

The background of the slide is a photograph of a logistics yard at sunset. On the right side, there are several tall stacks of colorful shipping containers in shades of yellow, red, and blue. In the center-left, a white semi-truck with a yellow trailer is parked. The sky is a mix of orange, yellow, and blue with scattered white clouds. The entire image is overlaid with a white geometric pattern of intersecting lines forming diamond shapes.

Business Segment Meeting - Logistics -

July 5, 2024

Mitsubishi HC Capital, Inc.

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Definitions for Acronyms Used in This Material

- MHC : Mitsubishi HC Capital
- CAI : CAI International (marine container leasing company)
- BIL : Beacon Intermodal Leasing (marine container leasing company)
- PNW : PNW Railcars (railcar leasing company)
- MULR : MUL Railcars (railcar leasing company)

- 01 Introduction to the Logistics Business Division**
- 02 Overview of the Container Leasing Business**
- 03 Overview of the Railcar Leasing Business**
- 04 Business Strategies of the Logistics Business Division**

01 Introduction to the Logistics Business Division

02 Overview of the Container Leasing Business

03 Overview of the Railcar Leasing Business

04 Business Strategies of the Logistics Business Division

Contributing to stable profit growth of the MHC Group as professionals in logistics-related assets essential for a sustainable society

Logistics Business Division 175 Employees



Hisashi Ishimaki

Managing Executive Officer
Head of the Logistics Business
Division Chairman and
Director of CAI International, Inc. and
PNW Railcars, Inc.

Logistics Business Department 24 Employees

Hiroyuki Yoshikura

General Manager of the Logistics Business Department
Director of CAI International, Inc. and PNW Railcars, Inc.

Business Planning & Development Section : Business planning, new business development

Marine Containers Business Section : Management support for CAI

Railcars Business Section : Management support for PNW

Business Management Section : Ship-related business

Marine Container Leasing/CAI International, Inc. 123 Employees

■ Customers:
Container shipping companies, etc.

■ Segment assets:
Approx. 800 billion yen
(as of the end of March 2024)

■ Head office location:
San Francisco, California,
United States

■ History

1989 : Former CAI was founded

2014 : MHC (then MUL) acquired Beacon
Intermodal Leasing, LLC (BIL)

2021 : MHC acquired former CAI

January 2023 : Former CAI and BIL were merged
and began operating as the new
CAI



Katie McCabe
President & CEO

Railcar Leasing/PNW Railcars Inc. 28 Employees

■ Customers:
Shippers and railroads

■ Segment assets:
Approx. 300 billion yen
(as of the end of March 2024)

