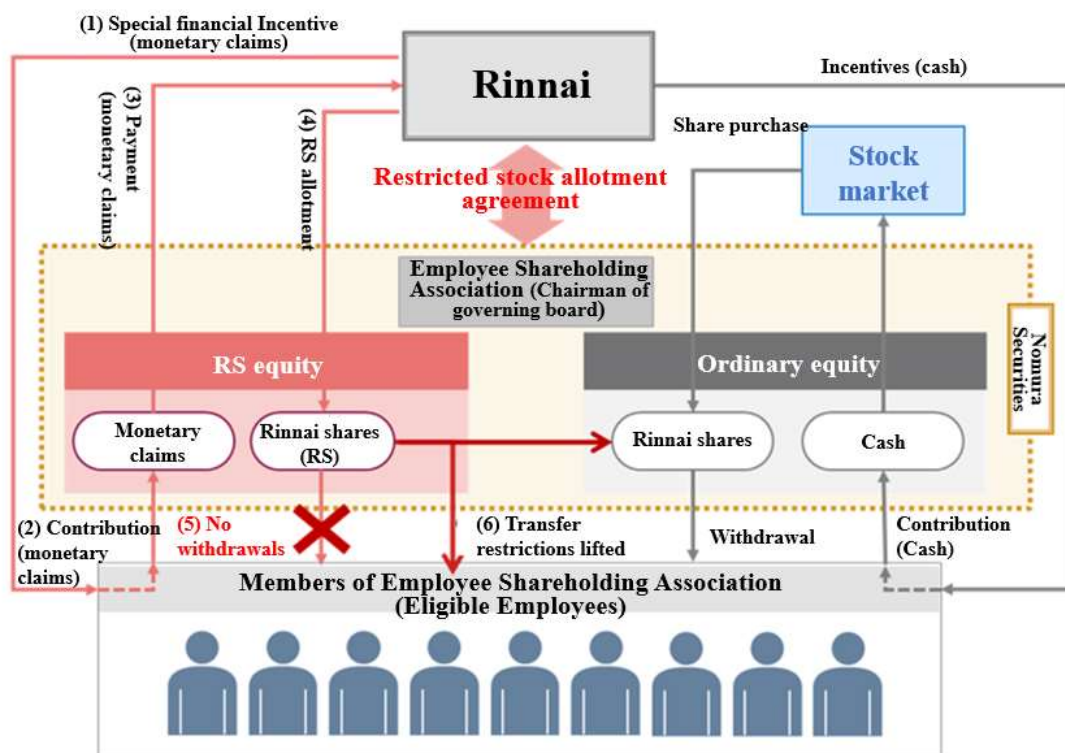
5. Matters related to procedures based on corporate code of conduct

The Disposal of Treasury Stock does not require Rinnai to obtain the opinion of an independent third party or to confirm the intention of shareholders as set forth in Rule 432 of the Securities Listing Regulations established by the Tokyo Stock Exchange because (1) the dilution rate is below 25% and (2) there is no change in the controlling shareholder.

(Reference)

Structure of the Plan

- (1) Rinnai provides monetary claims to Eligible Employees who commit to the Plan as a Special Financial Incentive ultimately used for granting restricted stock.
- (2) Eligible Employees who commit to the Plan give the monetary claims noted in (1) above to the Shareholding Association.
- (3) The Shareholding Association collects monetary claims given as per (2) above, and pays the Corporation.
- (4) Rinnai allots Allotted Shares to the Shareholding Association.
- (5) Allotted Shares are held in the Shareholding Association's RS Equity Interest account at Nomura Securities and cannot be withdrawn during the transfer restriction period.
- (6) Once transfer restrictions have been lifted, steps are taken to transfer RS Equity Interest into ordinary equity interest or securities accounts in the name of each Eligible Employee.



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