

This document is an unofficial translation and summary of the Notice of the 22nd Annual Shareholders Meeting and is provided for your convenience only, without any warranty as to its accuracy or as to the completeness of the information. The Japanese original version of the document is the sole official version.

TSE Code: 4344
June 8, 2018
1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo
SOURCENEXT Corporation
President and CEO Noriyuki Matsuda

To our shareholders:

NOTICE OF THE 22ND ANNUAL SHAREHOLDERS MEETING

You are cordially invited to attend the 22nd Annual Shareholders Meeting of SOURCENEXT Corporation (“the Company”) to be held as stated below.

If you are unable to attend the meeting, please refer to the “Guide to the Exercise of Voting Rights” on page 2. After reviewing the attached Reference Documents for the Shareholders Meeting, please exercise your voting rights no later than 5:30 p.m. on Monday, June 25, 2018.

1.Date and Time	Tuesday, June 26, 2018, at 10:00 a.m.
2.Place	2-7-1 Nihonbashi, Chuo-ku, Tokyo Tokyo Nihonbashi Tower, Belle Salle Tokyo Nihonbashi 4F
3.Agenda	<p>Matters to be reported</p> <ol style="list-style-type: none"> 1. Business Report and Consolidated Financial Statements for the 22nd fiscal year from April 1, 2017 to March 31, 2018 and Reports of Audit on the Consolidated Financial Statements by Accounting Auditor and the Board of Auditors 2. Non-consolidated Financial Statements for the 22nd fiscal year from April 1, 2017 to March 31, 2018 <p>Matters to be resolved</p> <p>Proposal 1: Appropriation of Surplus Proposal 2: Partial Changes to Articles of Incorporation Proposal 3: Election of Eight (8) Directors Proposal 4: Election of Two (2) Auditors Proposal 5: Election of One (1) Substitute Auditor Proposal 6: Introduction of Incentive Plan Using Issuance of Share Acquisition Rights as Stock Options for Directors and Employees of Wholly-Owned U.S. Subsidiary</p>
4. Exercise of Voting Rights	Please refer to the “Guide to the Exercise of Voting Rights” on page 2.
5. Disclosures through the Internet	Of the documents provided by the Notice of the Annual Shareholders Meeting, “Notes to Consolidated Financial Statements in the Consolidated Financial Statements” and “Notes to Non-consolidated Financial Statements in the Non-consolidated Financial Statements” that are posted on the Company’s website (http://www.sourcenext.co.jp/) under laws and regulations and provision of Article 15 of the Company’s Articles of Incorporation, and are therefore not available in this Notice. The attached Consolidated Financial Statements and the Non-consolidated Financial Statements are part of the Consolidated Financial Statements and the Non-consolidated Financial Statements that were audited by Auditors and Accounting Auditor in preparing the Reports of Audit.

Guide to the Exercise of Voting Rights

For those attending the meeting in person

Please submit the Voting Form enclosed herewith to the reception.

Please also bring with you the Notice of the Annual Shareholders Meeting as a reference.

(Reception starts at 9:30 a.m.)

If you exercise your voting rights by proxy, you must appoint as a proxy one of the shareholders holding voting rights at the meeting.

Please have your proxy submit a written document (a proxy statement) certifying the authority of proxy to the reception.

For those exercising voting rights in writing

Please indicate your approval or disapproval for the proposals on the Voting Form enclosed herewith and return the Voting Form.

[Voting Form must be received no later than 5:30 p.m. on Monday, June 25, 2018]

For those exercising voting rights via the Internet

Please access the website for exercising voting rights and exercise the voting rights.

(Please refer to the following Guide to Exercising Voting Rights via the Internet)

[Voting rights must be exercised no later than 5:30 p.m. on Monday, June 25, 2018]

1. If you exercise your voting rights twice, in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as effective.
2. If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as effective.

Matters Disclosed on the Internet

The Company's website

<http://www.sourcenext.co.jp/>

1. The following documents that should be provided by the Notice of the Annual Shareholders Meeting are posted on the Company's website under laws and regulations and provision of Article 15 of the Company's Articles of Incorporation, and are therefore not available in this Notice.

- a. Notes to Consolidated Financial Statements
- b. Notes to Non-consolidated Financial Statements

The Consolidated Financial Statements and the Non-consolidated Financial Statements that were audited by Accounting Auditors and Auditors include the Notes to Consolidated Financial Statements and the Notes to Non-consolidated Financial Statements that are posted on the Company's website.

2. Any corrections made to the Reference Documents for the Shareholders Meeting, the Business Report, the Non-consolidated Financial Statements, and the Consolidated Financial Statements shall be notified by being posted on the Company's website.

Guide to Exercising Voting Rights via the Internet

Website for exercising voting rights	https://www.web54.net
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On the voting website, please enter the “Login ID” and “Temporary Password” which are stated on the right-hand side of your Voting Form, and follow instructions on screen to enter your approval or disapproval.

Notes

Voting by a personal computer or a smartphone

It may not be possible to exercise the voting rights depending on the Internet environment of the shareholder in cases such as firewalls or anti-virus software are set up on the personal computer, a proxy server is used, etc.

Voting by a mobile phone

When you exercise your voting rights from a mobile phone, please use one of the following mobile phone services: i-mode, EZweb or Yahoo!Keitai. For security purposes, mobile phones that are not able to handle encrypted communications (SSL communication) and to transmit terminal ID information are not supported.

* “i-mode,” “EZweb” and “Yahoo!” are trademarks or registered trademarks of NTT DOCOMO, Inc., KDDI Corporation and Yahoo! Inc. in the United States, respectively.

When you exercise your voting rights from a mobile phone or a smartphone, you may access the website for exercising voting rights by scanning the “QR Code” with the bar-code scanning function of your smartphone or mobile phone.

