



Contribution to people around the world.

Hearing a “thank you” from even one patient, is what we strive for.

This is our Dream at PeptiDream.

Sustainability Report 2022



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Patrick C. Reid
Representative Director, President and CEO

“ In the next decade, we aim to become a Drug Discovery Powerhouse in which drug candidate compounds discovered and optimized by PeptiDream will be distributed to pharmaceutical companies and academic institutions globally, to be developed as cutting-edge therapeutics and diagnostics for a wide variety of diseases. ”

Message from the CEO

Since 2017, when I became CEO, my aspiration has been to build and grow PeptiDream into a leading global peptide discovery company, and to be a shining example of Japan biotech. Our innovative drug discovery platform system, PDPS (Peptide Discovery Platform System) is the cornerstone of PeptiDream’s business model that drives this aspiration. By utilizing the PDPS, I do not see any disease that cannot be therapeutically targeted by our macrocyclic peptides. The efficiency and speed of PeptiDream’s hit finding process creates sustainable value by delivering safe and innovative therapies to patients as early as possible.

2021 has been a remarkable year for us in accelerating our growth and innovation. Despite the challenging global effects of the pandemic, we have made exciting progress across our pipeline. Our R&D portfolio has spread across a variety of aspects, including radiopharmaceuticals, coronavirus infectious disease drugs, and nucleic acid drugs. News of breakthrough in oral administration of macrocyclic peptides brought tremendous impact to the science world. The establishment of our Sustainability Governance Committee has been effective in promoting discussion and decision making on ESG activities internally. We want to use limited resources even more efficiently, therefore we made the decision to completely

switch to renewable energy within our operations from January 2022.

In the next decade, we aim to become a Drug Discovery Powerhouse in which drug candidate compounds discovered and optimized by PeptiDream will be distributed to pharmaceutical companies and academic institutions globally, to be developed as cutting-edge therapeutics and diagnostics for a wide variety of diseases. Towards this goal, it is my job to drive a fundamental transformation of the business to ensure sustainable value for PeptiDream. Our leadership team, founders, and employees understand that there is no significance for the presence of PeptiDream unless we continue to contribute to the sustainable growth of the society and humanity.

More broadly, as a collaboration company that has more than 120 research programs with partners worldwide, we believe understanding and addressing the needs of patients, colleagues, partners, shareholders, and communities is truly essential in creating a sustainable future for PeptiDream. I will continue to commit to delivering environmental and social impact and strive to integrate and embed these efforts within our organization and into our business.

2021 Sustainability Highlights



Ratio of Independent External Directors **57.1%**,
Appointed a **Female Director** in 2021

Appointed a **lead Independent External Director** to enhance dialogue with shareholders and investors

Appointed an **Independent External Director** as Chairman of the Board of Directors

Establishment of **Sustainability and Governance Committee** from 2021



Ensuring diversification of **Core Human Resources*** and establishment of targets for 2030

- Ratio of doctorate (Ph.D.) holders: At least **50%**
- Female manager ratio: At least **30%**
- Ratio of foreign employees or employees with overseas work experience**: At least **30%**
- Ratio of employees (in 20s/30s): At least **30%**

Female employees, the driving force behind corporate growth, account for 28.2% and 18.4% as female managers

* Managers and senior-ranking specialists (excluding Directors)

** Employees with overseas research or work experience (excludes periods of less than one year and periods as a student studying abroad)



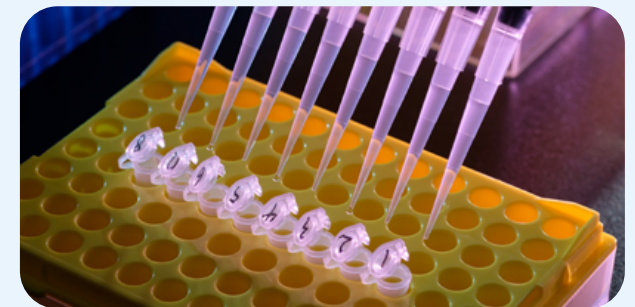
Supporting **Japan's leading wheelchair rugby athletes**

Made decision to switch **100%** to **virtually CO₂-free** electricity across our business operations

Reduced **1.49 t CO₂** (YoY) for CO₂ emissions per employee (Scope1* + 2**)

* Direct GHG (greenhouse gas) emissions (fuel combustion, industrial processes) from business operations

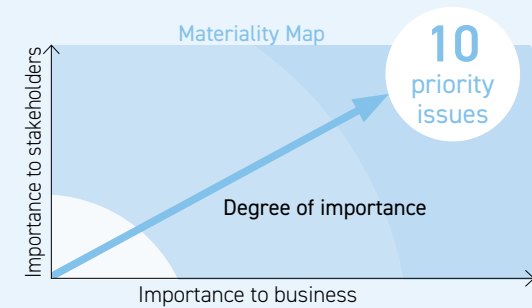
** Indirect emissions associated with the use of electricity, heat, and steam supplied by other companies



※ Scope of Report: PeptiDream Inc.
Reporting period: FY2021 (January 1st, 2021, to December 31st, 2021)

Key Sustainability Issues (Materiality)

We identified 10 priority issues (materiality) by prioritizing topics which are important to our stakeholders and our business.



Environment

(Consideration for the Global Environment)

- 1 CO₂ emission reduction and climate change
- 2 Reducing waste
- 3 Effective use of water resources and prevention of water pollution



Social

(Social Initiatives)

- 4 Diversification of core human Resources*
- 5 Respect for diversity and creation of decent working environment
- 6 Respect for human rights and observance of occupational health and safety
- 7 Contribution to local communities

* Managers and senior-ranking specialists (excluding Directors)



Governance

(Governance)

- 8 Corporate governance
- 9 Dialogue with shareholders, investors, and the broader community
- 10 Compliance and risk management

COLUMN 1 Contributing to the UN Sustainable Development Goals (SDGs)

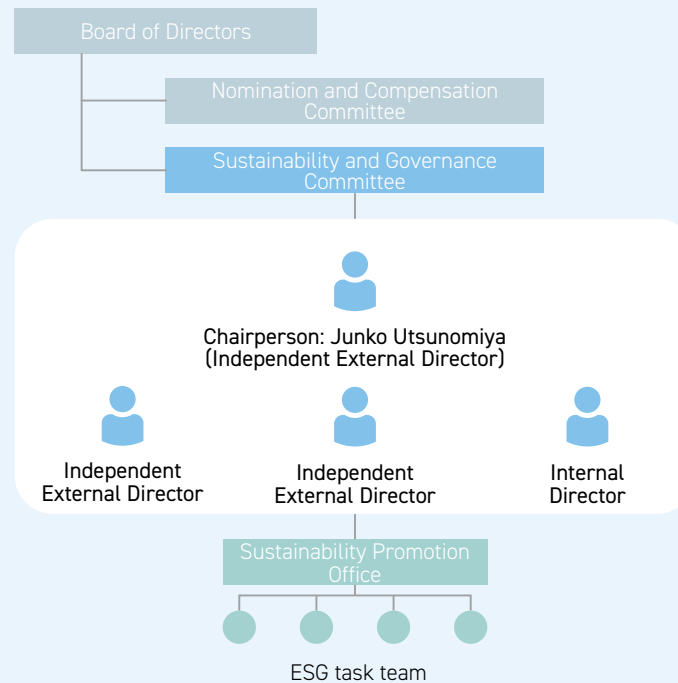
The Sustainable Development Goals (SDGs), adopted by the United Nations in September 2015, are 17 goals to resolve environmental and social issues for the achievement of a sustainable society by 2030.

