



Sustainability Impact Report

2024

PeptiDream Inc.

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1 Editorial Policy

The Sustainability Impact Report 2024 is intended to provide stakeholders with an overview of the PeptiDream Group's sustainability initiatives for the fiscal year ending December 31, 2023, focusing on each of the ESG (Environmental, Social, and Governance) themes.

ESG data and policies are also introduced on our website.

Sustainability initiatives of PeptiDream can be accessed from the following link:

<https://www.peptidream.com/en/sustainability/>

Scope of Report:

PeptiDream Inc. and PDRadiopharma Inc.

Reporting Period:

Fiscal year ending December 31, 2023. The latest activities and other information are also included to the extent possible, including the fiscal year ending December 31, 2024

Company Information (as of December 31, 2023)

Company Name: PeptiDream Inc.

Establishment: July 2006

Representative Director, President and CEO: Patrick C. Reid

Number of Employees (Consolidated): 713

Address: 3-25-23 Tonomachi, Kawasaki-ku, Kawasaki City, Kanagawa Prefecture

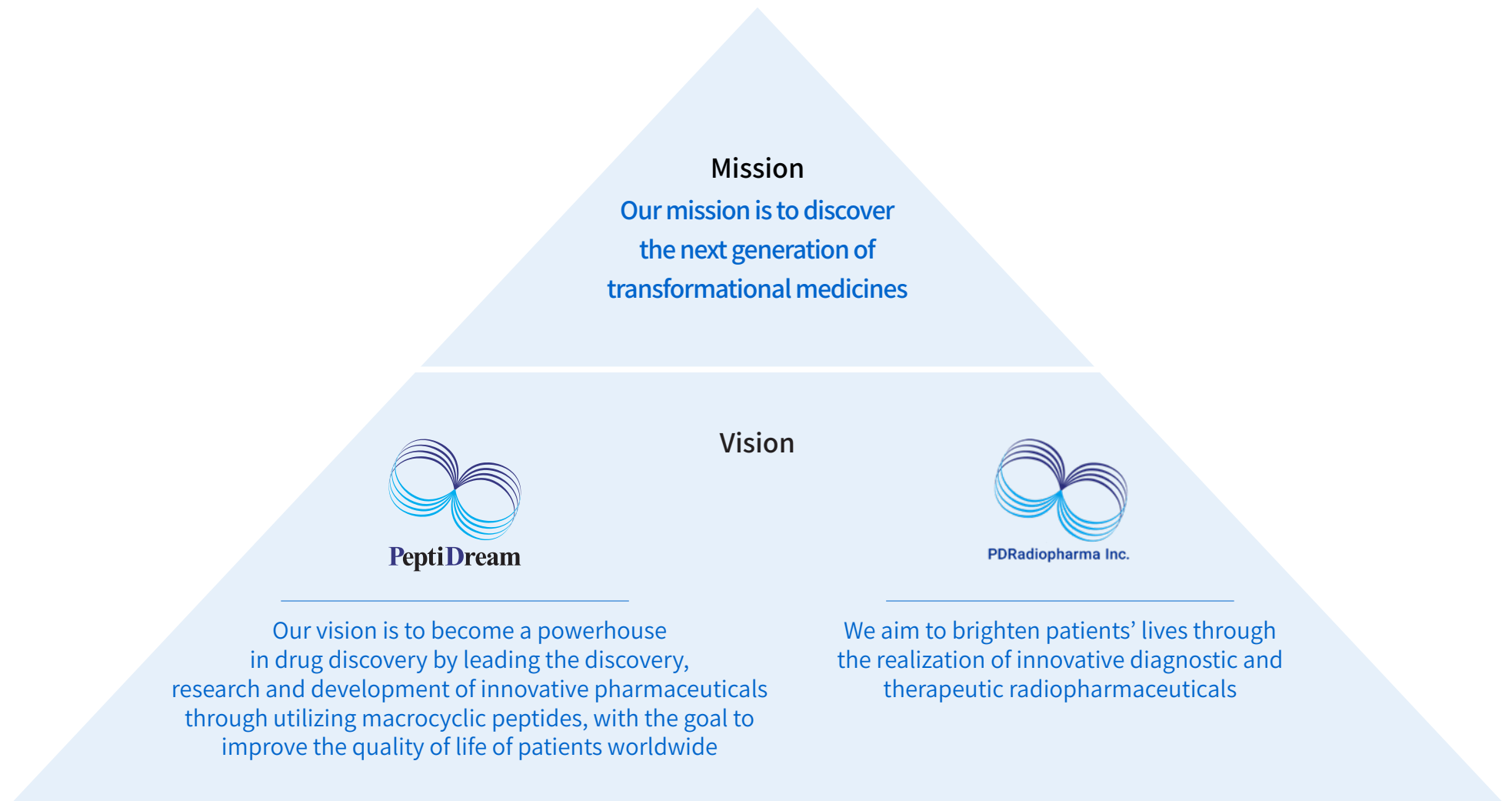


2 Value Creation Story

Corporate Philosophy

Our mission is to discover the next generation of transformational medicines that will drastically improve the lives of patients worldwide.

