

LBMA Responsible Gold Guidance Compliance Report

The LBMA Responsible Gold Guidance is established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, avoid contributing to conflict, comply with high standards of anti-money laundering, and combat terrorist financing practices. This report summarizes how Nihon Material Co., Ltd. (hereinafter, the "Company") complied with the requirements of the LBMA Responsible Gold Guidance Version 9. This report covers all operations of the Company involved in the gold supply chain, including the head office, branches, and the Noda Factory, and applies to gold-bearing materials processed during the reporting period.

TABLE 1: Refiner's Details

Refiner's name	Nihon Material Co., Ltd.
Location	5-3-2 Sotokanda Chiyoda-ku Tokyo 101-0021 Japan
Reporting period	From 1 April 2025 to 31 March 2026
Date of Report	26 June 2026

Senior Management responsible for this report:

Nobutake Morita, President




TABLE 2: Summary of Activities to Demonstrate Compliance

STEP 1: Company Management System

Compliance Statement with Requirement:

We have fully complied with STEP 1: Company Management System.

1.1 Has the Refiner adopted a supply chain policy regarding due diligence for supply chains of gold?

The Company adopts the Responsible Precious Metals Sourcing Policy (hereafter, the "Policy"), which is consistent with the Model Policy set out in Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Materials from Conflict-Affected and High-Risk Areas (CAHRAs). The Company procures raw materials in accordance with the Policy.

The Company reviews the Policy at least annually and revises it as necessary, subject to approval by senior management. The latest version of the Policy is aligned with the LBMA Responsible Gold Guidance Version 9 (hereafter "RGG9"). The Policy is made publicly available on our website in both Japanese and English and communicated to all relevant staff. In addition, we communicate the Policy in writing to our gold suppliers prior to entering into any transactions.

Furthermore, acceptance of the Policy is required as a condition of transactions. Individual suppliers selling precious metals are required to acknowledge and agree to the Policy through the "Identity Verification and Transaction Record" form (sale application form), while corporate suppliers and sole proprietors are required

to provide their agreement through the “Responsible Precious Metals Sourcing Questionnaire.” Transactions are conducted only upon completion of these documents and agreement to the Policy.

Link to the Policy:

<https://www.material.co.jp/eng/policy.php> (ENG)

<https://www.material.co.jp/funsou.php> (JP)

1.2 Has the Refiner set up an internal management structure to support supply chain due diligence?

The Board of Directors retains overall responsibility for supply chain due diligence (DD) and exercises oversight through regular reporting and review. In order to effectively conduct supply chain due diligence, the Board of Directors has delegated its authority to the “Organisation for Supply Chain Due Diligence”, which is responsible for managing and developing the relevant organisational structure.

The Board possesses the necessary skills and experience, and appropriate training is provided to enable it to effectively oversee responsible sourcing activities. The Company ensures that sufficient resources, expertise and personnel are allocated to effectively implement and monitor the DD processes.

The Company has established an internal management system to support supply chain due diligence, which sets out our governance framework, roles and responsibilities, internal communication processes, and senior management review in accordance with the adopted Policy. The following individuals have been appointed with responsibility and authority over the operation and management of the DD process.

Supply Chain Officer

The Supply Chain Officer is responsible for establishing the Company’s Responsible Precious Metals Sourcing Policy and related manuals, determining whether to engage with high-risk supply chains, conducting management reviews, approving the annual compliance reports on supply chain DD prepared by the Compliance Officer, and reporting to and communicating with the Board of Directors on matters relating to supply chain DD.

Compliance Officer

The Compliance Officer is appointed by the Supply Chain Officer and is responsible for establishing and maintaining the management system for supply chain DD. This includes identifying and assessing high-risk areas, implementing appropriate measures for high-risk supply chains, planning and delivering education and training on supply chain DD, and monitoring and evaluating the effectiveness of the management system. The Compliance Officer possesses sufficient experience, expertise, and authority to effectively manage and supervise the supply chain due diligence process.

In addition, the Compliance Officer is responsible for establishing a secretariat to support the execution of these duties. Where necessary, the Compliance Officer has the authority to report directly to the Board of Directors.

