Toshiba's Strategic Review Committee Process Was Flawed and Should Be Conducted Again With Transparency and Objectivity

March 2022

3D INVESTMENT PARTNERS

About 3D Investment Partners

- 3D Investment Partners is an independent Singapore-based Japan-focused value investing fund manager
- Founded in 2015, a Singapore-based multi-strategy fund
- We **focus on partnering with management teams** who share our investment philosophy of medium- to long-term value creation through compound capital growth and a common objective of achieving long-term returns
- We have a concentrated portfolio with a **long-term investment horizon**

3D has owned Toshiba shares since 2016 and is currently the Company's second-largest shareholder

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Executive Summary

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Toshiba's Strategic Review Process Was Not Well Run and Needs to be Redone

After years of mistreating its shareholders and generating no returns, Toshiba finally pledged to evaluate all of its strategic options objectively; unfortunately, this latest effort was flawed too and has left shareholders still doubting Toshiba's dedication to maximizing corporate value

- **The issues at Toshiba over the last ten years are well documented**: accounting scandals, voting irregularities, refusal to engage with shareholders
- In April 2021, **private equity firm CVC approached Toshiba seeking to engage on a take-private transaction, rumored to be at JPY 5000[1]**
  - Management rebuffed CVC's interest and pressured banks not to lend[2] and spoke with the government as a means of blocking CVC[2]
  - In the wake of the stunning rebuke of Toshiba's leadership at the 2021 AGM, Toshiba expanded the scope of Strategic Review Committee of the Board (the "SRC") to conduct a thorough and objective review of Toshiba's strategic options
- **The SRC's five-month review process was flawed and failed to consider all of Toshiba's alternatives carefully**
  - Management prevented a proper exploration of a sale or third-party investment opportunities by refusing to provide sufficient background and by claiming, without any support, that Toshiba needed to remain publicly listed for the benefit of various stakeholders
  - Unsurprisingly, no private equity firm was able to make a concrete proposal without management's cooperation, and the SRC never even asked for one
  - The SRC was therefore left only to consider ways to re-arrange Toshiba without a change in ownership structure, which is precisely what management wanted
- Left with few options, **the SRC concluded a 3-way split-up of Toshiba was ideal**; it claimed it reached this conclusion carefully
  - The 3-way split would require a two-thirds vote of shareholders
  - Many shareholders and commentators openly opposed the plan, noting that it was unlikely to create value, change Toshiba's underperforming culture or increase accountability of its subpar management team
- Faced with the possibility that Toshiba would not receive two-thirds support for the 3-way split-up plan that the SRC had determined was the best option for the Company, **Toshiba suddenly changed its plan to one that may not need any shareholder support at all (or a mere majority): a 2-way split up**
  - Toshiba's CEO recently claimed that this change was driven by management's desire to have "certainty and security" around the split up[3]
  - This change in plan demonstrates that the SRC process was flawed and also that Toshiba is willing to disenfranchise its shareholder base on this critical topic
- The only way to restore confidence and improve Toshiba's corporate value is for **the SRC to run a new strategic review process that permits a full and proper opportunity for potential buyers and large minority investors to make a "credible" proposal to Toshiba**

[1] "Japan's Toshiba considers $20 billion take-private deal," *Reuters*, April 6, 2021. [2] "Toshiba says CVC to 'step aside to await' guidance over offer" *Reuters*." April 20, 2021.
[3] Video interview with CEO Tsunakawa available at https://www.bloomberg.com/news/articles/2022-02-27/toshiba-ceo-says-going-private-too-risky-as-activists-seek-sale.

Overview of Toshiba Corporation

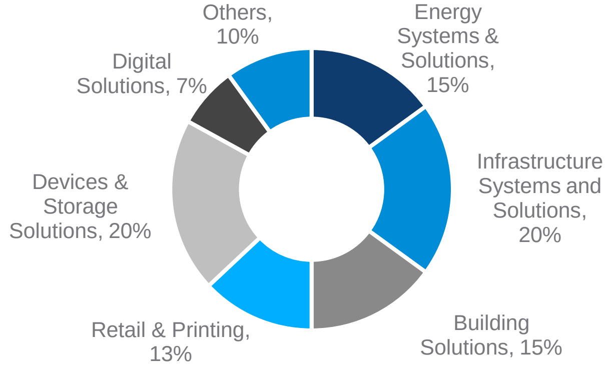
Founded in 1875, Toshiba is an iconic Japanese industrial company

OVERVIEW	
Headquarters	Tokyo, Japan
Stock Price (2/18/2022)[1]	¥ 4,579
Market Value (2/18/2022)[1]	¥ 1.98 trillion
Conclusion of SRC Process Announced	November 12, 2021

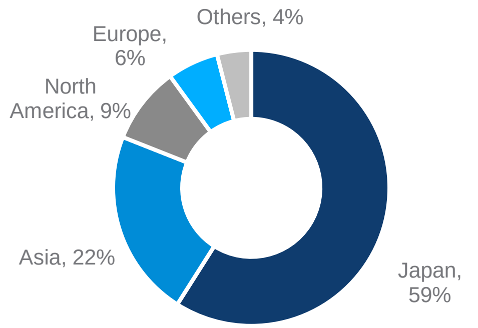
- Since 2015, Toshiba has endured **several accounting scandals**, financial corrections, corporate governance failures and voting irregularities, resulting in deteriorating investor confidence
- Toshiba's **stock has significantly underperformed** its peers
- In April 2021, the Company's management **fended off private equity interest** by insisting on complete proposals even before due diligence, while management allegedly lobbied banks to not participate in financing a buyout
- In June 2021, **Strategic Review Committee** ("SRC") updated its scope to "undertake a full review of the current assets of the company"
- However, **the SRC's process was highly flawed**, and management appears to have played a central role in influencing its direction
- In November 2021, the Company announced a plan to **separate into three standalone companies**
- Just three months later, in February 2022, the Company **amended its Plan to a contemplate a 2-way split**, which carries a lower threshold for shareholder approval

TOSHIBA BUSINESS SEGMENTS	
Energy Systems and Solutions	Large scale power generation systems for nuclear and thermal power; renewable energy generation systems
Infrastructure Systems & Solutions	Products, systems and services for the public sector
Building Solutions	Elevators and escalators; ventilation & air conditioning; lighting
Retail & Printing Solutions	Platforms for retail POS systems and office multifunctional printers and peripherals
Electronic Devices & Storage Solutions	Automotive and industrial semiconductors; HDD for data centers; semiconductor manufacturing equipment; materials and devices
Digital Solutions	Cutting-edge technologies, such as IOT and AI
Others	Rechargeable lithium-ion battery (SCiB™)

REVENUE BREAKDOWN BY SEGMENT [2]



REVENUE BREAKDOWN BY GEOGRAPHY [2]



[1] Source: FactSet. Data as of February 18, 2022.
[2] Source: Company filings.

Toshiba Failed to Create Value For Many Years and Lost the Trust of Shareholders

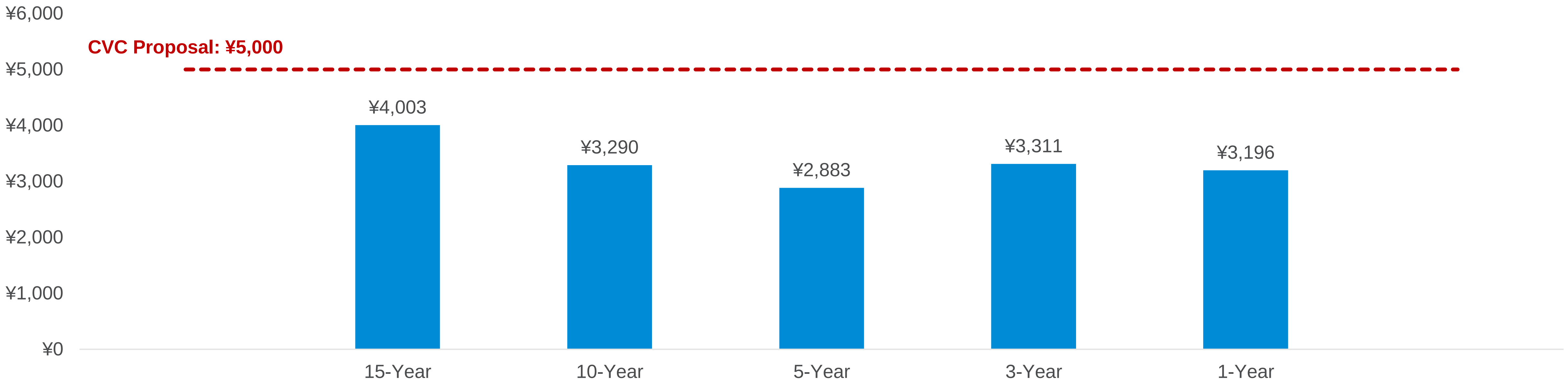
From the time of the FY2013 Management Policy Meeting to the receipt of the CVC buyout proposal, Toshiba stock price was flat; on its own, Toshiba had generated no corporate value

Sources: FactSet and publicly announced presentations by Toshiba. Data from August 7, 2013 to April 6, 2021 (the day before the initial reports of the CVC proposal).