We are committed to leading the research and development of transformational medicines based on PeptiDream's proprietary PDPS® (Peptide Discovery Platform System), and by integrating PDR Pharma's expertise in the field of radiopharmaceuticals. We are committed to contributing to the development of people's health and medical care by delivering value to patients around the world with the innovation we provide.

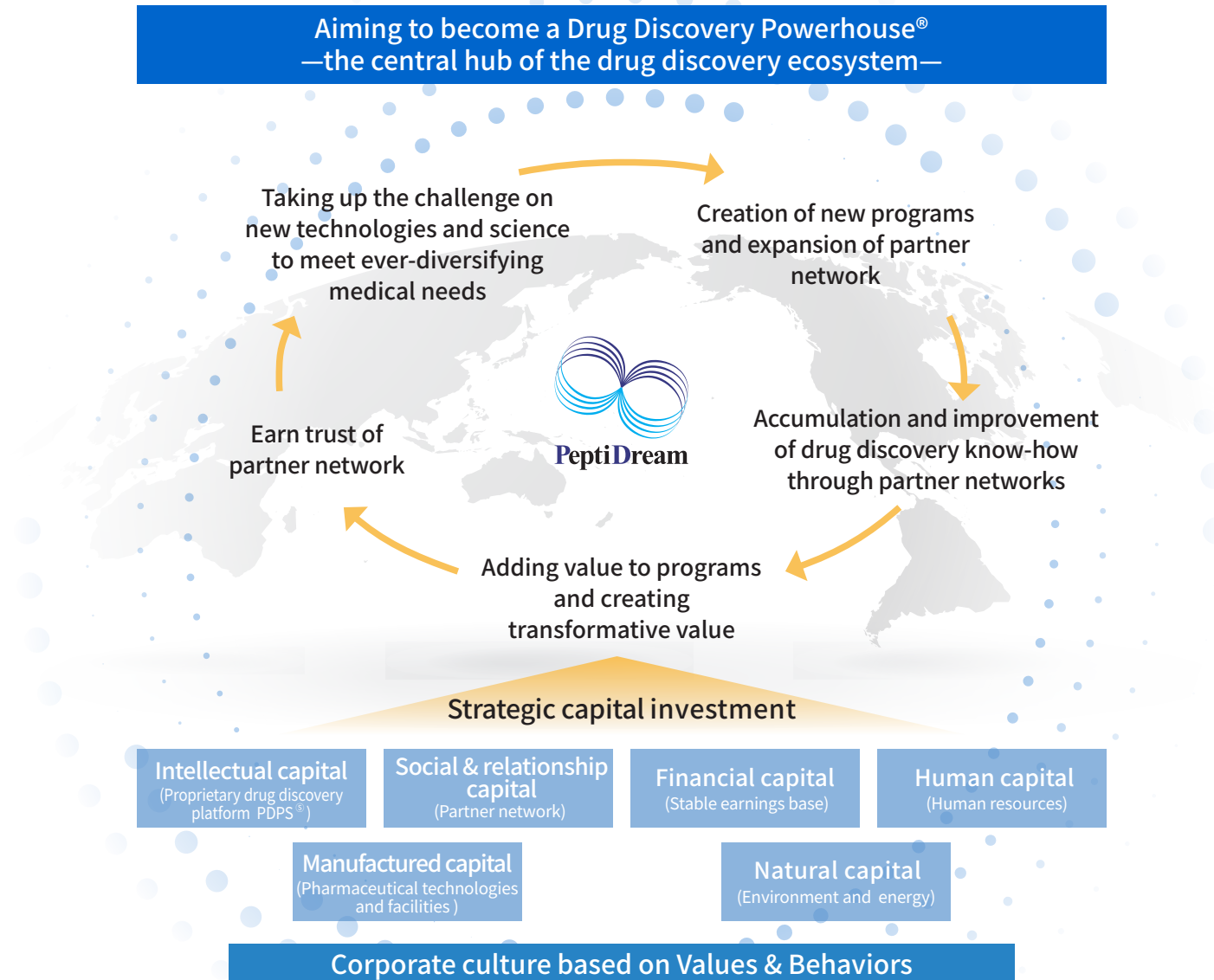


3 Value Creation Story

Value Enhancement Cycle

PeptiDream Group provides economic value and social value through utilizing its intellectual capital, human capital, and social & relationship capital to drive innovation, and by realizing its mission.

By continuing to circulate this cycle, we will gain the trust and support of patients and other stakeholders and achieve sustainable growth as a Drug Discovery Powerhouse®.



4 Value Creation Story

Providing Value to Patients

Next-generation targeted radiotherapeutics are attracting attention as a viable option for cancer treatment. Targeted radiotherapeutics are one of the focused areas for the entire Group, and we are collaborating with partners as well as conducting research and development internally. By providing effective treatment options to patients suffering from cancer with poor prognosis and high unmet medical needs, we aim to realize a society in which cancer is completely cured.