We believe that solving SDGs issues is a key management issue. We will contribute to the achievement of SDGs, focusing on Development Goal 3 “Health and Welfare for All” through our research activities.



Sustainability Promotion Framework

We established the Sustainability and Governance Committee, an advisory committee for our Board of Directors that deliberates and monitors issues related to sustainability and governance; the Sustainability Promotion Office, a dedicated organization to promote measures tackle sustainability issues; and the ESG Task Team, which promotes internal efforts across functions to address environmental issues within the company. In 2021, during the first year of the establishment of the Sustainability Governance Committee, two committee meetings were held. Members discussed the direction and implementation of our sustainability strategy.











COLUMN 2 To Reflect the Executive Compensation of ESG

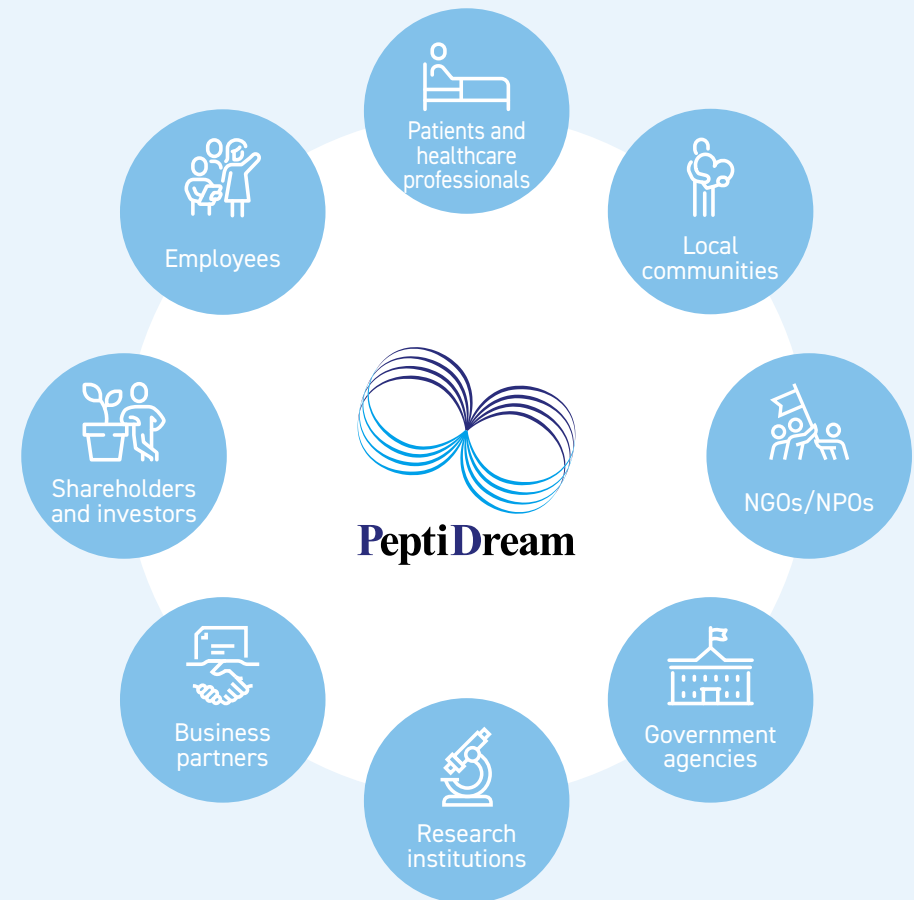
To measure the short-term and medium-to long-term performance of our Directors, we have established two performance indicators: quantitative assessment indicators and qualitative assessment indicators.

For qualitative assessment indicators, eight items, including initiatives related to sustainability, were set as indicators. Each member of the Nomination and Compensation Committee independently assessed each item and the degree of achievement was determined by a comprehensive assessment and discussions based on these items. The weight of the quantitative assessment coefficient and the qualitative assessment coefficient is determined in advance for each fiscal year by the Nomination and Compensation Committee after comprehensively considering factors such as the business environment (see page 12 for details).

Our Major Stakeholder Groups

Major Opportunities and Contents of Communication

	Patients and healthcare professionals	<ul style="list-style-type: none"> ● Provision of information via website ● Response to inquiries regarding our R&D activities
	Employees	<ul style="list-style-type: none"> ● Company-wide meetings, meetings to exchange opinions with executives, personnel evaluations and interviews ● Information dissemination via the Internal Intranet ● Response through our Internal Reporting System
	Shareholders and investors	<ul style="list-style-type: none"> ● Posting of materials on our website ● Dialogue with institutional investors and individual investors through occasions such as general shareholders' meetings, financial results briefings, management briefings, and R&D Day ● Responses to questionnaires and inquiries from rating agencies
	Business partners	<ul style="list-style-type: none"> ● Dialogue in transactions based on Supplier Code of Conduct
	Research institutions	<ul style="list-style-type: none"> ● Collaboration through joint research and development activities for pharmaceuticals ● Participation in academic societies
	Government agencies	<ul style="list-style-type: none"> ● Exchange of opinions with authorities ● Participation in economic organizations and various external stakeholder initiatives
	NGOs/NPOs	<ul style="list-style-type: none"> ● Collaboration through various programs to improve access to medicine
	Local communities	<ul style="list-style-type: none"> ● Support for career education for elementary and high school students ● Participation in the rare and refractory disease information community



Recognition from the Society

Our continuous ESG initiatives and information disclosure have been highly evaluated by the selection of ESG index constituents and by various ESG rating agencies. PeptiDream’s ratings for 2021 are as follows.

- ✓ **Continued selection for FTSE4Good Index Series and FTSE Blossom Japan Index constituents**
- ✓ **Received the “TOP-RATED ESG PERFORMER 2022” award from Sustainalytics**
- ✓ **Received a B rating from CDP (Carbon Disclosure Project) Climate Change Survey from the first year of participation**

	FY2020	FY2021
Dow Jones Sustainability Index (ESG score)	28	↑ 36
MSCI (ESG score)	B	▶ B
FTSE Russell (ESG score)	3.4	↑ 3.6
Sustainalytics (ESG risk rating)	27.6	↑ 17.3
CDP (Climate Change Program)	—	B (Management level)

Source: PeptiDream, based on data published by each company

COLUMN 3 Global ESG Rating Agencies

- **Dow Jones Sustainability Index:** An equity index jointly developed by S&P Dow Jones Indices of the U.S. and RobecoSAM of Switzerland. Each year, DJSI evaluates the sustainability of companies from the aspect of ESG and selects companies that are comprehensively superior in terms of market capitalization.
- **MSCI:** An index created by selecting companies with excellent ESG valuations in each sector and supports companies with the management, measurement and reporting related to ESG, with the aim to effectively incorporate ESG valuations into the investment process.
- **FTSE Russell:** Global provider of indexes including FTSE4Good Index Series and FTSE Blossom Japan Index and assesses areas such as corporate governance, occupational health safety, anti-corruption, and climate change.
- **Sustainalytics:** Member of the Morningstar Group of the United States, more than 25 years of conducting ESG surveys and providing valuation data to investors around the world.
- **CDP:** An international non-profit organization that promotes environmental issues such as climate change, water resource conservation, and forest conservation. Requests companies to disclose information based on demands from institutional investors worldwide who have a high interest in environmental issues.