■ Head office location:
Portland, Oregon, United States

■ History

2013 : Former MUL Railcars was founded,
entered in the industry as an
investor

2017 : Formed business alliance with
Greenbrier and opened head office

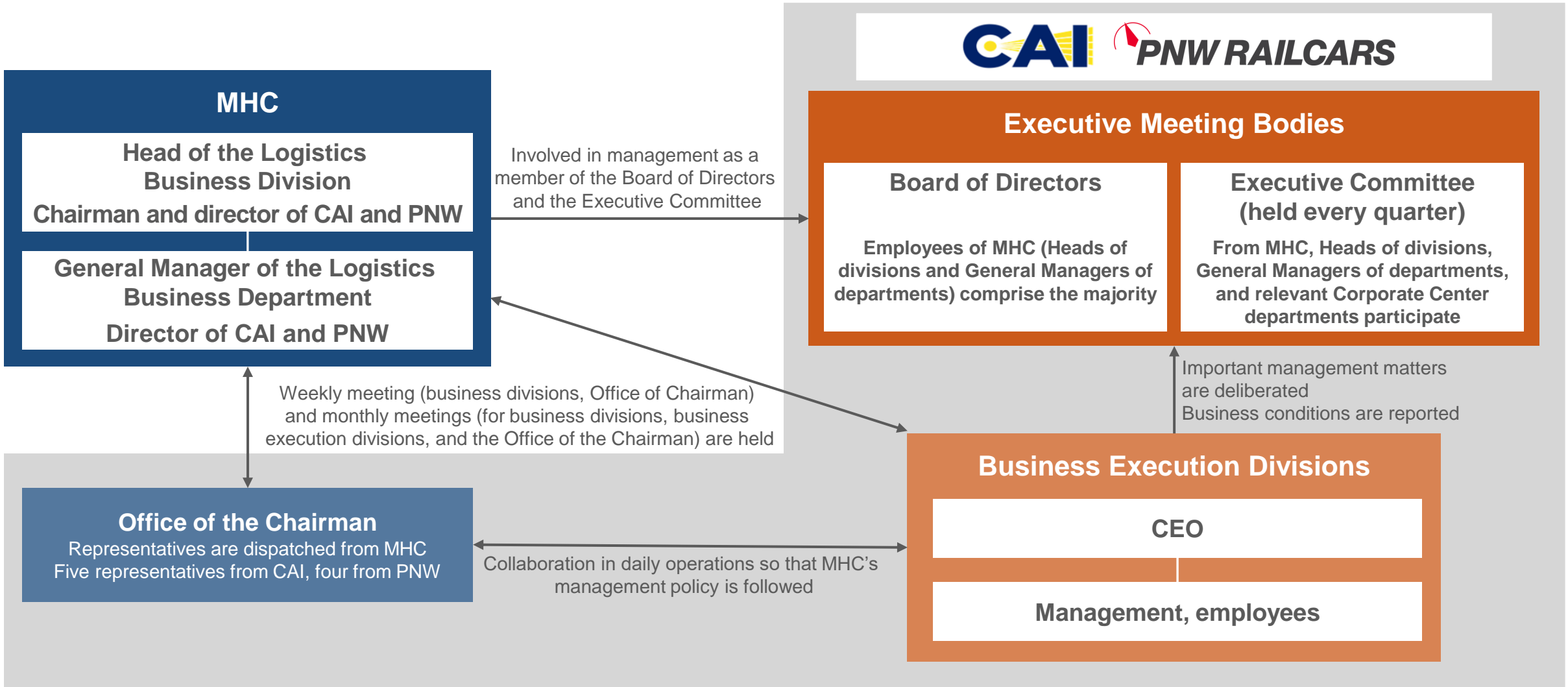
2021 : Renamed from MUL Railcars to
PNW Railcars



Andy Vestergaard
President & CEO

Mechanisms of Governance for Each Group Company MITSUBISHI HC CAPITAL

Collaborate closely with all Group companies with a focus on communication



01 Introduction to the Logistics Business Division

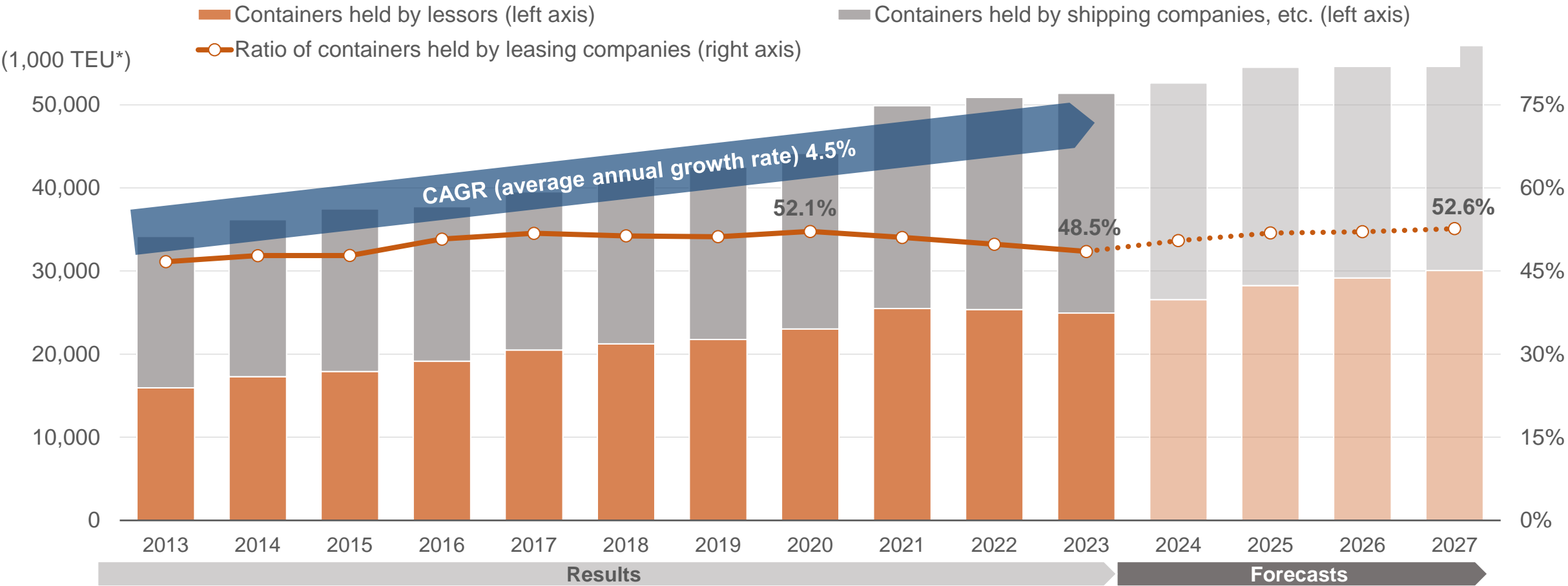
02 Overview of the Container Leasing Business