Purchasing Manager of Precious Metal Raw Materials

The Purchasing Manager, appointed by the Supply Chain Officer, is responsible for procuring precious metal raw materials in accordance with the Supply Chain Due Diligence Regulations and Manual, conducting supply chain DD, and reporting the results to the Compliance Officer.

Material Control Manager

The Material Control Manager is appointed by the Supply Chain Officer and is responsible for verifying received precious metals and associated documentation, and for maintaining accurate records.

With respect to internal communication and awareness, the Company provides education and training on relevant standards, laws, and internal regulations to all employees at the head office, branches, and departments involved in the precious metals supply chain. Attendance at such training is appropriately recorded and subject to monitoring.

As part of this programme, a total of 152 employees received supply chain DD training during the reporting year. This represents approximately 87% of all employees of the Company. All employees involved in the precious metals supply chain received the training. The training included, inter alia, a refresher on the conditions under which cash payments may be permitted in transactions involving the purchase of precious metals. Specifically, this covered cases where the transaction amount is below JPY 1 million and prior approval is obtained from the Compliance Officer or a manager with delegated authority. All participants were required to complete an assessment to confirm their understanding, and the results are retained as records.

No material breaches of the due diligence procedures were identified during the reporting period. We continue to maintain and enforce policies governing cash payments and record-keeping, including the management of exceptions based on reasonable judgement in accordance with the requirements of STEP 1.2.

In addition, annual internal audits are conducted at the head office, branches, and relevant departments involved in the precious metals supply chain to verify compliance with applicable standards, laws, and internal regulations. For the reporting period of FY2025, the audits were conducted as scheduled, and no deviations were identified.

1.3 Has the Refiner established a traceability system over gold supply chains, including chain of custody mapping and identification of supply chain actors?

In order to identify risks and ensure transparency in raw material procurement, the Company has established and operated an internal system for conducting supply chain DD, as set out in our DD Regulations and DD Implementation Manual. This system is designed to enable the appropriate evaluation of precious metal raw materials and suppliers.

Prior to entering into transactions, the Company obtains KYC documentation from suppliers, including, as applicable, an LBMA Questionnaire, copies of identification documents (such as a driving license), and/or a certificate of registered matters. The Company then conducts risk assessments in accordance with our DD

Manual, including background checks using reliable third-party information sources, to determine whether to proceed with the transaction.

The country of origin of precious metal materials is identified based on supplier risk assessment records and supporting documentation, such as packing lists provided by suppliers.

When a supplier offers gold, a unique transaction code is assigned. This code is linked to the relevant supplier information (including supplier name, transaction date, transaction records, and other pertinent details) for each transaction and is maintained within our supplier database. Purchased gold bullion can be traced back to individual suppliers and specific transactions, with quantities shipped and received for each lot recorded and available for reference within the system. All transaction records and related documentation are retained for a period of seven years.

Although all materials purchased by the Company are recycled precious metals, the Company assesses location risk based on the location from which the materials are shipped in the supply chain prior to delivery to the Company. Where there is a risk that materials may be stolen, smuggled or otherwise high-risk, the Company obtains and assesses upstream supply chain information through KYC documentation, supplier questionnaires, and supporting documents as part of its enhanced due diligence process.

In FY2025, the Company conducted risk assessments of all suppliers and the country of origin of raw materials using a risk assessment checklist based on information obtained through the "Identification and Transaction Record" for all suppliers. During the reporting period, no high-risk suppliers were identified. In addition, there were no cash transactions exceeding JPY 1 million. No incidents related to traceability or supplier identification were identified during the reporting period.

1.4 Has the Refiner strengthened company engagement with gold supplying counterparties, and, where possible, assisted gold supplying counterparties in building due diligence capabilities?

The Company communicates its Policy to gold suppliers in writing. The Policy defines high-risk transactions as those involving precious metals originating from CAHRAs or associated with human rights abuses, money laundering, direct or indirect support to non-state armed groups or public or private security forces, bribery, fraudulent misrepresentation of the origin of gold, non-compliance with taxes, fees and royalties due to governments, terrorist financing, or other illicit or antisocial activities. It further states that appropriate DD measures will be implemented to avoid involvement in such activities. We also do not purchase precious metals from state-owned enterprises operating in EITI-participating countries.