- In order to prevent unauthorized access by third parties other than shareholders (so-called “spoofing”) and to prevent tampering with the content of the voting, please note that shareholders who use this function will be asked to change the “Temporary Password” on the voting website.
- A new “Login ID” and “Temporary Password” will be issued to you for each Annual Shareholders Meeting.
- The cost of Internet access (access fees to providers, telecommunications fees, etc.) shall be borne by the shareholders.

For inquiries with respect to the exercise of voting rights, please contact the following numbers.

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support
[Dedicated Line] 0120-652-031 (9:00 a.m. to 9:00 p.m.)
(Toll-free number. Available only in Japan)

<In case of other inquiries>

0120-782-031 (9:00 a.m. to 5:00 p.m. on weekdays) (Toll-free number. Available only in Japan)

Reference Documents for the Shareholders Meeting

Proposal 1: Appropriation of Surplus

Details pertaining to the appropriation of surplus are as follows.

Matters relating to year-end dividends

The Company believes that improving performance into the future will increase corporate value and result in meeting the expectations of shareholders. The basic dividend policy is to implement the distribution of profits with comprehensive consideration of performance, the dividend payout ratio and the amount of investment required for medium- and long-term corporate growth. Based on this policy, the Company hopes to implement the following, taking into consideration performance trends in the fiscal year under review, future business development, and other factors.

Type of dividends	Cash
Dividend amount to be allocated	Per share of common stock: ¥3.05 Total dividends: ¥188,907,813
Effective date of dividends from surplus	June 27, 2018

Proposal 2: Partial Changes to Articles of Incorporation

1. Reason for Proposal

The Company proposes to add new business objectives in order to expand and diversify the business to Article 2 (Objectives) of the Articles of Incorporation.

2. Description of Changes

The changes are as follows.

(Changes are underlined.)

Present	Proposed articles
(Objectives)	(Objectives)
Article 2 (Omitted)	Article 2 (Not changed)
1. (Omitted)	1. (Not changed)
2. Design, development, production, sale, import/export, and installation as well as maintenance of computer equipment and peripheral equipment	2. Design, development, production, sale, <u>rental, lease,</u> import/export, and installation as well as maintenance of computer equipment and <u>related</u> peripheral equipment
3. to 10. (Omitted)	3. to 10. (Not changed)
11. Investment in, development of, and intermediation thereof for companies and venture businesses	11. Investment in, development of, and intermediation thereof for companies and venture businesses (Change in Japanese only; English unchanged)
(Newly established)	<u>12. Conducting of telecommunications business under the Telecommunications Business Act</u>
(Newly established)	<u>13. Purchase and sale of used items such as personal computers and smartphones</u>
<u>12.</u> (Omitted)	<u>14.</u> (Not changed)

Proposal 3: Election of Eight (8) Directors

The term of office of all seven (7) Directors will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, the election of eight (8) Directors is proposed, including an increase of one (1) Director, for the sake of enhancing the Company's management structure.
The candidates for Directors are as follows.

Candidate No.	Name	Current Position and Responsibilities in the Company	Attributes of candidate
1	Noriyuki Matsuda	President and CEO	Reappointment
2	Satomi Matsuda	Executive Vice President	Reappointment
3	Tomoaki Kojima	Managing Director In charge of Planning and Sales	Reappointment
4	Kousuke Fujimoto	Senior Executive Officer In charge of New Business Development	New appointment
5	Fumihiko Aoyama	Managing Director In charge of Administration	Reappointment
6	Masaharu Ikuta	Outside Director	Reappointment Outside Independent
7	Hideaki Kubori	Outside Director	Reappointment Outside
8	Kunitake Ando	Outside Director	Reappointment Outside Independent
Reappointment	New candidate for Director	Reappointment	Candidate for reappointment as Director
Outside	Candidate for Outside Director	Independent	Candidate for independent director

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
1 <u>Reappointment</u>	Noriyuki Matsuda (May 28, 1965)	<p>Apr. 1989 Joined IBM Japan</p> <p>Sep. 1993 Established AAA, Ltd., Representative Director and President, AAA, Ltd.</p> <p>Aug. 1996 Established the Company, President and CEO, the Company (current position)</p> <p>Sep. 2012 President & CEO, SOURCENEXT Inc. (current position)</p> <p>Jun. 2017 President and CEO, Rosetta Stone Japan, Inc. (current position)</p>	17,151,600 shares	No

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
2 <u>Reappointment</u>	Satomi Matsuda (Jul. 5, 1965)	<p>Aug. 1990 Joined KITAGAWA INDUSTRIES CO., LTD.</p> <p>Jan. 1992 Joined TFC Corporation</p> <p>Jan. 1994 Joined AAA, Ltd., Senior Managing Director, AAA, Ltd.</p> <p>Aug. 1996 Senior Managing Director, the Company</p> <p>May 2002 Executive Managing Director, the Company</p> <p>Sep. 2012 Secretary, SOURCENEXT Inc. (current position)</p> <p>Jun. 2014 Executive Vice President, the Company (current position)</p>	1,848,000 shares	No

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
3 <u>Reappointment</u>	Tomoaki Kojima (Jun. 3, 1977)	<p>Sep. 2001 Joined the Company</p> <p>Jun. 2006 Executive Officer, the Company</p> <p>Jun. 2008 Managing Director, the Company</p> <p>Jan. 2009 Executive Director, the Company</p> <p>Jun. 2012 Managing Director, the Company (current position)</p> <p>May 2017 Managing Director, FUDEMAME CO., LTD. (current position)</p>	46,300 shares	No