In April 2021, CVC Emerged as an Interested Buyer of Toshiba

CVC showed interest in taking Toshiba private and indicating a price that was far above Toshiba's average trading price over any relevant time period

Toshiba VWAP Prior to the CVC Proposal[1]



"CVC Capital Partners has made a $20bn offer for Toshiba, joining KKR and other private equity funds in a potential bidding battle that could generate Japan's biggest buyout deal in history... News of the CVC offer, and the expectation of a hefty premium, boosted shares in Toshiba by 18 per cent on Wednesday. That brought the stock to its highest level since early December 2016, just before the company's financial crisis began."[2]

[1] Source: FactSet. Data as of April 6, 2021 (the day before the initial reports of the CVC proposal).
[2] Source: "CVC makes $20bn offer for Toshiba," *Financial Times*, April 7, 2021.

Shareholders and Others Urged Toshiba to Conduct a Thorough Review After CVC Emerged

Shareholders and commentators recognized the opportunity for Toshiba to consider its strategic alternatives in the wake of CVC's interest in a privatization transaction

FINANCIAL TIMES

April 14, 2021

Toshiba takeover bid tests corporate Japan

Competing bids should be handled in a fair and transparent way

"The way this contest is handled will send a signal to overseas investors on whether Tokyo really is serious about attracting foreign investment and modernising its corporate sector…"

"**Toshiba should conduct an open process**, allowing various buyers to explain how the company can reform and succeed. The board should then pick the best option. That would **benefit Toshiba and demonstrate that Japanese corporate governance really has changed**. "[1]

NIKKEI **Take Over Bids Put Toshiba's Governance Reforms to the Test**

April 8, 2021

"There may be an option to create an independent review committee to tackle a series of challenges around take over bid, but it will also be up to the board to decide. ...Toshiba has been reforming its corporate governance for more than five years. But will the current board of directors be able to make the right decisions on acquisitions and going private, which are complicated and intersecting issues? What the takeover bid by a foreign fund will test is the effectiveness of Toshiba's governance reforms." [2]

FARALLON

ESTABLISHED 1986

April 12, 2021

"Toshiba's **board has a duty to maximize mid to long-term enterprise value** by **evaluating the privatization proposal in a sincere manner through a fair process** that includes a proactive market check and formation of an independent special committee. We, as shareholders of Toshiba, **expect Toshiba's board to fully fulfill such duty**.

We have continued to engage constructively with Toshiba regarding its governance and capital allocation. A **privatization is one of the effective measure**s that can improve these key areas by further **aligning the interests of shareholders and management**."[6]

OASIS

April 13, 2021

"We understand that the bid was unsolicited and not initiated by Toshiba's board. However we believe that **the company should seriously consider the offer, for the benefit of all shareholders**" [3]

"If the company is open to bids, **we believe there would be other bidders interested in acquiring Toshiba**."[4]

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April 26, 2021

"We believe that for Toshiba to fulfill its full potential, and for the stock to be valued in line with peers, the **Board and executive team must show the soundness of Toshiba's governance and regain the trust of stakeholders**, including shareholders…

We **call upon the Board to openly welcome interest from suitors**... We are very concerned, based on media reports and Toshiba's own press releases, that **Toshiba may not be serving the interests of the corporation** and has been actively discouraging takeover proposals…"[5]

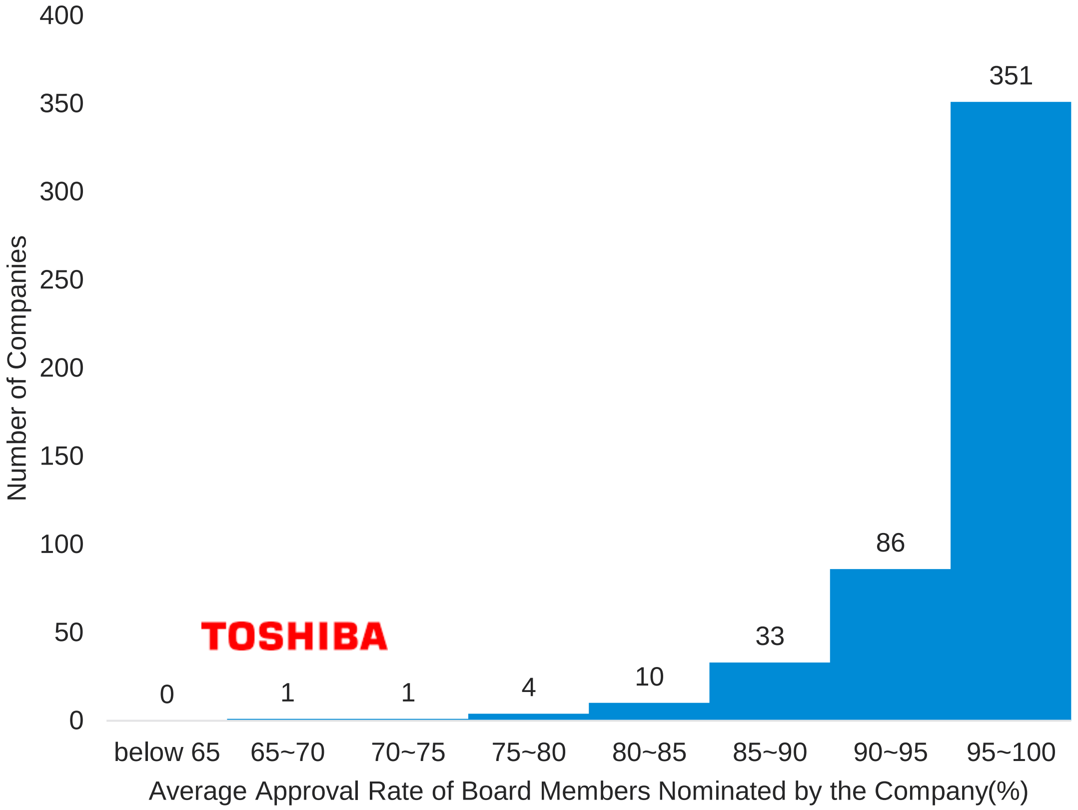
[1] The editorial board. "Toshiba takeover bid tests corporate Japan." *Financial Times* [2] 「買収提案が問う東芝ガバナンス改革の真価」*Nikkei* [3] 「英ＣＶＣの東芝買収提案、「安すぎる」と株主の香港ファンド」*Reuters* [4] "Toshiba investor Oasis unimpressed by CVC's $20 billion offer" *Reuters* [5] " 3D Investment Partners Sends Open Letter to Toshiba Board of Directors" 3D Investment Partners Press Release [6] "Farallon Comments on Privatization Proposal to Toshiba by CVC" Farallon Capital Management Press Release

The SRC Was Originally Formed to Rebuild Trust With Shareholders and Consider All Options

After a disastrous AGM, the Company formed the SRC as a means of rebuilding trust with shareholders and pledged to conduct a "full review" of alternatives

- **Toshiba's Board of Directors received extremely low approval at the Company's June 2021 AGM**
  - The average approval rate of the directors was only 68%, which was significantly lower than any of the Company's peers, and the worst among TOPIX 500
  - At TOPIX 100 companies, the average level of director support was 97% in 2021[1]
- **After the meeting, Toshiba's then-CEO Satoshi Tsunakawa CEO pledged to begin the "rebuilding of trust and support from our shareholders"[2]**
- **The Company "expanded the scope"[3] of the SRC in the wake of the AGM, committing to "undertake a full review of the current assets of the company"[3]**
  - The Board also pledged to have the SRC "engage with potential strategic and financial investors"[3] and to approach such engagement "with an open mind"[3]
  - While still skeptical of this commitment given Toshiba's history of broken promises, shareholders including 3D were hopeful that the SRC process reflected a new approach by Toshiba's management

Histogram of Average Approval Rate of Board Members Nominated by TOPIX 500 Companies



*Universe is companies in TOPIX 500. Calculated based on all company nominated Board Members agenda for the AGM hold between Jul 2020~Jun2021.Delisted companies are excluded from the universe.

