

(Translation)

Dear Sir/Madam,

Company: JP-HOLDINGS, INC.  
Representative: Kazuhiro Ogita,  
President and Representative Director  
(Stock Code: 2749, First Section of TSE)  
Contact: Mika Matsumiya,  
General Manager, Administration Division  
(Tel: +81 52 933 5419)

## **Notice Concerning Holding of Annual General Meeting of Shareholders and the Opinion of the Board of Directors concerning the Shareholder Proposals and in Response to Request for the Convocation of an Extraordinary Shareholders Meeting**

As announced in a release dated May 9, 2018, titled "Notice of the Receipt of Documents regarding Shareholder Proposals", JP-HOLDINGS, INC. received a document on May 2, 2018 from shareholder, PAGEONE Co., Ltd., (19-16 Kaminochohigashi, Kishiwada-shi, Osaka, President: Yusuke Tomita, hereinafter referred to as the "Proposer") to give proposals (hereinafter referred to as the "Shareholder Proposals") at the 26th Annual General Meeting of Shareholders (hereinafter referred to as the "Annual General Meeting of Shareholders").

At the board of directors held on May 22, 2018, date, time, agenda items and other matters concerning this meeting were resolved in addition to the directors' resolution to **oppose to all of the Shareholder Proposals**. Furthermore, at the board of directors held today, our Company resolved about the content outlined below, including the details of the reason for the opposition, as follows.

As noted in the "Notice of Request by Shareholder to Hold an Extraordinary Shareholders Meeting" announced on April 16, 2018, our Company received a request for the convocation of an Extraordinary Shareholders Meeting, dated April 13, 2018, from shareholders of our company, Fresia Advisors Co., Ltd. (4F Akasaka Community Bldg., 1-1-8 Motoakasaka, Minato-ku, Tokyo, Preseident: Kenzo Yamamoto), Mr. Hirotaka Inagaki, Ms. Reiko Yoshida, Mr. Koryu Oh, and Mr. Kuniaki Do, but since our Company could not finally confirm that the request for a convocation ultimately fulfilled the requirements of the applicable laws and regulations. Moreover, since our Company will hold the Annual General Meeting of Shareholders, as mentioned above, our Company has also determined at the meeting of the board of directors held today that an Extraordinary Shareholders Meeting will not be held.

### **1. Overview of Annual General Meeting of Shareholders**

(1)Date and time

Thursday, June 28, 2018, at 10:00 a.m. Japan time

(2)Location

Third floor of Hotel Mielparque NAGOYA (Sirius Room)  
3-16-16 Aoi, Higashi-ku, Nagoya

(3)Proposals

**[Company proposal]**

Proposal 1: Appropriation of Surplus

Proposal 2: Partial Amendments to the Articles of Incorporation

Proposals 3 to 10: Election of Eight (8) Directors

<b>Proposal 3:</b>	<b>Candidate: Kazuhiro Ogita</b>
<b>Proposal 4:</b>	<b>Candidate: Koichiro Furukawa</b>
<b>Proposal 5:</b>	<b>Candidate: Junko Matsumoto</b>
<b>Proposal 6:</b>	<b>Candidate: Atsuko Aoyagi</b>
<b>Proposal 7:</b>	<b>Candidate: Naoto Nishii</b>
<b>Proposal 8:</b>	<b>Candidate: Ichiya Nakamura</b>
<b>Proposal 9:</b>	<b>Candidate: Takashi Minagawa</b>
<b>Proposal 10:</b>	<b>Candidate: Katsuyuki Yamashita</b>

Proposal 11: Election of Three (3) Audit and Supervisory Board Members  
**[Shareholder proposals]**

Proposals 12 and 13: Election of Two (2) Directors

**Proposal 12: Candidate: Toru Sakai**

**Proposal 13: Candidate: Akihiko Fukuoka**

Proposals 14 and 16: Election of Three (3) Outside Directors

**Proposal 14: Candidate: Manabu Uchiyama**

**Proposal 15: Candidate: Yuki Maruyama**

**Proposal 16: Candidate: Masaki Miki**

Proposal 17: Amendments to the Articles of Incorporation

## 2. Summary of the proposals and reasons and intent

### **[Company proposal] Proposal 1: Appropriation of Surplus**

With respect to the year-end dividends for the 26th fiscal year, we propose the appropriation of surplus as follows, comprehensively taking into account the performance of the fiscal year under review, the internal reserves necessary for future business expansion, as well as the enhancement of financial soundness, among other factors.