Corporate Governance Initiatives

Basic Approach

We believe that in order to achieve sustainable growth, it is essential to conduct fair and transparent management, continuously increase corporate value, fulfill our corporate social responsibilities, and earn the trust of all of our stakeholders. We will strive to ensure thorough compliance, as well as to continuously improve and strengthen our organizational structure and measures to improve transparency and soundness and realize efficient management through proactive and prompt information disclosure.

Highlights for 2021

Appointment of Female Director

Junko Utsunomiya was appointed as an external Director in March 2021 as our first female Director. In June 2021, we established the Board Diversity Policy to realize appropriate diversity within the Board of Directors and the Nomination and Compensation Committee.

Amendment of Articles of Incorporation Regarding the Chairman of the Board of Directors

At the General Meeting of Shareholders in March 2022, an amendment to the Articles of Incorporation was passed, which allows the Chairman of the Board of Directors to be changed to an independent external Director. In March 2022, we appointed external Director Michio Sasaoka as Chairman of the Board of Directors.

Establishment of the Sustainability and Governance Committee

In June 2021, we established the Sustainability and Governance Committee. As an advisory body to the Board of Directors, the committee deliberates and monitors issues related to sustainability and governance from a medium-to long-term perspective.

Evaluation of the Effectiveness of the Board of Directors

We evaluate the effectiveness of the Board of Directors every year in order to improve the performance and effectiveness of the Board of Directors. In 2021, the evaluation was carried out by directly responding to an external third party questionnaire. The highlights of the evaluation results are as follows:

2021 Highlights: Evaluation of the Effectiveness of Board of Directors

Highly evaluated* items	<ul style="list-style-type: none"> ● Governing procedures for the Board of Directors ● Management's compensation decisions ● Reflection of ESG and SDGs initiatives in management policies
Poor rating* items	<ul style="list-style-type: none"> ● To secure the time necessary for deliberation ● Consultation and formulation of succession plans ● Ensuring opportunities for direct dialogue with external Directors' shareholders
Items for which improvement has been observed since 2020	<p>In 2021, we conducted for the first time a scenario analysis on climate-related risks and opportunities in line with the recommendations of the Climate-Related Financial Disclosure Task Force (TCFD). As a result of this analysis, we are making progress in strengthening our risk management structure.</p>
Future measures	<p>It was confirmed that discussions and formulation of succession plans will continue to be promoted. We will also enhance opportunities for direct dialogue with shareholders and investors, centered on Michio Sasaoka, our lead External Director.</p>

* Comparison with the average of all companies evaluated for the effectiveness of the Board of Directors by external organizations

Corporate Governance System

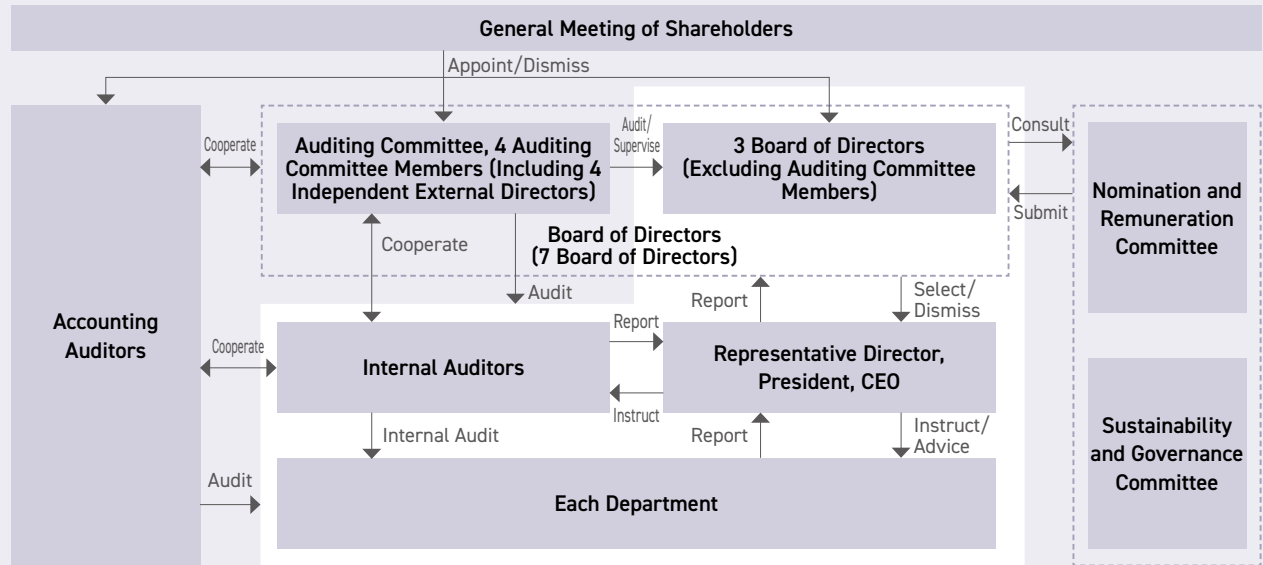
Corporate Governance Structure

We believe that the involvement of our four Audit and Supervisory Committee members, who have voting rights at the Board of Directors meeting, in management decision-making strengthens the audit and supervisory functions of the Board of Directors. We believe that this will enable us to further enhance our corporate governance and improve management efficiency as a company with an Audit and Supervisory Committee.

Directors' expertise and experience

We appoint personnel with diverse expertise and experience as Director candidates in order to make appropriate management decisions while responding to various external and internal conditions. The expertise and experience we consider important at present are Corporate Management, and Global Business, Technology and R&D, Finance and Accounting, and Human Resources, Labor, and Human Resource Development, Legal & Risk Management, Environment, Society, Internal Control & Governance.

