



October 1, 2021

T&D Holdings, Inc.
Hirohisa Uehara, President
(Security Code: 8795, TSE First Section)

Announcement of U.S. affiliate group restructuring and revision of T&D's consolidated financial results in connection with retrospective accounting treatment

T&D Holdings, Inc. (“T&D”) hereby announces that Fortitude Group Holdings, LLC (“FGH”), T&D’s affiliate, is implementing a group restructuring (the “Restructuring”). In addition, due to the application of retrospective accounting treatment in connection with the Restructuring, T&D will revise its consolidated financial results for the fiscal year ended March 31, 2021. Please see below for further details.

Summary

- Aiming to enhance its competitive advantage in the global closed book market, FGH is implementing the Restructuring in connection with the incorporation of a new reinsurance company. All of FGH’s investors, including TDUC, are to concur with such course of action.
- As part of the Restructuring, FGH’s liabilities as of June 2, 2020 will be re-evaluated using a new calculation method and, consequently, there will be a change in FGH’s net assets and net income (loss), including a decrease of its net assets as of such date.
- T&D, having applied the equity method with respect to FGH’s consolidated financial statements, will apply a retrospective accounting treatment to its own consolidated financial statements in the same manner. T&D’s net assets and net income reported in its consolidated financial statements for the fiscal year ended March 31, 2021 are expected to decrease as indicated in the table below. Please note, however, that these numbers are based on provisional estimates currently prepared by FGH and may differ from the final figures.

Changes in T&D’s net assets and net income (consolidated / unit: ¥ billion)

	Net assets as of March 31, 2021	Net income for the fiscal year ended March 31, 2021
Post-Retrospective Application (Estimate)	1,501.7	108.6
Pre-Retrospective Application	1,553.1	162.3
Change (Estimate)	-51.3	-53.6

- The decrease in T&D's consolidated net assets and net income indicated above results from FGH’s accounting methodology that is specific to U.S. GAAP. T&D believes that these changes do not affect its evaluation of the FGH investment or the economic status of the T&D Insurance Group.
- T&D does not intend to revise its earnings forecasts for the fiscal year ending March 31, 2022 due to the retrospective application indicated above. In addition, T&D does not intend to revise its forecast of the Group Adjusted Profit, which is one of the indicators measuring the actual business status of the T&D Insurance Group.

1. Restructuring

(1) Background

FGH is the holding company of a reinsurance group focusing on the closed book business sector. T&D United Capital Co., Ltd. (“TDUC”), a wholly owned subsidiary of T&D, has invested and owns a 25% interest in FGH together with Carlyle FRL, L.P. (the “Carlyle fund”) and American International Group, Inc. (“AIG”), which own 71.5% and 3.5% thereof, respectively. Fortitude Reinsurance Company, Ltd. (“FRL”) is a reinsurance company, wholly owned by FGH and domiciled in Bermuda.

FRL reinsures U.S. legacy businesses which are insured by AIG. In addition, on September 15, 2021, FGH announced it had entered into an agreement with Prudential Financial, Inc. (“Prudential”), a U.S. insurance group, to acquire all shares of Prudential Annuities Life Assurance Corporation, a wholly owned subsidiary of Prudential.

Aiming to become a premier solution provider for complex insurance risk in the global closed book market in addition to its activities in the U.S. closed book sector, FGH is in the process of launching a new composite reinsurance company.

As a necessary step towards the incorporation of the newly established reinsurance company, FGH is implementing the Restructuring. All of its investors (i.e., TDUC, the Carlyle fund and AIG; collectively, the “Investors”) are to concur with such course of action.

(2) Overview

The Investors will transfer all of their ownership interests in FGH to a newly incorporated limited partnership domiciled in Bermuda (“FGH Parent”), and each Investor will acquire an interest in FGH Parent in proportion to its transfer.

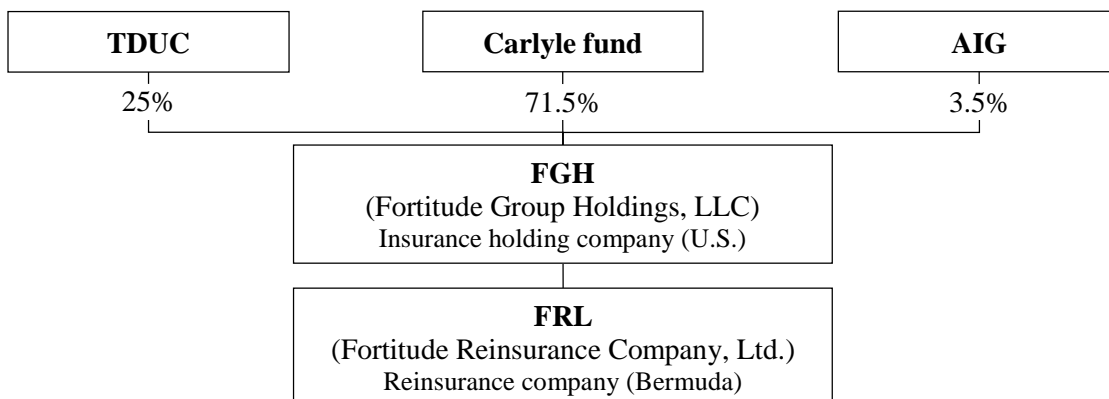
FGH Parent will simultaneously establish a new reinsurance company domiciled in Bermuda (“FIRL”). Consequently, FGH Parent will be a reinsurance holding company with two reinsurance subsidiaries, FRL and FIRL, both domiciled in Bermuda.