03 Overview of the Railcar Leasing Business

04 Business Strategies of the Logistics Business Division

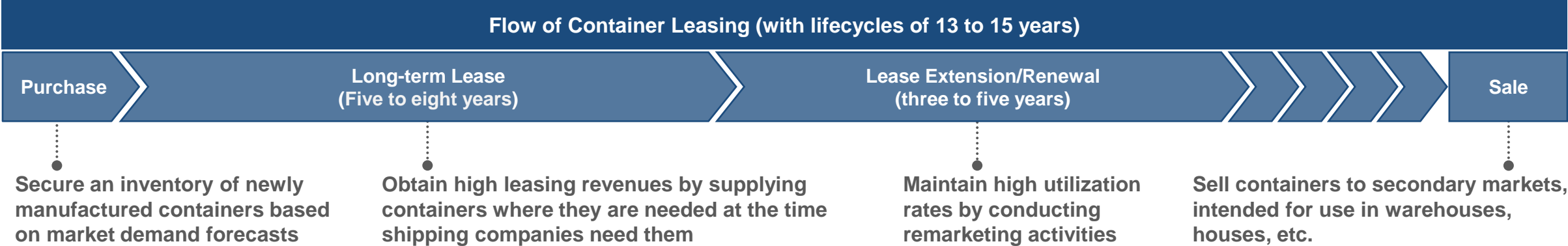
Market Environment : Growth Potential of the Container Leasing Market

- ✓ The global container fleet capacity has been consistently on the rise with the global economic growth (i.e. trade volume increase).
- ✓ The percentage of the container fleet owned by leasing companies has been around 50%. The market is expected to grow in line with the expansion of the total fleet capacity.



* TEU: Twenty-foot Equivalent Unit, a unit equivalent to the capacity of a 20-foot long dry container
(Source) Drewry, World Bank

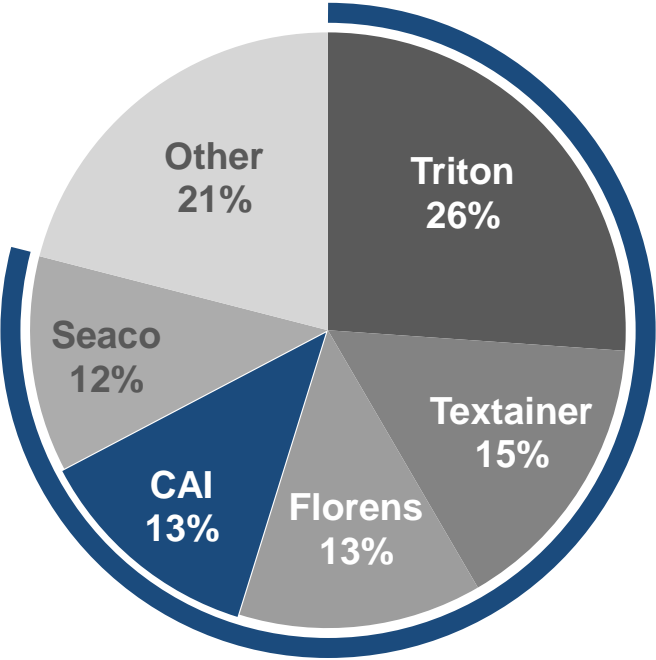
As containers are an infrastructure asset indispensable for global trade, stable growth can be expected of this business