[1] Source: Proxy Insight.
[2] 「綱川社長「ステークホルダーとの信頼回復に努める」」*Sankei Shimbun*, June 25, 2021. [3] "Statement from the Board of Directors of Toshiba on 25 June, 2021" *Toshiba*, June 25, 2021.

Toshiba's SRC Ran a Flawed Process

The strategic review conducted by Toshiba was highly flawed and produced an unreliable outcome
A new process including more disclosure to both shareholders and potential buyers is the only credible path forward

1	**The SRC Failed to Conduct a Fulsome, Independent Review**	▪ The SRC, by its own admission, failed to consider all opportunities: it prematurely rejected private equity interest and terminated discussions of minority investments on specious grounds ▪ A thorough process would have included providing detailed information to, or conducted in-depth meetings with, private equity firms and strategic acquirers, especially if they were expected to provide valuations that could be compared to other alternatives ▪ We believe Toshiba's management, which never wanted a sale, had excessive influence on the SRC process, a drove the split-up solution ▪ Whistleblower reports[1] and articles in the press[2] create the impression of a management team were focused on their own interest rather than on creating value for shareholders and other stakeholders
2	**Toshiba's Actions After the SRC Report Show that the SRC Did Not Conduct a Proper Process**	▪ After much study, the SRC announced with fanfare that a 3-way split was the optimal way to maximize corporate value ▪ Then, just months later, Toshiba reversed course, announcing a new approach – a 2-way split – that was seemingly rejected or overlooked at first ▪ The SRC was either wrong to support a 3-way split initially (showing the flaw in its process) or wrong now; either way, a new process should be conducted
3	**The Sudden Shift to a 2-way Split Was an Effort to Silence and Disenfranchise Toshiba's Shareholders**	▪ Faced with opposition from many shareholders, the SRC changed its mind and now supports a 2-way split, which only requires majority approval (and could even be conducted without any shareholder approval) ▪ Former CEO Tsunakawa implied "eliminating the opinions of 30% or more of shareholders" was the reason to switch from 3-way split to 2-way split ▪ Importantly, the 2-way split, proposed by management, was not regarded as ideal by the SRC and is also not responsive to the concerns shareholders have expressed: a split-up does not address Toshiba's lack of management prowess, operating culture, governance or oversight
4	**Shareholders Have Shown Their Lack of Support for the SRC's Solution**	▪ Investors have repeatedly reacted negatively to the SRC's announcements ▪ Toshiba's share price continues to trade substantially below the levels at which private equity firms have indicated interest in a buyout ▪ Toshiba still suffers from a conglomerate discount

[1] https://corpgov.com/wp-content/uploads/2022/02/Toshiba-Darkness.pdf
[2] John Jannarone, "Toshiba's Continued Resistance to Corporate Governance Seen in Rise of Executive – Document." Available at: https://corpgov.com/toshibas-continued-resistance-to-corporate-governance-seen-in-rise-of-executive-document/

1 The SRC Failed to Conduct a Fulsome, Independent Review

SRC Was a Flawed Process Due to Several Factors

	Flaw	Commentary
A	**Toshiba management resisted a buyout proposal and influenced the SRC's process to avoid privatization**	▪ When CVC made a buyout proposal, Toshiba's executives took a leading role in blocking the proposal and preventing it from being discussed ▪ The core executives have not changed since then, and they have continued to take an unconstructive attitude toward a buyout proposal throughout the SRC process
B	**The SRC did not follow its own stated process and plan**	▪ The process described by the SRC in June 2021 was not followed ▪ The November 2021 report demonstrates the inconsistencies
C	**Toshiba pre-emptively terminated fruitful discussions regarding viable transactions**	▪ Although a minority investment into Toshiba was viewed as an attractive strategic alternative by the SRC, it was prematurely rejected based on speculation that such transaction would be "challenging to gain the support of existing shareholders" [1] ▪ To our knowledge, the SRC did not consult any shareholders to get their perspective before reaching this flawed conclusion
D	**SRC did not ask for or receive proposals for a sale**	▪ The SRC failed to create an environment that encouraged inquiries from potential investors and did not solicit buyout proposals from strategic or financial investors ▪ The SRC compared very preliminary price indications from private equity firms to media reports concerning the expectations of Toshiba shareholders; the SRC should have compared final proposal to Toshiba's other options
E	**SRC concluded a 3-way split was optimal without comparing the value to other forms of ownership**	▪ The SRC determined to pursue a 3-way split because it creates more value than "the Company can achieve in its current form,"[1] but failed to explain how a 3-way split would create *more* shareholder value compared with other strategic alternatives, the standard Toshiba initially pledged to use in June 2021[2]

[1] "STRATEGIC REVIEW COMMITTEE OF TOSHIBA BOARD OF DIRECTORS PROVIDES UPDATE TO SHAREHOLDERS ON PROCESS LEADING TO SEPARATION PLAN" (shorten as "Toshiba Letter to Shareholders" from following pages) *Toshiba*, November 12, 2021. [2] "Statement from the Board of Directors of Toshiba on 25 June, 2021" *Toshiba*, June 25, 2021.

A Toshiba Management Strongly Opposed CVC Buyout (and Any Buyout)

Toshiba's management strongly resisted the buyout proposal from CVC

- On April 6, 2021, **CVC made a proposal to buy Toshiba for ¥5,000** (~$46) per share, a 30% premium; we believe the proposal included typical conditions, including Board approval, financing and due diligence among other things
  - CVC stated that it was willing to give majority control to domestic investors and indicated that "the proposal can be adjusted to its best shape in consultation with the government"[1]
  - It is believed that CVC is contemplating a structure similar to the Kioxia buyout in which Bain has a 49.9% voting stake
  - Toshiba stock rose its daily limit of 18% on the news
  - Several news reports stated that KKR, Brookfield and Bain were also interested in acquiring Toshiba[2, 3]

- On April 18, CVC decided to "step aside to await [the Company's] guidance as to whether a privatization of Toshiba will suit management's and the Board of Directors' strategic objectives"[4]
  - According to news reports from Reuters, CVC's proposal had "sparked a **strong backlash from Toshiba management**, prompting them to lobby the government and its lenders against it"[5]
  - This hearkens back to similar behavior at the 2020 AGM, when Toshiba sought the support of the government to frustrate shareholder rights

- On April 20, Toshiba's management issued a press release that **reflected its strong resistance to a buyout proposal**, claiming without any supporting evidence or analysis that "being a publicly traded company provides a stable equity structure suitable for enhancing long term value creation"[6]

[1] "Toshiba chief to step down after $20bn CVC bid sparks board coup." *Financial Times*. April 13, 2021. [2] "KKR, Brookfield Said to Eye Toshiba Bids After CVC Offer", *Bloomberg*. April 14, 2021. [3] "Bain Capital considering bid to take Toshiba private", *Reuters*. April 21, 2021. [4] CVC Letter to Mr. Nagayama, April 18, 2021. [5] "Toshiba says CVC to 'step aside to await' guidance over offer. *Reuters*." April 20, 2021. [6] "Notice Regarding Initial Acquisition Proposal by CVC" *Toshiba*, April 20, 2021.

A Toshiba's Management Interfered in the SRC Process As Well

Senior members of Toshiba management opposed privatization and exerted influence during the SRC's process

- **Some Toshiba management strongly opposes buyout proposal**
  - Mr. Hirata (CFO, at Toshiba for 41 years) and Mr. Hatazawa (Board member and senior executive, at Toshiba for 40 years) are known to oppose a privatization[1]
  - The one Toshiba insider known to oppose the 3-way split,[2] Mr. Toyohara (former Corporate Executive Vice President), has since resigned from Toshiba
- **Management appears to have resisted having detailed discussions with buyout firms, produced a lackluster projection model that would be unlikely to attract outside investment and raised unfounded objections to privatization that would likely scare off proposals**
  - The SRC's report does not indicate that management ever met with private equity firms or strategic investors who were evaluating the businesses[3]
  - The SRC report reflects that potential buyers were given just simple financial projections – the same ones ultimately released publicly[4] – which reflected very little growth and an unattractive future for Toshiba[5]
  - Management vocally expressed concerns about a privatization, including with respect to its impact on customers and employees, without basis or even meeting with private equity firms to determine whether these supposed issues could be addressed[3]

"

The SRC, which took the initiative, also explored the possibility of going private and held discussions with five private equity funds, but **Hatazawa, CFO Masayoshi Hirata, and other senior executives opposed the idea.** If they did, the past misdeeds of Hatazawa, who has worked in the nuclear field since joining Toshiba, and Hirata, who served as CFO of Westinghouse in the U.S., which triggered Toshiba's fall, would be exposed."