Challenges of Cancer Therapy in Japan

One in three Japanese will die of cancer, and one in two will be diagnosed with cancer during their lifetime

Cancers with poor prognosis and low survival rates

- Malignant brain tumors

- Approx. 4,000~5,000 new cases in Japan (annually)
- Metastatic brain tumor 5-year survival rate: 24%

- Liver cancer

- 37,296 new cases in Japan (2019)
- Liver cancer 5-year survival rate: 15.4% (Stage 3)

- Renal cell carcinoma (RCC)

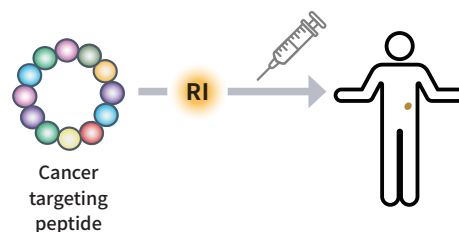
- 30,458 new cases in Japan (2020)
- RCC 5-year survival rate: 49.8%

Limited treatment options

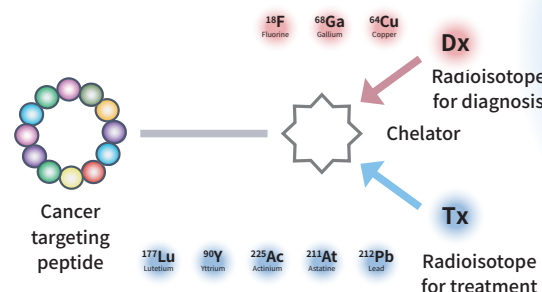
- Cancers that cannot be removed by surgery
- Existing radiotherapeutics are not effective enough
- Antimicrobial resistance to anticancer drugs etc.

Targeted Radiotherapeutics

Delivering RI selectively to tumors to maximize drug efficacy while minimizing effects on normal cells



The same peptide-conjugate can be utilized for both diagnosis and treatment by just changing the RI

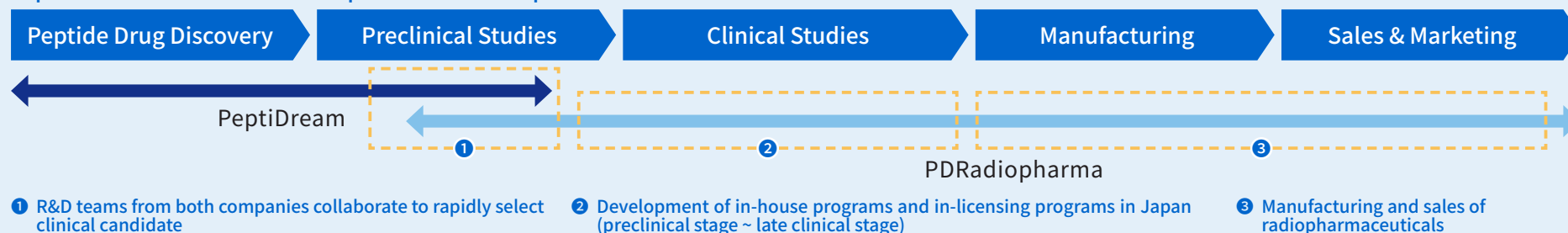


Creating new treatment options towards a society in which cancer can be completely cured

Topics: Establishing a “One-Stop” Radiopharmaceutical Platform in Japan

PDRadiopharma plays an important role in the practical application of radiopharmaceuticals that combine macrocyclic peptides and RI. Through the acquisition of PDRadiopharma, which has R&D, manufacturing, and sales & marketing functions in Japan, we have established a platform that enables us to develop our in-house program, from screening for hit compounds to late-stage clinical studies required for approval in Japan, and to conduct manufacturing and sales in one-stop. As a result, we are able to strategically expand and accelerate our in-house programs in the radiopharmaceutical space at our own discretion. For our RI program for clear cell renal cell carcinoma, which is the most common type of renal cell carcinoma, the R&D team of PeptiDream and PDRadiopharma collaborated to initiate a first-in-human PET imaging study within two years from the start of the project.

Expansion of Functions in Radiopharmaceutical Space



5 Approach to Sustainability

Materiality

We identified materiality by prioritizing key topics which are important to our Group’s stakeholders and business. In light of the evolving business and social environment, members of the Sustainability Governance Committee comprehensively discuss and deliberate sustainability risks & opportunities and review materiality analysis once a year, and the Board of Directors endorses the important matters related to sustainability.

PeptiDream Group 11 Material Issue

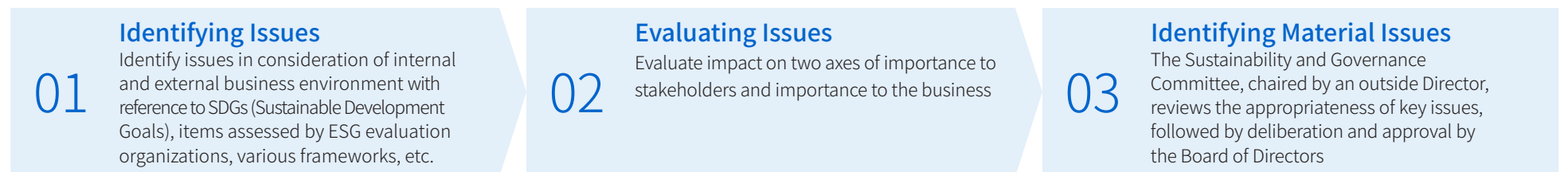
Environment	01	Climate change/CO ₂ emission reduction
	02	Waste reduction
	03	Biodiversity conservation
Social	04	Addressing unmet medical needs through the discovery of transformational medicines
	05	Responsible sourcing/Stable product supply
	06	Community relations
	07	Cultivating a culture of innovation/ Ensuring diversity in core human resources*
	08	Respecting human rights/ Occupational health and safety
Governance	09	Corporate governance
	10	Stakeholder engagement
	11	Compliance and risk management