Current Position of CAI	Synergies from the Acquisition of CAI and Its Merger with the Former BIL	Points
<div><div>1</div>Entered into the marine container leasing business by acquiring the former BIL in 2014</div> <div><div>2</div>Acquired CAI in 2021, aiming to further expand the marine container leasing business and strengthen its competitiveness</div> <div><div>3</div>Merged CAI and the former BIL and began business with a new organization in 2023</div>	<div><div>1</div>Our customer base was strengthened by the merger, leveraging the strength of CAI in transactions with European shipping companies and the strength of the former BIL in transactions with Asian shipping companies</div> <div><div>2</div>The cost synergy of approx. 15 million US dollars per year was achieved by streamlining personnel, offices, and other expenses</div> <div><div>3</div>As CAI has operated in the industry for more than 30 years, it has more containers that are close to the end of life than the former BIL, and so has a stronger operational platform in the sales market. With the increase in size through the merger, CAI's presence in the sales market has also improved</div>	<div><div>✔</div>A business that mainly gains from lease margin by holding containers for 13 to 15 years</div> <div><div>✔</div>It secures a strong profit base that is highly resistant to market fluctuations by making investments while judging the cycles of container market conditions, thereby obtaining long-term high cash flow from lease fees</div>

Through the acquisition of CAI and its merger with the former BIL, new CAI became one of the top industry players and enhanced its presence in the market

Shares in the Global Container Leasing Market (CEU*)



Mergers and restructuring of container lessors have progressed, with the top five companies having an approx. **80%** share of the container leasing market

• CEU: Cost Equivalent Unit, a unit of container volume converted based on the cost. Setting the CEU of a 20-foot dry container to 1, CEUs of various types of containers are calculated based on the price of a container relative to the price of a 20-foot dry container
(Source) Drewry, global market shares as of December 2022

CAI's Strengths

Ownership by a long-term and strategic investor, MHC

- 1 A stable management policy through long-term commitment to the container leasing business (Other large lessors are affiliated with funds or shipping companies)
- 2 Creditworthiness and fundraising ability underpinned by MHC's rating (A-rating)
- 3 A robust business management base established by combining CAI's industry experience of over 30 years and the strengths of the former BIL

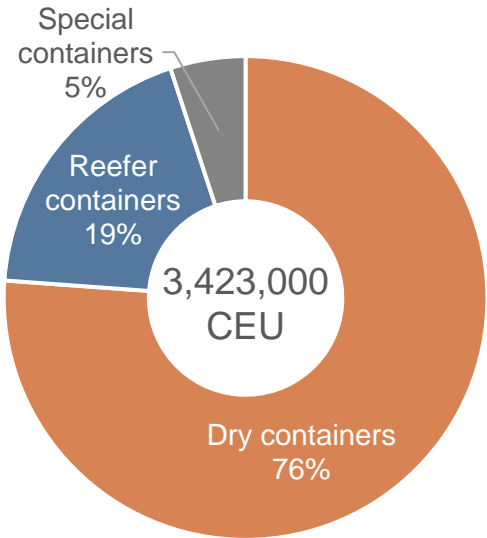
Goal

Continue to be the world's leading and reliable container provider

CAI's Portfolio Strategies

- 1 Create a portfolio mainly consisting of dry containers, which have the highest liquidity in the market
- 2 Mitigate volatilities by also including reefer containers, which are less affected by economic fluctuations than dry containers, in the portfolio
- 3 Realize a full lineup of containers by also including special containers, which enables to resolve a variety of customer demand, and gain trust from customers

Breakdown of Assets Held by CAI (as of the end of March 2024)



Achieve a well-balanced portfolio in line with the asset composition of the market

Major Assets

Dry Containers



- Used to transport daily necessities, industrial goods, industrial materials, etc.
- The most versatile containers used globally, contributing to a stable and high container utilization
- Generally, dry containers are boxes made of iron, so there is low risk of obsolescence