1) Type of dividend assets

Cash

2) Matters concerning the allocation of dividend assets to shareholders and the total amount thereof

3.50 yen per share of the Company's ordinary shares

Total amount: 307,466,929 yen

3) Effective date of dividend of surplus

June 29, 2018

### **[Company proposal] Proposal 2: Partial Amendments to the Articles of Incorporation**

It is proposed to decrease the terms of office of Directors be shortened from two (2) years to one (1) year in order to make Directors' management responsibilities clearer and to establish a management system capable of swiftly responding to changes in the business environment. The details of the amendments are as follows.

(Underlined portions are amended.)

Current Articles of Incorporation	Proposed Amendments
<p>(Term of Office)            Article 19.</p> <p>1. The term of office of a Director shall expire at the closing of the Annual General Meeting of Shareholders held with respect to the latest business year ending within <u>two (2) years</u> after his or her election.</p> <p>2. The term of office of a Director who has been elected to increase the number of Directors or to fill a vacancy shall expire when the terms of office of the incumbent Directors expire.</p>	<p>(Term of Office)            Article 19.</p> <p>1. The term of office of a Director shall expire at the closing of the Annual General Meeting of Shareholders held with respect to the latest business year ending within <u>one (1) year</u> after his or her election.</p> <p>2. The term of office of a Director who has been elected to increase the number of Directors or to fill a vacancy shall expire when the terms of office of the incumbent Directors expire.</p>

### **[Company proposal] Proposals 3 to 10: Election of Eight (8) Directors**

The terms of office of all eight (8) Directors will expire at the close of this Annual General Meeting of Shareholders. We propose that eight (8) Directors be elected.

Proposals are stated separately for each candidate in order to ask approval or disapproval of election of each candidate for Director at this Annual General Meeting of Shareholders.

**Proposal 3: Candidate: Kazuhiro Ogita**

**Proposal 4: Candidate: Koichiro Furukawa**

**Proposal 5: Candidate: Junko Matsumoto**

**Proposal 6: Candidate: Atsuko Aoyagi**

**Proposal 7: Candidate: Naoto Nishii**

**Proposal 8: Candidate: Ichiya Nakamura**

**Proposal 9: Candidate: Takashi Minagawa**

**Proposal 10: Candidate: Katsuyuki Yamashita**

Please refer to the "Notice of Convocation of the 26th Ordinary General Meeting of Shareholders" which will be disclosed at a later date for the biographical background etc., of each candidate for director.

### **[Company proposal] Proposal 11: Election of Three (3) Audit and Advisory Board Members**

The terms of office of Audit and Supervisory Board Members Mr. Manabu Uchiyama, Mr. Yamato Takeuchi, and Mr. Hideaki Sashiwa will expire at the close of this Annual General Meeting of Shareholders. We propose that three (3) Audit and Supervisory Board Members be elected.

Please refer to the "Notice of Convocation of the 26th Ordinary General Meeting of Shareholders" which will be disclosed at a later date for the biographical background etc., of each candidate for auditor.

### **[Shareholder proposal] Proposals 12 and 13: Election of Two (2) Directors**

(Outline of the Proposal)

The following two (2) candidates are elected as directors.

**Toru Sakai, Akihiko Fukuoka**

(Summary of the proposals and reasons and intent)

The Company's management team has been failing to reasonably capture the demand from people engaged in child-rearing, resulting in little growth of the Company's business. Moreover, under the current system of Directors, decision-making and execution of business are not being carried out appropriately.

\*The proposer also proposes the candidates in Proposal 4 and Proposal 7 as candidates for Director.

### **[Shareholder proposal] Proposals 14 to 16: Election of Three (3) Outside Directors**

(Outline of the Proposal)

The following three (3) candidates are elected as outside directors.

**Manabu Uchiyama, Yuki Maruyama, Masaki Miki**

(Summary of the proposals and reasons and intent)

To renew the management system and strengthen compliance.

