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Request to Vote Against Toshiba Machine's Buyout Defense Mechanism

Office Support Co., Ltd.

March 9, 2020

**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.*

We request that you vote against the buyout defense mechanism

- Toshiba Machine’s new buyout defense mechanism **shall not be allowed from the standpoint of the progress of corporate governance in Japan**; **we request that you vote against it at the extraordinary shareholders’ meeting**. There are opinions that if the new buyout defense mechanism creates a precedent, some **“will have to consider taking a negative outlook on Japanese equity as a whole, not just Toshiba Machine”** (Nikkei Business Online, February 19, 2020)
- If the buyout defense mechanism is implemented and executed, **we will immediately withdraw the Tender Offer** provided that the conditions of withdrawal as written in the Tender Offer Notification Form are met. In that case, shareholders will not be able to sell their shares in Toshiba Machine to our subsidiary at the price of **3,456 yen**
- Shareholders as of the record date of the year-end dividends will be able to sell their shares in the Tender offer after receiving year-end dividends of **42.5 yen per share (expected)**
- **Please clarify whether you are in favor of or against the Tender Offerors becoming large shareholders of Toshiba Machine through selling your shares in the Tender Offer based on the free judgement of each shareholder, and not through the voting of whether you are for or against the buyout defense mechanism**
- The Tender Offerors approve of the fact that Toshiba Machine management is making gradual progress after the execution of the Tender Offer, understanding the importance of corporate governance, enterprise value, and shareholder value. We request Toshiba Machine management to commit to their goal of achieving 8.5% ROE

We approve of Toshiba Machine's "Progress" through the execution of the Tender Offer

Toshiba Machine before the execution of the Tender Offer

- Share prices were allowed to languish at heavy discounts
- The management team were not necessarily sincere in working on improvement of enterprise value, shareholder value, and ROE. They failed to fully grasp ROE-focused management
- This is clear from the fact that Toshiba Machine created 3-year mid-term management plans 10 times in the last 10 years, failing not only to achieve targets even once but also conducting insincere management, changing mid-term managements while they were being conducted, in order to blur accountability
- Chairman and Representative Director Iimura remained in control as Representative Director throughout these 10 years

Toshiba Machine after the execution of the Tender Offer

- 1 Share prices have improved as a result of the tender offer, improving shareholder value
- 2 The management stated that they "intend to move forward with indomitable determination and resolve" in relation to the formation of the management reform plan, and seem to have begun to take seriously their responsibilities for improving enterprise value and shareholder value
- 3 President and Representative Director Sakamoto showing remorse for past insincere management and stating that "the ROE goals were almost conceptual in nature. We regret that our focus was on our original shareholders, Toshiba, and would like to focus on the general shareholders more"
- 4 Giving up a portion of directors' compensations voluntarily, taking responsibility for insincere management. The Chairman and President will be returning 20% of their monthly compensation for 6 months beginning February. It seems that some responsibility was taken for failing to make good use of internal reserves and for conducting layoffs while business goals were not met and improvements in enterprise and shareholder values were not realized

Toshiba Machine Management should commit to 8.5% ROE

- The share price currently remains significantly below BPS (book value per share) despite the Tender Offer being executed for **3,456 yen per share**, and we believe that this is because the shareholders are concerned whether the management reform plan announced by the Toshiba Machine management will be executed successfully
- Toshiba Machine is using **misguiding logic** that shareholders can “support the management reform plan by agreeing to the new buyout defense mechanism”, but the implementation of the new buyout defense mechanism and the execution of Toshiba Machine’s mid-term management plan are unrelated
- Share prices should naturally improve if the commitment of 8.5% ROE is achieved
- We request the management team to commit to the management reform plan. **The increase in our ownership of Toshiba Machine shares will not interfere with the execution of the management reform plan. We intend to conduct governance as shareholders of a publicly traded company**, along with all other shareholders, through close scrutiny of the results of the commitments made by the management team, and making approvals or refusals at shareholder meetings
- **The most important matter is for Toshiba Machine to realize sustainable growth of its enterprise value and shareholder value.** As a publicly traded company, **they need to improve value for all shareholders.** We expect from Toshiba Machine management improvements in enterprise value and shareholder value, through improvements in profitability, commitment to management goals, and improvements in governance
- **The Company’s explanations on the series of events are filled with falsehoods, invalid manipulations, and misguided logic**; we warn to you be mindful not to gain an incorrect understanding of the situation

Toshiba Machine's false explanations about us (1)

“Relentlessly” asked for a confidentiality agreement?

- **We do not wish to receive insider information from the management in the first place, and do not have an incentive to enter into a confidentiality agreement Toshiba Machine**
- We suggested a confidentiality agreement in consideration of the management, taking into account fair disclosure rules, but they seemed to have used such an expression either because they lack the understanding of fair disclosure rules or because they would like to manipulate the public perception of us
- We by no means were “relentless”, **and you will see in our disclosure on our website regarding our interactions with Toshiba Machine that we have been sincere in our interactions (Toshiba Machine selectively removes content that puts them in a bad light from their disclosures, including this item)**

Immense amounts of share buybacks? Momentary improvement in ROE?

- We are making realistic proposals regarding Toshiba Machine's capital strategy
- We are seeking **sustainable improvement in ROE**, not a momentary one. The management has allowed ROE to remain at unacceptably low levels, taking shareholders lightly. It is needless to say that ROE improvement is needed immediately

Discussions

- **We have always been open to discussions with management, but the management has continued to refuse discussions with us** (it will be clear if you take a look at the course of events to date)

Toshiba Machine's false explanations about us (2)

Questionable adequacy as controlling shareholder?	<ul style="list-style-type: none">- We will not control Toshiba Machine; the upper limit of the Tender Offer is at 42%- We place utmost importance on compliance with laws, and there is no evidence of us breaching the Foreign Exchange and Foreign Trade Act. Why would we conduct a Tender Offer if it caused us to breach these laws? 。
Short-term and excessive shareholder returns?	<ul style="list-style-type: none">- We are not urging Toshiba Machine to conduct shareholder returns with capital that is necessary for the growth of the Company; we are saying that the Company should conduct appropriate shareholder returns with excess capital after reserving necessary capital for the business, instead of keeping them as internal reserves for self-preservation
Oppressive nature of TOB	<ul style="list-style-type: none">- Even if the Tender Offer is completed, it is impossible that we will engage in activities that will deteriorate the value of the company in which we are major shareholders. If we do so, we will be the ones that will incur the largest losses. These claims are nothing more than hypothetical
Past investments	<ul style="list-style-type: none">- We have engaged in constructive discussions with the management teams of the companies we have invested in formerly, and these management teams have realized improvements in shareholder value for all shareholders- The claims that “there are several instances where the common benefits of all shareholders or long-term improvements in shareholder value were not realized” are insulting to the management teams of these companies that have realized increases in shareholder value
“Ignoring” of buyout defense mechanism?	<ul style="list-style-type: none">- Toshiba Machine reinstated the buyout defense mechanisms that they had abandoned last year merely by a board resolution, as soon as they found out about the Tender Offer by the Tender Offerors. There is no reason for us to be held back by a buyout defense mechanism that hasn't even been approved by a shareholders' meeting, and we are against this buyout defense mechanism that goes against the development of corporate governance.

On latest information

From the standpoint of fairness, we have been disclosing all of our interactions with the management team of Toshiba Machine. Please be mindful that Toshiba Machine is being selective, disclosing only a part of the information.

Our website: <http://officesupport.bz/>
Out Twitter account: @OS_CI11

QR Code for our
Twitter account

