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Notice Regarding Opinions of the Corporation’s Board of Directors on the Shareholder Proposals

We, Rinnai Corporation (hereinafter, “Rinnai” or the “Corporation”) received a document from DALTON KIZUNA (MASTER) FUND LP (hereinafter, “Proposing Shareholder”), a shareholder of Rinnai Corporation, seeking to make a shareholder proposal (hereinafter, “Shareholder Proposal”) at the 76th Ordinary General Meeting of Shareholders scheduled for June 26, 2026 (hereinafter, “General Meeting of Shareholders”), and we have been reviewing the contents of this proposal. As a result, we hereby announce that, at a meeting held today, the Board of Directors has resolved to oppose the Shareholder Proposal.

Details

I. Description of and Reasons for Shareholder Proposal

1. Proposed Agenda

- (1) Approval of compensation amount related to restricted stock compensation system
- (2) Amendment to the Articles of Incorporation regarding the record date for the AGM

2. Outline of and Reasons for Shareholder Proposal

The details of the Shareholder Proposal are described in the attached “Details of the Shareholder Proposal.”

This attachment contains the relevant portions of the Shareholder Proposal submitted by the Proposing Shareholder in the original text.

II. Opinions of the Board of Directors on the Shareholder Proposal

Shareholder Proposal 1. “(1) Approval of compensation amount related to restricted stock compensation system”

(1) Opinion of the Board of Directors

The Board of Directors opposes this Shareholder Proposal.

(2) Reasons for opposition

This Shareholder Proposal calls for the Corporation to grant monetary compensation claims for the purpose of issuing restricted stock to its eligible directors that shall not exceed ¥370 million per year and 120,000 shares, and if the performance criteria are met, restricted stock equivalent to three times the fixed compensation may be granted cumulatively over the next three years.

However, this amount of director compensation does not align with the Corporation’s current performance levels. As a reason for the proposal the Proposing Shareholder states that “the greatest weakness of Japanese Boards of Directors is the limited share ownership by individual directors, which results in a lack of alignment with shareholder perspectives.” As described in detail below, however, this assertion is not applicable to the Corporation.

We have established a policy on determining compensation for directors under the basic principle of fostering steady improvements in medium- to long-term corporate value while ensuring sufficient transparency and objectivity for the Corporation to fulfill its obligations to shareholders and other stakeholders.

Under this policy, compensation for directors consists of basic compensation, which is fixed, and performance-linked compensation. The structure was set to almost 60:40 to properly motivate directors to improve corporate value and achieve targeted goals. In addition, performance-linked compensation consists of annual bonuses, which are designed to encourage the achievement of firm performance targets each fiscal period, and restricted stock compensation, which aims to steadily enhance corporate value and align the interests of shareholders through medium- to long-term stock ownership. Annual bonuses and restricted stock compensation each account for approximately 20% of total director

compensation. We believe the ratio of fixed compensation to performance-linked compensation is appropriate, as it has been carefully considered to reflect our specific circumstances. However, we will continue reviewing it going forward from the perspective of enhancing medium- to long-term corporate value. We have already incorporated ROE and TSR (total shareholder return), as cited by the Proposing Shareholder, as KPIs for performance-linked compensation since fiscal 2025, ended March 31 2025, reflecting our focus on capital efficiency and share price.

In addition, effective fiscal 2025, we have established shareholding guidelines to serve as a benchmark for the number of Company shares held by our directors during their tenure, with the aim of steadily enhancing corporate value and further aligning our interests with those of our shareholders. Under these guidelines, the President and Representative Director is expected to hold shares equivalent to 1.5 times its basic compensation within three years of appointment. Other directors (excluding outside directors) are expected to hold shares equivalent to one times their basic compensation within the same period.

To ensure objectivity and fairness in the compensation decision-making process, we have established a Compensation Advisory Committee, which is chaired by an independent outside director and the majority of whose members are independent outside directors. The Board of Directors determines compensation and other policies after deliberation by the Compensation Advisory Committee, thereby ensuring transparency in compensation. In the decision-making process, we also verify the appropriateness of compensation by continuously reviewing compensation levels and composition ratios through objective comparisons with other corporate groups of similar size to the Rinnai Group. In fiscal 2026, our Compensation Advisory Committee met three times and conducted deliberations with reference to objective perspectives and expert knowledge on compensation systems, incorporating information and advice from external specialists.