– Former Toshiba CEO Satoshi Tsunakawa, "The Phantom Retirement", February 2022[1]

[1] Toshiba CEO Tsunakawa "The Phantom Retirement" *FACTA*, February 2022. [2] "Ex-Vice Pres. Concerned about Toshiba's Planned Breakup," *Jiji Press*, January 11, 2022. [3] Toshiba Letter to Shareholders, November 12, 2021. [4] "Transforming Toshiba to Enhance Shareholder Value" *Toshiba*, November 12, 2021. [5] "Toshiba Corporation – Meeting between directors and a group of investors Q&A Session" Questions form Overseas Investor E and B, *Toshiba*, November 16, 2021.

Ⓐ Toshiba Management Influenced the SRC's Process to Avoid Privatization

The Company's Troubling Statements	Why We Are Concerned
"…[A] sale process takes careful preparation and execution that would create significant distraction for management…"[1]	▪ The demands on management's time should not be the Board's primary consideration in its evaluation of strategic alternatives
"…[M]anagement expressed their concerns to the SRC regarding the potential negative impact of privatization of the business…"[1]	▪ There is no credible evidence that a different ownership structure would negatively impact customers, employees, suppliers or other stakeholders ▪ There is no reason to think Toshiba would be any different than the thousands of Japanese companies that are privately owned
"…[D]iscussions [with potential acquirers] were qualitative but an important prerequisite to any price discussions for the SRC to understand to what extent the funds had understood and therefore would appropriately price in the complexities unique to Toshiba."[1]	▪ During the course of the SRC's deliberations, management presented a draft of its mid-term business plan ("MTBP"), which portrayed Toshiba as "challenged by its complexity and burdened by a high-cost structure"[1] ▪ Bizarrely, the SRC used these issues presented by management – which are a direct result of *management's own inability to effectively manage the business* – to inform its estimates on a price private equity firm might pay for Toshiba[3] ▪ Instead of asking for a "bid" price, the SRC only asked for a "clearing" price, which is only an indicative price and does not reflect competitive dynamics between the multiple parties[3] ▪ The SRC then used these preliminary estimates, which were based on management's lackluster plan, to discard privatization as an option: *"…[T]he SRC noted that those prices [for privatization] were not compelling relative to market expectations…"*[3]
"We currently believe that being a public traded company provides a stable equity structure suitable for enhancing long term value creation…"[2]	▪ In April 2021, in the wake of interest from CVC, Toshiba publicly expressed a preference to remain public, despite the fact that the Board had not even begun its process into evaluating alternatives and comparing them against the Company's plan ▪ This preference appears to have been driven by the management team's desire to maintain their positions

[1] Toshiba Letter to Shareholders, November 12, 2021. [2] "Notice Regarding Initial Acquisition Proposal by CVC" *Toshiba*, April 20, 2021 [3] "Toshiba Corporation – Meeting between directors and a group of investors Q&A Session" *Toshiba*, November 15, 2021

B Inconsistency with the Process Outlined in June 2021

The process the Board outlined in June was not followed

- In June 2021, the Board pledged that the SRC would engage with potential investors who were not only interested in acquiring the whole company but also those who were interested solely in divestitures
- In a group meeting held in August 2021, Paul J. Brough, Chairperson of SRC, stated that the Company's policy was to engage in dialogue with strategic *and* financial investors, and that **the SRC was considering asset sales as a potential path forward:**

> "…[I]f somebody wishes to step forward and make offers for parts of our business as a strategic investor or as a financial investor, then of course, we are able to speak to any credible bidder. If somebody comes in during this process, and makes some kind of proposal as it were, for parts of the business or the whole of the business, we will have that."[1]

- However, according to the November 2021 SRC report, **asset sales were excluded from the scope of the SRC's consideration**, and **no discussions had been held with other parties except for those who were interested in acquiring Toshiba as a whole**

What was pledged by the Board in the SRC Report	VS.	What was concluded in November's SRC Report
"SRC will engage with **potential strategic and financial investors in the Company or in its subsidiaries and various business** *–Statement from the Board of Directors of Toshiba*[2]		"Given this fund was **only interested in divestitures coming out of Toshiba**, they were asked to wait to be contacted when circumstances became more relevant to their expressed interest. *–Toshiba Letter to Shareholders, November 12, 2021*[3]

[1] Source: Statements by Paul J. Brough, Group Meeting, August 16,2021 [2] "Statement from the Board of Directors of Toshiba on 25 June, 2021" *Toshiba*, June 25, 2021.
[3] Toshiba Letter to Shareholders, November 12, 2021.

C Toshiba Pre-emptively Terminated Discussions Regarding Viable Transactions

Despite having a PE firm that was enthusiastic about making a minority investment in Toshiba (which the SRC viewed as preferable to management's proposal), the SRC terminated the discussions based on speculation that shareholders would not be supportive

- While the SRC considered a minority investment to be an attractive alternative, the SRC eventually rejected this path after deciding that "the transaction structure is difficult to gain the support of shareholders"[1]
- But **this determination was arbitrary and without justification**
  - The opportunity for existing owners of Toshiba to partner with a respected PE firm with domain expertise is very intriguing and potentially value creating
  - We do not believe the SRC properly assessed this opportunity or spoke to any investors before rejecting the idea

> "…One party from the outset indicated their interest in investing as a minority investor, while keeping Toshiba publicly listed; the others were more interested in a full privatization and approached an investment on this basis, although as discussions progressed one of these also stated its willingness to accommodate a minority investment…
>
> The SRC viewed this alternative as **<u>potentially additive to the standalone case</u>** developed by management…
>
> …[T]he party could only suggest transaction structures that **<u>would be challenging to gain the support of existing shareholders</u>…**
>
> *—Toshiba Letter to Shareholders, November 12, 2021*[1]

[1] Toshiba Letter to Shareholders, November 12, 2021.

D SRC Did Not Enable Third Parties to Make Proposals for Privatization

The lack of concrete ("bona fide") proposals was, we believe, a direct result of the lack of appropriate engagement with the PE firms from the start

The SRC sought only "bona fide" proposals

- According to the press, several private equity firms showed strong interest in acquiring Toshiba
- The SRC, however, sought only "bona fide" proposals

> "The Board and the SRC have consistently stated that **any bona fide proposal would be welcome** and would be given full consideration by the Board and/or a separate special committee of the Board.
>
> *—Toshiba Letter to Shareholders, November 12, 2021*[1]

The SRC did not provide information for interested parties to make proposal

- The SRC has not explained what it considered to be a "bona fide proposal"
- Furthermore, the SRC did not provide **an environment to conduct due diligence or the opportunity to meet with management**

> "… [A] carefully orchestrated competitive auction process with proper due diligence had **not yet been conducted**…"
>
> *—Toshiba Letter to Shareholders, November 12, 2021*[1]

Then, the SRC noted that (unsurprisingly) no "bona fide" bids were received

- In the absence of cooperation and information, it was a foregone conclusion that no formal proposal or "bona fide" bid could be made

> "Since the inception of the SRC, **no such proposal or inquiry leading to such proposal has been received for the whole Company**, nor have any been rejected
>
> *—Toshiba Letter to Shareholders, November 12, 2021*[1]

[1] Toshiba Letter to Shareholders, November 12, 2021.

D The SRC's Approach to Engagement All But Ensured that It Would Not Receive Bids

The SRC's request for "clearing prices" rather than bids demonstrates its reluctance to facilitate transactions that may result in privatization of Toshiba

- On a conference call, Paul Brough explicitly states that the SRC did not ask for bids – just indications of a "clearing price"
- By only asking for "clearing price", SRC ensured it did not receive any proposal with a "bid" price, otherwise it would have triggered the SRC into engaging with buyers and running an auction process

Paul Brough
Chair, SRC

"**We didn't ask people to bid for the Company.**
We asked them what they thought would be the clearing price for a privatization." [1]

Question:. … [S]o you haven't received a bona fide proposal for the company because you haven't requested one?

"Not since April." [1]

Jerry Black
Member, SRC

Question:. … [H]ave you solicited any conditional or unconditional bids in the past few months?