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
4 New appointment	Kousuke Fujimoto (Sep. 9, 1964)	Oct. 1988 Joined Recruit Co., Ltd. Nov. 1999 Joined the Company Dec. 1999 Managing Director, the Company Oct. 2009 Executive Officer, the Company Jul. 2013 Managing Executive Officer, the Company Apr. 2015 Senior Executive Officer, the Company (current position)	61,200 shares	No
Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
5 Reappointment	Fumihiko Aoyama (Aug. 3, 1967)	Oct. 1991 Joined Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC) Jul. 1999 Joined Deloitte Tohmatsu Consulting Apr. 2000 Joined the Company Apr. 2002 Executive Officer, the Company Jun. 2004 Managing Director, the Company Jan. 2009 Executive Director, the Company Jun. 2012 Managing Director, the Company (current position) May 2017 Managing Director, FUDEMAME CO., LTD. (current position)	114,300 shares	No
Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
6 Reappointment	Masaharu Ikuta (Jan. 19, 1935)	Apr. 1957 Joined Mitsui Steamship Co., Ltd. (currently Mitsui O.S.K. Lines, Ltd.) Jun. 1994 Representative Director and President, Mitsui O.S.K. Lines, Ltd. Jun. 2000 Representative Director and Chairman, Mitsui O.S.K. Lines, Ltd. Apr. 2003 President, Japan Post (currently Japan Post Group) Mar. 2007 Resigned as President, Japan Post Apr. 2007 Corporate Advisor, Mitsui O.S.K. Lines, Ltd. Jun. 2008 Outside Director, Terumo Corporation Outside Director, the Company (current position) May 2009 Outside Director, Aeon Co., Ltd. Feb. 2010 Senior Counselor, Mitsui O.S.K. Lines, Ltd. Jun. 2014 President, Nagoya Port Terminal Corporation May 2017 Representative Director and President, Nagoya-Yokkaichi International Port Corporation (current position)	46,000 shares	No

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
7 Reappointment	Hideaki Kubori (Aug. 29, 1944)	<p>Apr. 1971 Registered as Attorney-at-Law Joined Mori Sogo</p> <p>Apr. 1998 Representative, HIBIYA PARK LAW OFFICES (current position)</p> <p>Apr. 2001 President, Daini Tokyo Bar Association, and Vice President, Japan Federation of Bar Associations</p> <p>Oct. 2001 Outside Director, Nomura Holdings, Inc.</p> <p>Feb. 2003 Outside Auditor, the Company</p> <p>Jun. 2008 Member of the Supervisory Committee, The Norinchukin Bank (current position)</p> <p>Jun. 2011 Outside Director, Tokyo Stock Exchange Group, Inc. (currently Japan Exchange Group, Inc.) (current position)</p> <p>Outside Governor, Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)</p> <p>Jun. 2014 Outside Director, the Company (current position)</p> <p>Apr. 2015 Professor, Toin Law School (current position)</p> <p>Apr. 2018 Outside Director, Coincheck, Inc. (current position)</p>	13,800 shares	Yes See 2) in Note 3.

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibilities in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
8 <u>Reappointment</u>	Kunitake Ando (Jan. 1, 1942)	<p>Apr. 1969 Joined Sony Corporation</p> <p>Aug. 1979 Representative Director, Sony Prudential Life Insurance Co., Ltd.</p> <p>Apr. 1990 President, Sony Corporation of America President, Sony Engineering and Manufacturing of America</p> <p>Apr. 2000 Representative Director and President, Sony Corporation</p> <p>Jun. 2005 Chairman, Representative Director, Sony Financial Holdings Inc.</p> <p>Jun. 2007 Chairman, Director, Sony Life Insurance Co., Ltd.</p> <p>Mar. 2012 Director, Japan Center for International Exchange (current position)</p> <p>Jul. 2013 Director, Japan Innovation Network (current position)</p> <p>Jun. 2017 Outside Director, the Company (current position)</p> <p>Apr. 2018 Chairman, The University of Nagano (current position)</p>	1,800 shares	No

- (Notes)
- The first to fourth candidates and sixth to eighth candidates for Director are current Directors of the Company. Their positions and responsibilities at the Company are as listed in the Business Report in the section of Names and Positions of Directors and Auditors.
 - The reasons for nomination of the above candidates as Internal Director are as follows.
 - Noriyuki Matsuda is the founder of the Company. Since its establishment, he has long supervised business of the entire group of the Company and has wealth of experience, track record, and knowledge concerning the industry trends and corporate management. The Company has therefore resolved to nominate him as a candidate for Director.
 - Satomi Matsuda has been engaged in corporate management since establishment of the Company, and has wealth of experience, track record, and knowledge concerning administration departments including human resources, general affairs and legal affairs. The Company has therefore resolved to nominate her as a candidate for Director.
 - Tomoaki Kojima is well versed in sales and planning operations centering on marketing, and has considerable experience, track record, and knowledge concerning corporate strategy in general. The Company has therefore resolved to nominate him as a candidate for Director.
 - Kousuke Fujimoto has wealth of experience and track record from having engaged in sales departments and new business development departments for many years, and he has considerable knowledge concerning sales strategy. The Company has therefore resolved to nominate him as a candidate for Director.
 - Fumihiko Aoyama has abundant professional insights in finance and accounting as well as considerable experience, track record, and knowledge concerning corporate strategy in general. The Company has therefore resolved to nominate him as a candidate for Director.
 - Matters concerning candidates for Outside Director are as follows.
 - Masaharu Ikuta, Hideaki Kubori, and Kunitake Ando are candidates for Outside Director.
 - Masaharu Ikuta has held positions of importance, including serving as Representative Director and President, Chairman of Mitsui O.S.K. Lines, Ltd., and President of Japan Post. Along with possessing a wealth of experience and broad knowledge as a manager, he provides the Company with advice on overall operations and makes significant contributions to strengthening the Company's corporate governance in his current position as Outside Director of the Company, and for those reasons his re-election as Outside Director is proposed. At the conclusion of this Annual Shareholders Meeting, Masaharu Ikuta will have served ten years as Outside Director of the Company. Reasons for Hideaki Kubori's candidacy for re-election as Outside Director include his many years of experience as an attorney and the expectation that his specialized knowledge and extensive skill concerning corporate law will be applied to the Company's management and will help further strengthen the Company's corporate governance. The candidate does not have experience contributing to company

management outside the roles of Outside Director and Outside Auditor; however, he is deemed able to suitably execute his role as Outside Director due to the qualifications noted above.

