



Independent Assurance Report

To the Management of Matsuda Sangyo Co., Ltd.

We were engaged by Matsuda Sangyo Co., Ltd. (the “Company”) to undertake a reasonable assurance engagement of its LBMA Compliance Report (the “Compliance Report”) for the year ended 31 March 2020. The assurance scope consists of the Company’s Compliance Report.

The Company’s responsibility

The management of the Company is responsible for the preparation and fair presentation of its Compliance Report in accordance with the requirements of the LBMA Responsible Gold Guidance and the LBMA Responsible Silver Guidance (the “Guidance”). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Company’s Compliance Report.

Our responsibility

Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Sourcing Programme - Third Party Audit Guidance (the “Audit Guidance”).

This report has been prepared for the Company for the purpose of assisting the management in determining whether the Company has complied with the Guidance and for no other purpose. Our assurance report is made solely to the Company in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Company for our work, or for the conclusions we have reached in the assurance report.

Inherent limitations

Non-financial information, such as that included in the Company’s Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the Guidance may differ. It is important to read the Company’s gold and silver supply chain policy available on the Company’s website: www.matsuda-sangyo.co.jp/en/policy/conflictminerals.html.

Conclusion

In our opinion, the Company’s Compliance Report for the year ended 31 March 2020, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein is in accordance with the requirements of the Guidance.

Emphasis of matter

Without modifying our conclusion, we draw attention to the description of Steps 1 and 2 in the Company’s Compliance Report, which essentially states that the Company partially complied with:

- Step 1: Establish strong management systems; and
- Step 2: Identify and assess risks in the supply chain.

Independence, quality control and competency statement

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit



Guidance to carry out the assurance engagement.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

29 September 2020

LBMA Responsible Gold and Silver Guidance Compliance Report

The LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance have been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practice.

This report summarizes how Matsuda Sangyo Co., Ltd. (hereinafter referred to as "Matsuda") has complied with the requirements of the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance.

Table 1: Refiner's details


Refiner's name	Matsuda Sangyo Co., Ltd
Location	Shinjuku Nomura Bldg. 6th fl., 1-26-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
Reporting period	From 1 April 2019 to 31 March 2020
Date of Report	29 September 2020
Senior management responsible for this report	 <div style="text-align: right;">Takehiro Ueda Executive Officer</div>

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance statement with requirement:

Matsuda has partially complied with Step 1: Establish strong company management systems.

1. Adoption of a company policy regarding due diligence for supply chains of gold and silver.

Comments and Demonstration of Compliance:

We developed "Management Policy for Conflict Minerals", which was consistent with the Model Policy set forth in Annex II of the OECD Due Diligence Guidance in April 2014.

In July 2019, we developed the new company policy "Policy for Responsible Management of Precious Metals" (hereinafter referred to as "the Company Policy") to replace "Management Policy for Conflict Minerals", and added silver, platinum and palladium to its scope. We, however, failed to revise the Company Policy in fiscal 2019 so that it extends to environment and sustainability responsibilities.

2. Setting up of an internal management structure to support supply chain due diligence.

Comments and Demonstration of Compliance:

We developed the internal policy "Management Procedure for Conflict Minerals" (hereinafter referred as "the Internal Policy") in May 2014. In March 2020, we have revised the Internal Policy and changed the management system of our

due diligence for supply chains of gold and silver.

3. Establishment of a strong internal system of due diligence, controls and transparency over the gold and silver supply chain, including traceability and identification of other supply chain actors.

Comments and Demonstration of Compliance:

We implemented our internal system to secure the traceability and identify each material of gold and silver. We maintain records specified in the Internal Policy for more than five years. We provided all employees who were engaged in the purchasing and handling of gold and silver with training, as required in the Internal Policy. The compliance officer, who oversees the whole process of supply chain due diligence of gold and silver, reported the results to the senior management. In principle we make payment for gold and silver through official banking channels. Cash payment is only allowed under the circumstances specified in the Internal Policy and with permission from managers. We cooperated fully and transparently with government authorities and provided full access to records and information as appropriate.

4. Strengthening engagement with gold and silver supplying counterparties, and where possible, assisting gold and silver supplying counterparties in building due diligence capabilities.

Comments and Demonstration of Compliance:

We communicated the Company policy to gold- and silver-supplying counterparties, and asked them to cooperate with us in our responsible sourcing system.

5. Implementing a confidential grievance mechanism

Comments and Demonstration of Compliance:

We have established a grievance mechanism allowing any employees to voice concerns over the gold and silver supply chain or newly identified risk to the compliance officer or the senior management. But its anonymity was not fully ensured in the reporting period. Therefore, we have revised the internal regulation in July 2020 to ensure anonymity.

Step 2: Identify and assess risks in the supply chain

Compliance statement with requirement:

Matsuda has partially complied with Step 2: Identify and assess risks in the supply chain.