"… In that process, **we did not receive or ask for solicited or unsolicited bids** per se." [2]

[1] "Toshiba Corporation – Meeting between directors and a group of investors Q&A Session" *Toshiba*, November 15, 2021
[2] "Toshiba Corporation – Meeting between directors and a group of investors Q&A Session" *Toshiba*, November 16, 2021

D The SRC Rejected PE Interest by Comparing Preliminary Prices to Media Stories

The SRC determined the early indications of valuation were inadequate – based on what the media had reported as shareholder expectations – and therefore did not warrant further discussion

The SRC compared early indications of interest to media reports of shareholder value expectation, not intrinsic value or value that could be created by an alternative

> the SRC felt that these conversations nonetheless provided **a meaningful perspective on the price levels** at which the private equity funds thought a privatization could be accomplished.
>
> The SRC noted that the range of **such prices was not compelling relative to market expectations expressed to date in the media**
>
> *—Toshiba Letter to Shareholders, November 12, 2021*[1]

- The SRC should have enabled PE buyers to fully understand Toshiba's businesses and opportunities so the bidders could provide a full and fair indication of value
- Those valuation indications should have been **compared against the alternatives available to Toshiba**, not against rumored price expectations from media reports
- **This flaw in the SRC's review is significant**: by excluding PE interest because of early indications that supposedly did not match speculation in the media, the SRC never had the benefit of full bids or price discovery

[1] Toshiba Letter to Shareholders, November 12, 2021.

E SRC Concluded a 3-way Split Was Optimal Without Explaining Rationale

The SRC did not clarify how the split would create more value than remaining as a consolidated entity

- In November 2021, the SRC concluded that Toshiba under the 3-way split plan should create shareholder value when compared with the status quo
  - However, the SRC **did not disclose any specific business plans that would help each of the three companies to enhance value post-split**
  - Toshiba also **failed to provide any valuation or data** that could show how the three parts could be worth more than the consolidated Toshiba
- There is **no indication that SRC valued each of the three new companies and compared their aggregate value** to the other alternatives: the value that could be created through a change-in-control transaction, a large minority investment or through extensive divestitures

SRC pledged a rigorous review against standalone plan	VS.	Vague announcement in November's SRC report
"The SRC will also engage with potential strategic and financial investors in the Company or in its subsidiaries or various businesses… We will approach this engagement with an open mind and **as a benchmark to comparison against Toshiba's own ability to generate profitable growth and high shareholder return**." — *Statement from the Toshiba Board of Directors, June 25, 2021*[1]		"Toshiba would be rejuvenated following its transformation into three separate entities that are each better organized and focused to unlock shareholder value in **a much more credible and effective way** than the Company can achieve in its current form — *Toshiba Letter to Shareholders, November 12, 2021*[2]

[1] Statement from the Board of Directors of Toshiba on 25 June, 2021" *Toshiba*, June 25, 2021.
[2] Toshiba Letter to Shareholders, November 12, 2021.

2

Toshiba's Actions After the SRC Report Show that the SRC Did Not Conduct a Proper Process

3D INVESTMENT PARTNERS

After Announcing Its Conclusions, the SRC Changed Its Decision Within Months

Although the SRC claimed to have intensively evaluated all alternatives before arriving at its 3-way split plan, it changed its mind within months and now advocates for a 2-way split

After a 5-month SRC process, the SRC issued a letter and announced a 3-way split is the best strategy in November 2021

> “The [3-way] Separation Plan, in the SRC’s view, also **offered superior value potential with greater certainty than the other strategic options** and should benefit Toshiba’s shareholders and other stakeholders.”[1]

In February 2022, Toshiba changed its conclusion and now advocated a 2-way split as the best approach

> “We determined that separating Toshiba into **two standalone companies and divesting certain non-core assets is in the best long-term interests** of our Company and its shareholders, customers, business partners and employees.”[2]

How did the supposedly comprehensive SRC process reach the wrong conclusion at first?

[1] Toshiba Letter to Shareholders, November 12, 2021.
[2] “TOSHIBA PROVIDES UPDATE ON STRATEGIC REORGANIZATION TO ENHANCE SHAREHOLDER VALUE” *Toshiba*, February 7, 2022.

The Change to a 2-way Split Was Driven by Management, Not the SRC

"In an interview on February 22, CEO Tsunakawa pointed out that Toshiba's future course is to choose between going private and "proceeding with the [2-way split] reorganization plan **that we, the management team, have created** by ourselves."[1]

Bloomberg

[1] "東芝の綱川社長、株式非公開化は「いばらの道」 - 2社分割最善と強調" *Bloomberg*, February 28, 2022.

The Company's Stated Rationale for Changing Its Recommendation Shows the SRC's Flaws

In its decision to change from a 3-way split to a 2-way split, management cited several basic issues that should have been analyzed by the SRC earlier

The Company's Newfound Rationale	Why We Are Concerned
"Compared to the 3-way split, the 2-way split allows for a more stable financial structure"[1]	▪ Basic items like financial structure should have been examined much earlier in the process ▪ It is difficult to understand why such foundational issues were not addressed by the SRC
"Compared to the 3-way split, the 2-way split makes it easier to establish a strong, disciplined governance structure, by reducing the required number of management structures"[1]	▪ If the logic that reducing the number of management structures enhances governance holds true, then the optimal outcome is one that results in a single management structure – i.e., a sale of the Company to a single owner ▪ Former CEO Tsunakawa had previously stated "improved management and governance structures"[2] was the primary benefit of the proposed *3-way split;* now Toshiba is claiming a 2-way split has a better governance structure than a 3-way split
"It also turned out that the 2-way split can significantly reduce the separation cost compared to the 3-way split"[1]	▪ The cost of the split should be one of the first issues considered ▪ There is no excuse for only discovering that a 2-way split might reduce costs three months after the decision was initially made
"The operational burden of the listing review can also be reduced significantly when listing only one company, instead of two, reducing the workload for the personnel in charge of handling the listing review"[1]	▪ Obvious, low-level concerns like these should have been identified and discussed months ago and surely is not a reason to upend a structure determined by the SRC to be optimal

[1] "Notice Regarding Convocation of the Extraordinary General Meeting of Shareholders and the Opinion of the Company's Board of Directors on the Shareholder Proposals" *Toshiba*, February 14, 2022
[2] "Transforming Toshiba to Enhance Shareholder Value (with notes)" P10, *Toshiba*, November 12, 2021.

3

The Sudden Shift to a 2-way Split Was Likely an Effort to Silence and Disenfranchise Toshiba’s Shareholders

3D INVESTMENT PARTNERS

The Switch to a 2-way Split Appears to Actually Be a Reaction to Shareholder Opposition

The decision to change to a 2-way split appears to have been made to silence concerns among ~30% of the shareholder base about the SRC's process and the value of the split plan compared with alternatives

Toshiba's Initial 3-way Split Proposal Required Two-Thirds Shareholder Approval

- The SRC's initial announcement touted the "superior value potential"[1] and "certainty"[1] of the 3-way split plan
- Senior executive Hatazawa noted that the 3-way split, however, would require a "special resolution, which requires 2/3 shareholder approval" because of the "Capital reduction of Toshiba"[2]
- In addition to 3D, other large Toshiba shareholders called for Toshiba to obtain 2/3 shareholder approval for such a significant corporate action

Toshiba Then Switched to a 2-way Split, Which May Not Require Shareholder Approval

- In explaining the reasons behind the switch to a 2-way split, management spoke openly of concerns about an "opposing minority"[3] that could block a split requiring two-thirds approval
- To implement the newly proposed 2-way split, Toshiba may not need any vote at all (or, at most, a majority vote)
- We believe that this lower voting threshold was the key motivating factor behind the switch from what the SRC had deemed to be the ideal business configuration

Toshiba's Rationale for a 2-way Split Demonstrate the Inadequacy of the SRC's Evaluation

- The abrupt change from a 3-way split to a 2-way split came as a surprise to shareholders and is at odds with the SRC's claim of a "very thorough process"[1]
- The SRC cannot both claim to have performed a diligent review and also to have failed to consider basic items that are now being touted as the reason for the change in recommendation to a 2-way split
- We believe the change demonstrates that Toshiba is trying to avoid shareholder accountability

"**If we were to seek a special resolution and more than half but less than two-thirds approve, this raises the <u>concern that we would be respecting the wishes of the opposing minority</u> more than the supporting majority. As we aim to confirm the collective opinion of our shareholders, we decided to make this item a matter for ordinary shareholder resolution."[3]**

- Satoshi Tsunakawa, Former Toshiba President and CEO

[1] Toshiba Letter to Shareholders, November 12, 2021 [2] 東芝経営陣、物言う株主に反撃開始」*Nikkei Business*, February 15, 2022. [3] "Update on the EGM" *Toshiba*, February 14, 2022.