CAGR (2013-2022) 4.5%

Reefer (refrigerated) Containers



- Less affected by economic fluctuations because they are mainly used for the transportation of daily necessities such as fresh food and medicine
- The market growth rate currently remains high due to an increased demand for food as a result of population increase and higher income levels in emerging countries

CAGR (2013-2022) 5.0%

01 Introduction to the Logistics Business Division

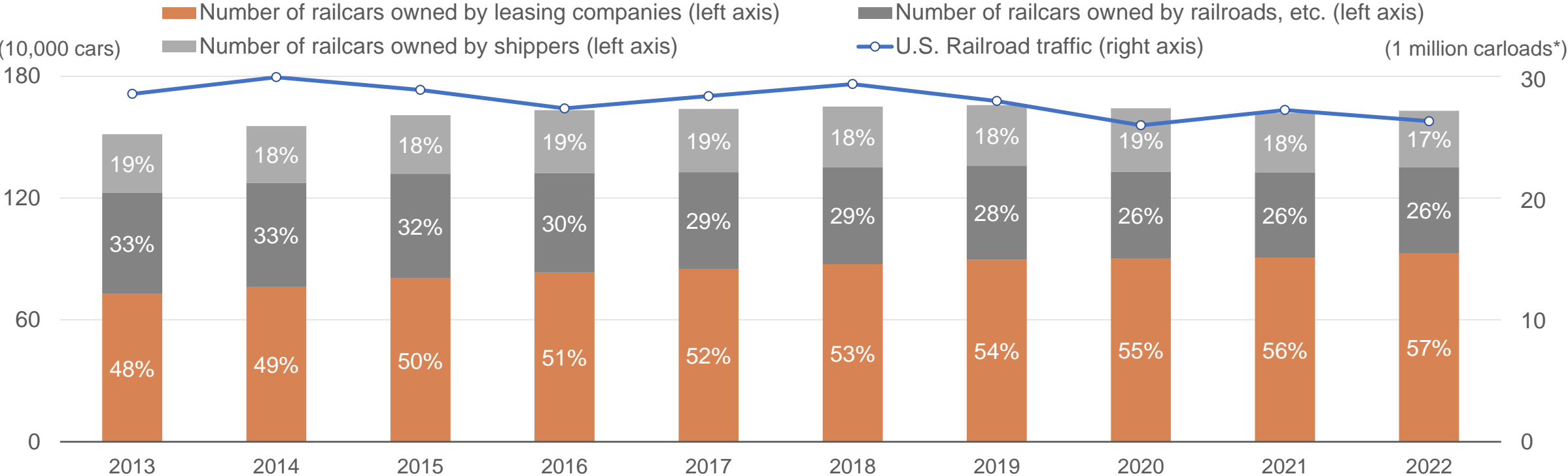
02 Overview of the Container Leasing Business

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Market Environment : Overview of the North American Railcar Market

- ✓ As a core transport infrastructure supporting North American industries especially in the U.S, railroad traffic in North America has been stable.
- ✓ The number of railcars in North America has been stable at around 1.6 million. Ownership share of leasing companies has continued to rise by about 1 point every year. As of 2022, the share was 57%, more than half.
- ✓ The number of railcars owned by leasing companies is approx. 0.9 million, with a market share of approx. 90% owned by top 10 lessors.
- ✓ The market share of leasing companies is trending upward, as railroads and shippers are prioritizing capital investment in their core business, rather than railcars.



* Carloads, which indicate how many times railcars transported freight to destinations, are used for measuring freight transport volume
(Source) Association of American Railroads, GATX

Overview of the North American Railcar leasing Market MITSUBISHI HC CAPITAL

A business aiming to tap into the economic growth of North America,
by leasing railcars that transport various commodities to a wide range of customers

Flow of Railcar Leasing (with a lifecycle of 40 to 50 years)

