October 24, 2017

(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)

Regarding Receipt of Notice of Shareholder Proposal in Relation to Extraordinary Shareholders Meeting

As announced in a press release dated October 17, 2017, titled "Notice of Opinion of the Board of Directors concerning the Extraordinary Shareholders Meeting and Shareholder Proposals" (hereinafter referred to as the "Decision to Hold a Shareholders Meeting Press Release"), JP-HOLDINGS, INC. (hereinafter referred to as the "Company") plans to hold an extraordinary shareholders meeting on November 22, 2017, based on a request for convocation (hereinafter referred to as the "Request for Convocation") of an extraordinary shareholders meeting (hereinafter referred to as the "extraordinary shareholders meeting") made on September 28, 2017, by Mr. Hiromi Yamaguchi, the Company's shareholder (hereinafter referred to as the "Demander"). On October 20, 2017, the Company received a notice (hereinafter referred to as the "Notice") from the Demander, concerning the proposals to be submitted to the extraordinary shareholders meeting (hereinafter referred to as the "Shareholder Proposal"), and further announces that the response of the Company to this matter shall be as described below.

Details

1. Content of the Notice and the Company's Response

According to the Notice, the Demander would like to withdraw from the proposals to be submitted, the part concerning "Partial amendment of the Articles of Incorporation" of the Shareholder Proposals, "Shortening of the Term of Office of Directors" in paragraph 1 (hereinafter referred to as the "Subject Agenda Item").

However, as stated in the Decision to Hold a Shareholders Meeting Press Release, the Company has already resolved at the board of directors meeting to hold the extraordinary shareholders meeting on

November 22, 2017, and the arrival of the Notice has greatly exceeded the period of 8 weeks prior to the date on which the extraordinary shareholders meeting is due to be held.

Therefore, since the request for withdrawal of a part of the agenda item by the Notice is not effective under the Companies Act (the "Law"), the Company will treat the original Shareholder Proposal as described in the Request for Convocation as the Demander's formal proposal.

2. Reason for the Company's Response

- ✓ As mentioned above, since the request for withdrawal of a part of the agenda item through the Notice **is not effective under the Law**, the Company shall, in accordance with the Law, formally approve the original Shareholder Proposal as described in the Request for Convocation as the Demander's formal proposal.

- ✓ As an additional remark made for the avoidance of doubt, from the time that the Company received the Request for Convocation, based on the content of the original Shareholder Proposal as described in the Request for Convocation, the Company has been engaged in numerous consultations and discussions within the Company and has resolved on the opinion of the board of directors as stated in the "Decision to Hold a Shareholders Meeting Press Release". In addition, the Company has already been preparing various documents and materials required for the extraordinary shareholders meeting. If the Company was to respond by starting over the preparations and arrangements the Company had already done for the extraordinary shareholders meeting on the premise of withdrawal of a part of the agenda item in accordance with the Notice, it is inevitable for the Company to incur significant additional administrative burden and cost and it is obvious that this would also be detrimental to the shareholders of the Company.

- ✓ **Since shareholders have the right to amend the agenda item on the floor of the shareholders meeting, the Demander should respond by exercising such right. As for the Company, it is unacceptable for shareholders of the Company to suffer a loss as a result of the Company responding to the Notice concerning the request for partial withdrawal of the agenda item made by the Demander as it is not effective under the Law.**

- ✓ In the Notice, the Demander states that "it is not desirable for any unnecessary confusion or disturbance to result from the effect of the amendment of the articles of incorporation relating to the shortening of the term of office of directors or that this should apply to the current directors" but, if so, with respect to the change of the term of office of directors as originally proposed in the Request for Convocation, a condition that "the term of office for the directors appointed at the ordinary shareholders meeting for the fiscal year ending March 31, 2018, shall be one year"

