



March 5, 2020

To whom it may concern:

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Notification of the Results of Dialogue Between Institutional Investors and
the Company's Independent Outside Directors (Engagement Call Summary)

The Company held an engagement call between its independent outside directors and institutional investors on March 4, 2020. Accordingly, we would like to provide an outline of that call.

<Company Participants>

- Seigo Iwasaki, Independent Outside Director
- Kiyoshi Sato, Independent Outside Director

<Institutional Investor Participants>

- Approximately 40 domestic/overseas institutional investor shareholders

<Outline>

- See attachment (performed via conference call)

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**Summary of Engagement Call with
Toshiba Machine Co., Ltd. Independent Outside Directors (Held on March 4, 2020)**

Explanation from Independent Outside Directors

While this is the first briefing for institutional investors by independent outside directors, going forward, we want to hold this kind of dialogue with our shareholders as necessary.

From the standpoint of independent outside directors, we will provide (1) an evaluation of the Management Reform Plan and (2) the background to expressing an opinion (opposition) to a tender offer.

(1) Evaluation of the Management Reform Plan

After sufficiently reflecting on the fact that target values in the previous Mid-term Management Plan were not reached, the Company's management is displaying a sincere commitment and strong sense of responsibility toward realizing the Management Reform Plan. Furthermore, in terms of its contents, we judge the plan to be different from the previous Mid-term Management Plan due to its radical management reform aims and the clarification of the uses of previously reserved funds, based on a detailed and in-depth confirmation of the Company's businesses.

The Management Reform Plan, aimed at drastically overhauling the previous Mid-term Management Plan, puts in place a 100-day plan that operates from early December to the end of March. Its contents were announced on February 4, 2020.

(2) Background to Expressing an Opinion (Opposition) to the Tender Offer

Currently, a tender offer for the Company's shares has been launched by City Index Eleventh Co., Ltd., a subsidiary of Office Support K.K. Consequently, the Company's Independent Committee made a unanimous recommendation to the effect that "expressing an opinion (opposition) is appropriate." Also, the Board of Directors resolved to express its opinion opposing the tender offer.

This decision was made by taking into consideration the following circumstances: (i) the clear execution by current management of the recently announced Management Reform Plan will lead to an increase in corporate value over the medium to long term, (ii) independent outside directors, which account for a majority of the Board of Directors, will monitor current management in the promotion of the plan, and (iii) as the proposal for increasing shareholder value made by the tender offeror group advocates only short-term share buybacks and dividends, and will impede the promotion of the Management Reform Plan, there is a strong possibility that it will damage the Company's corporate value and the common interests of shareholders over the medium to long term.

The greatest responsibilities of outside directors will be to represent the shareholders and monitor management's execution of the Management Reform Plan. We believe these actions will lead to maximizing the Company's medium- to long-term corporate value and the common interests of shareholders.

Questions & Answers

Q: To what extent were outside directors involved in formulating the 100-day plan? Moreover, how are you supervising the plan? In addition, can you please tell us about measures to enhance the effectiveness of the Management Reform Plan?

- Let us explain the background to the formulation of the Management Reform Plan, announced on February 4, 2020.

While outside directors had also monitored previous mid-term management plans, the Company was forced to make downward revisions. This was due to the plan having been made by preserving previous policies. For the current plan, outside directors expressed an opinion to management that a drastic restructuring of the organization was necessary and, since around last fall, management started to make moves as the 100-day plan. The contents were announced as the Management Reform Plan on February 4, 2020 and were not created in reaction to the tender offer. While the plan was officially announced on February 4, 2020, preparations had been under way since last year. We expect the basic framework to be completed by the end of March.

- While outside directors made requests regarding previous mid-term management plans, even from the standpoint of outside directors, we are satisfied with the current plan because of the numerous revisions we made. We view the Management Reform Plan as one that will improve the Company, if it is executed. Management had a kick-off meeting for the 100-day plan in early December, in response to the opinion of outside directors at the November Board of Directors' meeting that the current Mid-term Management Plan was inadequate. Management's response were swift. At our request, the outside directors' 100-day plan progress reports are being made at regularly scheduled Board of Directors' meetings, and we are already monitoring the plan.

Q: We have heard that the Response Policies to the tender offer were similar to an emergency evacuation. While we think that, generally speaking, many investors view the tender offer negatively, please describe the special circumstances and individual factors that led outside directors and the independent committee to the decision that the Response Policies were required.

- Let us explain the Company's unique background that led to the introduction of the Response Policies.

In the course of selling shares following Toshiba's takeover bid (TOB) of NuFlare Technology Inc., we received a proposal from the bidder group about discussing buybacks after entering into a non-disclosure agreement (NDA). When the Company responded negatively to entering into the NDA and having confidential discussions, it was notified that, in that case, a TOB would be implemented. In such tense circumstances, we were worried that a TOB would be pushed forward unilaterally. In response, the Board of Directors decided to introduce countermeasures.

We introduced the Response Policies in the form of a plan to confirm shareholders' intentions, though not on the assumption that the countermeasures would protect management. Accordingly, we regard this Extraordinary General Meeting of Shareholders as a general meeting to confirm shareholders' intentions.

Q: We ask this question from the perspective of determining the probability of achieving the new Management Reform Plan. Can you please tell us about the strengths and weaknesses of Toshiba Machine from your standpoint as outside directors (in particular, from the standpoint of those with management experience in a major manufacturing industry)?

- The first thing I noticed immediately after becoming an outside director was that there were six business divisions, despite overall sales of only 110 to 200 billion yen. Sales in each respective division were low, and there were many overlapping areas such as business division staff and purchasing departments. I felt there were problems from the perspectives of efficiency and fixed costs. These points are addressed in the new reform plan through the combination into three companies and the detachment of administration departments and integration of production departments.
- The Company's strengths lie in its possessing unique technologies in the machine tools, industrial machinery, and injection molding machinery divisions. It will be important to focus on these and develop products and markets. Up until now, the Company was proceeding in different directions, without narrowing down markets. The Management Reform Plan also aims toward consolidation and product development. We think that the Company will grow in the future by utilizing its strengths.

Q: The Management Reform Plan discusses working toward organizational reforms by adopting a company system. Can you please tell us about the aims of this, as well as the changed and expected roles of executives?

- While there were six business divisions with their respective posts, by changing to a three-company system, the plan is to reduce overlapping posts and organizations and, consequently, reduce senior positions.

Regarding executive human resources, we have received various reports at the Board of Directors from the executive officers. We feel that management has excellent human resources in various fields, such as experts in manufacturing and those with strengths in overseas markets.

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