\*The proposer also proposes the candidate in Proposal 9 as a candidate for Outside Director.

### **[Shareholder proposal] Proposal 17: Partial Amendments to the Articles of Incorporation**

(Outline of the Proposal)

It is proposed that the following amendment be made to Article 28 (Method of Terminating Directors) of the Articles of Incorporation: "two-thirds or more" should be amended as "majority."

(Summary of the proposals and reasons and intent)

To enhance agility of the Company and reflect shareholders' intentions.

## **3. Opinion of the company's board of directors concerning the shareholder proposals**

### **(1) Outline of the Opinion**

**The Company's Board of Directors oppose all of the Shareholder Proposals.**

### **(2) Reasons for opposing**

#### **<Appointment of two (2) Directors (Proposals 12 and 13) >**

##### **1) The candidates do not have sufficient experience to serve as the Company's Director.**

Unless a person has sufficient experience and knowledge of the nursery business, it is impossible for such person to promote the Company's business as Director responsible for execution of business of the Company. The candidates for Director in the Company's proposals (Proposals 3 to 7) satisfy the requirements from such a viewpoint.

On the other hand, it is deemed that the candidates for Director in Proposal 12 and Proposal 13 do not have sufficient experience and knowledge of the nursery business and do not have outstanding careers compensating for such insufficiency. It is also a concern that if a person who does not appear to have sufficient experience and knowledge of the nursery business executes business of the Company, business development may be delayed and promotion of operations may stall, causing confusion in the nursery field.

##### **2) The analysis of the proposer includes misinterpretation.**

The proposer seems to have concluded from his analysis that the Company's performance became lackluster because the current Directors of the Company have been failing to reasonably capture the demand from people engaged in child-rearing.

However, since February 2015, in light of the sustainable growth of the Group over the medium- to long-term, the Company has addressed various issues that had not been sufficiently addressed previously, such

as improvement of the working environment and strengthening of the safety management structure, and is working to expand a new revenue base. The recent decline in operating income is due to a temporary impact of expenses necessarily associated with such measures.

Therefore, the analysis by the proposer does not accurately capture the Company's actual situation. For details of specific measures of the Company, please refer to the "Comments on Reports Issued by Proxy Advisory Firms Glass Lewis and ISS" posted on the Company's website on November 16, 2017.

**3) The reasons for the proposal by the proposer are groundless.**

The proposer claims that under the current system of Directors, decision-making and execution of business are not being carried out appropriately, but specific reasons for this claim are not provided and thus the proposer's claim is groundless.

**4) Neutral management by the candidates cannot be expected.**

Mr. Toru Sakai, a candidate for Director proposed by the proposer, is the current Representative Director of Mother Care Japan Co., Ltd., which is the leading shareholder of the Company (voting rights ownership ratio of 27.41%). Mr. Akihiko Fukuoka is an employee of Mirai Capital Co., Ltd., which is the wholly owning parent of Mother Care Japan Co., Ltd.

Taking into consideration that the actual situation and the intention of Mother Care Japan Co., Ltd. are unclear, as described below, it is unclear whether the two candidates are capable of executing appropriate management, from a truly neutral stance, independent of the interest of the said leading shareholder, considering the interest of minority shareholders of the Company.

**5) Actual situations of the corporations to which the candidates belong are unclear.**

Mr. Toru Sakai, a candidate for Director proposed by the proposer, is the current Representative Director of Mother Care Japan Co., Ltd., which is the leading shareholder of the Company (voting rights ownership ratio of 27.41%). Mr. Akihiko Fukuoka is an employee of Mirai Capital Co., Ltd., which is the wholly owning parent of Mother Care Japan Co., Ltd.

As Mother Care Japan Co., Ltd. is the leading shareholder of the Company and Mirai Capital Co., Ltd. is the parent of Mother Care Japan Co., Ltd., the Company is required to disclose certain information about these companies in accordance with the regulations of Tokyo Stock Exchange, Inc. Accordingly, the Company has requested the said companies to provide necessary information several times but they have never responded to the Company's requests.

Moreover, the said companies have made the Company a proposal about the Company's capital policy etc. The Company has been requesting the said companies to provide the minimum necessary information in order for the Company to review such proposal, but they have never responded to the Company's requests, either.