should have been attached. As mentioned in the "Decision to Hold a Shareholders Meeting Press Release", when a proposal with the same purpose as this item was proposed by shareholders who were named as joint holders with the Demander at the Company's ordinary shareholders meeting held on June 29, 2017, a condition that "the term of office is to be set at one year from the directors appointed at the ordinary shareholders meeting for the fiscal year ending March 31, 2018"was attached, and furthermore that the shareholder proposal was made by an attorney acting as an agent, and the attorney has also requested access to the proxy forms as the attorney of the shareholder who made the shareholder proposal at the above-mentioned ordinary shareholders meeting. Therefore, **it is inconceivable that the Demander overlooked the fact that the approval of Subject Agenda Item would result in immediate termination of all current directors due to the end of their terms of office and it can be inferred that some type of intention is hidden behind the Demander's acts.**

- ✓ If the Demander is sincere in his claim of not wishing for any unnecessary confusion to be caused to the Company, as described above, then **he should respond by exercising the right to revise the agenda item on the floor of the shareholders meeting** and the Company has responded to the Demander accordingly.

(Reference)
"Notice of Opinion of the Board of Directors concerning the Extraordinary Shareholders Meeting and Shareholder Proposals" announced on October 17, 2017

(Reference)

October 17, 2017

(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 of Opinion of the Board of Directors concerning the Extraordinary Shareholders Meeting and Shareholder Proposals

As announced in a release dated September 28, 2017, titled "Notice of Request by Shareholder to Hold an Extraordinary Shareholders Meeting", JP-HOLDINGS, INC. (the "Company") received a request on September 28, 2017 from shareholder, Hiromi Yamaguchi (hereinafter referred to as the "Demander") to convene an extraordinary shareholders meeting.

With this, as announced in a release dated October 3, 2017, titled "Notice of Establishment of a Record Date for the Convocation of Extraordinary Shareholders Meeting", the Company started consideration and preparation for the extraordinary shareholders meeting to be held in late November. However, at the board of directors held today, the date, time, agenda items and other matters concerning this meeting were resolved in addition to **the directors' resolution to oppose to all of the Demander's proposals that will be submitted at the extraordinary shareholders meeting (hereinafter referred to as the "Shareholder Proposals").**

1. Overview of the extraordinary shareholders meeting

(1) Date and time
November 22, 2017 (Wednesday) at 10:00AM

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

(3) Purpose
[Company Proposal]

1. Partial amendment of the Articles of Incorporation

[Shareholder Proposals]

2. Partial amendment of the Articles of Incorporation

3. Termination of director Naoto Nishii

4. Election of one director

2. Summary of the proposals and reasons and intent

(1) **[Company Proposal]** 1. Partial amendment of the Articles of Incorporation

(Summary)

If approved, the Articles of Incorporation will be amended as follows.

1. In paragraph 1 of Article 19 (Term of office), "within two years after election" will change to "within one year after election."
2. The following section will be added.

Chapter 7 Supplementary Rules

(Transitional measures for terms of directors)

Article 44

The amendment to Article 19 (Term of office) paragraph 1 shall become effective at the close of the ordinary shareholders meeting for the fiscal year ending March 2018. After such amendment becomes effective, this chapter shall be deleted.

(Reasons and intent of the Proposal)

This amendment will shorten the term of office of directors to one year while preventing interruption to the company's business operations that would occur if all directors had to resign immediately.

Proposal 2 made by the Demander would force all of the directors to resign immediately. However, corporate governance is an autonomous effort aiming for "sustained growth" and "medium to long-term growth of corporate value" for the Company. Consequently, **the reckless proposal of the Demander lacking continuity could not possibly improve the Company. The Company should aim for better practice while making improvements to the current management structure in a continuous and positive manner.**

The addition of the Supplementary Rule concerning the enactment of the term of office amendment to the Articles of Incorporation provides a suitable timing adjustment by making the amendment effective at the close of the ordinary shareholders meeting for the fiscal year ending March 2018, which is the end of the term of office for the Company's current directors.

(2) **[Shareholder Proposal]** 2. Partial amendment of the Articles of Incorporation

(Summary)

If approved, the Articles of Incorporation will be amended as follows.