Prior to entering into transactions, we require our suppliers to submit KYC documentation, including official certificates and the Responsible Precious Metals Procurement Questionnaire, in order to assess the suitability of the business relationship. However, individual suppliers conducting in-store transactions are generally not required to submit the Responsible Precious Metals Procurement Questionnaire, and risk assessment is conducted based on applicable identification documents and transaction details in accordance with our internal procedures. In addition, to ensure the integrity of the gold supply chain, suppliers are required to provide a signed transaction record confirming compliance with our requirements.

For suppliers in the In-store and Mail Section, this confirmation is obtained for each transaction, whereas suppliers handled by the Bullion Section and the Purchase Department are required to provide such confirmation annually, prior to their first transaction of the year.

To maintain a high level of supply chain integrity, we conduct risk assessments on a transaction-by-transaction basis when purchasing gold from individual sellers, including over-the-counter transactions and purchases conducted by our buyers. For other suppliers, we conduct annual evaluations and require the resubmission of KYC documentation.

1.5 Has the Refiner established a company-wide confidential grievance mechanism?

The Company has established a confidential whistleblowing mechanism that enables both internal and external stakeholders to raise concerns or report potential issues related to the gold supply chain to the Compliance Officer and the Secretariat, as appropriate. Reports may be submitted through our company website. Upon receipt of a report, we promptly assess whether an investigation is warranted and, where possible, inform the whistleblower of the outcome of this initial assessment, except in cases where the report is submitted anonymously.

Where an investigation is initiated, the whistleblower is informed accordingly. The whistleblower is subsequently notified of the outcome of the initial investigation, including whether a further investigation will be conducted and, where applicable, the reasons for not proceeding. If a further investigation is undertaken, the whistleblower is also informed of the expected timeframe. Upon completion of the investigation, the whistleblower is notified of the results and any corrective actions to be taken, subject to confidentiality constraints.

To ensure awareness of the whistleblowing mechanism, information is disclosed on our website, and all employees are informed through annual education and training. In addition, the reporting channels on our website have been relocated to a more prominent and easily accessible location (within the “Contact Us” section) to improve visibility and accessibility. No whistleblower reports regarding precious metal transactions were received in FY2025.

Link to the reporting channels:

<https://www.material.co.jp/eng/mailmenu.php> (ENG)

<https://www.material.co.jp/mailmenu.php> (JP)

STEP 2: Risk Identification and Assessment

Compliance Statement with Requirement:

We have fully complied with STEP 2: Risk Identification and Assessment.

2.1 Does the Refiner have a due diligence process to identify risks in the supply chain?

The Company purchases gold primarily over the counter and through its buyers from individual sellers, trading companies, and refiners. The Company conducts a risk assessment of all suppliers through DD in

accordance with the RGG9 prior to entering into any transaction. Based on the risk assessment results, the Compliance Officer approves whether the transactions may proceed. In addition, individuals delegated by the Compliance Officer, such as store managers or those in equivalent positions, are also authorized to approve transactions within their assigned authority.

All suppliers, except for individual suppliers, are required to submit KYC documentation in accordance with our Supply Chain DD Implementation Manual and Store Operation Manual. This includes, where applicable, the supplier's name, physical address, corporate registration details, beneficial ownership information, and license information. For individual suppliers, identification documents are collected in accordance with internal procedures, and DD is conducted based on the information obtained. The Company conducts risk screening using reliable external sources, including sanctions lists (such as the UN Sanctions List), adverse media screening, and criminal background checks, where applicable. The Company also applies ongoing monitoring of suppliers and transactions, including annual reviews and reassessment of supplier risk profiles.

The Company does not accept gold where there is reasonable suspicion that it originates from or has transited through Conflict-Affected and High-Risk Areas (CAHRAs), or is linked to money laundering, tax evasion, terrorist financing, involvement of non-state armed groups, or serious environmental, social or governance violations. When purchasing gold bars from trading companies, the Company purchases LBMA Good Delivery bars only from trading companies that have been approved by the Compliance Officer and senior management with appropriate experience, in accordance with the RGG9.

