

February 27, 2020

Office Support Co., Ltd.

**Request to Vote Against Agenda Items (Implementation and Execution of Buyout Defense Mechanism)
at Extraordinary Shareholders' Meeting**

To the Shareholders of Toshiba Machine Co., Ltd.:

CITYINDEX 11 Co., Ltd. (“Tender Offeror” hereafter, and jointly “Tender Offerors” together with Office Support Co., Ltd. and S-GRANT CO., LTD.), subsidiary of Office Support Co., Ltd., has commenced its tender offer for shares in Toshiba Machine Co., Ltd. (“Toshiba Machine” hereafter) (the “Tender Offer” hereafter). At the extraordinary shareholders’ meeting scheduled for March 27, it has been said that Toshiba Machine will be bringing up the two agenda items [1. Approval of Implementation of Buyout Defense Mechanism] and [2. Allotment of Share Warrants without Contribution] (the “Agenda Items” hereafter), both of which the Tender Offerors object to.

Toshiba Machine’s share price has been left to remain below 1x Price-to-book Ratio (PBR), even at 0.55x PBR at its lowest in January 2019, and the Tender Offerors believe that the current management team of Toshiba Machine has failed to sincerely engage in increasing shareholder value or in enhancing ROE. The Tender Offerors have been requesting meetings time and time again to the current management team of Toshiba Machine, who had been focusing on satisfying only Toshiba, their parent company, but we have not been able to get a sincere response from the current management team.

This Tender Offer has been commenced with the objective of increasing the holding of Toshiba Machine shares by the Tender Offerors so that there is a stronger voice to advocate appropriate management for the sake of all shareholders, and it is being conducted so that the enterprise value and shareholder value of Toshiba Machine is enhanced. The Tender Offerors are providing other shareholders the opportunity to sell their Toshiba Machine shares at a price of 1x PBR, and are also planning to work with other shareholders, as one of the shareholders, to advocate improvement in shareholder value to the management team. The Tender Offerors do not have the intention to gain a controlling stake in Toshiba Machine, or take over control of the Company.

However, as soon as the current management team of Toshiba Machine noticed the plan of this Tender Offer they arbitrarily implemented a buyout defense mechanism based on the allotment of share warrants without compensation, which works against only the Tender Offerors, solely based on a board resolution. The current management team of Toshiba Machine has agreed to the Tender Offerors’ request to hold an extraordinary shareholders’ meeting for shareholders to vote on the implementation and execution of this buyout defense mechanism, but considering their history, we must assume that this mechanism is intended

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for the self-preservation of the current management team who had been neglecting the executions of appropriate management and capital strategies for the Company.

There are mainly 3 points on which the Tender Offerors and the current management team of Toshiba Machine have opposing views: (1) Appropriate levels of owned capital, (2) policies on business investments, and (3) maximization of stakeholder benefits (see below). Regarding these 3 points, if the Tender Offer is successful, the Tender Offerors will request Toshiba Machine to implement initiatives that are most beneficial to the shareholder value of Toshiba Machine. Especially, considering the appropriate level of owned capital, we will strongly request approximately 12 billion yen out of the cashflow resulting from Toshiba Machine’s sale of shares in NuFlare Technology (approximately 21.1 billion yen proceeds – approximately 6.3 billion yen in taxes – approximately 3 billion yen in special dividends) to be allotted to shareholder returns.

	Toshiba Machine’s Opinions	Tender Offerors’ Opinions
Owned Capital	<u>84 billion yen (estimated amount for end of current fiscal year) is an appropriate level.</u>	Considering that net assets of Toshiba Machine ranged from 40 to 50 billion yen in the early 2000s with higher revenues and operating income than recently, <u>40 to 50 billion yen in owned capital should be appropriate for the sustainable running of business operations.</u>
Business Investments	Planned investments of 30 billion yen (3 billion for restructurings, 2 billion for R&D/HR, 25 billion for capital expenditures). Investments for growth to be conducted with owned capital.	Investments shall be made to opportunities that are most heavily undervalued, comparing own shares and those of investment candidates; if there are opportunities that are more undervalued than shares in Toshiba Machine, clearly show and explain the IRR of the opportunities. Quantify risks of investment opportunities and apply appropriate leverage.
Stakeholder Benefits	Conduct voluntary retirement initiative for 200 to 300 employees, where an added bonus will be paid out on top of regular severance.	Half of the board directors’ compensations shall be in equity shares. Stock options, employee stock ownership programs, and compensation systems with incentives shall be provided to employees for added motivation.

We ask that the shareholders vote against the Agenda Items, in order to improve the enterprise value and shareholder value of Toshiba Machine, and to prevent a bad precedent from occurring regarding the free trading of equity shares in Japan as well as preventing the Japanese capital markets from diverging from global standards. Blank votes that do not clarify whether shareholders are for or against the Agenda Items will be construed as being in agreement to the implementation and the execution of the buyout defense mechanism, so we ask that you clearly state that you are voting against the Agenda Items.

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Lastly, the Tender Offerors will take into account the voting results at the extraordinary shareholders' meeting, and consult the judgement of the courts as necessary, in order to make final decisions concerning this Tender offer.

**Note: This document has been created with the intent to provide information regarding the Tender Offerors' opinions regarding the Tender Offer as well as the extraordinary shareholders' meeting of Toshiba Machine, and the Tender Offerors do not have the intent to be considered joint owners with other shareholders, as defined under the Financial Instruments and Exchange Act, through this document. Additionally, this document is not a solicitation to execute voting rights by proxy through the Tender Offerors or any other third party regarding the agenda items proposed by the Company for the shareholders' meeting of Toshiba Machine.*