

For Reference Only

September 9, 2019

Acquisition of Remaining Interest in Aviation Capital Group

Tokyo Century Corporation (“TC”) is pleased to announce that on September 9, 2019, its Board of Directors adopted a resolution to acquire from Pacific Life Insurance Company (“Pacific Life”), a leading U.S. life insurance company, the remaining interest in Aviation Capital Group LLC (“ACG”), a leading U.S.-based commercial aircraft lessor. ACG is currently an equity method affiliate of TC’s wholly-owned subsidiary, TC Skyward Aviation U.S., Inc. (“SKY-U”), and this transaction will make ACG a wholly-owned subsidiary. TC has entered into a definitive agreement with Pacific Life and the acquisition of the remaining interest will be completed after obtaining necessary regulatory approvals and permissions.

1. Purpose of Acquisition of Remaining Interest

Since its establishment through a merger in April 2009, TC has become a company that transcends the boundaries of leasing and finance, operating in an environment free of banking regulatory constraints. It has successfully expanded into new business fields driven by a business model combining “finance, service and business expertise”; through collaboration with partner companies, subscription-based business, fintech, car rental, renewable energy and other viable businesses.

To further expand its business TC has commenced operations under the Fourth Medium-Term Management Plan from April 2019. Under this Plan, TC is entering a new stage of sustainable growth with an aim to achieve recurring profits in excess of 100 billion yen, to create new financial services which address social issues, and to enhance corporate value over the medium- to long-term as a “service provider with financial capabilities”.

Within Specialty Financing, TC is focused on advancing in the field of “shipping”, “aviation”, “environment and energy” and “real estate” by utilizing its expertise and creativity. TC has identified aviation as a key focus area to drive growth.

As a part of such initiatives for growth, TC has reached an agreement with Pacific Life to acquire from Pacific Life the remaining 75.5% interest in ACG making it a wholly-owned subsidiary. TC is committed to its aircraft operating lease business and aims to achieve medium- to long-term sustainable growth through the next decade and beyond.

2. TC’s Aviation Business

TC entered the aviation business in the 1980s, primarily focusing on arrangement of Japanese-style leveraged aircraft leasing and secured aircraft financing, and has built up experience and expertise for more than 30 years. Since 2012, TC’s aviation-related business, positioned as a key focus area with further long-term growth perspectives, has been a growth driver for TC. TC pursues a unique strategy, differentiated from its peers, focusing on values created throughout the lifecycle of aircrafts.

(History of TC's Aviation Business)

1980s	Entered the leveraged aircraft leasing business
2012	Acquired an interest in Jetstar Japan Co., Ltd., a startup LCC (Low Cost Carrier)
2012	Acquired a 20% interest in GA Telesis, LLC ("GAT"), a provider of aircraft aftermarket solutions, making GAT an equity-method affiliate
2014	Established aircraft operating lease joint ventures with CIT, a U.S. company
2017	Made the respective joint ventures wholly-owned subsidiaries
2017	Acquired a 20% interest in ACG
2018	Acquired additional interests in GAT to become the largest shareholder with a 49.2% shareholding
2019	Established an engine leasing joint venture with All Nippon Airways Trading Co., Ltd. and GAT
2019	Increased stake in ACG to 24.5% by subscribing to ACG's newly issued interests
2019	To acquire the remainder of ACG to make it a wholly-owned subsidiary

In the global aviation business, demand for commercial aircraft is expected to continue to rise alongside the increase in demand for passenger transport in emerging countries and growth of LCCs. The number of passenger jets in operation is expected to increase from approximately 24,000 in 2018 to over 40,000 in 2038¹ and the utilization rate of aircraft operating leases by airlines is also expected to increase.

Given these favorable industry fundamentals, TC acquired a 20% interest in ACG from Pacific Life, making it an equity-method affiliate, in December 2017, as part of TC's enhanced focus in the aircraft operating lease business. Furthermore, TC increased its ownership stake to 24.5% in March 2019 by providing additional equity growth capital to ACG to deepen its commitment to ACG's management and growth.

With its acquisition of the remaining interest in ACG from Pacific Life, TC will be able to actively take initiatives in the aircraft operating lease business and to improve its aviation business value chain through organic collaboration among its own aviation financing business driven by Japanese operating lease products (JOL/JOLCO), and aircraft aftermarket related businesses leveraging GAT's expertise in used aircraft and parts. These initiatives will enable TC to expand its presence in the aviation market.

Since its initial investment in 2017, TC has been an active member of ACG's Board of Directors and management with several TC employees located on-site at ACG, resulting in extensive interaction with ACG's management and employees. TC has strong confidence in the capabilities of the ACG team and firmly believes that TC and ACG will be able to integrate expeditiously and create value as a combined entity.

3. About ACG

ACG is one of the longest standing and one of the world's premier full-service aircraft leasing companies, commemorating its 30th anniversary since establishment this year. It has a world-leading fleet platform with approximately 500 owned, managed and committed aircraft as of June 30, 2019, which mainly consists of narrow body aircraft with high liquidity. ACG leases aircraft to more than 90 airlines in over 45 countries through its extensive global network, and supports customers with its solid aircraft leasing operations platform, including marketing, technical, finance, and asset management functions.