Both FRL and FIRL are reinsurance companies domiciled in Bermuda. While FRL elected to be subject to U.S. income tax, FIRL will not be subject to U.S. taxation to optimize itself for reinsuring non-U.S. businesses.

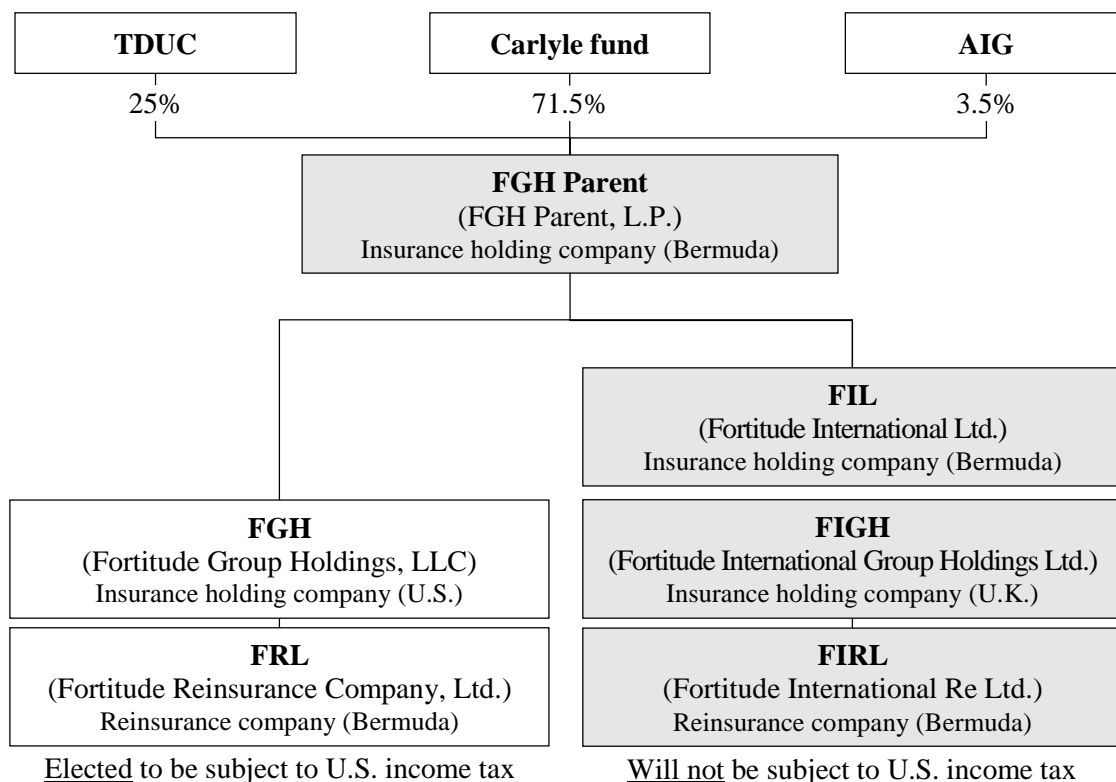
No contribution of additional cash or changes in the holding ratio among the Investors will occur in connection with the Restructuring. Therefore, the Investors will not be subject to any change in their respective economic interests as a result of the Restructuring.

Illustration of the Restructuring

Pre-Restructuring



Post-Restructuring: The entities indicated in the shaded boxes will be newly established in connection with the Restructuring



(3) Timeline

The Restructuring will be executed on October 1, 2021. Subject to regulatory approvals, FIRL is expected to commence its operations on January 1, 2022.

FGH Parent will become T&D's affiliate. T&D will apply the equity method to FGH Parent's consolidated financial statements. Within a certain period, FIL, FIGH and FIRL are expected to become T&D's affiliates as well.