■ Corporate Organization and Internal Control Diagram



■ Expertise and Experience (skill matrix) Possessed by Directors

		Growth drivers (offensive)			Strengthen business foundation (defensive)			Sustainability (ESG)		
		Corporate Management	Global Business	Technology, R&D	Finance & Accounting	HR Management & Development	Legal & Risk Management	Environment	Society	Internal Control & Governance
Patrick C. Reid	Representative Director, President, CEO	●	●	●		●	●		●	●
Keiichi Masuya	Director, COO	●	●	●		●		●	●	
Kiyofumi Kaneshiro	Director, CFO	●	●		●	●	●	●	●	●
Michio Sasaoka Independent Outside	Independent External Director (Full-Time Audit Committee Members)	●		●	●			●	●	●
Toshio Nagae Independent Outside	Independent External Director (Audit Committee Members)	●	●	●			●	●	●	
Yukinori Hanafusa Independent Outside	Independent External Director (Audit Committee Members)	●			●	●			●	●
Junko Utsunomiya Independent Outside New	Independent External Director (Audit Committee Members)	●				●	●		●	●

Directors (as of March 31, 2022)



Patrick C. Reid, Ph.D.
Representative Director,
President & CEO

Date of birth January 14, 1975
Term 13years
Number of shares held
6,490,000



Keiichi Masuya, Ph.D.
Director, Chief
Operating Officer

Date of birth April 2, 1969
Term 6years
Number of shares held
0



Kiyofumi Kaneshiro, Ph.D.
Director, Chief
Financial Officer

Date of birth August 16, 1977
Term 3years
Number of shares held
0

August 2003 NRSA Post-doctoral Fellow of Dartmouth Medical School
April 2004 Project Associate Professor of Research Center for Advanced Science and Technology, the University of Tokyo
January 2005 Visiting Associate Professor of Center for Collaborative Research, the University of Tokyo
April 2006 Project Associate Professor of Research Center for Advanced Science and Technology, the University of Tokyo
January 2007 Joined the Company
August 2008 Director of the Company
May 2012 Director and General Manager of Scientific Department of the Company
September 2012 Senior Vice President and General Manager of Scientific Department of the Company
July 2014 Senior Vice President, Head of Research & Development of the Company
September 2017 Representative Director, President of the Company
January 2022 Representative Director, President & CEO of the Company (to present)

April 1998 Joined Mitsubishi Chemical Corporation
September 2001 Joined Novartis Pharma K.K.
April 2006 Joined Novartis International AG
November 2008 Head of PPI Drug Discovery and Novartis Leading Scientist of Novartis International AG
July 2014 Joined the Company, General Manager of Scientific Department
September 2015 Director and Vice President, Head of Chemical of the Company
March 2018 Director and Executive Vice President of the Company
April 2020 Director of PeptiGrowth Inc. (to present)
November 2020 Representative Director and President of PeptiAID Inc. (to present)
January 2022 Director, Chief Operating Officer of the Company (to present)
March 2022 Managing Director - Board Member of the PDRadiopharma Inc. (to present)

April 2003 Research Fellow of the Japan Society for the Promotion of Science (DC)
April 2005 Researcher at Center for Collaborative Research, the University of Tokyo
April 2006 Joined The Boston Consulting Group (BCG)
January 2016 Partner and Managing Director of BCG
January 2018 Joined the Company, Executive Vice President
September 2018 Director and Executive Vice President of the Company
November 2020 Director of PeptiAID Inc. (to present)
January 2022 Director, Chief Financial Officer of the Company (to present)
March 2022 Managing Director - Board Member of the PDRadiopharma Inc. (to present)

Reason Appointed to the Board of Directors

Dr. Patrick C. Reid joined the Company shortly after its foundation and has been leading research and development operations. He is assuming the responsibility of management as a Director of the Company and has deep insight and ability. In light of this, the Company believes that Dr. Reid is capable of successfully fulfilling his duties as Director, with respect to the decision-making process of the Board of Directors.

Board Meeting attendance (2021) : 100% (23/23)

Reason Appointed to the Board of Directors

Dr. Keiichi Masuya has a wealth of operational experience in the Scientific Department of the Company and deep insight in the field. In light of this, the Company believes that Dr. Masuya is capable of successfully fulfilling his duties as Director, with respect to the decision-making process of the Board of Directors.

Board Meeting attendance (2021) : 100% (23/23)

Reason Appointed to the Board of Directors

Dr. Kiyofumi Kaneshiro has extensive experience in all aspects of management and a high level of insight. In light of this, the Company believes that Dr. Kaneshiro is capable of successfully fulfilling his duties as Director by utilizing his experience and insight, with respect to the decision-making process of the Board of Directors.

Board Meeting attendance (2021) : 100% (23/23)

Independent External Directors (as of March 31, 2022)



Michio Sasaoka, Ph.D.
Independent External Director
(Full-Time Auditing Committee Member)

Date of birth July 16, 1949
Term 6years
Number of shares held 200,000

September 1978 Postdoctoral Research Associate of Massachusetts Institute of Technology
October 1980 Joined Otsuka Chemical Co., Ltd.
January 1988 General Manager of Synthesis Research of Otsuka Chemical Co., Ltd.
November 2003 Director of Explorative Laboratory of Otsuka Chemical Co., Ltd.
March 2007 Managing Director of Otsuka Chemical Co., Ltd.
August 2009 Adviser of Otsuka Chemical Co., Ltd.
May 2012 Corporate Auditor of the Company
September 2015 Director (Audit and Supervisory Committee Member) of the Company (to present)

Reason Appointed to the Board of Directors

Dr. Sasaoka has extensive experience and broad and global perspective as an entrepreneur and has been involved with the formulation of the Company's management strategy and planning and with the process of determining appointment and remuneration as an Audit and Supervisory Committee Member and is expected to continue performing this role. Therefore, the Company believes that Dr. Sasaoka is capable of successfully fulfilling his duties as Outside Director. He is deemed to have no conflict of interest with our General Shareholders and is qualified as an independent officer.

Board Meeting attendance (2021) : 100% (23/23)
Auditing Committee Meeting attendance (2021) : 100% (14/14)



Toshio Nagae
Independent External Director
(Auditing Committee Member)

Date of birth December 2, 1943
Term 6years
Number of shares held 7,600

April 1967 Joined Shionogi & Co., Ltd.
October 1970 Joined ICI-Pharma (current, AstraZeneca K.K.)
June 1981 Joined Schering-Plough K.K. (current MSD K.K.)
May 1997 Joined Rhône-Poulenc-Rorer K.K. (current Sanofi K.K.)
January 2000 Executive Officer of Aventis Pharma K.K. (current Sanofi K.K.)
May 2003 President and Representative Director of CMIC-MPSS Co. Ltd. (current CMIC Ashfield Co., Ltd.)
June 2003 Concurrently served as President and Representative Director of PCN Co., Ltd. (current Healthclick Co., Ltd.)
October 2005 President and Representative Director of York Pharma K.K.
January 2010 Established Pharma Business Consultant, Representative (to present)
April 2014 Visiting Professor of Gifu Pharmaceutical University (to present)
September 2015 Director (Audit and Supervisory Committee Member) of the Company (to present)
June 2017 Director (Audit and Supervisory Committee Member) of Human Metabolome Technologies, Inc. (to present)

Reason Appointed to the Board of Directors

Professor Nagae has extensive experience and broad perspective as an entrepreneur and has been involved with the decision-making process for the business execution of the Company and with the process of determining appointment and remuneration as an Audit and Supervisory Committee Member and is expected to continue performing this role. Therefore, the Company believes that Professor Nagae is capable of successfully fulfilling his duties as Outside Director. He is deemed to have no conflict of interest with our General Shareholders and is qualified as an independent officer.