ACG has continued to record profits since its establishment in 1989, with its in-depth expertise in aircraft assets and aircraft lease businesses and its focused risk controls. It has also expanded the business by acquisitions and orders for new aircrafts. ACG continues to operate under its original founding name and is known to be one of the few pure-play aircraft leasing, trading, and asset management companies that successfully continued business expansion in the sector undergoing consolidation.

¹ Source: Japan Aircraft Development Corporation "Worldwide Market Forecast 2019-2038"

4. Acquisition Structure and Advisors

TC has reached an agreement to acquire the remaining stake in ACG via SKY-U, TC's wholly-owned subsidiary in the U.S. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Mizuho Securities Co., Ltd. acted as financial advisors for this transaction. TC also received legal advice from Davis Polk & Wardwell LLP, accounting advice from Deloitte Tohmatsu Financial Advisory LLC and tax advice from Deloitte Tohmatsu Tax Co.

5. Overview of SKY-U

(1) Company Name	TC Skyward Aviation U.S., Inc.	
(2) Head Office	9137 E. Mineral Circle Suite 320 Centennial, CO 80112, USA	
(3) Company Representative	Mahoko Hara, Director	
(4) Business Description	Aircraft leasing business	
(5) Year of Establishment	2014	
(6) Percentage of Shareholders	Tokyo Century Corporation	100%

6. Overview of Specified Subsidiary (ACG)

(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, President and Chief Executive Officer			
(4) Business Description	Aircraft leasing, trading and asset management business			
(5) Capital	USD 3,227MM (Members' equity as of December 31, 2018) The company, a limited liability company under the U.S. laws, does not have an accounting item that exactly coincides with the concept of capital.			
(6) Year of Establishment	1989			
(7) Percentage of Interest Holders	(Before acquisition)	Pacific Life Insurance Company SKY-U	75.5% 24.5%	
	(After acquisition)	SKY-U	100.0%	
(8) Relationships between TC and ACG(prior to transaction close)	Capital relationship	TC holds a 24.5% interest of ACG. The above stake is held through SKY-U, the wholly owned subsidiary of TC.		
	Personnel relationship	Two TC employees are board members of ACG. Two TC employees are seconded to ACG.		
	Business relationship	TC outsources technical and remarketing services on TC's fleet of aircraft to ACG.		
(9) ACG's Consolidated Operating Results and Financial Performance over the Past Three Years (USD MM)	Fiscal Year	2016/12	2017/12	2018/12
	Total Revenues	963	950	1,048
	Net Income	78	1,044*	266
	Net Assets	1,908	2,956	3,225
	Total Assets	9,081	9,847	11,317

* ACG converted to a limited liability company in year ended December 2017 and is an entity that selected pass through tax under the US taxation laws, and in which investors (members) are obliged to pay taxes. Due to effect of such conversion, year ended December 2017 includes benefit from decline of deferred income taxes.

7. Overview of the Seller (Pacific Life)

(1)	Company Name	Pacific Life Insurance Company	
(2)	Head Office	700 Newport Center Drive, Newport Beach, CA, USA.	
(3)	Company Representative	James T. Morris, Chairman, President and CEO	
(4)	Business Description	Life insurance business	
(5)	Year of Establishment	1868	
(6)	Consolidated U.S. GAAP Financials - Pacific Mutual Holding Company (USD MM)		
	Fiscal Year	2018/12	
	Total Revenues	10,699	
	Net Income Attributable to the Company	913	
	Total Equity	13,072	
	Total Assets	157,699	
(7)	Percentage of Shareholders	Pacific Mutual Holding Company 100%	
(8)	Relationship between TC and Pacific Life	Capital relationship	N/A
		Personnel relationship	N/A
		Business relationship	N/A
		Whether Pacific Life falls under the related party of TC	N/A

8. Purchase Price of Interests to be Acquired (Reference)

Approximately USD 3,000MM (JPY 321,300 MM) (exchange rate: JPY107.10/USD1.00 as of September 6, 2019)

* Total amount of advisory and other fees have not yet been determined. The amount will depend on fees to be incurred in relation to compliance with antitrust laws, etc. in relevant countries.

Purchase price will be adjusted based on the financial figures as of closing in accordance with certain procedures set out in the definitive agreement.

9. Acquisition Financing

TC has secured financing commitments for this acquisition in line with its policy to maintain financial stability. Specifically, TC will use cash-on-hand and bridge loans at time of transaction close and will later refinance in stages through permanent financing. TC is examining various financing options, including loans from financial institutions and hybrid financing.

10. Schedule

(1) Date of Signing of Agreement	9 September, 2019
(2) Date of Transfer	December 2019 (tentative)*

*The acquisition is subject to satisfaction of the preconditions for execution, including completion of procedures under relevant laws and regulations.

11. Impact to the operating results

TC will disclose impact of this acquisition on its consolidated financial results for the fiscal year ending March 2020, promptly after determination. TC also plans to revise its Fourth Medium-Term Management Plan (for Fiscal 2019-21) announced on May 9, 2019 and disclose the revised plan promptly after adoption.

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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.