2. Associated retrospective accounting treatments in FGH

The Restructuring, representing a transaction between entities under common control in accordance with US-GAAP, results in the application of US-GAAP purchase accounting to FGH's net assets that will be retrospectively contributed to FGH Parent as of June 2, 2020, the change of control date (the "Retrospective Application"). Such revision of the accounting method will be incorporated into FGH's revised financial statements for the fiscal year ended December 31, 2020.

Under the Retrospective Application, FGH's liabilities will be re-evaluated as of June 2, 2020 using a new calculation method. Such re-evaluation will result in an increase in liabilities as of such date, which will be amortized over some time into the future and recognized as a profit. The increase in liabilities will result in a decrease of FGH's net assets as of such date and an increase of its net income for the period between June 2, 2020 and December 31, 2020.

Under US-GAAP, due to accounting related reasons, including mismatches in recognizing fair values between asset values (primarily reinsurance assets) and liabilities, FGH's net assets and net income (loss) structurally fluctuate in a significant manner in response to interest rate fluctuations. On the other hand, FGH, through matching assets and liabilities (ALM), has been maintaining a stable economic value of its net assets against interest rate fluctuations. Furthermore, the economic value of FGH's net assets will not be affected by the Retrospective Application.

Consequently, as mentioned above, T&D believes that the changes in FGH's net assets and net income (loss) are attributable to specific U.S.-GAAP accounting treatment and do not represent a substantive change in FGH's economic position, including its financial health and profitability.

The current estimates of the changes in FGH's net assets and net income (loss) as a consequence of the Retrospective Application are indicated in the table below. Please note, however, that these are provisional estimates currently prepared by FGH and may differ from the final figures.

Estimates of changes in FGH's net assets and net income (loss) (unit: \$ million)

	Net assets as of June 2, 2020	Net income (loss) during the period between Jun. 2, 2020 and Dec. 31, 2020	(Reference) Net income (loss) during the period between Jan. 1, 2021 and Jun. 30, 2021
Post-Retrospective Application (Estimate)	3,185	1,656	(644)
Pre-Retrospective Application	6,193	653	(673)
Change (Estimate)	-3,008	1,003	29

3. T&D's retrospective accounting treatment in connection with the Retrospective Application

T&D has treated FGH as its affiliate and, since June 2, 2020, applied the equity method to the latter's consolidated financial statements. In applying the equity method, given that FGH's consolidated financial statements are prepared in accordance with US-GAAP, by incorporating FGH's consolidated financial statements "as is" (without modification) under the accounting standards (Japanese GAAP), T&D reports equity method profits or losses arising from FGH within a three-month lag.

For the Retrospective Application, which will be incorporated into FGH's revised financial statements for the fiscal year ended December 31, 2020, T&D will incorporate such treatment "as is" and will apply retrospective application to its consolidated financial statements in the same manner (the "Retrospective Application for T&D"). The Retrospective Application for T&D would result in a decrease in the net assets and net income reported in T&D's consolidated financial statements for the fiscal year ended March 31, 2021.

The changes in T&D's consolidated net assets and net income for the fiscal year ended March 31, 2021 are attributable to the incorporation of changes in FGH's net assets and net income due to the Retrospective Application. As explained above, the changes in FGH's net assets and net income (loss) are due to the accounting treatment indicated above. Therefore, T&D believes that they do not affect T&D's evaluation of its investment in FGH or the economic situation of the T&D Insurance Group.

The current estimates of the changes in T&D's net assets and net income due to the Retrospective Application for T&D are indicated in the table below. Please note, however, that these are based on provisional estimates currently prepared by FGH and may differ from the final figures.

Changes in T&D's net assets and net income (consolidated / unit: ¥ billion)

	Net assets as of March 31, 2021	Net income for the fiscal year ended March 31, 2021
Post-Retrospective Application (Estimate)	1,501.7	108.6
Pre-Retrospective Application	1,553.1	162.3
Changes (Estimate)	-51.3	-53.6

T&D does not intend to revise its earnings forecasts for the fiscal year ending March 31, 2022 announced on May 14, 2021 due to the Retrospective Application. In addition, T&D does not intend to revise its forecast for the Group Adjusted Profit (profit adjusted as to temporary valuation gains or losses resulting from accounting market fluctuations), which is one of the indicators measuring the actual business status of the T&D Insurance Group.

The changes in T&D's consolidated net assets and net income are a consequence of incorporating the changes in FGH's net assets and net income due to the Retrospective Application. Therefore, no amendment will be made to any of T&D's annual consolidated financial statements, semi-annual consolidated financial statements or quarterly consolidated financial statements which are already published in connection with the Retrospective Application. Revised figures for the fiscal year ended March 31, 2021 due to the Retrospective Application for T&D will be incorporated, as comparative information, to T&D's consolidated financial statements for the fiscal year ending March 31, 2022.

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