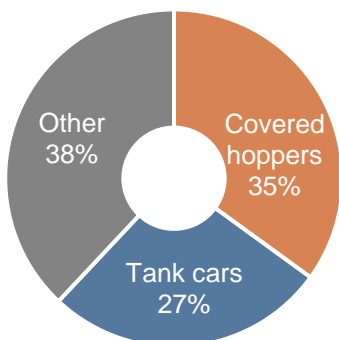


Current Position of PNW	PNW's Strengths	Point
<div><div>1</div><div>Since entering into the market in 2013, PNW has increased its fleet to over 20,000 cars through organic growth and ranked in the top 10 companies in the industry</div></div> <div><div>2</div><div>PNW's portfolio grew enough to diversify risks effectively. Also, PNW built a customer base consisting of many top-tier customers such as large petrochemical companies and major grain companies, in addition to Class I railroads</div></div>	<div><div>1</div><div>Developed a balanced portfolio by making investments in selected car types with high resiliency and high liquidity while avoiding concentration into specific car types (please refer to the next page)</div></div> <div><div>2</div><div>Strong Commercial and Operational capabilities have helped us build a customer base consisting of top-tier and well diversified customers</div></div> <div><div>3</div><div>Creditworthiness and funding capability backed by MHC's credit rating</div></div> <div><div>4</div><div>By growing organically, versus growing via acquisition of other lessors, PNW is not carrying premiums in its book value of assets</div></div>	<div><div>✓</div><div>Realize gains on sale before railcar retirement while earning lease margin from long-lived and stable assets</div></div>

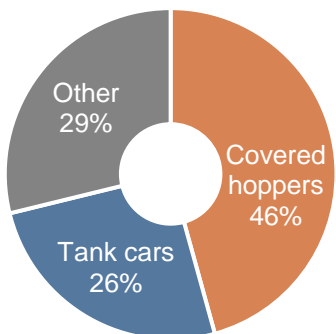
PNW's Portfolio Strategies

- 1 Invest in selected railcars with high liquidity and a potential for medium- to long-term demand in order to develop a risk-diversified portfolio that is less susceptible to specific industries
- 2 Obtain capital gains by selling assets on an ongoing basis while replacing assets and rebalancing the portfolio by making new investments
- 3 Acquire railcars that match supply-demand trends at fair market prices through new car orders

Breakdown of Assets in the North American Railcar Market
(as of the end of April 2024)



Breakdown of PNW Portfolio
(As of the end of March 2024)



Building a diversified portfolio resembling the North American Railcar market.

Major Assets (major transport commodities are in [])

✓ PNW's portfolio mainly consists of covered hoppers and tank cars, which are two major car types in the North American railcar market. PNW also holds other types of railcars, the majority of which are owned by railroads to diversify its portfolio.

Covered Hoppers



Covered hoppers

[Grain, resin, cement, etc.]

No. of cars in market
Approx. 0.6million

Tank Cars



Tank cars

[Chemicals, fuels, veg/seed oils, etc.]

No. of cars in market
Approx. 0.4million



Flat cars

[Containers, autos, lumber, etc.]

No. of cars in market
Approx. 0.2million



Gondolas

[Steel, scrap, etc.]

No. of cars in market
Approx. 0.2million

Other



Open top hoppers

[Aggregates, etc.]

No. of cars in market
Approx. 0.1million



Boxcars

[pulp/paper, general consumer goods, etc.]

No. of cars in market
Approx. 0.1million

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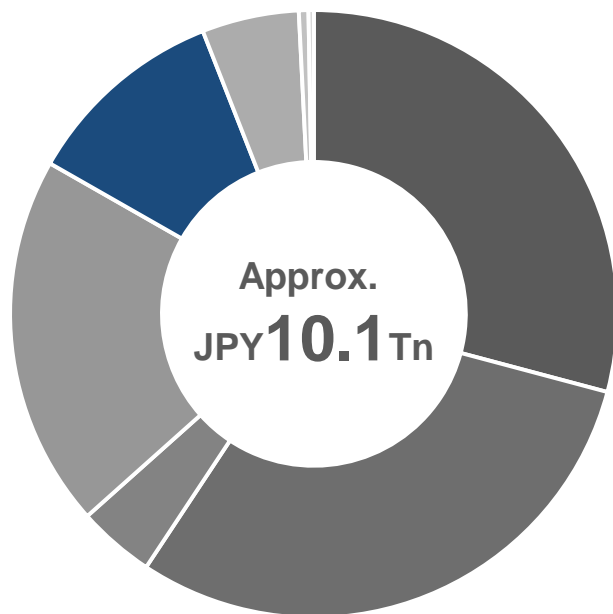
03 Overview of the Railcar Leasing Business