* Managers and senior-ranking specialists (excluding Directors)

Key Material Issues



Materiality Identification Process

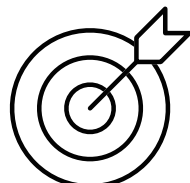


6 2023 Sustainability Highlights

Key Initiatives at PeptiDream



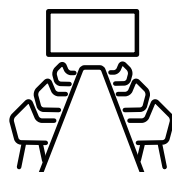
- 3 consecutive years of achieving carbon neutrality across PeptiDream operations
- PDRadiopharma decides to switch to renewable energy



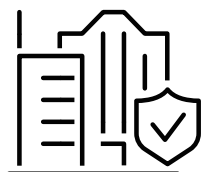
- Set group-wide carbon emission reduction target for SBT¹⁾ accreditation



- Visualization of employee engagement
- Reformed HR system based on newly defined Values & Behaviors



- Strengthened supervisory by independent Outside Directors and the Auditing Committee



- BCP measures against large-scale natural disasters
- Continued efforts to enhance cybersecurity



- Formulated basic policies and personnel requirements for CEO succession plan

Sustainability (ESG) Ratings

Steady progress in company's ESG ratings through continuous efforts toward sustainability

- Selected as an index constituent of the FTSE4Good Index Series²⁾ and FTSE Blossom Japan Index²⁾
- Achieved A- rating from CDP³⁾, for the second consecutive year, the highest level, as a company that excels in its efforts and information disclosure in climate change

	FY2021	FY2022	FY2023
Dow Jones Sustainability Indices (CSA Score)	↑ 36	↑ 43	↓ 42
MSCI (ESG rating)	→ B	→ B	↑ BB
FTSE Russell (ESG rating)	↑ 3.6	→ 3.6	↑ 4.1
CDP (Climate change performance score)	B	↑ A-	→ A-
Sustainalytics (ESG risk score)	↑ 17.3	↓ 22.0	↑ 21.0

Notes: 1) Science based targets 2) One of ESG indices used in investment of the Government Pension Investment Fund (GPIF) 3) CDP: Carbon Disclosure Project

Social Initiatives

We are committed to meeting the expectations of various stakeholders through interactive dialogue and contributing to societal enrichment, people’s lives and the sustainable growth of the Company.

To realize these goals, we strive to secure diverse human resources and promote talent development and workplace environments that support employee growth and enable employees to demonstrate their capabilities as we believe these activities fuels innovation.

We will also contribute to building a sustainable society by monitoring the performance towards protecting human rights and occupational health and safety, and by contributing to local communities.

Indicators and Targets for Human Capital (Core Human Resources^{*1})

	FY2023	2030 Targets
Ratio of doctorate (Ph.D.) holders	54.0%	Maintain 50% or more
Ratio of foreign employees or employees with overseas work experience ^{*2}	32.0%	Maintain 30% or more
Ratio of employees in 20s/30s	24.0%	At least 30%
Female manager ratio	16.0%	At least 30%

^{*1} Managers and senior-ranking specialists (excludes officers)

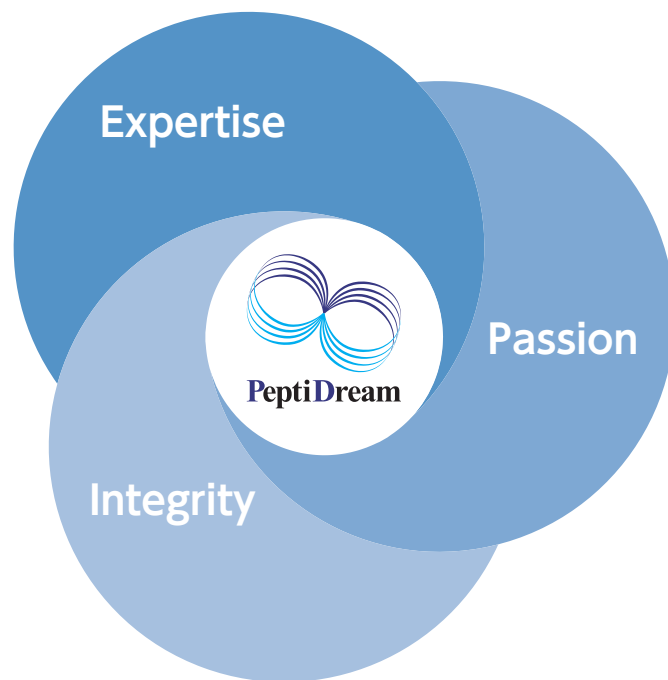
^{*2} Employees with overseas research or work experience (excludes periods of less than one year and periods as a student studying abroad)



Creating Value by Developing HR Talent and Organizations

PeptiDream aims to realize a people-oriented organization in which values and action guidelines take root in its corporate culture. We strive to achieve this by embedding our Valued Behaviors based on the three values of “Expertise, Passion and Integrity” among all executives and employees. Researchers with a high level of “Expertise” in their respective fields have “Passion” for the creation of next generation medicines, and innovation is created when they draw out each other’s expertise both inside and outside the company, both domestically and internationally. As a prerequisite for creating a place for such collaboration, “Sincerity” is an important foundation to respect each other’s expertise and work, and to take ownership of the issues we face.