We have also incorporated a malus and clawback provision into the director compensation system, allowing for the reduction or recoupment of compensation, including restricted stock compensation, in the event of misconduct or serious legal violations. As a result, directors remain accountable for outcomes even after receiving compensation, thereby curbing incentives to prioritize short-term share price gains or superficial increases in share ownership.

As of March 31, 2026, the Chairman and President of the Corporation held approximately 7.36 million and 1.53 million shares, respectively, of the

Corporation's stock. It is clear, therefore, that the Proposing Shareholder's assertion regarding the limited shareholdings of individual directors is not valid.

As stated above, Board of Directors has decided that the current compensation structure, which is determined by the Board of Directors after deliberation by the Compensation Advisory Committee, is appropriate as it considers the economic environment and ensures objectivity and transparency. We also believe the Corporation has proper mechanisms in place to ensure that its directors and shareholders possess shared values.

Therefore, the Board of Directors opposes this Shareholder Proposal.

Shareholder Proposal 2. “(2) Amendment to the Articles of Incorporation regarding the record date for the AGM

(1) Opinion of the Board of Directors

The Board of Directors opposes this Shareholder Proposal.

(2) Reasons for opposition

The proposal calls for changing the record date for voting rights at the AGM from March 31 to May 15 annually.

However, such a change would raise a number of issues when viewed in the context of our overall institutional framework, and is therefore not considered appropriate at this stage.

Under Article 35 of our Articles of Incorporation, March 31 is designated as the record date for year-end dividends, which aligns with the record date for voting rights at the AGM. If only the record date for voting rights were changed based on this Shareholder Proposal, a mismatch would arise between the shareholders entitled to exercise voting rights on dividend matters at the AGM and those entitled to receive the year-end dividend, which could cause confusion among shareholders.

In addition, any change to the voting record date would require careful consideration. This includes the schedule for statutory audits, the timing of statutory disclosures and convocation notice dispatch, costs related to fixing the shareholder register, and other impacts on shareholder registry administration and related operations.

Furthermore, Article 13 of our Articles of Incorporation stipulates that the AGM is to be convened in June. Therefore, even if this Shareholder Proposal were

approved, the timing of convening the AGM would not change. Accordingly, changing only the AGM record date to May 15 would make it practically impossible or significantly challenging to convene the meeting in line with the Articles of Incorporation.

We also recognize the importance of ensuring that our shareholders exercise their voting rights based on sufficient information. In fiscal 2025, we strove to disclose information early. This included submitting the Annual Securities Report on June 24, 2025, the day before the 75th AGM held on June 25, 2025. However, effectively providing information to shareholders depends on a range of measures, such as improving disclosure content, leveraging voluntary disclosures, and engaging with investors. This cannot be addressed by early filing of the Annual Securities Report alone.

In addition to the Annual Securities Report, we have worked consistently to disclose, in a timely and appropriate manner, the information necessary for our shareholders to make informed decisions regarding the exercise of their voting rights through various documents. These include notices of convocation of AGMs, business reports, financial results presentations, corporate governance reports, and the Rinnai Report, which serves as our integrated report. We will continue to review and enhance disclosure to shareholders, including earlier release of the Annual Securities Report, while improving the quality of dialogue with investors. However, as outlined above, we believe that changing the record date for voting rights at the AGM presents various challenges and is not an optimal approach at this time.

Therefore, the Board of Directors opposes this Shareholder Proposal.

(Attachment: “Details of the Shareholder Proposal”)

*The relevant portion of the Shareholder Proposal Document submitted by the Proposing Shareholder is provided here in its original text.

