Independent Assurance Report

To the Management of Nihon Material Co., Ltd

We were engaged by Nihon Material Co., Ltd (the “Company”) to undertake a limited assurance engagement of its LBMA Responsible Gold Guidance Compliance Report (the “Compliance Report”) for the year ended 31 March 2019. 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 (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 limited 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 Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors (the “Audit Guidance”).

The extent of evidence-gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

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.

We planned and performed our work to obtain all the evidence, information and explanations considered necessary in relation to the above scope. These procedures included:

- Inquiring management to gain an understanding of the Company’s processes and risk management protocols in place
- Inquiring relevant staff responsible for the preparation of the Compliance Report
- Site visit to the Noda Factory
- Assessing the suitability of the policies, procedures and internal controls that the Company has in place to conform to the Guidance
- Reviewing a selection of the supporting documentation, including gold supplier counterparty due diligence file and transaction’s documentation
- Testing a selection of the underlying processes and controls that support the information in the Compliance Report
- Reviewing the presentation of the Compliance Report to ensure consistency with our findings

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 supply chain policy available on the Company’s website: www.material.co.jp/eng/conflict.php.

**Conclusion**
Based on the limited assurance procedures performed, as described above, nothing has come to our attention that would lead us to believe that the Company’s Compliance Report for the year ended 31 March 2019 does not, in all material respects, describe fairly the activities undertaken during the year to demonstrate compliance, and management’s overall conclusion contained therein is not in accordance with the requirements of the LBMA Responsible Gold Guidance.

**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.
Tokyo, Japan
29 May 2019
The LBMA Responsible Gold Guidance has 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 to combat terrorist financing practice.

This report summarizes how Nihon Material Co., Ltd (hereinafter the “Company”) has complied with the requirements of the LBMA Responsible Gold Guidance.

**Table 1: Refiner's detail**

<table>
<thead>
<tr>
<th>Refiner’s name</th>
<th>Nihon Material Co., Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>5-3-2 Sotokanda Chiyoda-ku Tokyo 101-0021 Japan</td>
</tr>
<tr>
<td>Reporting period</td>
<td>1 April 2018 to 31 March 2019</td>
</tr>
<tr>
<td>Date of Report</td>
<td>29 May 2019</td>
</tr>
<tr>
<td>Senior Management responsible for this report</td>
<td>Nobutake Morita, Managing Director</td>
</tr>
</tbody>
</table>

**Table 2: Summary of activities undertaken to demonstrate compliance**

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

We have fully complied with Step 1: Establish strong management system.

1. **Adopt a company policy regarding due diligence for supply chains of gold**

The Company has adopted the Responsible Precious Metals Management Policy (hereafter the "Policy"), which is consistent with the Model Policy set forth in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Materials from Conflict-affected and High-Risk Areas. This sets out our responsibility to avoid contributing to conflict, terrorist financing, human rights abuses, money laundering and tax evasion in the procurement of gold bearing materials (hereinafter “gold”).

2. **Set up an internal management structure to support supply chain due diligence**

We have set up an internal management system to support supply chain due diligence, which defines our governance, roles and responsibilities, communication and senior management, review as per the adopted Policy.

The compliance officer, who has a direct line of reporting to the senior management have been assigned to manage the process.

The compliance officer evaluates the effectiveness and performance of the supply chain due diligence.

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

The Company implements its internal system for the due diligence of suppliers to identify the risks. The compliance officer assumes authority and responsibility to conduct due diligence stipulated in the due diligence provision and control manual which has been revised in accordance with the latest LBMA Responsible Gold Guidance.

Our supply chain due diligence system is set up to ensure the transparency of our transactions. When suppliers provide gold, each transaction is allocated a transaction code and linked with the supplier information (e.g. supplier name, date of transaction and other information) acquired and stored in our supplier data base. Each of the purchased gold is traceable to individual supplier using the transaction code.

