[Translation]

February 18, 2020

To whom it may concern:

Company name Toshiba Machine Co., Ltd.
Representative Takahiro Mikami
President and Chief Operating Officer
(Code: 6104, First Section of the Tokyo Stock Exchange)
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Notification of Reply to Question Submitted to the Company's Independent Committee from Office Support K.K. Dated February 16, 2020

The Independent Committee of the Company has received a question dated February 16, 2020, from Office Support K.K. (the "Question"). Based on the content of the Question and the intention behind establishing the Independent Committee, the Company's management has replied to the Question as outlined below.

<Question from the tender offeror to the Independent Committee (excerpt)>
Note: For details, please refer to the letter dated February 16, 2020, sent by Office Support K.K. to the Company's Independent Committee.

Based on the correspondence and conversations to date between ourselves (i.e., Office Support K.K.; also "we," "our," etc. throughout this paragraph) and yourselves (i.e., Toshiba Machine Co., Ltd.; also "you," "your," etc. throughout this paragraph), we believe that your Independent Committee, comprising outside directors, has already considered and recognizes the amount of equity required for the ongoing operation of your existing businesses. The "amount of equity needed for ongoing business operations" and the "amount of equity needed to address various anticipated risks" need to be considered separately. With regard to the latter, from the perspective of risk management, it is possible to derive the minimum required equity amount based on factors including the anticipated value of non-recoverable amounts derived from default rates on accounts receivables, etc., and the anticipated value of the amount of losses derived from the likelihood of damage caused by any natural disaster to fixed assets at your plants, etc. Quantitatively analyzing the various risks, at this time what do you consider to be roughly the amount of equity needed to continue operating your business without major disruption in the event a risk event were to occur (expressed as "roughly ¥xxx million")?

Please refer to the following url for the entire text of the letter extracted above:
https://www.toshiba-machine.co.jp/documents/jp/ir/library/OS/20200216S.pdf
(in Japanese only)

<The Company’s response>
At the present time, we expect to have equity in the amount of roughly ¥84.0 billion as of the end of the current fiscal year (March 31, 2020). The industry in which we operate—molding equipment and machine tools—is subject to large, sudden drops in both product prices and sales volumes in the event of a decline in demand for capital investment by customers during economic slowdowns. At the time of the 2008 global financial crisis, sales at many companies in our industry declined by half year on year, and the Company was forced to record losses. Among our industry peers, companies which have the same level of sales as ours recorded losses of ¥20.0–¥30.0 billion in operating losses, extraordinary losses for restructuring, and other items, and some companies were also forced to increase their capital. Given these industry characteristics and depending on external environmental factors, the Company cannot completely eliminate the possibility of being forced to take similar measures. We also need to consider costs required for business continuity planning (BCP) to prepare for an emergency situation including a natural disaster involving an earthquake in the Nankai Trough off Japan’s Pacific Coast.

Given these industry characteristics and considering the need for the stable continuation of our business activities for the ongoing maintenance and enhancement of corporate value, even in the event of large losses emerging as a result of economic weakening, a natural disaster, or for other reasons, based on the current size of our business, at this time we believe we would require equity in the amount of roughly ¥40.0 billion as a risk buffer to ensure that problems do not arise in terms of business continuity and credit risk. The necessity of this level of equity is also supported by the fact that, as a company that conducts much business with the automotive industry, which emphasizes the financial position of its suppliers to ensure stable procurement, we view financial soundness as one of the Company’s most important management indexes.

Another feature of the molding equipment and machine tool industry is that it handles large equipment with long delivery times, which involves large amounts of working capital, and we consider working capital in the range of ¥45.0–¥50.0 billion to be normally required. We also understand that, as a rule of thumb, fund procurement via interest-bearing borrowings becomes more difficult than usual during economic downturns, and would use equity for a certain portion of working capital in an amount we estimate to be roughly ¥20.0 billion.

Additionally, with regard to our growth strategy, we believe that, in principle, equity should be used for investments for growth through mergers and acquisitions and other means, and as we noted during the Q&A at the presentation for the Mid-Term Management Plan, given that the plan includes the possibility of a large-scale acquisition in the range of ¥15.0–¥20.0 billion, we would like to maintain this amount as equity. (There is also the possibility of proactively using borrowings based on a comprehensive evaluation of the size of the company to be acquired, cash flow stability, etc., and we envision this being determined based on the features of the acquisition proposal and degree of risk.)

In addition to the amount of equity to address the risks outlined above and given that we are forecasting restructuring expenses of ¥3.0 billion and special dividend payments of ¥3.0 billion during the fiscal year ending March 31, 2021, we believe the ¥84.0 billion of equity we are forecasting at the end of the current fiscal year is an appropriate level.

Also, the molding equipment and machine tool industry has significant business risk from the length of the capital investment cycle, and when considering our capital composition, excessive leverage from interest-bearing debt conversely increases financial risk because of the mismatch between business risk and capital composition, and we consider this to be undesirable because it will lead to share price volatility. Machine tool manufacturers and other industry peers have an average interest-bearing debt ratio of slightly more than 20%, and, although our ratio is slightly lower, we intend to hold our interest-bearing debt ratio to roughly 20%, in line with our peers. Our current cash and deposits, including gains from the sale of NuFlare Technology, Inc. shares, total roughly ¥35.0 billion, and excluding cash and deposits required as working capital, our surplus financial leverage capacity is limited, and we recognize that credit lines for additional borrowings via interest-bearing debt are limited as well.

This constitutes the Company's thinking regarding equity at this time, but going forward, we will review this as necessary after considering the appropriate amount of equity based on factors including the Company's business and industry environment.

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