The Change to a 2-way Split Was Designed Solely to Sidestep Shareholder Opposition

Toshiba has admitted that its latest plan (the 2-way split) was devised to ensure shareholders could not vote down the company-split plan, even though the new two-company structure was not the one determined to be best by the SRC

Bloomberg

"Question: You announced a 3-company split last November but revised it to 2 companies. Why did you revise this and what is the benefit?"

"The reason for the revision from the three to two company split plan **is to aim for certainty and security** … [T]here isn't much difference in improving the value of core businesses whether it is divided into three companies or two."[1]

[1] "Toshiba CEO Says Going Private Too Risky as Activists Seek Sale" *Bloomberg*, February 28, 2022.

4

Shareholders Have Shown Their Lack of Support for the SRC’s Solution and the 2-way Split

Toshiba's Performance Lags Its Peers Since the SRC Began Its Work

Toshiba's performance lags its peers since the SRC expanded its scope to include engagement with strategic and financial investors on June 25, 2021

[1]"Statement from the Board of Directors of Toshiba on 25 June, 2021" *Toshiba* [2]Toshiba FY2022 1st Quarter Conference, *Bloomberg* [3]「東芝が事業別に3社に分割　総合電機に幕、それぞれ上場」*Nikkei* [4]「東芝、23年度に上場3社へ分割　新中計発表」*Nikkei* [5]「３分割案、２分割に修正　東芝、子会社売却も検討」*Jiji Press* [6]" (Update) Notice Regarding Toshiba Group's Strategic Reorganization" *Toshiba* [7] "Notice Regarding Convocation of the Extraordinary General Meeting of Shareholders and the Opinion of the Company's Board of Directors on the Shareholder Proposals" *Toshiba*

Investors and Stakeholders Have Expressed Concerns About the SRC Process and Plan

Shareholders and other stakeholders have expressed skepticism around the SRC process and conclusion

3D INVESTMENT PARTNERS — November 2021

3D Investment Partners Sends Open Letter to Strategic Review Committee and Board of Directors of the Toshiba Corporation

"We believe **it is extremely unlikely that splitting Toshiba into three pieces, as the SRC has recommended, will resolve any of Toshiba's current execution, cultural, capital allocation or governance problems**, and is instead very likely to create three underperforming companies in the image of today's Toshiba. The demerger would create more prestigious senior jobs for insiders to fill, without any additional oversight or accountability. We fear this solution will merely perpetuate an underperforming culture. And, while shareholders await the split, Toshiba will flail as an oversized, unfocused conglomerate for two more years."

OASIS — November 2021

"2 years is too long", Toshiba shareholder Oasis criticized 3-way split

"If Toshiba itself is to carry out the kind of reforms that PE funds would carry out, it will require various changes within the company. I would like the Company to show us how you plan to achieve this." "What I find frustrating is the time required to complete the spin-off. ~ it would take too long for the value to increase."

"If there is no comprehensive plan (to grow Toshiba after the spinoff), then I think **it is possible that selling to a PE fund could be a better bid**. If that happens, the value of Toshiba may go up. Right now, the price (Toshiba's stock price) is discounted (estimated low), and a PE fund could put a more reasonable value on it."

FARALLON (ESTABLISHED 1986) — January 2022

U.S. hedge fund Farallon calls on Toshiba to get two-thirds of shareholders to back break-up

Toshiba should seek approval from two-thirds of its shareholders "before it risks expending significant time, cost and management resources on the separation plan," Farallon said in a statement.

"The separation plan without shareholder trust **would achieve nothing but the creation of three discrete companies, with each inheriting the same issues as Toshiba.**"

日経ビジネス — February 2022

Labor Union of Toshiba Stated No Growth Strategy Could be Imaged From 3-way Split Plan

Labor Union of Toshiba requested the Company to explain the rationale of 3-way split to its employees in detail. Especially, labor union showed concerns over its unclear investment plan for growth after 3-way split"

Employees also stated: "The company has overcome the accounting scandal, but **there is no future vision of what the company wants to grow around.**"

"Its time for the management to talk about what it want to achieve through spin-off"

REUTERS — January 2022

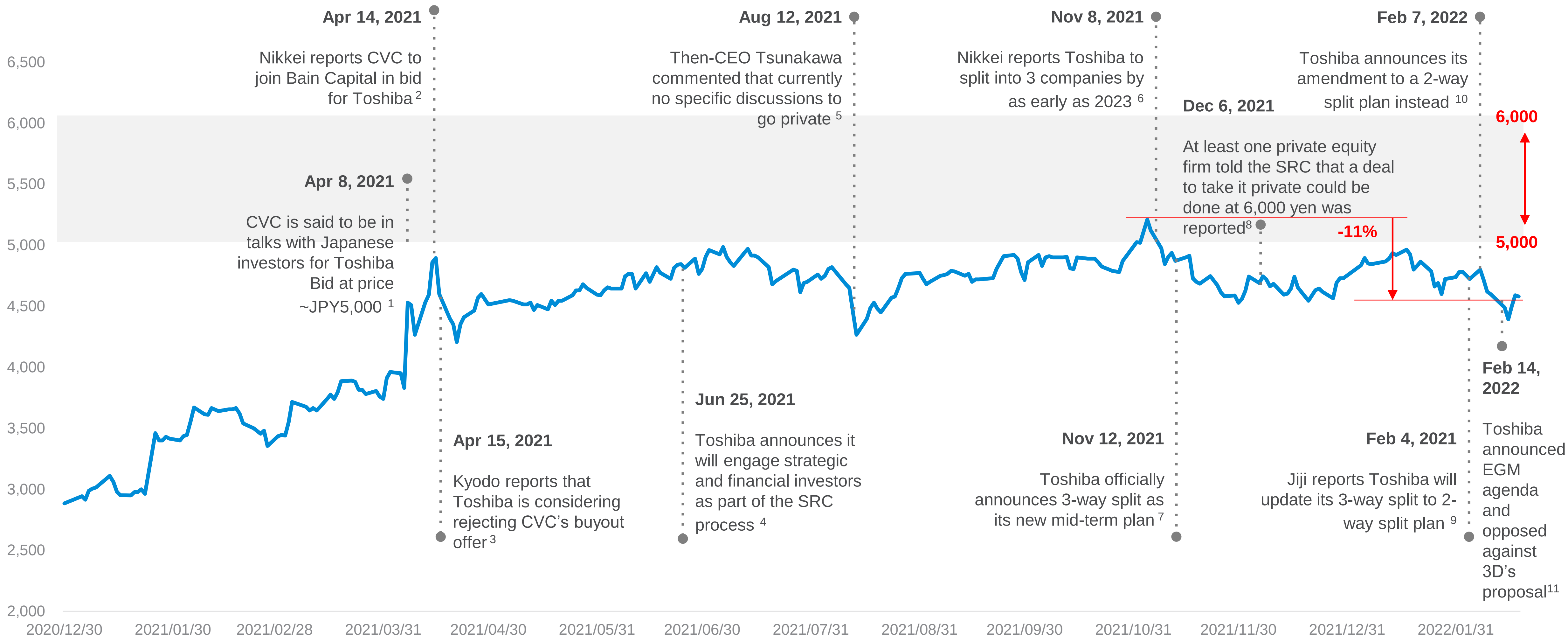
Toshiba should overhaul board and management, major Japan pension fund says

Toshiba Corp's (6502.T) **proposal to split itself into three companies won't solve its governance issues and the conglomerate should prioritise an overhaul of its board and management**, said a senior executive at one of Japan's largest pension funds.

"Toshiba failed to formally solicit buyout offers during a five-month strategic review before deciding on the break-up, **giving the impression that a split was a foregone conclusion for management**, Hokugo said."