1. In paragraph 1 of Article 19 (Term of office), "within two years after election" will change to "within one year after election."
2. Article 28 (Method for terminating directors) will be deleted.

(Reasons and intent of Proposal)

This amendment will change the term of office of directors to one year, which is the term adopted by many of the listed companies in Japan, and allows termination of a director through an ordinary resolution, and further aims to achieve proper corporate governance.

(3) **[Shareholder Proposal]** 3. Termination of director Naoto Nishii

(Summary)

If approved, this proposal will result in the termination of director Naoto Nishii.

(Reasons and intent of Proposal)

Since it is difficult to immediately achieve proper corporate governance by only amending the Articles of Incorporation, the Company needs to increase the number of outside directors. As the number of directors is currently at the maximum allowed by the Articles of Incorporation, there is no choice but to terminate one internal director.

(4) **[Shareholder Proposal]** 4. Election of one director

(Summary)

Subject to the approval of the third proposal, this proposal will result in the election of one director. The candidate is as follows.

Name:	Yasumine Satake
Date of birth:	December 1, 1953
Career:	April 1976 – Joined Mitsubishi Bank
	(intermediary information omitted)
	Sept. 2015 – Elected outside director of Legend Partners Ltd. (current position)
	June 2017 – Elected outside corporate auditor of SBI Sumishin Net Bank, Ltd. (current position)

(Reasons and intent)

The election of one outside director is required due to the need to further strengthen the oversight function of the Company's board of directors in order to achieve proper corporate governance.

3. Opinion of the Company's board of directors concerning these proposals

(1) Additional explanation regarding the Company Proposal

- ✓ If approved, the first proposal will change the term of office of directors in the Articles of Incorporation from the current two years to one year beginning with directors elected at the ordinary shareholders meeting for the fiscal year ending March 2018. The same proposal was submitted at the ordinary shareholders meeting that was held on June 29, 2017 (hereinafter referred to as the "Annual Shareholders Meeting") by a shareholder other than the Demander (according to the large shareholding report submitted by the Demander, this shareholder is a joint holder of the Company's stock with the Demander). At the Annual Shareholders Meeting, the Company's board of directors opposed this proposal based on the belief that a two-year term for directors is suitable in consideration of the characteristics of the business operations of the Company's group.

- ✓ Although the above shareholder proposal for a one-year term of office was as a result rejected at the Annual Shareholders Meeting, a large number of ordinary shareholders other than the shareholder who submitted the proposal and interested shareholders, were in favor of the proposal. Furthermore, there were many positive opinions regarding a shorter term of office from shareholders which were heard through active dialogue with many shareholders.

- ✓ In addition to the above, as the Company has long been committed to continuous and autonomous activities for developing and strengthening the corporate governance, with the Shareholders Proposal in mind, the board of directors once again considered reducing the term of office of directors to one year and decided to submit this change as a Company's proposal at the extraordinary shareholders meeting.

  On the other hand, the Demander's proposal 2, if approved, would result in the immediate termination of all current directors and as described later is an extremely reckless action that may result in significant and serious obstacles to the business operations of the Company.

- ✓ For these reasons, the Company proposal, if approved, will shorten the term of office of directors to one year and the newly added Supplementary Rule concerning the enactment of the term of office amendment to the Articles of Incorporation provides a suitable timing adjustment by making the amendment effective at the close of the ordinary shareholders meeting for the fiscal year ending March 2018, which is the end of the term of office for the Company's current directors.

(2) Opinion of the Company's board of directors concerning the Shareholder Proposals

The board of directors of the Company opposes to all of the Shareholder Proposals (proposals 2, 3 and 4).

Reasons for opposition to the Shareholder Proposals

1) Approval of the Shareholder Proposals poses a risk of destabilizing the management of the Company and may result in significant and serious obstacles to the business operations of the Company.

