

## 【Structure of HRR】

### Matters relating to governance of HRR

#### (A) Description of bodies

##### a. General Meeting of Unitholders

- i. Pursuant to the provisions of the Act on Investment Trusts and Investment Corporations (Investment Trusts Act) or the Articles of Incorporation, certain matters concerning HRR are to be determined at the General Meeting of Unitholders.
- ii. General Meetings of Unitholders shall, unless otherwise provided by law, be convened by the Executive Director if there is one Executive Director, and if there are two or more Executive Directors, by one Executive Director in accordance with the order previously determined by the Board of Directors (Article 9-2 of the Articles of Incorporation).
- iii. General Meetings of Unitholders shall: (i) be convened on January 16, 2017 or without delay after that date and shall be convened every two years thereafter on January 16 or without delay after that date; and (ii) may be convened by HRR when necessary (Article 9-3 of the Articles of Incorporation).
- iv. A General Meeting of Unitholders shall be convened by giving public notice of the Meeting date no later than two months prior to said date, and by issuance of a notice to unitholders in written form or electromagnetic form as stipulated by law no later than two weeks prior to said date. However, public notice is not required with respect to a General Meeting of Unitholders held within 25 months of the immediately prior General Meeting of Unitholders pursuant to iii.(i) above (Article 9-4 of the Articles of Incorporation).
- v. In the event of HRR's convocation of a General Meeting of Unitholders pursuant to iii.(i) above, HRR shall deem the unitholders capable of exercising their rights at said General Meeting of Unitholders to be those unitholders listed or recorded on the final unitholder list as of the final day of October in 2016 and the final day of October every other year thereafter. Other than the foregoing, when convening a General Meeting of Unitholders on a day within 3 months of the final day of the business period ("accounting period"), HRR shall deem the unitholders capable of exercising their rights at the General Meeting of Unitholders relating to said convocation to be those unitholders listed or recorded on the final unitholder list of the immediately prior accounting period (Article 15-1 of the Articles of Incorporation).
- vi. The Chair of the General Meeting of Unitholders shall, when there is only one Executive Director, be such Executive Director, and when there are two or more Executive Directors, be one of such Executive Directors in accordance with an order previously determined by the Board of Directors provided, however, that if the Executive Director to be the Chair is unable to so act due to accidents, a Supervisory Director shall serve as Chair in accordance with the order previously determined by the Board of Directors (Article 10 of the Articles of Incorporation).

##### b. Executive Director, Supervisory Director, and Board of Directors

- i. Executive Director executes the duties of HRR and has the authority to conduct, on behalf of HRR, any and all acts in or out of court which relate to HRR's business (Articles 109-1 and 109-5 of the Investment Trusts Act and Article 349-4 of the Companies Act (No. 86 of 2005. Includes subsequent amendments) ("Companies Act"). However, approval by the Board of Directors must be obtained for convocation of the General Meeting of Unitholders, entrusting administrative duties to the General Service Administrator, signing or making changes to the Asset Management Agreement or Asset Custody Agreement, giving consent to the Asset Management Company for termination of the Asset Management Agreement, and

other important duties stipulated in the Investment Trusts Act (Article 109-2 of the Investment Trusts Act). The Supervisory Director has the authority to supervise the Executive Director's execution of his or her duties (Article 111-1 of the Investment Trusts Act). The Board of Directors has the foregoing approval authority relating to the execution of important duties as well as the authorities stipulated in the Investment Trusts Act and Articles of Incorporation and the authority to supervise the Executive Director's execution of his or her duties (Article 114-1 of the Investment Trusts Act). The Executive Director or Supervisory Director, when negligent, is liable for damages to HRR caused by said negligence (Article 115-6-1 of the Investment Trusts Act). However, if the Executive Director or Supervisory Director has performed his or her duties in good faith and without gross negligence, and when HRR finds it particularly necessary, taking into consideration the details of the facts that are the source of liability, the status of the execution of the duties of such Executive Director or Supervisory Director, and other circumstances, HRR may, to the extent permitted by laws and regulations, by resolution of the Board of Directors, exempt such Executive Director or Supervisory Director from liability for damages under the Investment Trust Act (Article 115-6-7 of the Investment Trusts Act) and the Articles of Incorporation (Article 20 of the Articles of Incorporation).

- ii. There shall be at least one Executive Director and at least two Supervisory Directors (the number of Supervisory Directors must be equal to or larger than the number of Executive Director(s) plus one) (Article 17 of the Articles of Incorporation).
- iii. Unless otherwise provided by law, the Executive Director and the Supervisory Director shall be appointed by resolution of the General Meeting of Unitholders (Article 96-1 of the Investment Trusts Act, Article 18-1 of the Articles of Incorporation).
- iv. The term of office of the Executive Director and the Supervisory Director shall be 2 years from the time of appointment. However, this shall not preclude the extending or shortening of the term of office to the extent prescribed by laws and regulations by resolution of a General Meeting of Unitholders. In addition, the term of office of any Executive Director or Supervisory Director elected to fill a vacancy or to increase in number the Executive Directors or Supervisory Directors shall be the same as the remaining term of office of his/her predecessor or of the other Executive Directors or Supervisory Directors then in office (Article 18-2 of the Articles of Incorporation).
- v. The period during which the resolution on the election of substitute Executive Directors or Supervisory Directors to fill a vacancy will remain in force shall continue until the expiration of the term of office of the Executive Directors or Supervisory Directors to be substituted who were elected at the General Meeting of Unitholders at which the aforementioned resolution was adopted (in cases where the Executive Directors or Supervisory Directors were not elected at such General Meeting of Unitholders, then at the most recent General Meeting of Unitholders at which the Executive Directors or Supervisory Directors were elected); provided, however, that such period may be shortened by a resolution of the General Meeting of Unitholders (Article 96-2 of the Investment Trusts Act, Article 329-3 of the Companies Act, Article 163-3 proviso of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Order of the Prime Minister's Office No. 129 of 2000. Includes subsequent amendments) ("Investment Trusts Act Enforcement Regulations"), Article 18-3 of the Articles of Incorporation).
- vi. Resolutions by the Board of Directors shall, unless otherwise stipulated by laws and regulations or the Articles of Incorporation, be adopted by a majority of voting rights of the members in attendance at a meeting, at which more than one half (1/2) of the members who are entitled to vote shall be present