The Market Has Reacted Poorly to the 3-way and 2-way Split Plans

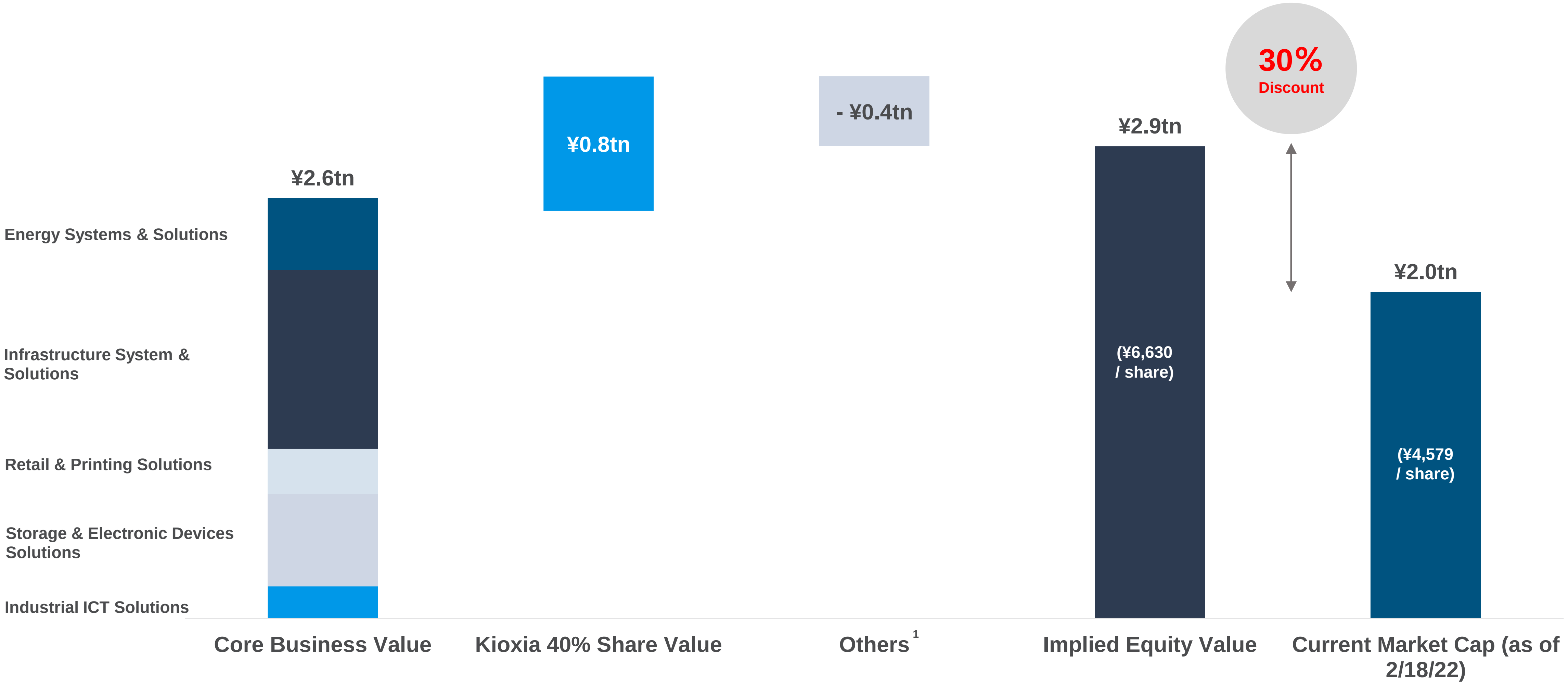
The market reacted poorly whenever the SRC announced a progress update; the current share price is far below the indicative prices received from private equity firms (JPY5,000 – 6,000)



[1] "CVC Is Said to Offer About $21 Billion in Toshiba Buyout Bid" *Bloomberg* [2]「東芝買収案、英CVCが米ベインと連合　KKRも検討」*Nikkei* [3]「東芝、買収提案を拒否へ」*Kyodo News* [4]"Statement from the Board of Directors of Toshiba on 25 June, 2021" *Toshiba* [5] Toshiba FY2022 1st Quarter Conference, *Bloomberg* [6]「東芝が事業別に3社に分割　総合電機に幕、それぞれ上場」*Nikkei* [7]「東芝、23年度に上場3社へ分割　新中計発表」*Nikkei* [8]"Toshiba walked away from potential buyout talks and Brookfield offer -sources" *Reuters* [9]「３分割案、２分割に修正　東芝、子会社売却も検討」*Jiji Press* [10] " (Update) Notice Regarding Toshiba Group's Strategic Reorganization" *Toshiba* [11] "Notice Regarding Convocation of the Extraordinary General Meeting of Shareholders and the Opinion of the Company's Board of Directors on the Shareholder Proposals" *Toshiba*

Toshiba Continues to Trade at a Discount to Intrinsic Value

As of February 18, 2022, the Company trades at a 30% discount to its implied equity value



Source: Company disclosures, 3D est., *Bloomberg*.

[1] "Others" = investment securities book value, unutilized tax loss carried forward, minority interests (Toshiba Tec, Toshiba Carrier, Toshiba Elevator), pension liabilities, net debt.

A New, Fair and Transparent Process is the Only Way for Toshiba to Rebuild Trust

3D Has Consistently Called For a Fair and Transparent SRC Process

3D has always been concerned that management would influence too heavily the SRC process and cause the SRC to exclude certain strategic alternatives that are not preferred by management

2021

2021/4/26 3D Investment Partners Sends Open Letter to Toshiba Board of Directors

- Invited and encouraged participation from potential acquirers
- Urged Board to evaluate all expressions of interest objectively and equally
- Highlighted the importance of giving potential buyers and investors adequate data and transparency throughout the process

2021/8/4 The Strategic Review Committee's Commitment to a Fair and Open Process

- Expressed disappointment that several logical private equity buyers were being ignored
- Noted that the Company's financial advisor was not instructed to actively solicited bids
- Reiterated our expectation for data sharing and transparency by the SRC

2021/11/24 3D Investment Partners Sends Open Letter to Strategic Review Committee and Board of Directors of the Toshiba Corporation

- Conveyed our concern with the SRC's process and conclusions
- Called on the SRC to reopen a formal review process with appropriate access to data and management to potential buyers / investors

2021/12/16 Shareholder Proposal

- Submitted a proposal for shareholders to vote on Toshiba's proposed 3-way split
- Requested that the SRC consider anew all alternatives for enhancing corporate value

2022

2022/1/6 3D Investment Partners Requests Toshiba Corporation Convene an EGM

- Formally requested that Toshiba convene an EGM

2022/2/21 Withdraw agenda 1 on amendment of articles of incorporation

- Withdrew agenda item as Toshiba changed to a 2-way split

3D Calls for a Strategy Re-examination by the Strategic Review Committee and the Board

Running a fair and transparent SRC process is the only way to rebuild shareholders' trust at Toshiba

3D's Proposal

Re-examination of strategy adopted by the Strategic Committee and the Board of Directors

The shareholders hereby request the Strategic Review Committee and the Board of Directors to reexamine their strategic review to ensure all alternatives are fully considered and measured against the Reorganization Plan that has been previously recommended, including by (i) actively engaging in discussions regarding a going-private transaction or minority investment in the Company, and (ii) providing all the data required by potential buyers / investors, and keeping shareholders informed on the process

Our Rationale

- By clearly including solicitation of proposals for privatization and minority investment within the scope of SRC, potential strategic and financial investors would be confident that the Company welcomes proposals during the SRC process and will not be treated as a hostile acquirer
- A key, lingering issue at Toshiba is the lack of trust by shareholders of the Board and management. 3D's proposal would eliminate doubts. An SRC process conducted fairly and transparently is the only way for Toshiba to rebuild broken trust with shareholders
- The combination of inviting partial or full-company buyers, and providing full transparency, is the best way to get the best outcome and ensure shareholders have confidence in the ultimate decision

The SRC Process Proposed by 3D Can Increase Corporate Value and Rebuild Shareholder Trust

We believe our proposal is likely to lead to an increase in corporate value and will increase shareholder trust

- If our proposal is approved, a robust review process will be initiated under a renewed SRC
- Transparent disclosure of review process will free the SRC from biased intervention and inputs by executives
- The proposed new SRC process will be more comprehensive, resulting in a high probability of reaching strategic alternatives that are more value additive than the current 2-way split plan
- Since there is less room for shareholders to cast doubt on the SRC conclusion under a transparent process, shareholders' distrust of Toshiba management will be minimized, whether or not the conclusion leads to a sale of Toshiba

Responding to Toshiba's Claims

Toshiba's Claims About the SRC's Process and Its Criticisms of 3D's Proposal Are Misleading

Toshiba's attempts to defend the SRC's process are not supported by the facts

The SRC's Claim	3D's View
SRC process was "thorough and rigorous,"[1] with the SRC meeting "18 times, on a weekly basis"[1] and holding "over 50 ad hoc sessions"[1]	▪ Having a high number of meetings does not prove that the topics were addressed well or thoughtfully ▪ There are obvious flaws in the analysis and conclusion – e.g. the value that can be created through a split was never compared to alternatives such as a minority investment and the SRC itself has now concluded the plan is suboptimal ▪ Toshiba's share price has fallen since the announcement of the split plan, showing it did not meet expectations
The discussions with potential investors were sufficient because they "provided a meaningful perspective" [1] on the price at which a privatization might be accomplished	▪ SRC failed to create an environment that encouraged inquiries from potential investors that could have led to a proposal[1] ▪ PE funds were not given the data required to form a proper view or valuation, so there was no proper price discovery
Denying due diligence opportunities was justifiable because "running a sale process would have led to a predetermined outcome" [2]	▪ Provision of formal due diligence opportunities for potential investors does not necessarily make a sale inevitable ▪ It is hard to claim all strategic alternatives were reviewed by the SRC while affirming no process to get fully valued bids was conducted ▪ SRC eliminating a strategic alternative that could add the most value at an early stage is completely inconsistent with its statement to consider all strategic alternatives
Information about the SRC process is "not suited for disclosure"[2] and it is "not practical" [2] to report the details	▪ 3D's request for transparency and disclosure has precedent in the Japanese market, having been done at Unizo Holdings ▪ Transparency is necessary given the complete lack of trust investors have in this Board and management team

