

For Reference Only

29 September, 2017

Acquisition of Interests in Aviation Capital Group

Tokyo Century Corporation (“TC”) is pleased to announce that it has reached an agreement with Aviation Capital Group LLC (“ACG”), a leading U.S.-based commercial aircraft lessor, and its U.S.-based parent company, Pacific Life Insurance Company (“Pacific Life”) to establish a strategic partnership in aircraft leasing business that results in an acquisition of a 20% membership interest in ACG (“Interests”). ACG will become an equity-method affiliate of TC following the acquisition.

1. Purpose of the Acquisition

TC has successfully expanded its specialty finance business by integrating specialized asset finance expertise in the areas of aviation, shipping, real estate, and renewable energy with balanced mix of financing, leasing, and equity investment techniques. With further protracted growth expected, aviation related business is positioned as a key focus area to transition our business into an “enhanced profit model” as outlined in our Third Medium Term Management Plan. TC has invested over JPY 170 billion in the aircraft operating lease business over the past 3 years, and currently owns 48 aircraft on its book.

Following deliberations of various options to further expand the business, TC has concluded that partnering with a strong player is the optimal solution to expand its aviation related business both from a risk management and growth trajectory perspective and has chosen ACG, a leading commercial aircraft lessor, as its strategic partner and to acquire membership interests in the company.

TC will seek to further expand its aviation related business and accelerate ACG’s business expansion by providing future primary capital and creating incremental business opportunities leveraging on TC’s extensive network and expertise.

2. About Aviation Capital Group

Aviation Capital Group is one of the world’s premier full-service aircraft asset managers with 441 owned, managed and committed aircraft as of June 30, 2017, which are leased to approximately 95 airlines in approximately 40 countries. ACG was founded in 1989 and is an indirect wholly-owned subsidiary of Pacific Life Insurance Company. ACG is known for its solid operations through leases of liquid narrow body aircraft to a diversified client base. ACG has an extensive global network and a high level of competitiveness and expertise in marketing/remarketing and asset management. As of June 30, 2017, ACG has commitments to purchase 171 Airbus and Boeing aircraft scheduled for delivery through 2022 and is expected to continue its strong growth.

3. About Pacific Life

Pacific Life is a leading life insurance company in the U.S., and is the parent company of ACG. Established in 1868 Pacific Life provides a wide range of life insurance products, annuities, and mutual funds, and offers a variety of investment products and services to individuals, businesses, and pension plans. Its initial investment in ACG was in 1998, and in 2005, ownership of 100% was acquired. Since then, it has supported the growth of ACG through capital contributions, stable management and understanding of the aircraft leasing business.

4. Aviation Business following the acquisition of Interests

TC's aviation business is segmented as follows:

- ① Aircraft operating lease business (48 aircraft owned by TC)
- ② Arrangement and distribution of JOL/JOLCO (Japanese Operating Lease) products
- ③ Aircraft debt financing and finance lease business
- ④ Aircraft parts financing and aircraft/engine debt financing business conducted jointly with GA Telesis, LLC ("GA Telesis"), an equity method affiliate of TC

Following the acquisition of the Interests, TC intends to appoint ACG as the servicer to provide technical and remarketing services for a majority of the aircraft owned by TC. New aircraft operating lease business will be mainly developed through ACG. Additionally, collaboration with ACG on sourcing assets and structuring transactions will enable us to provide JOL/JOLCO products and other attractive investment opportunities for our investors. TC will continue to pursue its existing aircraft debt financing business, finance lease business, and businesses conducted jointly with GA Telesis in the area of aircraft parts/aircraft/engine debt financing.

5. Overview of Aviation Capital Group

(1) Company Name		Aviation Capital Group LLC		
(2) Head Office		840 Newport Center Drive, Suite 300, Newport Beach, CA USA		
(3) Company Representative		Khanh T. Tran, CEO		
(4) Business		Aircraft Leasing		
(5) Year of Establishment		1989		
(6) Percentage of Shareholders	(Before Acquisition)	Pacific Life Insurance Company : 100%		
	(After Acquisition)	Pacific Life Insurance Company : 80%, Tokyo Century Corporation : 20%		
(7) Credit Rating		S&P: A—, Fitch Ratings: BBB		
(8) Consolidated U.S. GAAP Financials (Unit: Million USD)				
Fiscal Year		2015/12	2016/12	2017/6 (semi-annual unaudited)
Total Revenues		859	963	455
Net Income		88	78	887 (*)
Total Equity		1,826	1,908	2,797
Total Assets		9,271	9,081	9,444

(*) Includes benefit from provision for income taxes in relation to the LLC conversion at the end of March 2017

6. Overview of Pacific Life

(1) Company Name	Pacific Life Insurance Company	
(2) Head Office	700 Newport Center Drive, Newport Beach, CA 92660-6397, USA	
(3) Company Representative	James T. Morris, CEO	
(4) Business	Life Insurance Company	
(5) Year of Establishment	1868	
(6) Percentage of Shareholders	Pacific Mutual Holding Company: 100%	
(7) Credit Rating	S&P: AA—, Moody's: A1, Fitch Ratings: A+	
(8) Consolidated U.S. GAAP Financials – Pacific Mutual Holding Company (Units : Million USD)		
Fiscal Year	2015/12	2016/12
Total Revenues	8,642	9,169
Net Income Attributable to the Company	661	824
Total Equity	10,108	11,140
Total Assets	137,184	143,298

7. Advisors for the investment

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Mizuho Securities Co., Ltd. acted as financial advisors for this transaction, together with K&L Gates LLP as the legal advisor, Deloitte Tohmatsu Financial Advisory LLC as the accounting advisor, and Deloitte Tohmatsu Tax Co. as the tax advisor.

8. Forecast

This transaction will have no significant impact on TC's consolidated performance for the fiscal year ending March 2018, and does not change the earnings forecast released on May 12, 2017.

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(Note) This translation is prepared and provided for reference only. In the event of any discrepancy between this translated document and the original Japanese document, the original document shall prevail.