Valued Behaviors



Expertise

- 1 Be humble, openminded, and driven by facts
- 2 Think logically, value ideas, and speak up
- 3 Keep learning, keep growing

Passion

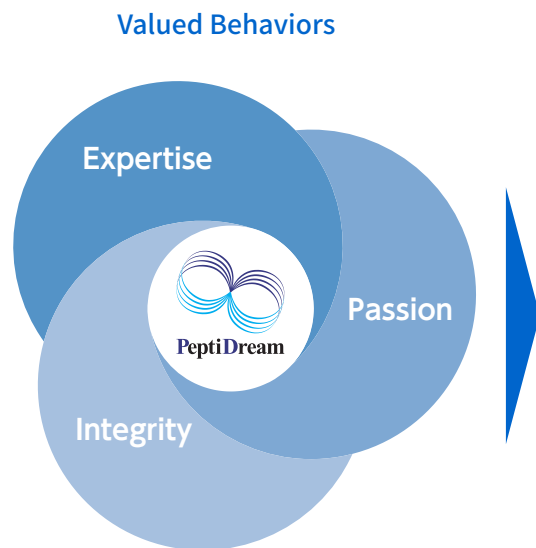
- 4 Never forget the goal of our work is for patients
- 5 Persevere in the face of challenges
- 6 Be bold, be creative, and don't fear failure

Integrity

- 7 Act with good intentions, and see the good intentions in others
- 8 Take ownership of any issues
- 9 Learn from your mistakes
- 10 Respect each other

Three Human Resource Strategies

In order to enhance corporate value, PeptiDream is promoting three human resource strategies: “Acquiring and Improving Expertise,” “Fostering Innovation through Diversity of Human Resources,” and “Sustainable Work Styles based on the Valued Behaviors.”



HR Strategy

Acquiring and Improving Expertise

1 Establish and strengthen our position as a global hub for peptide drug discovery and acquire and improve our high level of expertise by creating an environment for collaboration where values are deeply rooted

Fostering Innovation through Diversity of Human Resources

2 We emphasize not only the diversity of attributes such as nationality, race, gender, and age, but also the expertise and scientific sensibilities of each researcher, and connect that diversity to innovation

Sustainable Work Styles

3 In order for diverse human resources to demonstrate their abilities and play an active role, the key is to maximize long-term growth and results in each individual’s career, and to create a sustainable work environment that emphasizes balanced work styles and support for life events

Key Measures

Enhancing recruitment of experts and employees with overseas work experience

Recruitment of experts (Ph.D. holders in various fields) and HR talent with overseas experience in drug discovery and development including postdoctoral researchers and those who have worked at global pharmaceutical companies

Improving expert career tracks

Operation of an expert career track that reduces the workload of team management and encourages the pursuit of advanced expertise

Establishing systems to support mutual learning and skill development

Providing opportunities for various researchers to learn from each other by regularly presenting new topics and research results across disciplines. Operation of a capacity development support system called Self-Development Support System to support the establishment and improvement of each individual’s expertise.

Ensuring diversification of human resources

Regardless of nationality, race, gender, age, or other attributes, we hire and promote employees based on the required expertise and work content. We have set the ratio of employees in 20s/30s and female manager in core human resources as a target indicator.

HR system that emphasizes teamwork and role models

Formulate personnel evaluation and compensation systems centered on the Values & Behaviors concept, and operate them in a consistent manner from executives to employees.

Visualization of organizational engagement

Conduct regular surveys to gain visibility into our organization’s engagement

Fostering employee work-life balance

Implementing a flexible work schedule by a flextime system. We operate a work calendar that incorporates two long-term vacations during the year.

Support for life events

We have a short-time permanent employee system to support diverse work styles, and short-time support allowance for childcare and nursing care to support salary reductions due to shortened working hours

Respecting 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.

Occupational Health and Safety Initiatives

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

Key Initiatives

● Establishing and facilitating the Health and Safety Committee

PeptiDream’s Health and Safety Committee consists of 10 members and an occupational health practitioner. The committee meets monthly to ensure the health and safety of the workplace environment and to take measures to prevent accidents at work.

● Biosafety conservation

In accordance with the provisions of the Cartagena Law and the Kawasaki City Guidelines for the Proper Use of Biotechnology, a committee and a chief executive is appointed to ensure biosafety and provide safety education for employees.

● Disaster preparedness and implementing disaster drills

An emergency power generator is installed on the rooftop of PeptiDream’s headquarters 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.

11 Social

Responsible Sourcing

We will work with our suppliers to promote sustainable procurement by conducting activities based on our Supplier Code of Conduct. We will continue to identify risks across our supply chain and take appropriate actions by conducting supplier evaluations on a regular basis. We are planning to conduct supplier evaluations for PDR Pharma. In addition, we strive to identify potential risks in the supply chain for new suppliers by ensuring that our suppliers meet sustainability standards (environmental compliance, labor, human rights, risk management) via a survey and to agree to our Supplier Code of Conduct before conducting business with them.

