



Japan Mint

**Management report on findings in
assurance engagement of Japan Mint
Responsible Gold Guidance Compliance
Report**

KPMG AZSA Sustainability Co., Ltd.

June 14th 2017



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Japan Mint
1-79, Temma 1-chome,
Kita-ku,
Osaka 530-0043
Japan

June 14th, 2017

To the Management of Japan Mint.

In accordance with the terms of reference set out in the engagement letter dated March 31st, 2017, we enclose our management report on findings in the assurance engagement of Japan Mint LBMA Responsible Gold Guidance Compliance Report for the year ended 31 March 2017.

This management report is solely for your benefit in accordance with the terms of our assurance engagement. We consent to you providing a copy of this management report to the London Bullion Market Association ("LBMA") solely for the purpose of meeting requirements set forth in the LBMA Responsible Gold Guidance. KPMG expressly and generally denies any duty to any other third party including LBMA and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for the use of this management report by LBMA or any third party.

Yours sincerely,

Kazuhiko Saito
Managing Partner
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan



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I. Overview of the assurance engagement

1. Objective and scope

We were engaged by Japan Mint(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 2017. The assurance scope consists of the Company’s Compliance Report.

2. Responsibilities

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”).

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.

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 head office of the company
- 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

3. Team members and workdays

(1) Assurance Team members

Signer of the assurance report

Managing director	Kazuhiko Saito	Sustainability Information Assurance Practitioner, CEAR Environmental Management System Provisional Auditor
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Practitioners

Director	Yukinobu Matsuo	Sustainability Information Assurance Practitioner, CEAR Environmental Management System Provisional Auditor
Senior manager	Shinnosuke Kayumi	Sustainability Information Assurance Practitioner, CEAR Environmental Management System Provisional Auditor Manager in charge of Pollution Control (for Dioxin)
Senior associate	Naomi Harino	Sustainability Information Assurance Practitioner, CEAR Environmental Management System Provisional Auditor
Senior associate	Masato Hori	Sustainability Information Assurance Practitioner, Certified Public Accountant
Senior associate	Shotaro Kanatani	Sustainability Information Assurance Practitioner, Certified Public Accountant

(2) Actual Workdays

Place of work	No. of practitioners engaged	No. of person-days
Headquarter	4	7.5
Office of KPMG AZSA Sustainability	4	4.5
Total	–	12.0

4. 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 2017 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.

We submitted the Independent Assurance Report to the Company on 14 June 2017.

5. 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.

II. Observations, findings and recommendations for improvement

We are not aware of any deviations of low risk where the Company is expected to improve its operational system, processes and/or procedures in order to remain in compliance with requirements of the LBMA Responsible Gold Guidance.

We do not have to remark about observations, findings and recommendations for improvement after all the procedures taken of the assurance engagement.



Independent Assurance Report

To the Management of Japan Mint

We were engaged by Japan Mint (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 2017. 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 head office of the company
- 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.mint.go.jp/operations/exam/operations_lbma.html).



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 2017 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.

KPMG AZSA Sustainability Co., Ltd.

Osaka, Japan

June 14, 2017

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 combating terrorist financing practice. This report summarizes how Japan Mint has complied with the requirements of the LBMA Responsible Gold Guidance.

Table 1: Refiner's details

Refiner's name:	Japan Mint
Location:	1-79, Temma 1-chome, kita-ku, Osaka 530-0043, JAPAN
Reporting period:	from April 1, 2016 to March 31, 2017
Date of Report:	June 14, 2017
Senior management responsible for this report:	Hideyuki Nishizutsumi, Executive Director 西堤英行

Japan Mint's evaluation

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 systems.

We have adopted a policy regarding due diligence for supply chains of gold.

Comments and Demonstration of Compliance:

During the reporting year, we have adopted our conflict free gold policy (hereinafter "our policy") compliant with the requirements of the LBMA Responsible Gold Guidance (v6).

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

We have set up an internal management structure to support supply chain due diligence.

Comments and Demonstration of Compliance:

We have set up an internal management system by administrative regulation including our policy (hereinafter "our system") to conform to the requirements of the LBMA Responsible Gold Guidance .

This is clearly defining roles and responsibilities, monitoring, communication and senior management review regarding gold.

We have 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:

Our system establishes rules for traceability of gold ,maintenance of records of risk assessment and training program for executive and employee.

We take steps to ensure that information for each traceability of each lot refined.

We have strengthened organization engagement with gold supplying counterparties in building due diligence capabilities.

Comments and Demonstration of Compliance:

We explained our policy to our suppliers and received unanimous approval, during the reporting period.

We have established an organization-wide communication mechanism to promote broad-based employee participation and risk identification to management.

Comments and Demonstration of Compliance:

We have implemented the communication mechanism through which risk information in the supply chain found by any of our employees can be communicated to the compliance officer through the reports to their superiors.

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.

We have a process to identify risks in the supply chain.

Comments and Demonstration of Compliance:

We have identified risk through risk assessment conducted in accordance with the LBMA Responsible Gold Guidance.

We assess risks in light of the standards of our due diligence system.

Comments and Demonstration of Compliance:]

We have conducted risk assessment before entering into business relationship with any supplier.

We consider at high-risk that gold origin is the Democratic Republic of Congo and its nine neighboring countries.

And then we have collected records of estimated weight and extra information and verified the documents and conducted appropriate scrutiny and monitoring of transactions for each lot received.

We report risk assessment to the designated manager.

Comments and Demonstration of Compliance:

The compliance officer reports to and clears with the senior management with respect to each the results of risk assessment.

The senior management reconduct each year risk assessment.

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.

We have devised a 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:

In case the results of risk assessment is high risk, we disengage from the risk.

Specifically, we don't accept the gold of high risk.

If it is discovered that there is a possibility of gold from high-risk area or suppliers, we will immediately stop the acceptance of gold.

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:

This section does not applicable because we don't make choice of risk mitigation.

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

We engaged the services of the assurance provider, KPMG AZSA Sustainability Co., Ltd., and their 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.

Comments:

Our Policy and LBMA Responsible Gold Guidance Compliance Report along with the Independent Assurance Report from KPMG AZSA Sustainability Co., Ltd. are available on our website.

http://www.mint.go.jp/eng/profile-eng/eng_guide_conflict-free-gold_policy.html

Table 3: Management conclusion

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

Yes.

Comments:

In conclusion, we 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 year ended 31 March 2017.

Table 4: Other report comments

Comments:

If users of this report wish to provide any feedback to us with respect to this report, they can make inquiries using the contact form on our website.

<https://www.mint.go.jp/inquiry/eng-contact>