4. **Strengthened company engagement with gold-supplying counterparties and, where possible, assist gold- supplying counterparties in building due diligence capacities**

We communicate our Responsible Precious Metals Management Policy, verbally or in writing, to our gold suppliers to obtain their understanding of, and consent to, the Policy.

We explain to our suppliers why we need to collect KYC information from them and request them to sign transaction tickets to conform that the gold they supply has no connection with conflict, terrorist financing, human rights abuses, money laundering, tax evasion and anti-social acts.

5. **Established a company-wide communication mechanism**

We have a whistleblower system to let the compliance officer and the senior management, when necessary, know any potential issues or concerns relevant to the gold supply chain.

Based on the results of an investigation conducted by the internal audit division to which every report is communicated, the compliance officer takes corrective and preventive measures.

This system is managed to protect whistleblowers, who report in good faith suspected issues of compliance, from discriminatory and retaliatory actions.

**Step 2: Identify and assess risk in the supply chain**

**Compliance Statement with Requirement:**

We have fully complied with Step 2: Identify and assess risks in the supply chain.

1. **Identify risks in the gold supply chain**

We purchase gold mainly over the counter at our shops and through our buyers. When we purchase gold, we request every supplier to submit their information and document according to our criteria.

We identify risks of gold and suppliers. We do not accept any gold when we find that a supplier has provided us with false information and/or when we become aware of the possibility that the acceptance of gold is likely to contribute to conflict, terrorist financing, human rights abuses, tax evasion, and/or money laundering. When we purchase gold bars from trading companies or refiners, we check that we purchase Good Delivery bars from reliable suppliers.
2. **Assess risks in light of the standards of our supply chain due diligence system**
The company assesses risks in the supply chain through our due diligence system comprising all measures required by the LBMA Responsible Gold Guidance before entering into a business relationship with any gold supplying counterparty. We shall perform enhanced due diligence when there is sufficient doubt that gold originates from conflict affected or human rights abuses high-risk area, or has any connection with money laundering, tax evasion, terrorist financing, and/or anti-social acts.

In addition, we conduct appropriate scrutiny and monitoring of transactions undertaken through the course of the relationship with gold supply chain.

3. **Report risk assessment to designated senior management**
The compliance officer reports to the senior management the results of risk assessment when a high-risk transaction is identified.

Senior managements have the responsibility to suspend or terminate the business relationship with concerned suppliers based on reports from the compliance officer.

---

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

**Compliance Statement with Requirement:**

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

1. **Devised a strategy for risk management of an identified risk by either (I) mitigation of the risk with continuing to trade, (II) mitigation of the risk while suspending trade or (III) disengagement from the risk.**

   We shall immediately suspend or terminate the transaction of any materials where risk is identified, as a result of our evaluation of materials and suppliers, that the acceptance of gold is likely to contribute to conflict, terrorist financing, human rights abuses, money laundering, tax evasion and/or anti-social acts.

2. **Where a management strategy of risk mitigation is undertaken, it should include measurable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.**

   We have not been aware, as result of our evaluation of materials and suppliers, of any such possibility that we purchased any materials that had any connection with conflict, terrorist financing and human rights abuses, money laundering, tax evasion and/or anti-social acts, during the reporting period.

---

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

**Compliance Statement with Requirement:**

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

**Comments and Demonstration of Compliance:**

The Company engaged the service 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:
We have fully complied with Step 5: Report on supply chain due diligence.
The Company’s Responsible Precious Metals Management Policy is available on our website as well as our Gold Guidance Compliance Report referring to the fiscal year 2018.
http://www.material.co.jp/eng/conflict.php

Table 3: Management conclusion
Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period?

YES,
In conclusion, the Company implemented effective management systems, procedures, processes and practices to conform to the requirements of the LBMA Responsible Gold Guidance, as explained above in Table 2, for the reporting period from 1 April 2018 to 31 March 2019.

Table 4: Other report comments
If users of the report want to provide any feedback to the Company with respect to this report, they can contact corporate relations on conflict@material.co.jp