Board Meeting attendance (2021) : 100% (23/23)
Auditing Committee Meeting attendance (2021) : 100% (14/14)



Yukinori Hanafusa
Independent External Director
(Auditing Committee Member)

Date of birth May 10, 1975
Term 4years
Number of shares held 0

April 1998 Joined Aoyama Audit Corporation
July 2001 Registered as a Certified Public Accountant
August 2009 Founding Representative Director of Accounting Works Co., Ltd. (to present)
March 2015 Corporate Auditor of ARCLAND SERVICE CO., LTD. (current ARCLAND SERVICE HOLDINGS CO., LTD.)
March 2016 Director of ARCLAND SERVICE HOLDINGS CO., LTD. (Audit and Supervisory Committee Member) of the Company (to present)
September 2017 Director (Audit and Supervisory Committee Member) of the Company (to present)
January 2019 Director (Audit and Supervisory Committee Member) of GIFT INC. (to present)
June 2020 Outside Director of AIZAWA SECURITIES CO., LTD. (to present)

Reason Appointed to the Board of Directors

Mr. Hanafusa has extensive experience and a broad perspective as a Certified Public Accountant. Mr. Hanafusa has been providing appropriate opinions, from a viewpoint of ensuring legality and appropriateness of the decision-making process of the Company's business execution, as well as monitoring and supervising of the management by utilizing his experience and perspective and is expected to continue performing this role. Therefore, the Company believes that Mr. Hanafusa is capable of successfully fulfilling his duties as Outside Director. He is deemed to have no conflict of interest with our General Shareholders and is qualified as an independent officer.

Board Meeting attendance (2021) : 100% (23/23)
Auditing Committee Meeting attendance (2021) : 100% (14/14)



Junko Utsunomiya
Independent External Director
(Auditing Committee Member)

Date of birth June 21, 1971
Term 1years (Newly appointed)
Number of shares held 0

April 2000 Joined Nagashima Ohno & Tsunematsu
October 2007 Seconded to Tokyo Stock Exchange, Inc.
November 2011 Seconded to Utsunomiya Law Office
June 2012 External Statutory Auditor of Start Today Ltd. (current ZOZO, Inc.) (to present)
April 2013 Outside Corporate Auditor of Solasto Corporation (to present)
September 2013 Outside Director of Adventure, Inc.
February 2018 Founding partner of Utsunomiya Shimizu & Haruki (to present)
October 2018 Outside Corporate Auditor of RAKSUL INC.
October 2019 Director of RAKSUL INC. (Audit and Supervisory Committee Member) (to present)
June 2020 Outside Director of Heiwa Real Estate Co., Ltd. (to present)
March 2021 Director (Audit and Supervisory Committee Member) of the Company (to present)

Reason Appointed to the Board of Directors

Ms. Utsunomiya has extensive experience and broad perspective as an attorney and is well versed in corporate legal affairs. Therefore, the Company believes that Ms. Utsunomiya is capable of utilizing this to provide appropriate opinions, from a viewpoint of ensuring legality and appropriateness of the decision-making process of the Company's business execution. Therefore, the Company believes that Ms. Utsunomiya is capable of successfully fulfilling her duties as Outside Director. She is deemed to have no conflict of interest with our General Shareholders and is qualified as an independent officer.

Board Meeting attendance (2021) : 100% (17/17)
Auditing Committee Meeting attendance (2021) : 100% (10/10)

Directors' Remuneration

The Company's policy is to determine the remuneration of Directors as a level appropriate for a global company, by enabling the Company to attract and appropriately motivate talented personnel in order to realize short-term performance targets and medium-term targets. Directors' remuneration is a combination of fixed remuneration and performance-linked remuneration. Performance-based compensation is determined at a range of 0% to 100% of fixed compensation, with the percentage of the performance-based portion of total compensation being in the range of 0% to 50%. Remuneration for Directors serving on the Audit and Supervisory Committee is limited to fixed remuneration, rather than adopting a performance-linked remuneration system.

Types of Remuneration	Breakdown	Summary
Fixed compensation		We verify and determine the appropriateness of compensation levels using major domestic pharmaceutical companies as a benchmark.
Performance-linked remuneration (0-100% of fixed remuneration)	Stock Benefit Trust	This system allows Directors to receive shares and money at the time of resignation based on points granted during their tenure. The aim is to raise awareness of medium-to long-term contributions.
	Bonus	The aim is to increase awareness of contributions to the achievement of business results in the target fiscal year.

Performance-linked items are determined based on quantitative assessment items and qualitative assessment items.

Quantitative assessment	Sales growth rate/Achievement of sales performance targets/Achievement of operating profit performance targets
Qualitative assessment	<ul style="list-style-type: none"> ● Construction of intangible assets Improving the value of our R&D pipeline, expanding new alliance agreements and partners, building new basic technologies, obtaining intellectual property rights, ESG initiatives ● Loss of assets and risk aversion Efforts related to avoidance and resolution of legal risks, business continuity and BCP, initiatives related to improve corporate reputation, cost optimization

$$\text{Performance-linked remuneration} = \text{Fixed remuneration} \times (\text{Quantitative assessment coefficient} \times \text{Weight} + \text{Qualitative assessment coefficient} \times \text{Weight})$$

Dialogues with Stakeholders

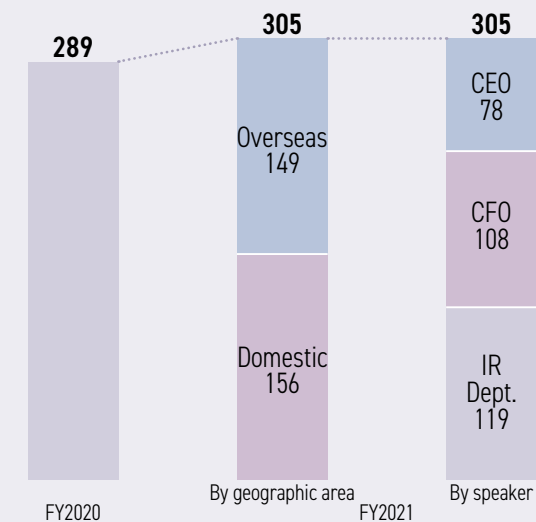
As stated in the stakeholder section in this report, we define patients and healthcare professionals, employees, shareholders and investors, business partners, research institutions, government agencies, NGOs/NPOs, and local communities as key stakeholders. We position building trust with shareholders and investors and timely disclosing fair information to enhance our corporate value as highly important initiatives. In 2021, we held a total of 305 IR meetings and facilitated active dialogue sessions with domestic and overseas investors. We also took steps to increase the transparency of our R&D activities, such as holding our first briefing on R&D as main theme.

IR Meetings and Investor Conferences Held in FY2021

February 12	FY2020 Full Year Results Conference Call	77 participants
March 25	Management Briefing	75 participants
August 6	FY2021 Half Year Results Conference Call	73 participants
September 2	Briefing regarding the Acquisition of the Radiopharmaceutical Business	91 participants
November 29	R&D Briefing	92 participants

- A total of 408 participants attended
- IR Information Blog: 53,597 page views (+14%)

Active Dialogue with Domestic and Overseas Institutional Investors



COLUMN 4 Strategic Stockholdings

We currently hold the stock of four non-listed companies, other than our affiliates, for purposes other than pure investment. These are operating companies that are strategic alliances with the aim of enhancing our corporate value over the medium-to-long term by maintaining and strengthening relationships.

There are no holdings of ① shares of listed companies, ② cross-shareholdings, or ③ holdings by financial institutions for strategic purposes.