I. Proposed Agenda

1. Approval of compensation amount related to restricted stock compensation system
2. Amendment to the Articles of Incorporation regarding the record date for the AGM

II: Outline of Proposals and Reasons for Proposals

1. Approval of compensation amount related to restricted stock compensation system

(1) Summary of the proposal

Eligible directors of the Corporation under its restricted stock compensation plan shall be granted monetary compensation claims for the purpose of granting restricted stock, up to ¥370 million per year, with an upper limit of 120,000 shares to be granted. The specific timing and allocation of such compensation shall be determined by the Board of Directors, and the plan will be structured as a performance-linked incentive scheme. Possible performance indicators may include ROE and TSR (total shareholder return), as well as various other KPIs. However, the selection of specific indicators should be appropriately determined by the Board of Directors in light of the Corporation’s management strategy and business environment. In addition, if the performance targets are met, the plan shall be structured so that restricted stock equivalent to up to three times the cumulative fixed compensation will be granted over the next three years.

(2) Reason for the proposal

We believe that the greatest weakness of Boards of Directors in Japan lies in the limited shareholdings of individual directors, which results in a lack of a shareholder-oriented perspective.

An effective benchmark for equity-based compensation, which is aimed at aligning the interests of directors and shareholders, is generally considered to be approximately three times fixed compensation.

Although the Corporation has introduced a restricted stock compensation plan, fixed compensation for its directors (excluding outside directors) for the fiscal year ended March 2025 amounted to ¥251 million per year, while stock-based compensation was ¥28 million (11% of fixed compensation). At this level, it would take 27 years to accumulate shareholdings equivalent to three times fixed compensation.

In Europe and the United States, the majority of major listed companies have adopted shareholding guidelines that require directors to hold a certain level of shares—considered necessary for aligning interests with shareholders—for a specified period. After a grace period of several years, top executives in most cases are required to hold shares equivalent to three to five times their base salary, and even outside directors are expected to hold shares equal to at least one times their fixed compensation. As the Corporation has also introduced shareholding guidelines, it should aim to achieve a level of ownership comparable to international benchmarks.

2. Amendment to the Articles of Incorporation regarding the record date for the AGM

(1) Summary of the proposal

We propose to amend Article 14 of the Corporation's Articles of Incorporation as set forth below.

If the approval of other agenda items at the AGM (including those proposed by the Corporation) necessitates formal adjustments to the provisions set forth in this proposal (including, but not limited to, corrections to article numbering), the provisions of this proposal shall be read as the provisions after such necessary adjustments have been made.

(Underlined portions indicate amendments)

Before amendment	After amendment
<p>(Record Date for the AGM) Article 14: The record date for voting rights at the Corporation’s AGM shall be <u>March 31</u> of each year. <u>2. New addition</u></p>	<p>(Record Date for the AGM) Article 14: The record date for voting rights at the Corporation’s AGM shall be <u>May 15</u> of each year. <u>2. Notwithstanding the foregoing provisions, if necessary, the Corporation may, by resolution of the Board of Directors and upon prior public notice, set a record date.</u></p>

(2) Reason for the proposal

Please refer to the website below for further details of the reasons for the proposal.

<https://www.daltoninvestments.co.jp/news/20260302> (Japanese only)

Currently, the record date for voting rights at the Corporation’s AGM is March 31, and the meeting is held at the end of June. However, the Annual Securities Report (*Yuka Shoken Hokokusho*), which contains important information, is disclosed only immediately prior to the meeting, leaving investors with virtually no time to thoroughly analyze the information and reflect it in their voting decisions.

The Annual Securities Report is a statutory disclosure document that comprehensively covers information essential for assessing key proposals—such as business risks, management strategy, governance, compensation, and capital policy—and therefore requires disclosure with an appropriate margin of detail. Changing the record date to mid-May would allow for adequate time to secure a sufficient pre-disclosure period, providing an environment that enables investors and proxy advisors to make appropriate judgments.

It will also encourage the dispersion of AGM schedules, thereby expanding opportunities for shareholder participation and enhancing dialogue. We believe this will promote proactive shareholder engagement and support the realization of the “shareholder democracy” that we advocate.

Please note that this proposal does not entail a change in the fiscal year and will have no impact on the Corporation's operations or accounting treatment.

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