2.2 How does the Refiner classify identified risks in light of the standards of its due diligence system?

The Compliance Officer identifies CAHRAs, which are reviewed annually and updated as necessary. The Company assesses supply chain risks using a risk-based approach based on KYC questionnaires collected from suppliers and reliable market information. This assessment is conducted in line with the RGG9 and OECD Due Diligence Guidance. The Company specifically assesses risks from perspectives of location, supplier, and type of material as follows.

Location Risk

- Mined or recycled precious metals originating from, transported through, or transiting CAHRAs, including jurisdictions identified by FATF.
- Precious metals claimed to originate from countries with limited known reserves, estimated resources, or expected production capacity.
- Precious metals originating from, or transiting through, countries where gold from CAHRAs is known or reasonably suspected to pass.
- Precious metals sourced through supply chains involving unaccountable or unexplained sourcing routes.
- Precious metals potentially linked to illegal supply chains, including theft, money laundering, or fraud.

Supplier Risk

- Suppliers, upstream companies, or their beneficial owners include Politically Exposed Persons (PEPs) or other high-risk individuals.

- Suppliers or upstream companies are located in high-risk jurisdictions for money laundering, or are engaged in high-risk business activities such as arms trading, gambling and casino operations, antiques and art, or associations with illicit or antisocial organizations.
- Suppliers or upstream companies are involved in serious violations of environmental, social and governance (ESG) regulations, or are associated with severe negative ESG impacts.
- Suppliers known to have procured precious metals from CAHRAs or other high-risk jurisdictions within the past 12 months.
- Transactions involving unusual payment structures, including significant cash payments, third-party payments, or other arrangements that deviate from normal commercial practices.
- Suppliers suspected of high risk do not maintain or implement adequate due diligence procedures, including KYC, risk assessment, and, where applicable, on-site inspection processes.
- Insufficient transparency regarding corporate structure, including lack of clarity in corporate registration, management structure, or business activities.
- Suppliers do not have the capability or willingness to accept site visits or audits when required for DD purposes.
- Cases where significant inconsistencies or discrepancies are identified in documentation provided by suppliers, or where requested documentation is unjustifiably refused.
- Suppliers that do not implement responsible sourcing policies, appropriate risk assessments, or compliance training for employees.
- Suppliers that do not maintain proper transaction records or lack procedures for handling suspected stolen materials, including segregation and reporting to authorities.

Type of Material Risk

- Precious metals with fraudulent or misrepresented origin.
- Precious metals produced using mercury.
- Precious metals derived from Artisanal and Small-Scale Mining (ASM).
- Precious metals sourced from intermediate refiners or traders with high-risk supply chains.
- Precious metals suspected to have been imported without appropriate tax documentation, including import consumption tax records, where applicable.

In addition, the Company assesses risk in terms of whether a supplier meets any of the zero-tolerance criteria as shown below.

Zero-Tolerance Criteria

- Precious metals originating from areas designated as World Heritage Sites.
- Precious metals originating from countries subject to international sanctions.
- Precious metals suppliers or other known upstream companies or their UBOs that are known money launderers, fraudsters, or terrorists or have been implicated in serious human rights abuses or direct/indirect support to illegitimate non-state armed groups.
- Precious metals originating in or passing through Russia in line with applicable international sanctions frameworks.
- Precious metals procured through methods or routes that violate applicable domestic laws or regulations

- Precious metals for which the country of origin or source has been falsely declared or fraudulently misrepresented.
- Precious metals associated with catastrophic environmental, social, or governance (ESG) impacts, including large-scale environmental destruction, forced labor, child labor, or systematic corruption.
- Precious metals confirmed to be stolen.
- Suppliers confirmed to be involved in transactions of stolen precious metals.

The Company determines whether the country of origin is a CAHRA based on the CAHRAs List. The CAHRAs List has been prepared based on the following information sources and is reviewed annually and updated as necessary.