Internal Control and Risk Management

Basic Approach

The Board of Directors has resolved to adopt the Basic Policy on the Establishment of an Internal Control System to create a system to ensure the appropriateness of operations and to further improve the management system. One internal auditor was appointed to audit the overall status of internal checking and legal compliance based on the plan. The results of the audit are reported to the President and the audited department. In addition, instructions for improvement are presented to the audited department, and follow-up audits are conducted to improve operations and raise employee awareness.

In addition, the Audit & Supervisory Committee conducts auditing operations related to the design and operation of internal control over financial reporting to improve internal control functions, and exchanges opinions with Audit & Supervisory Committee members, the Audit & Supervisory Committee, and the accounting auditor in an effort to cooperate under the three-way audit system and conduct efficient and effective audits.

Risk Management System

Based on our Basic Policy on the Development of Internal Control Systems, we have established Risk Management Rules to strengthen our risk management framework. We strive to build a system to prevent risks from materializing by quickly identifying and sharing risk-related information. The Director in charge of business administration, as the Chief Risk Management Officer, evaluates and formulates preventive measures for risks that we anticipate. In 2021, the risk of infectious diseases and cyber attacks were considered to be of high importance from the standpoint of the possibility and degree of impact. The Director in charge of business administration also serves as the Information Security Manager, and is working to prevent leakage of information including customer information. In the event of an accident related to information management, the Information Manager of each division notifies the Information Security Manager and the Information Management Manager of the Business Management Department, and promptly reports to the Representative Director and President. At the same time, an external expert is also utilized to investigate and respond to the accident.

Our Policies on Risk and Information Management

- Cybersecurity policy
https://www.peptidream.com/en/docs/E_Cybersecurity_Policy.pdf
- Privacy Policy
<https://www.peptidream.com/en/privacy/>

Compliance

We established the “Peptidream Corporate Code of Conduct” and continue to strive to implement management with an emphasis on compliance and to foster an awareness of compliance among all Directors and employees. In addition, we have established an internal reporting system to properly handle violations of laws and regulations, both organizational and personal, by Directors and employees. Point of contact for whistleblowing within the Company (Business Administration Department) and for external (full-time External Directors, outsourcing companies*) are established to receive reports and consultations from Directors and employees (including temporary employees, outsourced employees, part-time employees, and retired employees) by telephone, e-mail, facsimile, writing, visits, and other means. In 2021, we received two reports and consultations, and after confirming the facts, we took corrective measures as necessary. Significant compliance violations have not been confirmed.

* Commissioned in 2022

Business Continuity Management Initiatives

We analyze and take measures against the risk of business interruption due to natural disasters and accidents. We recognize the concentration of personnel related to business and R&D activities at our only site in Tonomachi, Kawasaki-ku, Kawasaki-shi in Kanagawa Prefecture as greatest risk. In the event of a natural disaster, such as a flood, in relation with the Tama River flowing around the area, we expect damage to our facilities, restrictions on various infrastructures, and other unexpected situations. An emergency power supply is installed on the rooftops of the headquarters and laboratories, and R&D equipment is installed on the second or higher floors. This is designed to minimize the impact of flooding on the first floor. In addition, efforts to strengthen hygiene control at our headquarters and laboratories to avoid “close contact opportunities” have been continued since 2020 to prevent coronavirus infections. This is done to reduce the risk of infection among employees, their families and all business partners.

Our Policy on Compliance

- Corporate Philosophy and Code of Conduct
<https://www.peptidream.com/en/company/philosophy/>
- Policy on the Respect for Human Rights
https://www.peptidream.com/en/docs/E_Policy_on_the_Respects_on_Human_Rights.pdf
- Non-Discrimination and Anti-Harassment Policy
https://www.peptidream.com/en/docs/E_Non-Discrimination_and_Anti-Harassment_Policy.pdf
- Supplier Code of Conduct
https://www.peptidream.com/en/docs/E_Supplier_Code_of_Conduct.pdf
- Anti-bribery and Corruption Policy
https://www.peptidream.com/en/docs/E_Anti-bribery_&_Corruption_Policy.pdf
- Whistleblower / Anti-retaliation Policy
https://www.peptidream.com/en/docs/E_Whistleblower_Anti-retaliation_Policy.pdf
- Tax Policy
https://www.peptidream.com/en/docs/E_Tax_Policy.pdf



Social Initiatives

Basic Approach

We are committed to meeting the expectations of various stakeholders through two-way dialogue and contributing to the enrichment of society, people's lives and sustainable growth of the Company. In order to realize these goals, we are striving to secure diverse human resources, the source of our corporate value, and to promote human resource development and workplace environments that support employee growth and enable them to demonstrate their potential. In addition, we aim to build a sustainable society by monitoring the performance towards protecting human rights and occupational health and safety, and by contributing to local communities.

Highlights for 2021

Target values for securing core human resources*

As a R&D-oriented innovation company, we emphasize the importance of diversity of the professionalism and scientific sensitivity of each and every employee. We have established four quantitative indicators as elements of diversity: **the ratio of doctoral (Ph.D.) holders, the female manager ratio, the ratio of foreign employees or employees with overseas work experience ****, and **the ratio of employees (in 20s / 30s)**. The current status and targets for 2030 have been established.

Promoting the Activity of Female Employees and Persons with Disabilities

We are committed to the realization of diversity by promoting the active participation of female employees and people with disabilities. In 2021, we actively recruit female employees and promoted women's active participation by appointing them as managers. The Company employs wheelchair rugby athletes to support their sports competition activities.

* Managers and senior-ranking specialists (excluding Directors)

** Employees with overseas research or work experience (excludes periods of less than one year and periods as a student studying abroad)

Ensuring Diversification of Core Human Resources*

As a research and development-oriented innovation company, we believe that diversity will create competitive advantage and innovation, leading to the realization of our mission. In particular, we emphasize the diversity of expertise and scientific sensitivity of each employee, and we believe it is important to ensure that managers and senior professionals, who play a central role in R&D and business management, are able to facilitate science-based discussions and make decisions regardless of their age, gender, or cultural background.

<p>Constituents of diverse core human resources</p>	<ul style="list-style-type: none"> ● Four indicators of core human resources “Ratio of doctorate (Ph.D.) holders,” “Female manager ratio,” “Ratio of foreign employees or employees with overseas work experience,” and “Ratio of young employees (in 20s/30s)” 		
<p>The current status of these indicators and the Company’s 2030 targets</p>	<p>2021</p> <ul style="list-style-type: none"> ● Ratio of doctorate (Ph.D.) holders: 21/38: 55.2% ● Female manager ratio: 7/38: 18.4% ● Ratio of foreign employees or employees with overseas work experience**: 12/38: 31.5% ● Ratio of employees (in 20s/30s): 6/38: 15.8% 	<p>➔</p>	<p>2030 Targets</p> <ul style="list-style-type: none"> At least 50% At least 30% or more At least 30% At least 30%
<p>Policies for human resource to ensure diversity</p>	<p>Promoting expertise and competence-oriented hiring and operating evaluation systems</p> <ul style="list-style-type: none"> ● Conduct recruiting activities focused on matching expertise to clearly defined job position and duties ● Promote employees according to their role and performance within the Company regardless of their age or experience ➔ In FY2021 (as of the end of December), the Company appointed an employee, who was hired as a new graduate and worked for 3 years, to a senior-ranking position 		

*Managers and senior-ranking specialists (excluding Directors)

** Employees with overseas research or work experience (excludes periods of less than one year and periods as a student studying abroad)

Our Policy on Human Resources

- Human Resources Policy
https://www.peptidream.com/en/docs/E_Talent_Employment_Policy.pdf

Creating Diversity and Workplace Environments

Promotion of women's active participation

We are actively hiring and appointing female employees to managers because we believe creating an environment in where women can play an active role and fully demonstrate their activities is the driving force behind corporate growth. In order to support a variety of work styles, we have introduced our own childcare support system and special allowances that enable employees raising children who have not yet attended school to shorten their working hours until they enter elementary school.