The candidate is a Representative of HIBIYA PARK LAW OFFICES. The Company has some contractual relations including work involving legal counsel, etc., with attorneys from this law office other than the candidate. The candidate is not engaged in legal counsel work, etc. for the Company. At the conclusion of this Annual Shareholders Meeting, Hideaki Kubori will have served four years as Outside Director of the Company.

Kunitake Ando has held various posts including serving as Representative Director and President of Sony Corporation, and we expect that he will contribute to further strengthening the Company's corporate governance by reflecting his wealth of experience and broad knowledge as a business manager. The Company therefore proposes his re-election as Outside Director. At the conclusion of this Annual Shareholders Meeting, Kunitake Ando will have served one year as Outside Director of the Company.

- 3) A summary of the contract for limitation of liability with Outside Directors is as follows.

Under the provisions of Article 29, paragraph 2 of the Articles of Incorporation and Article 427, paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with Masaharu Ikuta, Hideaki Kubori and Kunitake Ando as provided for in Article 423, paragraph 1 of the Companies Act. The maximum amount of the liability for damages based on the said contracts shall be the minimum amount prescribed in applicable laws and regulations. However, recognition of this limitation of liability is restricted to cases in which the work causing the liability was carried out in good faith and without gross negligence.

These contracts for limitation of liability between the Company and Masaharu Ikuta, Hideaki Kubori and Kunitake Ando are set to continue if the re-election of the candidates is approved.

- 4) Matters concerning notification of Outside Directors as independent directors and/or auditors are as follows.

The Company plans to designate Masaharu Ikuta and Kunitake Ando as independent directors if their re-election is approved.

Proposal 4: Election of Two (2) Auditors

The term of office of Auditors Tetsuya Kobayashi and Kakuji Takano will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, the election of two (2) Auditors is proposed.

The candidates for Auditors are as follows.

The Board of Auditors consented to the proposal of this resolution.

Candidate No.	Name (Date of Birth)	Career Summary, Position in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
1 Reappointment	Tetsuya Kobayashi (Sep. 5, 1958)	<p>Apr. 1991 Registered as Attorney-at-Law (Daini Tokyo Bar Association)</p> <p>Apr. 2003 Member of Examination Board for foundation of incorporated educational institution and university (Law school special examination board), Ministry of Education, Culture, Sports, Science and Technology</p> <p>Apr. 2004 Vice President, Daini Tokyo Bar Association</p> <p>Jan. 2006 Established Kobayashi Sogo Law Office</p> <p>Jun. 2006 Outside Auditor, the Company (current position)</p> <p>May 2007 Expert committee member, Committee for Certified Evaluation and Accreditation of Law Schools, National Institution for Academic Degrees and Quality Enhancement of Higher Education (current position)</p> <p>Apr. 2008 Part-time instructor, Faculty of Law, Keio University</p> <p>May 2010 Auditor, Utsunomiya Hotoku Hospital (current position)</p> <p>Jun. 2011 Outside Auditor, Mochida Pharmaceutical Co., Ltd. (current position)</p> <p>Apr. 2012 Executive Governor, Japan Federation of Bar Associations</p> <p>May 2016 Committee member, Committee for Certified Evaluation and Accreditation of Law Schools, National Institution for Academic Degrees and Quality Enhancement of Higher Education (current position)</p>	0 shares	No

Candidate No.	Name (Date of Birth)	Career Summary, Position in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
2 Reappointment	Kakuji Takano (Apr. 7, 1940)	<p>Apr. 1963 Joined Kohkoku Chemical Industry (currently ACHILLES CORPORATION)</p> <p>May 1968 Joined Eiko Accounting Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>May 1981 Established Takano Sogo Accounting Firm</p> <p>Dec. 1996 Representative Partner, Audit Corporation Ota Showa Century (currently Ernst & Young ShinNihon LLC)</p> <p>Apr. 2007 Outside Auditor, MARUZEN CO., LTD.</p> <p>Jun. 2007 Outside Auditor, NIPPON SHUPPAN HANBAI INC.</p> <p>Oct. 2008 Councilor, Kanagawa Institute of Technology (current position)</p> <p>Jul. 2010 Managing Partner, Takano Sogo Accounting Firm (current position)</p> <p>May 2014 Auditor, Tokyo Medical and Dental Cooperative (current position)</p> <p>Jun. 2014 Outside Auditor, the Company (current position)</p> <p>Jun. 2016 Outside Audit & Supervisory Board Member, KDDI CORPORATION (current position)</p>	0 shares	No

- (Notes)
1. Tetsuya Kobayashi and Kakuji Takano are candidates for Outside Auditor.
 2. The election of Tetsuya Kobayashi as Outside Auditor is proposed due to the candidate's many years of experience as an attorney in the field of corporate legal affairs, and his specialized knowledge and experience, which the Company would like to utilize in its auditing systems. Tetsuya Kobayashi does not have experience contributing to company management outside the roles of Outside Director and Outside Auditor; however, he is deemed able to suitably execute his role as Outside Auditor due to the qualifications noted above. At the conclusion of this Annual Shareholders Meeting, Tetsuya Kobayashi will have served 12 years as Outside Auditor of the Company.
The election of Kakuji Takano as Outside Auditor is proposed due to the candidate's wealth of knowledge concerning company management and accounting gained through his long years of experience as a certified public accountant, for which the Company deems him qualified to carry out audits and provide counsel appropriately. Kakuji Takano does not have experience contributing to company management outside the roles of Outside Director and Outside Auditor; however, he is deemed able to suitably execute his role as Outside Auditor due to the qualifications noted above. At the conclusion of this Annual Shareholders Meeting, Kakuji Takano will have served four years as Outside Auditor of the Company.
 3. A summary of the contract for limitation of liability with Outside Auditors is as follows.
Under the provisions of Article 39, paragraph 2 of the Articles of Incorporation and Article 427, paragraph 1 of the Companies Act, the Company has concluded contracts for limitation of liability with Tetsuya Kobayashi and Kakuji Takano as provided for in Article 423, paragraph 1 of the Companies Act. The maximum amount of the liability for damages based on the said contracts shall be the minimum amount prescribed in applicable laws and regulations. However, recognition of this limitation of liability is restricted to cases in which the work causing the liability was carried out in good faith and without gross negligence.
These contracts for limitation of liability between the Company and Tetsuya Kobayashi and Kakuji Takano are set to continue if the re-election of the candidates is approved.
 4. The Company plans to designate Tetsuya Kobayashi and Kakuji Takano as independent auditors if their re-election is approved.