04 Business Strategies of the Logistics Business Division

Asset and Profit Size of the Logistics Business Division MITSUBISHI HC CAPITAL

The Logistics Business Division accounts for more than 10% of MHC's total assets and profit. Meanwhile, its employees make up approx. 2% of all employees, indicating high per capita productivity

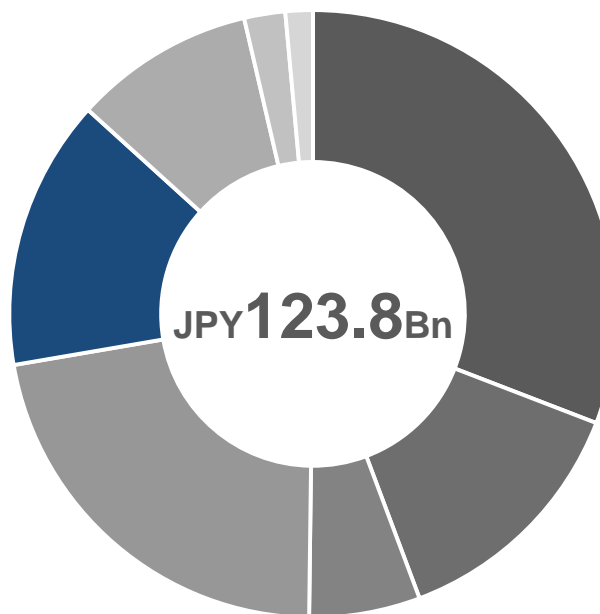
Segment Asset Balance
(As of the end of March 2024)



JPY1.0Tn / 11%

Approx. JPY10.1Tn
(consolidated total)

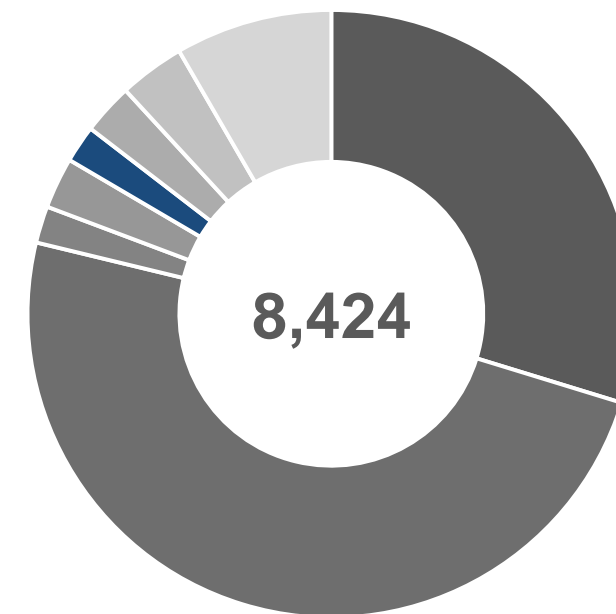
Net Income
(FY2023)



JPY17.8Bn / 14%

JPY123.8Bn
(consolidated total)

Number of Employees
(As of the end of March 2024)