[1] Toshiba Letter to Shareholders, November 12, 2021.
[2] Notice Regarding Convocation of the Extraordinary General Meeting of Shareholders and the Opinion of the Company's Board of Directors on the Shareholder Proposals" *Toshiba*, February 14, 2022

Toshiba's Latest Claims About Privatization Compared to the 2-way Split Are Misleading

Toshiba's Claims	3D's Views
"There isn't much difference in improving the value of core businesses whether [Toshiba] is divided into three companies or two."[1]	▪ This statement walks back management's recent claim that the 2-way split is the "best course of action for shareholders and other stakeholders," providing yet another example of undisciplined analysis ▪ If there is no difference between a 2-way split and a 3-way split in terms of value creation, the switch from a 3-way split (approved by the SRC) to a 2-way split must have been driven by other factors, such as the ability to sidestep shareholder accountability
"…[T]here are disadvantages to going private. It is irresponsible to choose such an option as a manager knowing there are such disadvantages."[1]	▪ Toshiba's managers should not be the ones "choosing" to go private or split the Company; such a decision properly rests with the Board of directors
"The process of going private may take longer than spinning off."[1]	▪ The fact that a privatization may take longer than a spin-off is not by itself a reason to dismiss privatization, particularly if privatization creates more corporate value ▪ Toshiba has suggested that it will not complete the spin-off and listing until the second half of FY 2023; it is difficult to imagine that a privatization would take even longer than that
"Foreign-affiliated funds will do levered buyouts, so borrowing will be increased… There will be concern about how borrowing will be prioritized, because it will not be used for future investment."[1]	▪ There are many examples of companies in technology- and research-intensive industries whose businesses have not been damaged by privatization or private equity investment – Kioxia, Toshiba's former wholly owned subsidiary, is one of those
"…[T]he most important thing is whether we can keep employees and avoid an outflow of human resources."[1]	▪ Toshiba implies that privatization will lead to an exodus of employees, but the opposite may be true; one academic study indicated that headcount at Japanese firms taken private between 1998 and 2015 *increased*[2] ▪ Management expressed this same concern to the SRC during its process, but the SRC noted that the private equity funds had extensive experience "mitigating most, if not all, of such risks in prior transactions"[3]

[1] Source: Satoshi Tsunakawa Interview with Bloomberg News, February 27, 2022. [2] Source: Georg Blind and Stefania Lottani von Mandach, "Private Equity Buyouts in Japan: Effects on Employment Numbers," *Journal of The Japanese and International Economics*, October 2021. [3] Toshiba Letter to Shareholders, November 12, 2021

Conclusion

Toshiba's Strategic Review Process Was Not Well Run and Needs to be Redone

After years of mistreating its shareholders and generating no returns, Toshiba finally pledged to evaluate all of its strategic options objectively; unfortunately, this latest effort was flawed too and has left shareholders still doubting Toshiba's dedication to maximizing corporate value

- **The issues at Toshiba over the last ten years are well documented**: accounting scandals, voting irregularities, refusal to engage with shareholders
- In April 2021, **private equity firm CVC approached Toshiba seeking to engage on a take-private transaction, rumored to be at JPY 5000[1]**
  - Management rebuffed CVC's interest and pressured banks not to lend[2] and spoke with the government as a means of blocking CVC[2]
  - In the wake of the stunning rebuke of Toshiba's leadership at the 2021 AGM, Toshiba expanded the scope of Strategic Review Committee of the Board (the "SRC") to conduct a thorough and objective review of Toshiba's strategic options
- **The SRC's five-month review process was flawed and failed to consider all of Toshiba's alternatives carefully**
  - Management prevented a proper exploration of a sale or third-party investment opportunities by refusing to provide sufficient background and by claiming, without any support, that Toshiba needed to remain publicly listed for the benefit of various stakeholders
  - Unsurprisingly, no private equity firm was able to make a concrete proposal without management's cooperation, and the SRC never even asked for one
  - The SRC was therefore left only to consider ways to re-arrange Toshiba without a change in ownership structure, which is precisely what management wanted
- Left with few options, **the SRC concluded a 3-way split-up of Toshiba was ideal**; it claimed it reached this conclusion carefully
  - The 3-way split would require a two-thirds vote of shareholders
  - Many shareholders and commentators openly opposed the plan, noting that it was unlikely to create value, change Toshiba's underperforming culture or increase accountability of its subpar management team
- Faced with the possibility that Toshiba would not receive two-thirds support for the 3-way split-up plan that the SRC had determined was the best option for the Company, **Toshiba suddenly changed its plan to one that may not need any shareholder support at all (or a mere majority): a 2-way split up**
  - Toshiba's CEO recently claimed that this change was driven by management's desire to have "certainty and security" around the split up[3]
  - This change in plan demonstrates that the SRC process was flawed and also that Toshiba is willing to disenfranchise its shareholder base on this critical topic
- The only way to restore confidence and improve Toshiba's corporate value is for **the SRC to run a new strategic review process that permits a full and proper opportunity for potential buyers and large minority investors to make a "credible" proposal to Toshiba**

[1] "Japan's Toshiba considers $20 billion take-private deal," *Reuters*, April 6, 2021. [2] "Toshiba says CVC to 'step aside to await' guidance over offer" *Reuters*." April 20, 2021.
[3] Video interview with CEO Tsunakawa available at https://www.bloomberg.com/news/articles/2022-02-27/toshiba-ceo-says-going-private-too-risky-as-activists-seek-sale.

Appendix

There Is Precedent for the Type of Clear, Transparent Disclosure We Are Seeking

Disclosure Made by Unizo Holdings[1] (as translated by 3D)

Name of Potential Investor	Discussion
(i) Fortress	▪ Please refer to the "Statement of Opinions on Our Tender Offer by Sapporo Limited Liability Company" announced today.
(i) Black stone	▪ Estimated tender offer price of 5,000 yen deserves to be fully considered. ▪ When a scheme was under consideration with Blackstone, it is considered to separate certain assets of our group and run as a new operating company by employees of our group, the feasibility of the scheme cannot be determined with certainty in discussions regarding the conditions for implementing such scheme. ▪ The content of the negotiation with Blackstone so far has been inferior to the tender offer by Chitocea Investment Co., Ltd. from the viewpoint of the common interests of shareholders and the maintenance and improvement of corporate value, and therefore we decided to terminate the discussions on the proposal for the acquisition with Blackstone.
(i) Overseas fund C (Lone Star)	▪ Please refer to the "Announcement of Opinions on the Tender Offer for Our Share Certificate by Chitocea Investments Co., Ltd." announced today.
(i) Domestic fund E	▪ Considering the estimated tender offer price of 5,000 yen and considering an employee protection scheme based on the determination of required returns and Exit commitments ▪ We resolved to terminate discussions on the acquisition proposal from Fund E due to doubts about the credibility of financing, although the company has an advantage in terms of protecting employees from the required return level.
(i) Domestic operating company F	▪ Planned tender offer price of 5,000 yen (+α) and commenced the discussion about the scheme where employees can be hired after acquisition under which most of the offices in Japan and a part of hotels are owned by Company F and a company which possesses a part of office in Japan, most of hotels and overseas offices in the hotel is separately incorporated. ▪ We resolved to terminate discussions on a proposal to acquire Company F because there is a risk to the business continuity of the new company after the completion of a series of transactions, and financing was not available due to the inability to obtain a loan commitment from the bank.
(i) Other potential sponsors	▪ As of today, discussions with overseas fund companies A and B have not been conducted and have ceased to exist as candidates for a sponsor. ▪ As of November 24, 2019, Overseas Fund D was extinguished as a potential sponsor due to difficulties in presenting an acquisition proposal.

[1] "公開買付けに係るスポンサー候補者との協議結果の概要" *Unizo Holdings*, December 22, 2019

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