- Sanction lists (US, UK, EU, UN and other relevant sanction lists)
- Dodd-Frank Section 1502
- Heidelberg Barometer
- Fragile States Index or equivalent
- UN Human Rights Office of the High Commissioner or equivalent
- Reports, including relevant country reports, by the Financial Action Task Force (FATF)
- Credible market intelligence on high-risk gold centers/transit hubs in countries where there is a high risk of money laundering.
- the Democratic Republic of the Congo and neighboring countries, as defined by the Dodd-Frank Act
- Indicative, non-exhaustive list of Conflict-Affected and High-Risk Areas under Regulation (EU)
- LBMA Responsible Sourcing Newsletter

The list of CAHRAs is maintained and made accessible to employees responsible for procurement and supply chain DD, in order to support consistent risk identification.

The Company does not accept any gold where there is reasonable suspicion, based on the above risk assessment, that the gold originates from or passes through a CAHRA, a World Heritage Site, or a country subject to international sanctions, or is linked to money laundering, tax evasion, terrorist financing, armed groups, antisocial behavior, or violations of environmental and sustainability regulations.

Suppliers and transactions are classified into risk categories, including low risk, high risk, and zero tolerance, based on the above criteria. During the reporting period, no suppliers were classified as high-risk or zero tolerance.

2.3 Has the Refiner undertaken EDD measures for identified high-risk supply chains?

The supply chain assessment procedure is carried out with regard to location, supplier, and type of material. During the reporting period, no high-risk suppliers or supply chains were identified and, accordingly, no EDD measures were required. However, all suppliers were subject to standard due diligence procedures, including sanctions screening, adverse media checks, and transaction monitoring, and no red flags requiring escalation were identified.

The Company conducts a risk assessment for every transaction with In-store and Mail Section suppliers, and annually for Bullion Section and Purchase Department suppliers. As a result of these procedures, if any supply chains meet the high-risk criteria and are assessed as high-risk, EDD shall be conducted with the following procedures:

1. The Company reviews government watchlist information, including sanctions lists, for each company (including transportation companies) involved in the supply chain, from companies or trading partners located in high-risk areas through to the Company.
2. The Company reviews the appropriate supply chain due diligence approach according to the supplier's risk profile and the related risk classification.
3. The Company evaluates the supplier's DD records to ensure that procedures are being implemented in accordance with their supply chain DD policy.
4. The Company evaluates the method of on-site investigation for suppliers' high-risk supply chains. For supply chains assessed as high-risk, an on-site investigation shall, in principle, be conducted prior to the commencement of transactions or within six months thereafter. Additional investigations shall be conducted as necessary until a final decision is made regarding whether to proceed with the transactions.

The Compliance Officer shall report to the Supply Chain Officer the results of the risk assessment when a high-risk transaction is identified. The Supply Chain Officer has the responsibility to suspend or terminate the business relationship with the relevant suppliers based on such reports.

During the reporting period, no on-site investigations were conducted as no high-risk supply chain was identified. All DD activities were conducted by internal personnel, and no external assessors were engaged. The Company did not procure any gold-bearing materials from intermediate refiners with high-risk supply chains during the reporting period. Accordingly, no independent assurance reports from such refiners were required. Although no EDD cases were identified during the reporting period, the procedures were reviewed through internal audits and training to ensure readiness.

STEP 3: Risk Management

Compliance Statement with Requirement:

We have fully complied with STEP 3: Risk Management.

3.1 Does the Refiner have a process to respond to the identified risks by either (i) mitigating the risk while continuing to trade, (ii) mitigating the risk while suspending trade, or (iii) disengagement from the risk?

The Company determines whether to proceed with transactions with suppliers based on the supply chain DD results in accordance with our Manual.

The Company applies a risk-based approach to manage identified risks, including:

- (i) mitigating risks while continuing to trade,

- (ii) mitigating risks while suspending trade, and
- (iii) disengagement from the supplier where necessary.

High-Risk: Any transaction with a supplier found to be involved in money laundering, financing of terrorism, promotion of conflict, human rights violations, theft, fraud, fraudulent misrepresentation of origin, direct or indirect support for illegal non-state armed groups, or severe negative ESG impacts shall be stopped immediately, and the business relationship shall be terminated where appropriate.