Rates of female employees 28.2% **Percent of female managers 18.4%** **Rate of taking childcare leave/ returning to work 100% / 66.7%**

※As of the end of December 2021

Support for wheelchair rugby athletes

Koichi Tanabe and Masayuki Haga, both who are wheelchair rugby athletes representing Japan, joined PeptiDream as part of our efforts to support the activities of wheelchair rugby players. We will promote opportunities for people with disabilities to be hired and to play an active role in the society through support for such activities.

Major Performances

Koichi Tanabe
 2017 Wheelchair Rugby Japan Representative
 Quasi-championship of the 2017 Japan Para-wheelchair Rugby Games
 2017 Joined PeptiDream

Masayuki Haga
 2016 Rio Paralympic Games. Bronze Medal, Japan Representative
 2018 World Championship, Gold Medal, Japan Representative
 2018 Joined PeptiDream
 2021 Tokyo Paralympic Games. Bronze Medal, Japan Representative



Koichi Tanabe



Masayuki Haga

Creating a safe workplace environment

We provide opportunities for all employees to play active roles, and we are working to create a work environment in which employees can build their careers and work styles in accordance with their life events.

- **Operation of a flextime working system that responds to various life events**
 - Operation of a flextime working system
 - Operation of the short-time permanent employee system
 - In 2021 (as of the end of December), two employees used the short-time permanent employee system.
- **Operation of childcare support and special allowance system**
- **Promotion of childcare leave for childcare generations**
 - In 2021 (as of the end of December), two male employees took two weeks or more of childcare leave.
- **Implemented "On boarding program" to promote mutual understanding between organizations**

Since 2021, we have implemented an "On boarding program" program to encourage newly hired employees to understand the nature of their work, and to promote mutual understanding and communications between organizations. A total of 1,136 employees participated in a total of 11 meetings that were held by representatives of each organization to introduce their organizational structure and business activities. By promoting communication between organizations, we will lead to inter-departmental collaboration and operational efficiency.
- **Holding townhall meetings**

We hold monthly townhall meetings for all employees, with the aim of ensuring mutual understanding of work among departments, disseminating ESG activities, training for presentations, strengthening communication skills, and exchanging opinions with senior management.

Initiative to Respect for Human Rights

As a global company, we believe that respect for human rights is important for the society and corporate sustainability, and that it is a responsibility that companies must fulfill. To this end, we have established a “Policy on the Respect for Human Rights” and will promote business activities that respect the human rights of all stakeholders.

Policy on the Respect for Human Rights

Basic policy

PeptiDream promotes business activities in respect to the human rights of all stakeholders, including all board members, employees, business partners, the entire supply chain, and local communities, at all facilities. This policy on respecting human rights is based on the International Bill of Human Rights, and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights in Labor, and the Guiding Principles on Business and Human Rights, and other international norms. We specifically adhere to the following,

- PeptiDream hires and assigns people based on their capabilities and responsibilities regardless of their gender, sexual orientation and gender identity (SOGI), nationality, race, age, disabilities, religion or anything else.
- PeptiDream is against all forms of forced and compulsory labour. PeptiDream protects the welfare of children and does not accept the employment of children excluded if legally permitted.
- PeptiDream regards “freedom of association” and “right to collective bargaining” as human rights that should be respected as a company, and respect these rights of employees in accordance with the provisions of the law.

Initiative for Occupational Health and Safety

We are committed to providing a safe, secure, and healthy work environment for all employees.

● Establishing and Facilitating the Safety and Health Committee

Consisting of ten committee members and one occupational health practitioner, the Safety and Health Committee meets every month to work on ensuring safety and health in the workplace and occupational accident prevention measures.

● Disaster Preparedness & Implementing Disaster Drills

An emergency power generator is installed on the rooftop in preparation of floods or tsunamis. We have set aside evacuation space within the company for those who may be stranded in the event of a disaster and have stockpiled three days’

worth of food and water in preparation. In addition, we implement regular disaster drills under the supervision of firefighters.

● Employee Health Management

We are working with occupational health practitioners and health insurance associations to maintain and proactively promote the good health of our employees, which we believe will serve as a source of sustainable growth and increased corporate value of PeptiDream in the future.

Policy on Respect for Human Rights, Occupational Safety and Health, etc.

● Policy on the Respect for Human Rights

https://www.peptidream.com/en/docs/E_Policy_on_the_Respects_on_Human_Rights.pdf

● Non-Discrimination and Anti-Harassment Policy

https://www.peptidream.com/en/docs/E_Non-Discrimination_and_Anti-Harassment_Policy.pdf

● Supplier Code of Conduct

https://www.peptidream.com/en/docs/E_Supplier_Code_of_Conduct.pdf

Initiatives with Local Communities

As a corporate citizen, we value our involvement with local communities and are actively engaged in social contribution activities. We will contribute to the realization of a sustainable society by continuing activities that meet the challenges faced by the society and communities.

Educational support

- Supporting career education for high school students**
 In November 2021, students visited PeptiDream as part of a hands-on learning program. By explaining our business activities and introducing the careers of our employees, especially researchers, to approximately 40 Tokyo Metropolitan High School students, we encouraged them to have an image of working in a bio-pharmaceutical company in the future.
- Support for career education through supplementary readers at elementary schools**
 We cooperated in a supplementary reader coverage for elementary school students in Kawasaki City. Through the supplementary reader, the content of our work was introduced in an easy-to-understand manner. We will continue to provide opportunities for elementary school students, who will lead the future, to think about what kind of work they want to do in the future.

Source: Work Notes for Elementary School Students, FY 2022 Edition



Community involvement

- Participation in rare and refractory diseases community STEP Learning program**
 We participated in STEP-Learning business, hosted by a non-profit organization ASrid, aimed to help our stakeholders (mainly patients and their families) learn about rare and refractory diseases. STEP is an abbreviation for "Strategic Translational Action for Empowering Patient". The program aims to consolidate rare and refractory diseases' related information and provide a strategic bridge to empower so that people living with these diseases can access to appropriate information. We will contribute by providing information on our business and technologies so that we can respond to the needs of stakeholders who participate in the STEP Learning program.



Policy on Social Contribution

- Policy on Social Contribution**
https://www.peptidream.com/en/docs/E_Policy_on_Social_Contribution.pdf



Environmental Initiatives

Basic Approach

We recognize the importance of maintaining and preserving the global environment, promoting environmentally friendly business activities, and monitoring environmental performances of our business operation, such as CO₂ emissions, electricity and water consumption. Major environmental performance data are disclosed annually through a verification process by an external independent organization. In addition, we regard responses to climate change issues, including global warming, as an important management issue, and continue to work on achieving carbon neutral (virtually zero carbon dioxide emissions) across our own business activities.