Proposal 5: Election of One (1) Substitute Auditor

The validity of the Substitute Auditor election will expire at the commencement of this Annual Shareholders Meeting. Accordingly, the election of one (1) Substitute Auditor is proposed in preparation for the case in which the number of Auditors would slip below the statutory minimum.

The Board of Auditors consented to the proposal of this resolution.

The candidate for Substitute Auditor is as follows.

Name (Date of Birth)	Career Summary, Position in the Company and Important Concurrent Positions	Company Shares Held	Special Interest in the Company
Ryo Tsuchida (Registered name: Ryo Teranishi) (Jul. 4, 1968)	<p>Apr. 1998 Assistant, Faculty of Law, Sophia University</p> <p>Apr. 2000 Full-time instructor, Faculty of Law, University of East Asia</p> <p>Apr. 2002 Assistant Professor, Faculty of Law, University of East Asia</p> <p>Apr. 2003 Assistant Professor, Faculty of Law, Meijo University Part-time instructor, Division of Laws, Total Academic Graduate Course, Correspondence Graduate School, University of East Asia (current position)</p> <p>Apr. 2008 Associate Professor, Judicial Affairs Course, Omiya Law School Part-time instructor, Faculty of Law, Meijo University</p> <p>Jan. 2010 Registered as Attorney-at-Law (Daini Tokyo Bar Association) Joined Frontier-Law</p> <p>Apr. 2011 Professor, Judicial Affairs Course, Omiya Law School</p> <p>Apr. 2012 Part-time instructor, Meiji Gakuin University Graduate Law School</p> <p>Apr. 2014 Professor, Department of Law, School of Law, Senshu University (current position) Part-time instructor, Judicial Affairs Course, Omiya Law School</p> <p>Apr. 2015 Part-time lecturer, Faculty of Law, Komazawa University</p> <p>Jun. 2015 Outside Auditor, Resona Bank, Limited (current position)</p> <p>Nov. 2017 Outside Director, UPR Corporation (current position)</p> <p>Apr. 2018 Part-time instructor, College of Economics, Rikkyo University (current position)</p>	0 shares	No

- (Notes)
1. Ryo Tsuchida is a candidate for Substitute Outside Auditor.
 2. Reasons for Ryo Tsuchida's candidacy for Substitute Outside Auditor include his valuable point of view as an attorney and university professor, and his specialized knowledge and experience concerning corporate law, which the Company would like to utilize in its audits, if he assumes the office of Auditor, although the candidate does not have experience contributing to company management outside the roles of Outside Director and Outside Auditor.
 3. In view of his experience and performance as an attorney and university professor, as well as his ample knowledge of company audit tasks, Ryo Tsuchida has been deemed able to suitably execute the role of Outside Auditor, if he assumes the office of Auditor.
 4. If Ryo Tsuchida engages in work as Outside Auditor, the Company intends to conclude a contract with him for limitation of liability provided for in Article 423, paragraph 1 of the Companies Act, under the provisions of Article 39, paragraph 2 of the Articles of Incorporation and Article 427, paragraph 1 of the Companies Act. The maximum amount of the liability for damages based on the said contract shall be the minimum liability

amount prescribed in applicable laws and regulations. However, recognition of this limitation of liability is restricted to cases in which the work causing the liability was carried out in good faith and without gross negligence.

Proposal 6: Introduction of Incentive Plan Using Issuance of Share Acquisition Rights as Stock Options for Directors and Employees of Wholly-Owned U.S. Subsidiary

The Company proposes the introduction of the Global Incentive Plan 2018 (hereinafter the “Incentive Plan”) under which share acquisition rights as stock options are issued (hereinafter the “Share Acquisition Rights”) for the directors and employees of a wholly-owned U.S. subsidiary of the Company (SOURCENEXT Inc.).

Purpose of introduction of the Incentive Plan

For the purpose of further improving the motivation and morale of directors and employees, further enhancing the SOURCENEXT Group’s solidarity, and recruiting excellent talent in order to increase corporate value of the Company over the medium to long term, the Company intends to introduce the Incentive Plan for the directors and employees of the Company’s wholly-owned U.S. subsidiary wherein Share Acquisition Rights will be issued free of charge to the directors and employees of the Company’s wholly-owned U.S. subsidiary.

In Silicon Valley, where the Company’s wholly-owned U.S. subsidiary is located, we believe the recruiting of excellent talent is always a critical management issue. The Company has determined that, introduction of the Incentive Plan is essential in order to secure global and excellent talent working actively in Silicon Valley. The wholly owned U.S. subsidiary plans to use the Share Acquisition Rights to secure talent able to collect and discover state-of-the-art technologies, services, and information in the area and utilize them to develop the Company’s products and contribute to the development of the U.S. market for the Company’s products.