Likely High-Risk: Any transaction with a supplier suspected of involvement in the above activities, including transactions involving suspected stolen precious metals or fraudulent documentation, shall be suspended until additional information is obtained through EDD, including, where applicable, on-site investigations.

Potentially High-Risk: Any transaction with a supplier that does not meet all specified conditions but demonstrates good-faith efforts and a commitment to improving its practices within a reasonable timeframe may be allowed to continue, subject to monitoring and risk mitigation measures.

As part of our risk mitigation measures, EDD shall be conducted prior to entering into a transaction, or at least within six months, to determine whether to proceed with the supplier. On-site investigations shall be conducted by either external experts or internal personnel with the necessary skills and experience.

If an on-site investigation cannot be conducted, the transaction shall be suspended until sufficient information is obtained through alternative DD measures. Where risks are identified, the Company requires the supplier to develop and implement an improvement plan within a reasonable timeframe. Such improvement plans must include clear, documented performance objectives with qualitative and/or quantitative indicators to measure progress. If measurable improvement is not achieved within six months of implementing the improvement plan, the transaction shall be suspended or terminated.

The Company monitors the implementation of risk mitigation measures and tracks supplier performance against agreed improvement plans. Follow-up reviews are conducted, including within six months, to assess whether significant and measurable improvement has been achieved. Where appropriate, the Company further strengthens chain of custody and traceability controls for supply chains subject to risk mitigation, including segregation of materials and collection of additional supporting documentation.

The Board of Directors convenes on a monthly basis. If any supplier is identified as high-risk during supplier risk assessment, the supplier's profile, the results of the risk assessment, and the evaluation of their supply chain are reported to and reviewed by the Board.

During the reporting period, no suppliers were subject to risk mitigation measures, suspension, or disengagement. Accordingly, the number of suppliers subject to mitigation measures, suspension, or termination was zero. The internal audit for FY2025 did not identify any non-conformities or transactions requiring mitigation measures.

STEP 4: Independent Third-Party Assurance

Compliance Statement with Requirement:

We have fully complied with STEP 4: Independent Third-Party Assurance.

Comments and Demonstration of Compliance:

The Company engaged the services of an independent assurance provider, KPMG AZSA Sustainability Co., Ltd., to conduct third-party assurance in accordance with the LBMA Responsible Gold Guidance. The assurance covers the Company's compliance report and due diligence processes for the reporting period. The independent practitioner's limited assurance report is attached hereto and publicly available at the following link:

https://www.material.co.jp/images/lbma/compliance_report_2026.pdf

The Company undergoes independent third-party assurance on an annual basis.

The appointment of the assurance provider is subject to internal review and management approval. The Company confirms that KPMG is independent of the Company and is not involved in any of the Company's management functions. The Company also confirms that KPMG does not provide advisory or consulting services that would compromise the independence of its assurance activities.

The Company ensures that the assurance provider meets the competency and independence requirements set out in the LBMA Responsible Gold Guidance.

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 Sourcing Policy is available on our website at the following link:

<https://www.material.co.jp/eng/policy.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 has implemented effective management systems, procedures, processes, and practices in conformity with the requirements of the LBMA Responsible Gold Guidance (RGG9), as explained

above in Table 2, for the reporting period from 1 April 2025 to 31 March 2026.

TABLE 4: Other Report Comments

If users of the report wish to provide feedback or raise any concerns regarding this report or the Company's supply chain due diligence practices, they may contact the Company at:

conflict@material.co.jp

The Company will review and respond to such feedback as appropriate.

Annex for the Refiners Transparency Roadmap Disclosures

World Gold Council (WGC) Mines

During FY2025, the Company did not source or receive any gold-bearing mined material from WGC member mines or from any other mining operations.

Mined Material Locations

The Company did not source or receive any gold-bearing mined material during FY2025.

OECD FN59

During FY2025, the Company did not source or receive any gold-bearing material originating from, transported through, or reasonably suspected to have transited OECD red-flag locations as defined in the LBMA Disclosure Guidance Version 3. In addition, the Company did not source or receive any recyclable, scrap, or mixed gold-bearing materials refined in such locations.