



24 November 2021

The Strategic Review Committee of the Board of Directors and Board of Directors
Toshiba Corporation
1-1, Shibaura 1-chome, Minato-ku, Tokyo, 105-8001, Japan

Re: The Inadequate SRC Process

Ladies and Gentlemen:

3D Investment Partners Pte., Ltd. provides discretionary investment management services to funds that, in aggregate, continue to be one of the largest owners of Toshiba Corporation (“Toshiba” or the “Company”).

We believe that significant change is required at Toshiba. For too long, Toshiba has suffered from failures of execution and misallocation of capital. Its corporate culture, misalignment with shareholders, and corporate governance have destroyed value and left Toshiba weak. These issues have been compounded, in our view, by a series of actions and statements from the legacy Board and executives that lacked transparency and damaged the credibility of the Company with its stakeholders.

That said, we have long believed that the proper changes at Toshiba could return Toshiba to its rightful place among Japan’s most admired and well-performing corporations and restore investor confidence.

The Strategic Review Committee’s Role

We were hopeful that the Strategic Review Committee (“SRC”) could serve the critical role of objectively evaluating Toshiba and its culture, determining the Company’s core strengths and core businesses, and analyzing how those businesses and the non-core businesses should best be operated, governed, capitalized and owned to create value for Toshiba’s stakeholders. We have urged the SRC to be searching in its inquiries and transparent in its disclosures with shareholders.

We believe the SRC has failed at this task, and it appears many other shareholders agree.

Rather than building credibility through transparency and focusing on a solution for Toshiba’s longstanding issues that shareholders could support, the SRC’s report and conclusions have been met with doubt and concern. Since news stories of the SRC’s conclusions were publicized

on 8 November, Toshiba's stock is down more than 8% (even as the broader Japanese stock market has risen). Approximately 190 billion yen of shareholder value has been lost since the SRC publicly described its premature conclusion through an inadequate process.

The SRC Failed to Conduct a Fulsome, Independent Review

The SRC did not objectively consider a full range of alternatives.

By its own admission, the SRC did not provide detailed information to, or conduct management meetings with, private equity firms, nor did it ever ask for or receive proposals for a sale of the Company or a partial disposition of businesses. It appears from the SRC report that no strategic partners or acquirors were contacted either.

The one set of detailed meetings – which concerned a minority investment and strategic partnership with a global private equity firm with experience in Toshiba's industries – appear to have been prematurely terminated on the specious grounds that Toshiba's ordinary shareholders would not approve such a transaction and it is not completely consistent with the interests of Toshiba's ordinary shareholders. We should note that in concept, the opportunity for Toshiba and its public shareholders to partner with an aligned, global private equity firm to grow and improve Toshiba could be attractive to Toshiba's shareholders (depending of course on the terms), especially given the decades-long track record of abysmal value creation of standalone Toshiba.

Worryingly, management appears to have had a central role in considering the potential advantages or disadvantages of these partially reviewed options. And it is clear from the SRC's report itself that management is neither enthusiastic about the business – and hence its lackluster projection model that is almost bereft of growth – nor interested in reporting to an owner that can hold management accountable.

Instead of acting truly independent and objective, overly reliant upon an intransigent management team's uninspired projection model and dubious claims of regulatory, employee morale and customer concerns about a different ownership structure, the SRC appears to have compromised its review and relented. So rather than examining the full range of possibilities and reporting on those possibilities to shareholders, the SRC has instead decided that the status quo, with some minor shuffling of businesses into different corporate entities, is the prescription for success, despite years of evidence to the contrary.

In fact, 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.

A Better Path Forward

To create value, Toshiba should focus its capital and best people on its market leading franchises, while allowing its non-core or less successful businesses to be owned by others who, through strategic relationships or financial flexibility, can create value from those businesses. Retaining all or most of Toshiba's businesses, and merely shuffling them into separate legal entities, does none of the hard work of sifting the core businesses from the non-core businesses and ensuring the core businesses are operated well, capitalized properly or governed effectively.

We thus believe the SRC's process and conclusions were lacking.

Absent very compelling additional disclosures from the SRC, we do not intend to support the plan to split the Company into three separate entities. We are convinced that a better process would have yielded better alternatives for Toshiba.

We therefore encourage you to open a formal process, develop a compelling plan for each of the businesses, provide detailed diligence materials and management meetings to interested financial and strategic parties, encourage and enable stretch proposals from those parties and evaluate the best path forward for Toshiba in light of the competitive proposals that we are certain will be submitted. It is also incumbent on the SRC to provide transparency into those proposals so that shareholders have confidence in the actions of the Board and trust can be restored.

Sincerely,

3D Investment Partners Pte. Ltd



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