Overview of Survey (FY2023)

Scope: Major raw material suppliers accounting for more than 80% of PeptiDream transaction value

Questionnaire: CSR Procurement Self-Assessment Questionnaire (developed by Global Compact Network Japan (GCNJ) in consideration of consistency with the 10 principles of the UN Global Compact and other international guidelines such as ISO 26000 and GRI)

Response rate: 100%

Key Findings

From the results of the FY2023 study, we did not identify any significant risks. We were able to confirm that efforts are being made in the areas of human rights and supply chain. We provide feedback to suppliers who responded to the survey, including company-wide average values, so that they can be used as a reference for ongoing efforts. We will continue to conduct the survey next year and beyond, and if any serious risks are identified, we will provide support for improvements to address the issues.

Survey Items

CSR-related Corporate Governance	Establishment of a CSR promotion system/Establishment of internal controls/Establishment of a BCP system/Establishment of a whistle-blower system/Dispatch of CSR-related information inside and outside the company
Human Rights	Basic approach toward human rights/Respect for human rights and prohibition of discrimination/Avoidance of complicity in (or contribution to) human rights abuses/Respect and consideration for the life and culture of the local community and indigenous people
Labor	Basic approach toward labor practices/Prohibition of discrimination in the workplace/Provision of equal opportunities to employees regarding human resources development and career advancement, etc./Prohibition of inhumane treatment/Payment of fair wages/Prohibition of forced labor/Fair application of working hours, time off, and paid time off, etc./Prohibition of child labor/Respect for the religious traditions and customs of the country of operation/Recognition of and respect for freedom of association and the right to collective bargaining/Proper management of employee safety and health
Environment	Basic approach toward fair business practices/Establishment of appropriate relationships with local governments and public officials in and outside countries where business activities are conducted/Prevention of the giving and receiving of improper advantages with customers trade partners, etc., in sales and purchasing activities, etc./Prevention of competition law violations in sales activities, etc./Rejection of relationships with antisocial forces/organizations/Prevention of unauthorized use of a third party's intellectual property and of illegal reproduction of copyrighted works/Services for responding to complaints from outside the company and for consultations/Prohibition of insider trading/Prohibition of acts with conflicting interests
Fair Business Practices	Basic approach toward fair business practices/Establishment of appropriate relationships with local governments and public officials in and outside countries where business activities are conducted/Prevention of the giving and receiving of improper advantages with customers trade partners, etc., in sales and purchasing activities, etc./Prevention of competition law violations in sales activities, etc./Rejection of relationships with antisocial forces/organizations/Prevention of unauthorized use of a third party's intellectual property and of illegal reproduction of copyrighted works/Services for responding to complaints from outside the company and for consultations/Prohibition of insider trading/Prohibition of acts with conflicting interests
Quality and Safety	Basic approach toward product and service quality and safety/Ensuring product and service quality and safety/Appropriate response to product and service accidents and the circulation of defective goods
Information Security	Basic attitude toward information security/Defense against attacks on computer networks/Protection of personal information and privacy/Prevention of misuse of confidential information
Supply Chain	Basic attitude toward the supply chain/Use of raw materials not involved in conflict or crime (initiatives against conflict minerals)
Coexistence with Local Communities	Initiatives to reduce damage to the health, safety, and sanitation of local communities and residents/Initiatives with contribute to the local community and residents and collaborate towards sustainable development

Average Score Rate



Promoting Diversity and Improving Workplace Environment

We provide opportunities for all employees to play active roles and strive to create a workplace in which employees can build one's career and work styles in accordance with their life events.

- **Implementation of employee and organizational engagement surveys**

PeptiDream conducts regular employee and organizational engagement surveys for all employees to visualize the state of employee and organizational engagement. We utilize the results as a tool to promote communication between management, managers, and team members. The key survey items include job satisfaction, a sense of accomplishment through the job, sympathy with the corporate philosophy, and work environment satisfaction. In addition, we conduct stress checks for all employees with the aim to improve their well-being, as this potentially leads to the prevention of mental health problems and the improvement of a comfortable working environment.

- **Personnel evaluation system**

PeptiDream conducts goal-setting and interim interviews twice a year at the beginning of the fiscal year. The evaluation is based on Valued Behaviors (10 action guidelines in PeptiDream), and we aim to achieve both the growth of the organization and employees by ensuring that the company and each employee are aligned in the same direction. In addition, we also implement Upward Feedback, in which team members evaluate their supervisors. Through this system, supervisors and team members evaluate each other interactively in an effort to improve management skills and secure opportunities for better team management.