The Company believes that the Incentive Plan will facilitate increasing the investment value of its wholly-owned U.S. subsidiary for the Company and thereby contribute to an increase in the Company’s corporate value. In addition, in view of these objectives and purposes, it is necessary to design such plan that meets the requirements for US tax qualification and the Company therefore requests approval of the issuance of the Share Acquisition Rights in accordance with the “Details in the Incentive Plan” below.

Details of the Incentive Plan

No. 1 Terms of the Share Acquisition Rights

Terms of the Share Acquisition Rights are as follows:

Terms of the US-JP Tax-Qualified Share Acquisition Rights

1. Maximum number of the Share Acquisition Rights

1,000 units

The maximum aggregate number of shares to be delivered upon the exercise of Share Acquisition Rights will be 100,000 common shares of the Company and the number obtained by multiplying the adjusted number of shares to be granted upon the exercise of Share Acquisition Rights by the number of Share Acquisition Rights in cases where the number of shares to be granted upon the exercise of Share Acquisition Rights is adjusted in accordance with 3. (1) below.

2. Payment of money required in exchange for the Share Acquisition Rights

Payment of money is not required in exchange for the Share Acquisition Rights. As the Share Acquisition Rights are share acquisition rights granted as incentive remuneration, the lack of requirement for payment of money in exchange for the Share Acquisition Rights does not constitute “favorable issue.”

3. Details of the Share Acquisition Rights

(1) Class and number of shares underlying the Share Acquisition Rights

The number of shares underlying one Share Acquisition Right (the “Number of Shares to Be Granted”) shall be 100 shares of Company common stock.

However, in the event of a stock split (including allotment of shares of Company common stock without contribution; the same applies hereinafter) or reverse stock split of shares of Company common stock, the Number of Shares to Be Granted shall be adjusted based on the following formula. However, such adjustment shall apply only to the number of shares underlying the Share Acquisition Rights that remain unexercised at the time of such stock split or reverse stock split. Any fraction less than one share arising from the adjustment shall be discarded.

$$\text{Adjusted Number of Shares to Be Granted} = \text{Number of Shares to Be Granted before adjustment} \times \text{Ratio of stock split (or reverse split)}$$

If the Company implements a merger or company split, decreases capital or likewise requires relevant adjustments of the Shares to Be Granted after the date of allocating the Share Acquisition Rights, the Number of Shares to Be Granted shall be appropriately adjusted to a reasonable extent based on the resolution of the Board of Directors.

(2) Value and calculation method of property to be contributed upon exercise of the Share Acquisition Rights

The value of the property to be contributed upon the exercise of each of the Share Acquisition Rights shall be obtained by multiplying the amount paid in per one share to be delivered upon the exercise of the Share Acquisition Rights determined using the method below (hereinafter, the “Exercise Price”) by the Number of Shares to Be Granted.

The Exercise Price shall be the amount calculated by multiplying the average of daily closing sales price for common stock of the Company on the Tokyo Stock Exchange during the month (except days when no trades are done) prior to the month that includes the day when the Share Acquisition Rights are allotted by 1.05, and a fraction less than one yen shall be rounded up. However, if the amount is lower than the closing sales price on the allotment date of the Share Acquisition Rights (if no transaction is made on that day, the closing sales price on the day immediately preceding), the closing sales price on the allotment date of the Share Acquisition Rights shall become the Exercise Price.

If the Company implements a stock split or reverse stock split after the date of allocating the Share Acquisition Rights, the Exercise Price shall be adjusted based on the following formula. Any fraction less than one yen arising from the adjustment shall be rounded up.

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of stock split (or reverse split)}}$$

If the Company issues new common shares or disposes of treasury shares at the price below the market price after the date of allocating the Share Acquisition Rights (excluding the issuance of new shares and disposal of treasury shares upon the exercise of share acquisition rights, or a transfer of treasury shares due to a stock exchange), the Exercise Price shall be adjusted based on the following formula. Any fraction less than one yen arising from the adjustment shall be rounded up.

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Market value per share before new issuance}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

The “Number of shares already issued” provided in the above formula is derived by deducting the number of treasury shares of Company common stock from the total number of issued shares of Company common stock. In the event the Company disposes of its treasury shares of common stock, the “Number of shares newly issued” shall be replaced by the “Number of treasury shares to be disposed of.” The “market value” to be used in the above formula shall be the average of closing

sales price (including indicative prices; all subsequent references to closing sales prices should be taken to include indicative prices) of Company common stock in regular trading on the Tokyo Stock Exchange during 30 trading days (excluding those days on which there is no closing sales price) commencing on the day 45 trading days prior to a day after the applicable date (the payment date or the last day of the payment period concerning the relevant issue or disposal of shares) or after the base date in cases where there is a base date. Average yen values shall be first calculated to second decimal place, and the second decimal place value of 4 or less rounded down and the value of 5 or greater rounded up.

Additionally, in cases where the Company merges with a company, implements a company split or likewise requires relevant adjustments of the Exercise Price after the date of allocating the Share Acquisition Rights, the Company may appropriately adjust the Exercise Price to a reasonable extent.

(3) Exercise period of the Share Acquisition Rights

The period during which the Share Acquisition Rights can be exercised (hereinafter, the “Exercise Period”) shall be from the day following the day exactly two years after the date of the resolution of granting them until the day immediately before the day exactly ten years after the date of the resolution of granting them.

(4) Matters regarding increases in capital stock and legal capital surplus

- i) The amount of capital stock to be increased due to the issuance of shares upon the exercise of the Share Acquisition Rights shall be one half (1/2) of the maximum amount of increases in capital stock, etc. to be calculated according to Article 17, paragraph 1 of the Regulation of Corporate Accounting, with any amount less than one yen arising from such calculation to be rounded up.
- ii) The amount of legal capital surplus to be increased due to the issuance of shares upon the exercise of the Share Acquisition Rights shall be the amount obtained by deducting the amount of capital stock to be increased set forth in i) above, from the maximum amount of increases in capital stock, etc. set forth in i) above.

