

(Translation)

(Securities Code No: 7224)

June 10, 2017

To All Shareholders:

ShinMaywa Industries, Ltd.
Tatsuyuki Isogawa
President and Chief Executive Officer

Supplementary Explanation Concerning Agenda No. 3 of the 93rd Annual General Meeting of Shareholders

We wish to express our sincere appreciation for your continuing, exceptional support.

Regarding the 93rd Annual General Meeting of Shareholders of ShinMaywa Industries, Ltd. (the “Company”), scheduled on June 27, 2017, we have learned that Institutional Shareholder Services, Inc. is recommending that shareholders oppose the election of Mr. Yoshifumi Kanda (the “Candidate”) for the position of Audit & Supervisory Board Member. The Candidate was named as the candidate for this position in Agenda No. 3 titled “Election of One (1) Audit & Supervisory Board Member.” The reason for the opposition by Institutional Shareholder Services, Inc. is that the independence of the Candidate as an Outside Audit & Supervisory Board Member has not been adequately maintained.

Consequently, we would like to supplement our proposal for the election of the Candidate as follows. We ask our shareholders to review this supplementary explanation, and we sincerely hope that this explanation will be useful in facilitating your understanding regarding Agenda No. 3.

Agenda No. 3: Election of One (1) Audit & Supervisory Board Member

A. Name, Career Summary, etc., of the Candidate

Name (Date of Birth)	Career Summary, Position at the Company, and Important Concurrent Positions	Number of Shares Owned
Yoshifumi Kanda (Mar. 10, 1952)	Apr. 1974 Joined Hitachi, Ltd.	0
	Aug. 1996 General Manager, Power Dept., Kansai Area Operation, Hitachi, Ltd.	
	Apr. 2002 Deputy General Manager, Kansai Area Operation, Hitachi, Ltd.	
	Apr. 2004 General Manager, Government & Public Corporation Information Systems Sales Management Division, Information & Telecommunications Group, Hitachi, Ltd.	
	Jan. 2006 Executive, Hitachi, Ltd.	
	Dec. 2008 General Manager, Chugoku Area Operation, Hitachi, Ltd.	
	Apr. 2011 Vice President and Executive Officer, Hitachi, Ltd. General Manager, Power Management Marketing Division, Hitachi, Ltd.	
	Apr. 2012 Deputy General Manager, Corporate Sales & Marketing Group, and General Manager, Domestic Division, and General Manager, CS Promotion Center, and General Manager, Power Management Division, Power Systems Company, Power Systems Group, Hitachi, Ltd.	
	Apr. 2015 Executive Vice President and Executive Officer, Hitachi Systems Power Services, Ltd.	
	Apr. 2017 Adviser, Corporate Sales & Marketing Group, Hitachi, Ltd. (up to present)	
[Reasons for selection as a candidate for Outside Audit & Supervisory Board Member] Since Mr. Yoshifumi Kanda has held important posts at companies such as Vice President and Executive Officer of Hitachi, Ltd., the Company expects him to provide objective and just auditing as well as beneficial opinions to the Board of Directors based on his wealth of hands-on experience in the industry.		

B. Supplementary Explanation regarding the Independence of the Candidate

1. The Candidate works for Hitachi, Ltd. A business relationship, such as product sales, exists between the Company and Hitachi, Ltd. However, the annual amount of transactions between the Company and Hitachi, Ltd. is less than 230,000,000 yen, and the ratio of said transaction amount to the consolidated sales amount of the Company (approximately 201,204,000,000 yen) is approximately 0.1%. In addition, based on the consolidated revenue of Hitachi, Ltd. (approximately 9,162,264,000,000 yen), which was officially announced by Hitachi, Ltd., the ratio of said transaction amount to Hitachi, Ltd.'s consolidated revenue is even smaller, accounting for approximately 0.0025%. Therefore, the Company believes that the Candidate is sufficiently independent of the Company.
2. Hitachi, Ltd. has sold 4,000,000 shares of the Company on May 12, 2016. Hence, they are no longer a major shareholder of the Company. Further, as of March 31, 2017, which is the "record date" of our 93rd Annual General Meeting of Shareholders, Hitachi, Ltd. does not own any share of the Company.
3. As described in page 11 of the summary translation of the Notice of the 93rd Annual General Meeting of Shareholders and in A. above, since the Candidate has held important posts at companies, the Company expects him to provide objective and just auditing as well as beneficial opinions to the Board of Directors based on his wealth of hands-on experience in the industry.
Based on the above, the Company sincerely requests that our shareholders elect the Candidate as the Outside Audit & Supervisory Board Member.

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