- **Ensuring a working environment to promote flexible work styles to accommodate various life events**

Implementing flextime working system / Operating a short-time permanent employee system → Two employees used the short-time permanent employment system (as of the end of February 2024)

- **Operating childcare support and special allowance system**

- **Encouraging employees raising children to take childcare leave**

→ In 2023, one male employee took childcare leave of one month or more (50% of male employees have taken childcare leave). So far, six male employees have taken childcare leave (as of the end of February 2024)

- **Promotion of employees according to their role and performance regardless of their age or experience**

→ Two cases of new graduates being promoted to core personnel within 5 years of joining the company (as of the end of December 2023)

- **Providing staff training programs**

We conduct various types of employee development programs. In 2023, in addition to themed training tailored to the needs of each target employee such as “Management Training” and “Skill Development Training,” a company-wide training was conducted for all employees such as “Corporate Philosophy Training” and “Intellectual Property Training”. The “Management Training” aims to create a work environment in which each and every employee can enhance their capabilities over the long term and managers can maximize performance by improving management skills (17.6% of all employees participated). In addition, the “Skill Development Training” aims to build a relationship of trust with team members and improve the skills of training methods for mid-level employees, including team leaders (21.6% of all employees participated). We are also working to expand training programs that allow employees to freely choose the content of their training so that they can independently develop their careers in accordance with their own goals. As a R&D-driven innovative company, we believe that these efforts to continuously enhance the capabilities of each and every employee will greatly contribute to the enhancement of our business and corporate value.

- **Engagement at town hall meetings**

PeptiDream regularly holds town hall meetings for all employees, with the aim of penetrating corporate philosophy, ensuring mutual understanding of business activities among departments including ESG activities, training for oral presentations, strengthening communication, and exchanging opinions with senior management.

- **Support for para-athletes**

Three wheelchair rugby players (Koichi Tanabe, Masayuki Haga, and Tamaki Tsukimura) and one wheelchair softball player (Ryuji Osada), are affiliated to PeptiDream Group and participate in para-athlete competitions in Japan and overseas. Through sharing their para-sports experiences and seminars at elementary schools, we contribute to efforts to realize a diverse society that respects each individual and shares various values.



Para-athletes affiliated to PeptiDream

Social Contribution Initiatives

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.

- **Improving access to healthcare**

PeptiDream is engaged in the discovery and development for the treatment of tuberculosis. Tuberculosis is one of the world's three major infectious diseases and is the second leading infectious cause of death in the world after COVID 19. We have been awarded two grants from the Gates Foundation, and several promising hit candidate series for tuberculosis have been identified and lead candidates have been selected. In addition to developing an oral formulation of these lead compounds, we are conducting efficacy studies in animal models. More than 95% of deaths from tuberculosis occur in lower middle-income countries (LMIC). Under the terms of the grant, any Gates Foundation-funded products will be made available by PeptiDream at an affordable price in LMICs.

- **Wheelchair rugby athletes take the stage as seminar speakers**

Koichi Tanabe, Masayuki Haga and Tamaki Tsukimura, who are employees of PeptiDream Group and wheelchair rugby athletes representing Japan, gave a lecture at KING SKYFRONT, where PeptiDream is headquartered and spoke about para sports and how to build relationship with companies.

- **Community cleanup activities**

Every year, PeptiDream employees work with local businesses to clean up the area around the KING SKYFRONT, the international strategic location where the company's headquarters is located. PDRadiopharma employees also regularly clean up the area around the facility as part of its "Zero Waste" campaign.



Community cleanup activity

Corporate Governance Initiatives

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.

Initiatives to Improve Corporate Governance

Strengthening the supervisory function of outside Directors

PeptiDream is taking steps to make discussions at the Board of Directors more effective

Strengthening PeptiDream Group governance

PeptiDream Group will make organizational improvements to further enhance our ability to adapt to changes throughout the entire group

Governance

Evaluation of the Effectiveness of the Board of Directors Meetings

PeptiDream evaluates the effectiveness of its Board of Directors meetings every year in order to improve the functions of the Board of Directors. The evaluation was carried out by directly responding to a survey conducted by a third party. In 2023, the highlights of the evaluation results are as follows:

Evaluation of the Effectiveness of the Board

Highly Rated* Items

- Ratio of number of internal Directors to outside Directors
- Involvement in the succession plan of the Board of Directors
- Cooperation between Directors and the Internal Audit Department

Poorly Rated* Items

- Delegation of business execution to individual Directors and subordinate bodies, etc.
- Advice and questions from outside Directors
- Supervisory function of outside Directors

* Comparison with the average of all companies that had their effectiveness of the Board meeting assessed by an external organization

Items for Which Improvement Has Been Observed/Future Measures

Items for which improvement has been observed from 2022

Basic policies and personnel requirements for the CEO succession plan have been formulated, and the Board of Directors' involvement in the succession plan has been evaluated.

Future measures

In order to strengthen the supervisory function of outside Directors, we conduct preliminary deliberations and organize issues to make discussions at the Board of Directors more effective and strengthen the support system and processes for outside directors. As part of measures to realize more effective delegation of authority, we are reviewing the business authority regulations and the project management system.