(5) Restriction on acquisition of the Share Acquisition Rights through transfer

Any acquisition of the Share Acquisition Rights through transfer shall require the approval by resolution of the Board of Directors of the Company.

(6) Conditions for exercise of the Share Acquisition Rights

- i) A holder of the Share Acquisition Rights may not exercise the Share Acquisition Rights yet to be exercised if the holder falls under any of items (a) to (f).
 - (a) In case the holder is sentenced to imprisonment without work or heavier punishment.
 - (b) In case the holder, while holding a position as a Director, Auditor, or employee of the Company or any of its subsidiaries and associates, commits a violation of the Company’s rules of employment or other Company rules, or commits an act of betrayal to society or the Company and in connection with this receives a punitive dismissal, or retires or resigns from the Company or his/her post.
 - (c) In case the holder, while holding a position as a Director, Auditor, or employee of the Company or any of its subsidiaries and associates, without receiving an administrative order or written permission from the Company to do so, becomes a director or other officer, executive officer (*shikkoyaku*), advisor, or employee of a company other than the Company and its subsidiaries and associates or an organization.
 - (d) In case the holder causes damage to or causes concern that he/she will cause damage to the Company or any of its subsidiaries and associates.
 - (e) In case the holder has offered to abandon all or part of the Share Acquisition Rights in a document in a written form specified by the Company.
 - (f) In case the holder commits a wrongful act or is delinquent or neglectful of his/her work duties.

- ii) In case a holder of the Share Acquisition Rights dies, heirs of the holder may exercise the Share Acquisition Rights only for a period of six months following the death of such holder, after which they may not exercise said rights.
- iii) If the total number of issued shares of the Company exceeds the number of authorized shares upon the exercise of the Share Acquisition Rights, such Share Acquisition Rights cannot be exercised.
- iv) The minimum unit of the Share Acquisition Rights for exercise shall be one unit.

4. Matters regarding acquisition of the Share Acquisition Rights

- (1) The Company shall be able to acquire all Share Acquisition Rights without compensation on the day separately specified by the Board of Directors of the Company under the following conditions. When approval at shareholders' meeting (if an approval at shareholders' meeting is not required, a resolution by the Board of Directors) is obtained on a merger agreement which dissolves the Company, a company split agreement or a company split plan that splits the Company, a stock exchange agreement or stock transfer plan which makes the Company a wholly owned subsidiary.
- (2) In case a holder of the Share Acquisition Rights is unable to exercise the Share Acquisition Rights due to the provisions specified in 3. (6) above, prior to the exercise by the holder, the Company may acquire the Share Acquisition Rights without compensation.

5. Treatment of the Share Acquisition Rights upon reorganization

In cases where the Company conducts a merger (limited to the case where the Company is to be a disappearing company as a result of the merger), an absorption-type company split, an incorporation-type company split, a stock exchange or a stock transfer (hereinafter collectively referred to as "the reorganization"), share acquisition rights of the companies listed in Article 236, paragraph 1, item 8 (a) to (e) of the Companies Act (the "Reorganized Companies") shall be delivered, in each of the above cases, to holders of the Share Acquisition Rights on the effective date of the reorganization according to the conditions described below. However, this shall be limited to the case where the issuance of share acquisition rights of the Reorganized Company is stipulated in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a stock exchange agreement or a stock transfer plan in accordance with following conditions.

- (1) Number of share acquisition rights of the Reorganized Company to be delivered
The same number of such share acquisition rights as the number of Share Acquisition Rights held by a holder of the Share Acquisition Rights shall be delivered respectively.
- (2) Class of shares of the Reorganized Company underlying its share acquisition rights
Common shares of the Reorganized Company
- (3) Number of shares of the Reorganized Company underlying its share acquisition rights
This shall be determined in accordance with 3. (1) above, taking organizational restructuring conditions into consideration.
- (4) Value of property to be contributed upon exercise of share acquisition rights
The value of the property to be contributed upon exercise of each of share acquisition rights to be delivered shall be obtained by multiplying the Exercise Price after the restructuring, obtained by adjusting the Exercise Price as prescribed in 3. (2) above, by the number of shares of the Reorganized Company underlying the share acquisition rights, determined pursuant to 5. (3) above, taking organizational restructuring conditions into consideration.
- (5) Period to exercise share acquisition rights
From the first day of the Exercise Period prescribed in 3. (3) above or the effective date of the organizational restructuring, whichever is later, until the last day of the Exercise Period prescribed in 3. (3) above.
- (6) Matters regarding increases in capital stock and legal capital surplus in case of share issuance upon the exercise of share acquisition rights
This shall be determined in accordance with 3. (4) above.

- (7) Restriction on acquisition of share acquisition rights through transfer
Any acquisition of share acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Reorganized Company.
- (8) Other conditions regarding exercise of share acquisition rights
This shall be determined in accordance with 3. (6) above.
- (9) Reasons and conditions related to acquisition of share acquisition rights
This shall be determined in accordance with 4. above.
- (10) Other conditions shall be determined in accordance with conditions of the Reorganized Company.

6. Matters concerning certificates of the Share Acquisition Rights

The Company shall not issue share acquisition right certificates representing the Share Acquisition Rights.

No. 2 Supplementary items related to the Share Acquisition Rights (Sub-Plan)

The Share Acquisition Rights issued in accordance with the Incentive Plan shall be in compliance with the supplementary items below (the Sub-Plan) as well as the provisions set forth in No. 1 above.

Please note that “Share options/stock options/options” in the Sub-Plan are presented in other parts in this proposal as “Share acquisition rights” as is shown in the Company’s financial statements, and they are substantially the same.