Highlights for 2021

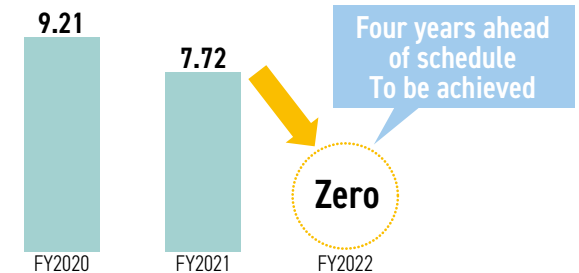
Identifying Climate Change Risks and Opportunities

Based on the recommendations made by the Climate-Related Financial Disclosure Task Force (TCFD), we adopted the RCP8.5 Scenario (IPCC)*, a high-emission business as usual scenario for future climate change, and analyzed the impacts of climate change from a medium-term perspective through 2026.

Introduction of Renewable Energy Started

With CO₂ emissions (Scope1+2) across our business operations mainly deriving from electric power consumption, we have been supplied electricity from a supplier which proactively promotes the shift towards renewable energy. In order to achieve carbon neutral across our business operations by 2026, in January 2022 we decided to introduce an electricity plan that is virtually CO₂-free. As a result, we plan to achieve this mid-term goal four years ahead of schedule.

CO₂ Emissions per Employee** (Scope 1+2) (t-CO₂)



*Typical greenhouse gas concentration-path scenarios (Representative Concentration Pathways) projected by the Intergovernmental Panel on Climate Change (IPCC). RCP8.5 is a scenario corresponding to maximum emissions.

** The number of employees includes temporary employees. Excluding Directors.

Reducing CO₂ Emissions and Measures against Climate Change

● Identifying Climate Change Risks and Opportunities

Based on the recommendations made by the Climate-Related Financial Disclosure Task Force (TCFD), we are assessing the impact of climate change on our business from a medium-term perspective through 2026 from both risk and opportunity perspectives, utilizing a high-emission business as usual scenario RCP8.5 scenario (4°C scenario). Measures to address major risks and opportunities were considered and reflected in our medium-term management plan.

Climate-related Major Risks:

We concentrate our business and R&D facilities and personnel in Tonomachi, Kawasaki-ku, Kawasaki-City, Kanagawa Prefecture. In the event of a natural disaster such as a flood in the Tama River flowing near this area, it is anticipated that unexpected situations such as damage to our facilities and restrictions on the supply of various infrastructures will occur. As a countermeasure, we reserve three days' worth of food and water for people who may have difficulties returning to their homes. Emergency power supplies are installed on the rooftops of our headquarter and research laboratories. Occupational health education and evacuation drills are performed regularly.

Climate-related Major Opportunities:

As the frequency of infectious diseases increases due to the rise of global warming, the need for research and development of infectious diseases caused by new viruses and others expands, which may have a positive impact on our earnings. The characteristics of drug discovery utilizing our PDPS are that once the causative agent (causative protein) of the disease is identified, it is possible to screen for optimal hit-candidate compounds from trillions of compound libraries in a short period of time using the causative agent (causative protein) as a target. Even if new infectious diseases such as viruses emerge, target molecules can be narrowed down when the mechanism of infection action is elucidated, so that peptides for drug discovery targets can be quickly acquired, leading to research and development of new drugs.

● Environmental and Global Warming Countermeasures at Headquarter and Laboratories

Since July 2017, we have been operating our business in the following new, environmentally friendly, high-energy-efficiency office building. On February 15, 2016, our headquarter and laboratories were certified as S rating, the highest rating in the CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Kawasaki 2015 edition/ Implementation Design Stage Assessment.

- Enhanced insulation of exteriors and windows
- Reduction of solar radiation heat load by exterior louver
- LED lighting in the whole building
- High-efficiency equipment used for air conditioning and elevators
- Compatibility between solar radiation shielding by translucent film louvers and the use of natural light



Exterior louver



LED lighting

Reducing Waste

● Thorough Separation and Disposal and Improvement of Recycling Rate

In order to recycle and reduce the volume of experimental and business waste, we provide thorough guidance to our employees on the sorting of waste, and display the sorted waste in an easy-to-understand manner.

We outsource the disposal of waste related to our experimental work and other operations wastes to contractors. Our non-experimental waste is properly collected and detoxified, and we are able to achieve zero emissions and material recycling. We also properly check and manage the manifest (industrial waste management slip) used when outsourcing waste disposal.

● To Reduce Consumption of Office Paper

We are promoting various measures to reduce the use of office paper in our business operations. Specifically, we have introduced the use of Electronic Laboratory Notebook, 2-in-1 and default settings for duplex printing, setting alarms when more than 100 pages are printed, and paperless conferencing. We are also promoting the introduction of green purchasing law-compliant paper.

COLUMN 5 Biodiversity

We recognize the diverse connections of living organisms and strive to understand the impact of our business activities on ecosystems and communities. Under the supervision of internal Directors, the Biosafety Committee is operated, and safety education is provided to employees engaged in deliberation of experimental plans and research activities. Gene recombination experiments is conducted in accordance with the “Guidelines for Proper Use of Kawasaki City Biotechnology” in compliance with relevant laws and regulations such as the Cartagena Law and national guidelines.

Effective Use of Water Resources and Prevention of Water Pollution

● Water Consumption Reduction Activities

Our internal portal site visualizes daily and monthly water consumption and fosters environmental awareness among our employees. Efficient operation of humidification in indoor air conditioning is underway to reduce water consumption and wastewater. We have also adopted water-saving toilets and exterior wall materials with photocatalytic and self-cleaning effects.

● Ensuring Water Quality

We comply with environmental laws, ordinances and agreements, such as the Water Pollution Control Law and the Sewerage Law and conduct appropriate wastewater treatment that meets environmental standards.

● Wastewater Quality Monitoring: Pollutant load and environmental pollutants

- In order to confirm that the wastewater from our facilities conforms to environmental standards, we periodically measure the amount of biochemical oxygen demand (BOD) and the amount of suspended solids (SS).
- The amount of BOD and SS in the amount of pollutant load (annual discharge) of wastewater subjected to pollution elimination treatment in 2021 were 32.4 kg and 29.8 kg, respectively. Pollution concentration The average annual BOD was 34.1mg/L and SS was 27.5mg/L which are below the standard values (respectively below 600 mg/L)
- We have also confirmed that the organic solvents and heavy metals used in our research and development activities are below the standard values.

References

Environment

- Environmental Policy
- Data (Environment)
- Independent Verification Statement

Society

- Policy on the Respect for Human Rights
- Non-Discrimination and Anti-Harassment Policy
- Animal Testing Policy
- Access to Medicine Policy
- Supplier Code of Conduct
- Human Resources Policy
- Policy on Social Contribution
- Political Involvement Policy
- Data (Society)

Governance

- Board Diversity Policy
- Anti-bribery & Corruption Policy
- Whistleblower/Anti-retaliation Policy
- Tax Policy
- Cybersecurity Policy
- Data (Governance)