1. Process to identify risks in the supply chain

Comments and Demonstration of Compliance:

Our main suppliers of gold and silver are manufacturers of electronic components and jewelry goods, jewelry purchasers, and dental clinics and laboratories. For self-employed suppliers, we requested the required documents (e.g. Personal Identification) to assess their risk. For the other corporations, we performed supply chain due diligence by using "Questionnaire for the Precious Metals Supplier" (hereinafter referred to as "the Questionnaire") which is created based on LBMA KYC Questionnaire. We, however, do not have documented procedures for identifying risks in the supply chain that result from non-compliance with environmental and sustainability legal requirements. The Questionnaire does not contain any questions about non-compliance with environmental and sustainability legal requirements either.

2. Risk assessment in light of the standards of their due diligence system

Comments and Demonstration of Compliance:

We first identify apparently low-risk gold- and silver-supplying counterparties, which include (i) suppliers who are listed in Tokyo Stock Exchange 1st or 2nd section and are disclosing the policy of procurement from CAHRAs which is defined in the OECD Due Diligence Guidance, (ii) suppliers that are over 50 percent owned by the suppliers who are applicable to (i). Except these, we have conducted risk assessments of gold- and silver-supplying counterparties based on information from independent and reliable sources according to our own internal procedure. In December 2019, we have revised our risk assessment procedure to use the KYC Questionnaire. After this revision, we conducted risk assessments for FY2019 transactions ex post in February through mid-May 2020 using the Questionnaire. In consideration of the sources of recycled materials, we judged that there should be no risks of "non-state armed groups", "public or private security forces", "bribery and fraudulent misrepresentation of the origin of minerals" and "payment of taxes, fees and royalties due to governments", and we excluded these risks from our evaluation criteria. We, however, failed to include criteria to determine whether any counterparties or other known upstream companies are located in a country representing high-risk for money laundering and whether any counterparties or other known upstream companies or their Beneficial Owners with significant influence over the counterparty are PEPs.

3. Reporting of risk assessment to the designated manager

Comments and Demonstration of Compliance:

We reported the results of risk assessment for the period to the senior management.

Step 3: Design and implement a management system to respond to identified risks

Compliance statement with requirement:

Matsuda has fully complied with Step 3: Design and implement a management system to respond to identified risks.

1. Strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk.

Comments and Demonstration of Compliance:

We require ourselves to reassess the risk of supply chains which are evaluated as medium-risk or high-risk by establishing and implementing strategy for risk mitigation. We, however, have not specified how we conduct enhanced due diligence for high-risk supply chains.

2. Management strategy of risk mitigation that includes measureable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.

Comments and Demonstration of Compliance:

We have defined in the internal regulation that the senior management is supposed to determine whether or not we continue to trade with suppliers who are assessed as high-risk. When the senior management decides to continue with these business relationships, we are supposed to establish the improvement strategy which mentions clear performance objectives including qualitative and /or quantitative indicators in order to measure improvement. But we did not have any suppliers who are assessed as high-risk for the period.

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

Compliance statement with requirement:

Matsuda has fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

Comments and Demonstration of Compliance:

We have engaged the services of the assurance provider KPMG AZSA Sustainability Co., Ltd., and their independent limited assurance report is attached hereto.

Step 5: Report on supply chain due diligence

Compliance statement with requirement:

Matsuda has fully complied with Step 5: Report on supply chain due diligence.

Comments and Demonstration of Compliance:

The Company Policy, "Policy for Responsible Management of Precious Metals", is available on our website.

<https://www.matsuda-sangyo.co.jp/en/policy/conflictminerals.html>

Table 3: Management conclusion

Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance for the reporting period?

No.

Comments and Demonstration of Compliance:

We have several medium-risk deviations from the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance for the reporting period, which are listed as below. However, we have implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance and LBMA Responsible Silver Guidance for the reporting period except for these deviations.

Step 1-1 The "Policy for Responsible Management of Precious Metals", which is our company policy for supply chain of gold, silver, platinum and palladium, does not extend to environment and sustainability responsibilities.

Step 2-1 We do not have documented procedures for identifying risks in the supply chain that result from non-compliance with environmental and sustainability legal requirements. Our questionnaire, developed based on the LBMA's KYC tool kit, does not contain any questions about non-compliance with environmental and sustainability legal requirements either.

Step 2-2.2 We do not include, in our criteria to define high-risk supply chains, criteria to determine whether any counterparties or other known upstream companies are located in a country representing high-risk for money laundering and whether any counterparties or other known upstream companies or their Beneficial Owners with significant influence over the counterparty are PEPs.

Step 2-2.3 We have not specified how we conduct enhanced due diligence for high-risk supply chains.

We are committed to complete corrective actions for non-conformances stated in the Corrective Action Plan within the defined period.

Table 4: Other report comments

If users of this report wish to provide any feedback to us with respect to this report, they can send an email to the following email address: 20780000@matsuda-sangyo.co.jp