SOURCENEXT CORPORATION (the “Company”) U.S. SUB-PLAN TO THE TERMS OF THE US-JP TAX-QUALIFIED SHARE OPTION

The terms of this U.S. Sub-Plan to the Terms of the US-JP Tax-Qualified Share Option (the “**Sub-Plan**”) apply to stock options granted under the Terms of the US-JP Tax-Qualified Share Option (the “**Plan**”) to individuals who are U.S. residents or subject to U.S. federal income tax (such options, “**Options**”). This Sub-Plan is a part of the Plan. If there is a conflict, whether explicit or implied, between the provisions of the Plan and the Sub-Plan, the Sub-Plan shall prevail.

1. Stock Subject to the Sub-Plan.

- (a) Maximum Number of Shares from the Plan Subject to Sub-Plan. Subject to Section 6, not more than 100,000 shares of Company common stock (“**Shares**”) that are reserved under the Plan may be subject to Options and sold under the Sub-Plan.
- (b) Subject to adjustment as provided in Section 6, the maximum number of Shares issuable upon the exercise of incentive stock options within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations promulgated thereunder (such options, “**ISOs**”) will equal the aggregate Share number stated in Section 1(a), plus, to the extent allowable under Code Section 422 and the regulations promulgated thereunder, any Shares that become available under the Sub-Plan pursuant to Section 1(b).

2. Administration of the Sub-Plan. The Sub-Plan will be administered by (A) the Company's Board of Directors (the "**Board**"), (B) a committee duly appointed by the Board (a "**Committee**"), which will be constituted to satisfy applicable laws, or (C) the Board of Directors of a Subsidiary (as defined below) of the Company (in each case, the "**Administrator**"). Different Committees with respect to different groups of Service Providers (as defined below) may administer the Sub-Plan. Subject to the provisions of the Sub-Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion, to make all determinations deemed necessary or advisable for administering the Sub-Plan. The Administrator's decisions, determinations and interpretations will be final and binding on all holders of outstanding Options ("**Participants**").
3. Eligibility. ISOs may be granted only to any person employed by the Company or any "parent corporation" as defined in Code Section 424(e) (a "**Parent**") or "subsidiary corporation" as defined in Code Section 424(f) (a "**Subsidiary**") of the Company (an "**Employee**"). Options that are not ISOs ("**NSOs**") may be granted to any natural person engaged by the Company or a Parent or Subsidiary to render to such entity bona fide services that (i) are not in connection with the offer or sale of securities in a capital-raising transaction and (ii) do not directly promote or maintain a market for the Company's securities, Employees, or Board members ("**Service Providers**"). Each Option will be designated as either an ISO or an NSO in the agreement setting forth the terms of the Option (the "**Option Agreement**").
4. Stock Options.
- (a) Term of Option. The term of each Option will be 10 years from the grant date unless a shorter term is stated in the Option Agreement, provided that any ISO granted to a Participant who, at the time of grant, owns stock representing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary will have a term of 5 years from the grant date unless a shorter term is provided in the Option Agreement.
- (b) Exercise Price. The per Share exercise price of an Option will be determined by the Administrator but will be no less than the Fair Market Value per Share on the date of grant. In addition, in the case of an ISO granted to an Employee who owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the grant date. Notwithstanding the foregoing provisions of this Section 4(b), Options may be granted with a per Share exercise price of less than the Fair Market Value per Share on the grant date pursuant to a transaction described in, and in a manner consistent with, Code Section 424(a).
- (c) Exercise of Option following Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, the Participant's Option may be exercised within 6 months following a termination due to the Participant's death or disability (which, in the case of ISOs, will mean total and permanent disability as defined in Code Section 22(e)(3)), within 30 days following a termination for any other reason, or within such longer period of time as is specified in the Option Agreement (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement) to the extent that the Option is vested on the date of termination.
- (d) "Fair Market Value" means, as of any date, the value of Shares determined as follows:
- (i) If the Shares are listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or, if no closing sales price was reported on that date, as applicable, on the last trading date such closing sales price was reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;
- (ii) If the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low

asked prices for the Shares on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

- (iii) In the absence of an established market for Shares, the Fair Market Value will be determined in good faith by the Administrator.

5. Limited Transferability of Options.

- (a) Unless the Option Agreement provides otherwise, an Option may not be sold, pledged, assigned, hypothecated, or otherwise transferred in any manner other than by will or by the laws of descent and distribution, and may be exercised, during the Participant's lifetime, only by the Participant.
- (b) Further, until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or after the Administrator determines that it is, will, or may no longer be relying upon the exemption from registration under the Exchange Act as set forth in Rule 12h-1(f) promulgated under the Exchange Act, an Option, or prior to exercise, the Shares subject to the Option, may not be pledged, hypothecated or otherwise transferred or disposed of, in any manner, including by entering into any short position, any "put equivalent position" or any "call equivalent position" (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), unless otherwise provided in the Option Agreement.

6. Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Sub-Plan, will adjust the number and class of shares of stock that may be delivered under the Sub-Plan and/or the number, class, and price of shares of stock covered by each outstanding Option; provided, however, that the Administrator will make such adjustments to an Option required by Section 25102(o) of the California Corporations Code to the extent the Company is relying upon the exemption afforded thereby with respect to the Option.

7. Term of Sub-Plan. Subject to Section 8, the Sub-Plan will become effective upon its adoption by the Board. Unless sooner terminated under Section 9, it will continue in effect for a term of 10 years from the Sub-Plan's effective date.

8. Stockholder Approval of Adoption of Sub-Plan. The Sub-Plan must be approved by Company stockholders, in the manner and to the degree required under applicable laws, within 12 months after Board approval of the Sub-Plan.

9. Amendment and Termination of the Sub-Plan. The Board may at any time amend, alter, suspend or terminate the Sub-Plan. The Company will obtain stockholder approval of any Sub-Plan amendment to the extent necessary and desirable to comply with applicable laws. No amendment, alteration, suspension or termination of the Sub-Plan will materially impair the rights of any Participant, unless the Participant and the Administrator otherwise agree in writing. Termination of the Sub-Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to outstanding Options.