Thus, the actual situations and intentions of Mother Care Japan Co., Ltd. and Mirai Capital Co., Ltd. are totally unclear.

**6) Relationship between the proposer and the corporations to which the candidates belong**

It is deemed that the proposer and Mother Care Japan Co., Ltd. are jointly exercising shareholders' rights to make proposals. Thus, the proposer and Mother Care Japan Co., Ltd., as a joint holder, are supposed to submit a statement of large-volume holdings. However, the Company does not recognize that the statutory documents have been submitted in a timely manner, and there is a serious compliance issue.

**7) The personal history of the candidate cannot be verified**

As mentioned above, since the actual condition of Mother Care Japan Co., Ltd. is unclear, and although it is also necessary to be as accurate as possible about the specific details of personal history of any candidate for the Board of Directors, despite repeated requests being made by our Company for the materials to confirm the basis of the candidate Mr. Toru Sakai's brief career as a representative director of Mother Care Japan Co., Ltd., as of today no such submissions have yet been received. Furthermore, on May 24, 2018, in response to this situation: (1) it was necessary for the Company to request a formal Letter of Consent from Mr. Toru Sakai to officially inquire about Mr. Toru Sakai's enrolment in and graduation from the university from which he graduated and (2) to request the submission in writing of the specific names and other details of the "US business corporation" and "investment company" mentioned in Mr. Toru Sakai's personal history, and of objective evidential materials in support of these references, but as of today the Company has not yet received the submission of any of the documentation requested.

**<Appointment of three outside directors (Proposals 14 to 16)>**

**1) There are no reasons for election.**

As stated in the “Notice Regarding Our Company’s Response Based on an Investigative Report of a Third Party Committee” posted on the Company’s website on December 22, 2017, the Company has formulated various measures for strengthening the compliance structure and is implementing specific measures. The Company believes that maintaining implementation of such measures is important and the candidates for Outside Director in the Company’s proposals (Proposals 8 to 10) have the advanced, professional expertise necessary for that purpose and the Company’s nomination is sufficient.

**2) Regarding Mr. Manabu Uchiyama**

Mr. Manabu Uchiyama, a candidate proposed by the proposer, had been an employee of the Company from 2011 to 2014, as is apparent from his career summary notified by the proposer to the Company, and therefore he does not satisfy the requirements for an Outside Director.

**3) Regarding Ms. Yuki Maruyama**

Ms. Yuki Maruyama, a candidate proposed by the proposer, is a legal counsel of Mother Care Japan Co., Ltd., which is the leading shareholder of the Company (voting rights ownership ratio of 27.41%). Taking into consideration that the actual situation and the intention of Mother Care Japan Co., Ltd. are unclear, as described above, it is not clear whether Ms. Maruyama is capable of fulfilling functions for oversight of the Company’s management from a truly neutral stance, independent of the interest of the said leading shareholder.

While proposing Mr. Toru Sakai, who is the Representative Director of Mother Care Japan Co., Ltd., as a candidate for Internal Director, the proposer is proposing the legal counsel of Mother Care Japan Co., Ltd. as a candidate for Outside Director. It is apparent that the proposer has no intention of establishing a structure for effective governance over the Company’s management.

**<Partial amendments to the articles of incorporation (Proposal 17)>**

According to the statement of large-volume holdings submitted by Mother Care Japan Co., Ltd. on January 19, 2018, and the Change Report submitted on June 1, 2018, which are deemed to have submitted this proposal jointly with the proposer, Mother Care Japan Co., Ltd.’s ownership ratio of share certificates etc. is 28.42% in combination with associated joint holders.

Taking such situation into consideration and the actual rate of attendance at the Company’s Shareholders Meetings, if this proposal is approved and the requirements for terminating the appointment of a Director is to become a majority of voting rights, Mother Care Japan Co., Ltd. will have an extremely powerful influence on termination of the appointment of Directors.

**The Company believes that such situation where a particular shareholder has an extremely powerful influence on termination of the appointment of Directors at its sole discretion is inappropriate for corporate governance of a listed company in which views of diverse shareholders should be reflected.**