- ✓ The Demander, who is a shareholder of the Company, made a request to convene an extraordinary shareholders meeting. However, the approval of the second proposal for amending the Articles of Incorporation would end the terms of office of all current directors who have been in office for at least one year. **As a result, the effect of this proposal would be the immediate termination of all directors.**

- ✓ If this proposal is approved, the number of directors would fall below the legally required minimum of three and all current directors would have only the rights and obligations of directors prescribed under the Companies Act. Creating this type of situation clearly results in a management structure that is unsuitable for a listed company and would create confusion for various stakeholders of the Company.

- ✓ On October 16, 2017 at approximately 20:45, the Company received e-mail notification from the attorney of the Demander concerning a revision to the intent of the amendment to Article 19 of the Articles of Incorporation (Shorter term of office), which is part of the second Shareholder Proposal. The revision makes this amendment effective starting at the end of the next ordinary shareholders meeting. However, when a shareholder makes specific items the purpose of a shareholders meeting and when a shareholder demands that shareholders be notified of a summary of a Shareholder Proposal, these requests must be made eight weeks prior to the shareholders meeting (Article 303, Paragraph 2 and Article 305, Paragraph 1 of the Companies Act). The time remaining until this extraordinary shareholders meeting is well below eight weeks. Consequently, the board of directors passed a resolution concerning its opinion by deeming the Shareholder Proposal received from the Demander on September 28, 2017 as the official proposal made by the Demander.

  The true motive behind the Demander's decision to abruptly make a revision almost three weeks after he submitted the Shareholder Proposals is unclear. As was explained earlier, when a proposal which is the same as the first proposal described above was made by the Demander and the joint holders at the Annual Shareholders Meeting, the proposal included the following condition: "The term of directors will be one year starting with directors who are elected at the ordinary shareholders meeting for the fiscal year ending March 2018." In addition, the Shareholder Proposals were made by the attorney acting as an agent and since such attorney also requested access to the proxy forms as the attorney of the shareholder who made

the shareholder proposal at the Annual Shareholders Meeting. **Thus, it is inconceivable that the Demander overlooked the fact that the approval of the second proposal would result in the immediate termination of all current directors due to the end of their terms of office. Moreover, it can be inferred that some type of intention is hidden behind the series of awkward actions conducted, from the Shareholder Proposal being made to the notification of revision of such Shareholder Proposal.**

In any case, this revision was submitted almost three weeks after the submission of the Shareholder Proposals and is clearly not eight weeks prior to the planned date of the extraordinary shareholders meeting. Abruptly sending such notice of a change in the contents of a proposal itself can be regarded as a sign that the Shareholder Proposals are inattentive items that are not the result of a thorough preparation process.

2) The Shareholder Proposals give a single group of shareholders the right to terminate directors.

- ✓ On October 13, 2017, the Demander and his joint holders (hereinafter referred to as the "Demander's Group") submitted a revised version of their large shareholding report. According to such revised report, the Demander's Group holds 35.16% of the Company's stocks. Based on the actual attendance ratio at the Company's shareholders meetings, it can be said that the Demander's Group alone holds enough to account to majority of voting rights of shareholders who attend the shareholders meeting. Furthermore, the large shareholding report identifies frequent and continuous open market purchases of the Company's stocks between August 16, 2017 and October 5, 2017. As a result, it is very likely that the number of voting rights held by the Demander's Group has increased even more.

- ✓ Due to this situation, if the second proposal is approved and the termination of all directors receives a majority of voting rights, **the Demander's Group will effectively be able to terminate directors on its own while ignoring the wishes of other shareholders.**

- ✓ The proposal to amend the Articles of Incorporation to remove the provision concerning the termination process for directors is nothing other than a move to give the Demander's Group the right to terminate directors on its own. A proposal of this type should reflect the opinions of a broad range of shareholders and is obviously not an appropriate proposal with respect to the proper corporate governance of a listed company.

