

LBMA Responsible Gold Guidance Compliance Report

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

Refiner’s name	Nihon Material Co.,Ltd
Location	5-3-2 Sotokanda Chiyoda-ku Tokyo 101-0021 Japan
Reporting period	April 1, 2015 to March 31, 2016
Date of Report	May 31, 2016
Senior Management responsible for this report	Nobutake Morita, Managing Director

The Company’s evaluation

森田 伸勇

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) The Company has adopted a policy regarding due diligence for supply chains of gold.

Comments and Demonstration of Compliance:

We have the Conflict Material Management Policy which is consistent with LBMA Responsible Gold Guidance.

This sets out our responsibility to avoid contributing to conflict, terrorist financing, human rights abuses and money laundering in the procurement of gold and gold bearing materials (hereinafter “gold”).

2) The Company has set up an internal management structure to support supply chain due diligence.

Comments and Demonstration of Compliance:

In the last reporting period, we formally set up an internal management system in accordance with the LBMA Responsible Gold Guidance, which defines our governance, roles and responsibilities, communication and senior management review as per the adopted policy.

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

3) The Company has established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain actors.

Comments and Demonstration of Compliance:

Gold that is provided by our suppliers is either sent via our headquarters to the Noda factory or sent directly to the factory. All the supplied materials are checked by our headquarters division and/ or our Noda factory. The Noda factory procures no material independently.

The compliance officer appointed by the company, assumes authority and responsibility stipulated in the control manual, including those for overseeing sections and divisions concerned and for operating the control system.

- 4) The Company has strengthened company engagement with gold supplying counterparties, and where possible, assisted gold supplying counterparties in building due diligence capabilities.

Comments and Demonstration of Compliance:

We communicate our Conflict Material Management Policy, verbally or in writing, to our gold suppliers to obtain their understanding of, and consent to, the policy.

We also request our suppliers to sign transaction tickets and testify that the materials they supply have no connection with conflict, terrorist financing, human rights abuses, and money laundering.

- 5) The Company has established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management.

Comments and Demonstration of Compliance:

We have introduced a company-wide communication system to let the senior management or the compliance officer know about any potential issues relevant to conflict minerals.

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

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement:

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

- 1) The Company has a process to identify and assess risks in the supply chain.

Comments and Demonstration of Compliance:

We accept gold mainly at our shops and through our buyers. We identify materials and suppliers, and do not accept any materials when we become aware, 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, and/or money laundering.

When we purchase gold bars from trading companies or refiners, we check that we purchase reliable bars from reliable suppliers.

- 2) The Company assesses risk in light of the standards of its due diligence system.

Comments and Demonstration of Compliance:

The Company assesses risks in the supply chain against the predetermined criteria which are consistent with those set out in the LBMA Responsible Gold Guidance. We shall perform enhanced due diligence

when there is sufficient doubt that a material originates from conflict affected or human rights abuses high-risk area, or has any connection with money laundering, terrorist financing, and/ or anti-social acts.

3) The Company reports risk assessment to senior management.

Comments and Demonstration of Compliance:

The compliance officer reports to the senior management with respect to the results of risk assessment practice in the supply chain due diligence when a high-risk transaction is identified.

Senior management has the responsibility to suspend or terminate the business relationship with concerned supplier in light of the relevant reports.

Step 3: Design and Implement a management system to respond to identified risk.

Comments and Demonstration of Compliance:

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

1) The Company has 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.

Comments and Demonstration of Compliance:

We will immediately suspend or terminate the transaction of any materials when we become aware, 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, and/or money laundering.

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.

Comments and Demonstration of Compliance:

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 abuse 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.

<http://www.material.co.jp/eng/conflict.php>

Step 5: Report on supply chain due diligence.

Compliance Statement with Requirement:

We have full complied with Step 5: Report on supply chain due diligence.

Comments:

The company's Conflict Materials Management Policy is available on our company web-site.

<http://www.material.co.jp/eng/conflict.php>

The Company's overall conclusion.

Table 3: Management conclusion

Is the Refiner in compliance with the requirement of the LBMA Responsible Gold Guidance for the reporting period?

Yes.

Comments:

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 2015 to 31 March 2016.

Table 4: Other report comments

Comments:

If user of the report wish to provide any feedback to the company with respect to this report, they can contact corporate relations on

conflict@material.co.jp