

May 27, 2020

T&D Holdings, Inc.

Hirohisa Uehara, Representative Director and President

(Securities Code: 8795, TSE First Section)

## **Supplementary Explanation Regarding Proposal No. 4 of 16th Ordinary General Meeting of Shareholders of T&D Holdings**

Institutional Shareholder Services, Inc. (hereinafter “ISS”), which is a proxy advisor, recommended shareholders to vote “against” with regard to Mr. Seiji Higaki (hereinafter “Mr. Higaki”), who is a candidate in Proposal No. 4: “Election of Five Directors Who Are Audit & Supervisory Committee Members.” This proposal is to be made at the 16th Ordinary General Meeting of Shareholders of T&D Holdings, Inc. (hereinafter “the Company”) scheduled for June 25, 2020. The recommendation is due to issues related to Mr. Higaki’s independence.

The Company believes that Mr. Higaki has sufficient independence from the Company and is a suitable candidate for Independent Outside Director who is an Audit & Supervisory Committee Member of the Company. The reasons for selecting Mr. Higaki as Independent Outside Director who is an Audit & Supervisory Committee Member and his independence are as stated on p. 28 of the “Notice of Convocation of the 16th Ordinary General Meeting of Shareholders.” However, we would like to once again explain our position as follows.

We sincerely ask shareholders to read the information below and would appreciate your understanding about the proposal.

### **1. The Company’s position on ISS’ “against” recommendation**

ISS has recommended shareholders to vote against the election of Mr. Higaki by pointing out that he lacks sufficient independence based solely on the grounds that he previously belonged to Resona Holdings, Inc. (hereinafter “Resona Holdings”). Resona Holdings is an issuer of shares held by Daido Life Insurance Company (hereinafter “Daido Life”), a subsidiary of the Company, for cross-holding purposes (“Investment securities held for purposes other than pure investment” stated in the securities report). We believe that ISS’ “against” recommendation does not appropriately consider the concept of the so-called “cooling-off period”—the extinguishment of interests due to the lapse of a certain period after retirement—even though seven years have passed since he retired from the position of Director of Resona Holdings.

In addition, Daido Life holds shares of Resona Holdings in order to maintain and enhance a business alliance in the sales field and receive mid- to long-term revenue through enhanced share value and receipt of dividends, etc. However, since Resona Holdings does not fall under a “Major

Shareholder” as set forth in Article 163, Paragraph 1 of the Financial Instruments and Exchange Act and seven years have passed since Mr. Higaki retired from the position of Director of Resona Holdings, the Company believes the fact that Mr. Higaki previously belonged to Resona Holdings will have no impact on the Company’s management. Further, Daido Life has agreed with and accepted the purpose of the “Principles for Responsible Institutional Investors (Japan’s Stewardship Code)” in order to fulfill its stewardship responsibilities as a responsible institutional investor. Daido Life puts the interest of its policyholders, etc. first and appropriately exercises its voting rights by identifying situations where a conflict of interest could happen and setting a policy to manage conflicts of interest. Specifically, Daido Life has designated a unit responsible for stock investment which is independent of the loan and sales units as a section responsible for exercising voting rights on cross-held stocks. Daido Life has also introduced a framework where a committee which includes outside experts (the Stewardship Committee) is involved in overall stewardship activities, such as development of guidelines for exercising voting rights, deliberation of important proposals, and ex-post facto verification of the results of voting right exercise. Therefore, the fact that Mr. Higaki came from Resona Holdings has no impact on the exercise of voting rights by Daido Life and would not result in the reduced market discipline that was pointed out by ISS.

2. Reasons for selection as a candidate for Independent Outside Director who is an Audit & Supervisory Committee Member

Mr. Higaki has served as Director, President and Representative Executive Officer of Resona Holdings, which is a bank holding company, and Representative Director and Executive Officer of Resona Bank, Ltd. Therefore, Mr. Higaki has a wealth of knowledge and experience in corporate management. He also has a wealth of knowledge and experience in serving as a Director who is an Audit Committee Member of Resona Holdings, which is a bank holding company.

In addition, since assuming the position of Independent Outside Director of the Company in June 2018, Mr. Higaki has attended all of the meetings of the Board of Directors of the Company and the Nomination and Compensation Committee, which is an advisory body to the Board of Directors. He has presented his views as necessary and stated valuable opinions from the perspective of protecting general shareholders, contributing greatly to enhancing corporate governance of the Company.

The Company selected Mr. Higaki as a candidate for Independent Outside Director who is an Audit & Supervisory Committee Member. This is because he can be expected to capitalize on his wealth of knowledge and experience to serve his role in making key management decisions as well as auditing and supervising the execution of duties of Directors who are not Audit & Supervisory Committee Members from the perspective of protecting general shareholders.

3. The Company's position on independence

Although Mr. Higaki served as a Director of Resona Holdings until June 2013, seven years have passed since he retired from that position.

In addition, Japan's Corporate Governance Code states independence standards for independent directors as follows: "Boards should establish and disclose independence standards aimed at securing effective independence of independent directors, taking into consideration the independence criteria set by securities exchanges." Mr. Higaki meets the independence requirements set by Tokyo Stock Exchange, Inc. and the independence criteria prescribed by the Company.

For the reasons stated above, the Company believes that Mr. Higaki's independence is sufficiently assured.

The Company has registered Mr. Higaki with Tokyo Stock Exchange, Inc. as an independent director/auditor without a potential conflict of interests with general shareholders.