3) The Demander is not qualified to be involved in the management of the Company

- ✓ With regard to the shareholder proposals, the Demander has stated that he has no intention of becoming involved in the management of the Company. However, the Company has confirmed that the Demander has repeatedly made statements up to the time the shareholder proposals were submitted in which his strong

desire to be involved in the management of the Company could be observed. Furthermore, as was explained earlier, the Demander has submitted a Shareholder Proposal that would result in the immediate termination of the current directors without stating his intent. Consequently, the Demander's statement about the Shareholder Proposals lacks credibility and there are strong suspicions as to his attempt to conceal his true intention. In his large shareholding report, the Demander stated that the purpose of owning the Company's stocks is "to be able to conduct acts of making important suggestion, etc. to the Company and take other actions as the Company's founder". As of October 5, 2017, the Demander's Group possesses 35.16% of all the Company's stocks. Recently, this Group has frequently and continuously been purchasing the Company's stocks. The Company therefore believes that there is no doubt that the Demander at the very least, is attempting to somehow to become involved in the management of the Company.

- ✓ The Demander is the former representative director and president of the Company who resigned on February 17, 2015. Due to the reasons for this resignation, the Company has no choice but to conclude that the Demander is not qualified to be involved in the management of the Company.

- ✓ Immediately after the Demander's resignation, the Company conducted an investigation (hereinafter referred to as the "Investigation") with the cooperation of three external attorneys. The Investigation revealed serious sexual harassment (hereinafter referred to as the "Incident") conducted by the Demander with regard to female employee of the Company who were employed by the Company at that time.

- ✓ At the very least, the Incident is considered as a case of serious sexual harassment and there is a possibility that the Incident could be an even more serious matter. Consequently, the Company's board of directors asked the Demander about this matter on February 17, 2015 and he admitted that the problematic activities had occurred. Ultimately, the Demander asked the directors to accept his resignation because he required hospitalization due to health issues.

- ✓ It is obvious that an individual such as the Demander is not suitable to be involved in the management of a Company which offers public-service businesses related support for the care and development of children. Furthermore, the Investigation revealed that it is apparent that the Demander is not qualified to be a director with respect to the adverse effect made to those within the Group and to the Group's social credibility, as well as risk factors involving business operations and other points.

4) Corporate Governance

- ✓ Improving corporate governance is one of the highest priorities of the management of the Company. The Company is dedicated to fulfilling its responsibility to shareholders and other stakeholders concerning management and the explanation of its actions. By fulfilling this responsibility, the goal is to achieve

medium and long-term growth of corporate value and to maintain a management structure with outstanding soundness, transparency and efficiency.

- ✓ To maintain the proper composition of the board of directors so the directors can perform their oversight function, executives who are in charge of key company businesses are selected to be directors. This makes it possible to adequately share among directors the information needed to reach management decisions. This board composition also promotes extensive discussions. There are also highly independent outside directors. These directors perform multifaceted and thorough examinations of the management proposals from an autonomous and objective standpoint. Due to this composition, the Company believes that the board of directors is functioning very effectively.

- ✓ The shareholder proposals include the termination of director Naoto Nishii. Mr. Nishii started working at the Group subsidiary in 2008. He was subsequently involved with development operations for opening nursery schools and with negotiations with local governments concerning studies about child care. He has been a director in charge of business operations since 2013. In this role, Mr. Nishii has used his position as the executive overseeing businesses that support child care and development in order to participate in extensive discussions of the board of directors and help the directors make proper decisions.

- ✓ Terminating Mr. Nishii simply to maintain the required number of directors may have a negative impact on business operations and, ultimately, on the interests of shareholders.

- ✓ The outside directors use their respective professional knowledge to contribute to the effectiveness of the oversight function of the board of directors. The Company sees no need to elect Mr. Satake as an additional outside director. In fact, the Company believes that the negative impact of Mr. Nishii's termination from the board would be much greater than any benefit brought by the addition of Mr. Satake.

- ✓ In other words, the Company believes that **the stance of attempting to terminate a director with experience and responsibilities concerning business operations simply to maintain the required number of directors can be viewed as not taking corporate governance seriously.** Through its continuous efforts, the Company is dedicated to building a structure for decision-making that is highly transparent and efficient.