(Article 22 of the Articles of Incorporation).

- vii. Unless otherwise stipulated by laws and regulations, in case the number of Executive Directors is one, such Executive Director, in case the number of Executive Directors is two or more, one of the Executive Directors shall convene a Meeting of the Board of Directors and act as Chair thereat in accordance with the order previously determined by the Board of Directors (Article 113-1 of the Investment Trusts Act, Article 21-2 of the Articles of Incorporation).
- viii. Executive Directors and Supervisory Directors who are not entitled to convene a Meeting of the Board of Directors may request convocation of a Meeting of the Board of Directors in accordance with the provisions of the Investment Trust Act (Articles 113-2 and 113-3 of the Investment Trusts Act).
- ix. Notice of convocation of a Meeting of the Board of Directors shall be given to all Executive Directors and Supervisory Directors at least three days prior to the date set for such meeting. However, this convocation period may be shortened or the convocation procedure omitted in case of emergency with unanimous consent from all Executive Directors and Supervisory Directors (Article 115-1 of the Investment Trusts Act, Article 368 of the Companies Act, Article 21-3 of the Articles of Incorporation).

c. Independent Auditor

- i. An Independent Auditor shall be elected through a resolution of the General Meeting of Unitholders unless otherwise provided by law (Article 96-1 of the Investment Trusts Act, Article 25 of the Articles of Incorporation).
- ii. The term of office of the Independent Auditor shall expire at the conclusion of the first General Meeting of Unitholders held after the first fiscal period commenced after the expiration of one (1) year after his/her assumption of office. Unless otherwise resolved at the foregoing General Meeting of Unitholders, the Independent Auditor shall be deemed to be re-elected at said General Meeting of Unitholders (Article 103 of the Investment Trusts Act, Article 26 of the Articles of Incorporation).
- iii. The Independent Auditor shall audit the financial statements of HRR, report to the Supervisory Director if he/she discovers actions violating the proper execution of duties by the Executive Director or discovers serious facts which indicate violation of the laws and regulations or the Articles of Incorporation, and perform other duties as provided by law (Articles 115-2-1 and 115-3-1 of the Investment Trusts Act, etc.).

d. Asset Management Company, Asset Custodian, and General Service Administrator

- i. HRR, in accordance with the Investment Trust Act, commissions the management of its assets to the Asset Management Company, and the custody thereof to the Asset Custodian. HRR commissions to General Service Administrator any administrative services, excluding services relating to the management and custody of its assets, required to be commissioned to a third party under the Investment Trust Act.

(B) Organizations, personnel, and procedures for supervision by Internal Management and Supervisory Director

HRR stipulates in its Rules of the Board of Directors that Meetings of the Board of Directors shall be held at least once every three months. HRR's Board of Directors meetings shall be attended by the Executive Director and Supervisory Director. In the presence of the Asset Management Company, the Executive Director is to report on the status of his or her job execution as well as on the business execution status of the Asset Management Company, General Service Administrator, and Asset Custodian, thereby ensuring an internal control system in which control is exercised through the Board of Directors meeting. Reporting of the Executive Director's job execution status and of the business execution status of the Asset Management Company,

General Service Administrator, and Asset Custodian shall be carried out at least once every three months. As of the date of this document, one lawyer and one certified public accountant for a total of two individuals are appointed HRR's Supervisory Directors, each of whom builds on their past experience and expertise to provide multifaceted supervision of the Executive Director's job execution.

(C) Supervision by Internal Management and Supervisory Director, and mutual cooperation with Independent Auditor

At the Meeting of the Board of Directors of HRR, each Supervisory Director shall receive a report from the Executive Director regarding the status of his or her job execution as well as on the status of asset management by the Asset Management Company, and matters relating to compliance and risk. The Independent Auditor, in addition to preparing audit reports, has the duty to report to the Supervisory Director without delay if he/she discovers actions violating the proper execution of duties by the Executive Director or discovers serious facts which indicate violation of the laws and regulations or the Articles of Incorporation.

(D) Status of systems for control by HRR of relevant corporations

When the buying and selling of specified assets or other transactions stipulated in the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000. Includes subsequent amendments) ("Order for Enforcement of Investment Trusts Act") takes place between HRR and the Asset Management Company or its Director, other Investment Corporations for which the Asset Management Company invests assets, an Investment Trust Property for which the Asset Management Company gives investment instructions, or a Stakeholder, etc., the Asset Management Company shall, in accordance with the provisions of the Investment Trusts Act Enforcement Regulations, deliver to HRR, other Investment Corporations for which the Asset Management Company invests assets, and other parties set forth in the Order for Enforcement of Investment Trusts Act, documents stating matters relating to said transaction.

The business status of other relevant corporations is monitored through the Asset Management Company.