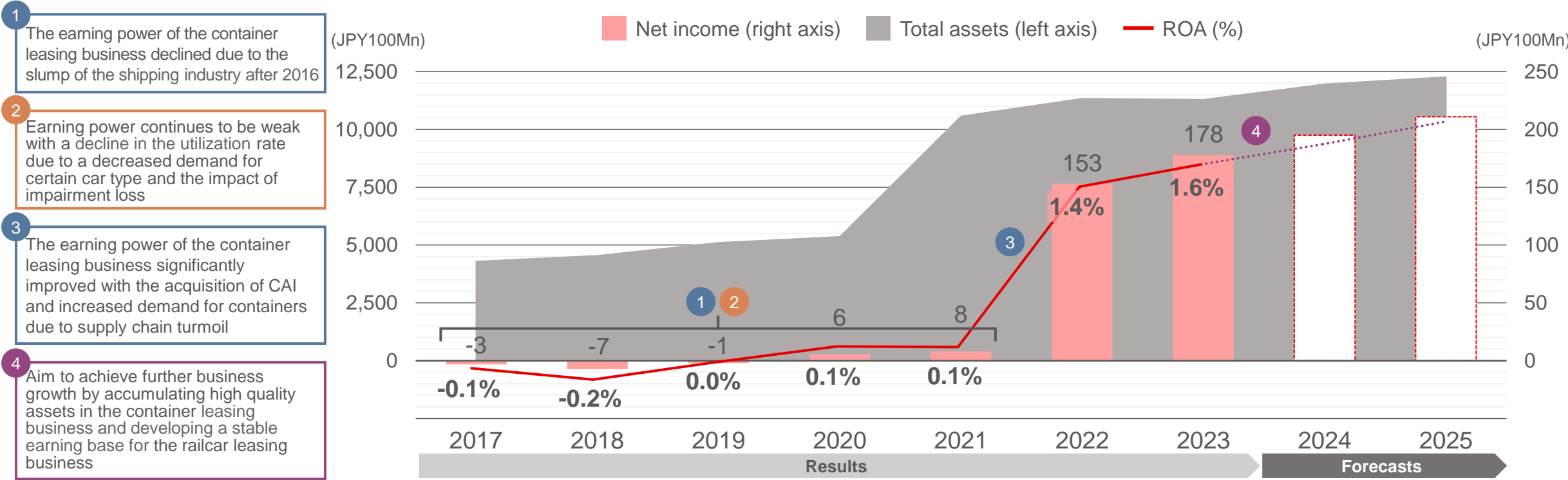
167* / 2%

8,424
(consolidated total)

* The number of employees excludes seven CAI officers and one PNW officer

Having overcome a prolonged stagnation,
we began making a steady turnaround after the acquisition of CAI in 2021

Changes in Net Income and Total Assets



Containers

2014
Acquisition of BIL

November
Acquisition of CAI

January
Merger of CAI/BIL

Railcars

2013
Establishment of PNW
(former MULR)
Opened PNW head office

Decline in utilization
of certain car type

Accelerated
depreciation of
certain car type

Impairment
loss on
certain car types

Measures and Approaches for Each Risk





Inventory Risk

Risk of non-performing inventory


- ✓ Make flexible investments in new containers by leveraging CAI's intelligence through acceleration and deceleration in accordance with changes in market conditions
- ✓ Promote remarketing and sales activities for containers whose lease period has expired, leveraging CAI's global sales network



Interest Risk

Risk of increased interest payments due to interest rate hikes


- ✓ Mitigate interest volatility risk by promoting fixed-rate financing and interest rate swaps as well as diversifying maturity



Credit Risk

Risk of defaults by lessees

- ✓ Mergers and acquisitions have progressed in the shipping industry in the past 15 years, making competition less intense
- ✓ Lessees consist of top-tier customers in the U.S. such as large energy companies, major grain companies, and petrochemical manufacturers



Residual Value Risk

Risk of lowered residual value

- ✓ The risk of prices declining is low for both containers and railcars because they do not become obsolete easily
- ✓ As for railcars, asset value is maintained by regular maintenance work. Also, the risk of becoming stranded assets can be well mitigated by selling the car types when the demand is declining at an early stage



2025MTMP

Medium- to Long-term

- 1 Accumulate high quality assets by making agile and flexible new investments
→ Transit times have become longer due to shipping companies avoiding the Suez Canal and the Red Sea routes because of the recent escalation in Middle East and restrictions on shipping traffic through the Panama Canal owing to draught. Currently the demand for containers is rising with an increase in required vessel capacities
- 2 Maintain a high utilization and strengthen resales trading by refining marketing and asset management information using digital technologies
- 3 **Aim to tap into the growth of the marine container market and achieve stable profit growth by continuing flexible investments leveraging CAI's intelligence and marketing capabilities**



PNW RAILCARS

2025MTMP

- 1 Improve the utilization through conversion program for certain underperforming car type
- 2 Successfully actualizing lease rate increase with longer lease terms in the current favorable market situation, owing to PNW's business strategy to shorten lease term while the market was unfavorable
- 3 Realize gains on sale through the shift to the asset turnover model
→ Assets accumulated since 2013 are steadily generating unrealized gains

Medium- to Long-term

- 4 Aim for steady contributions to profit, both from lease margin and sales gains, by increasing profitability while maintaining a high-quality portfolio through continuing new investments and the sale of assets