16 Governance

Corporate Governance System

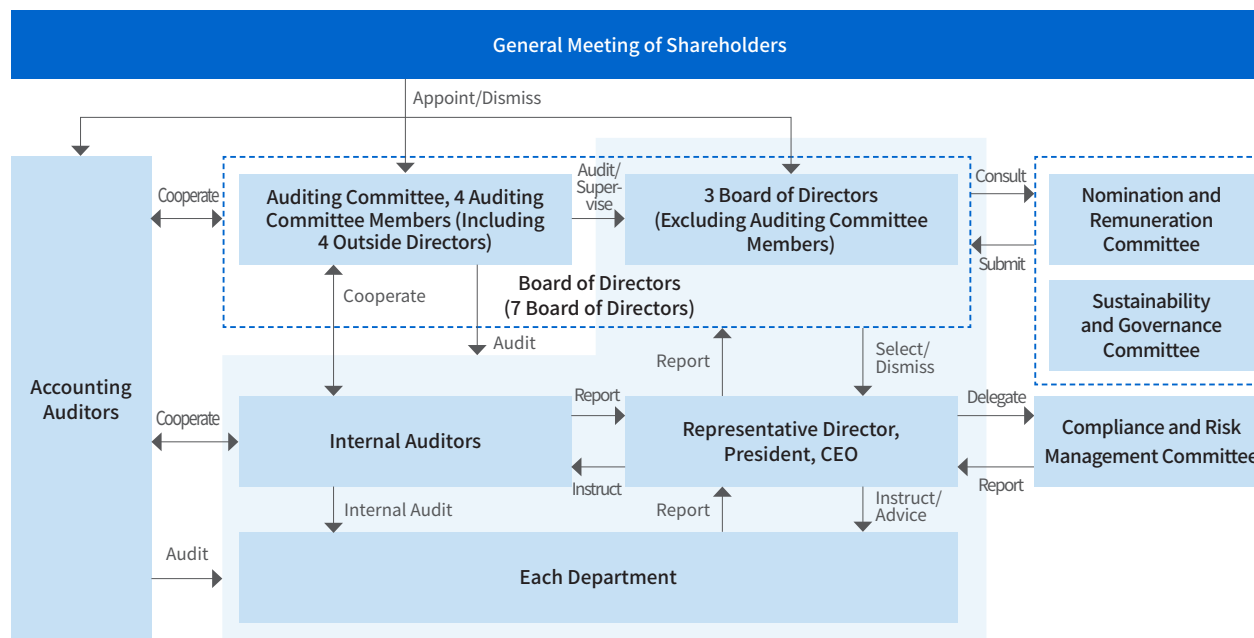
Corporate Governance Structure

PeptiDream believes 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. 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 Skills Matrix

PeptiDream appoints 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, Global Business, Technology and R&D, Finance and Accounting, 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	Outside Director (Full-Time Audit Committee Member)	●		●	●			●	●	●
Toshio Nagae	Outside Director (Audit Committee Member)	●	●	●			●	●	●	
Yukinori Hanafusa	Outside Director (Audit Committee Member)	●			●	●			●	●
Junko Utsunomiya	Outside Director (Audit Committee Member)	●				●	●		●	●

17 Governance

Directors (as of July 1, 2024)



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

Date of birth January 14, 1975
Term 15 years
Number of shares of the Company held (Of which, number of those to be delivered by the share benefit trust) 4,246,584 (56,584)



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

Date of birth April 2, 1969
Term 8 years
Number of shares of the Company held (Of which, number of those to be delivered by the share benefit trust) 53,202 (53,202)



Kiyofumi Kaneshiro, Ph.D
Director, Chief
Financial Officer

Date of birth August 16, 1977
Term 5 years
Number of shares of the Company held (Of which, number of those to be delivered by the share benefit trust) 43,202 (43,202)

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
October 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. (resigned in July 2024)

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. (resigned in April 2024)
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 (2023) : 100% (21/21)

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 (2023) : 100% (21/21)

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 (2023) : 100% (21/21)

18 Governance

Outside Directors (as of July 1, 2024)



Michio Sasaoka, Ph.D.
Outside Director

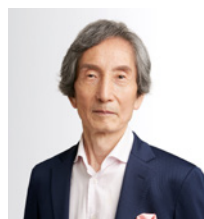
(Full-Time Auditing Committee Member)

Date of birth July 16, 1949

Term 8 years

Number of shares held

200,000



Toshio Nagae
Outside Director

(Auditing Committee Member)

Date of birth December 2, 1943

Term 7 years

Number of shares held

7,600



Yukinori Hanafusa
Outside Director

(Auditing Committee Member)

Date of birth May 10, 1975

Term 6 years

Number of shares held

0



Junko Utsunomiya
Outside Director

(Auditing Committee Member)

Date of birth June 21, 1971

Term 3 years

Number of shares held

0

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)

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)

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) (to present)
September 2017 Director (Audit and Supervisory Committee Member) of the Company (to present)
May 2018 Corporate Auditor of GIFT INC.
January 2019 Director (Audit and Supervisory Committee Member) of GIFT INC. (to present)
June 2020 Outside Director of AIZAWA SECURITIES CO., LTD.
June 2021 Director (Audit and Supervisory Committee Member) of AIZAWA SECURITIES CO., LTD. (to present)

April 2000 Joined Nagashima Ohno & Tsunematsu
October 2007 Seconded to Tokyo Stock Exchange, Inc.
November 2011 Founded 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)
June 2023 Outside Director of ZOZO, Inc. (Audit and Supervisory Committee Member) (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 (2023) : 100% (21/21)
Auditing Committee Meeting attendance (2023) : 100% (14/14)

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 (2023) : 100% (21/21)
Auditing Committee Meeting attendance (2023) : 100% (14/14)

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 (2023) : 100% (21/21)
Auditing Committee Meeting attendance (2023) : 100% (14/14)

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.

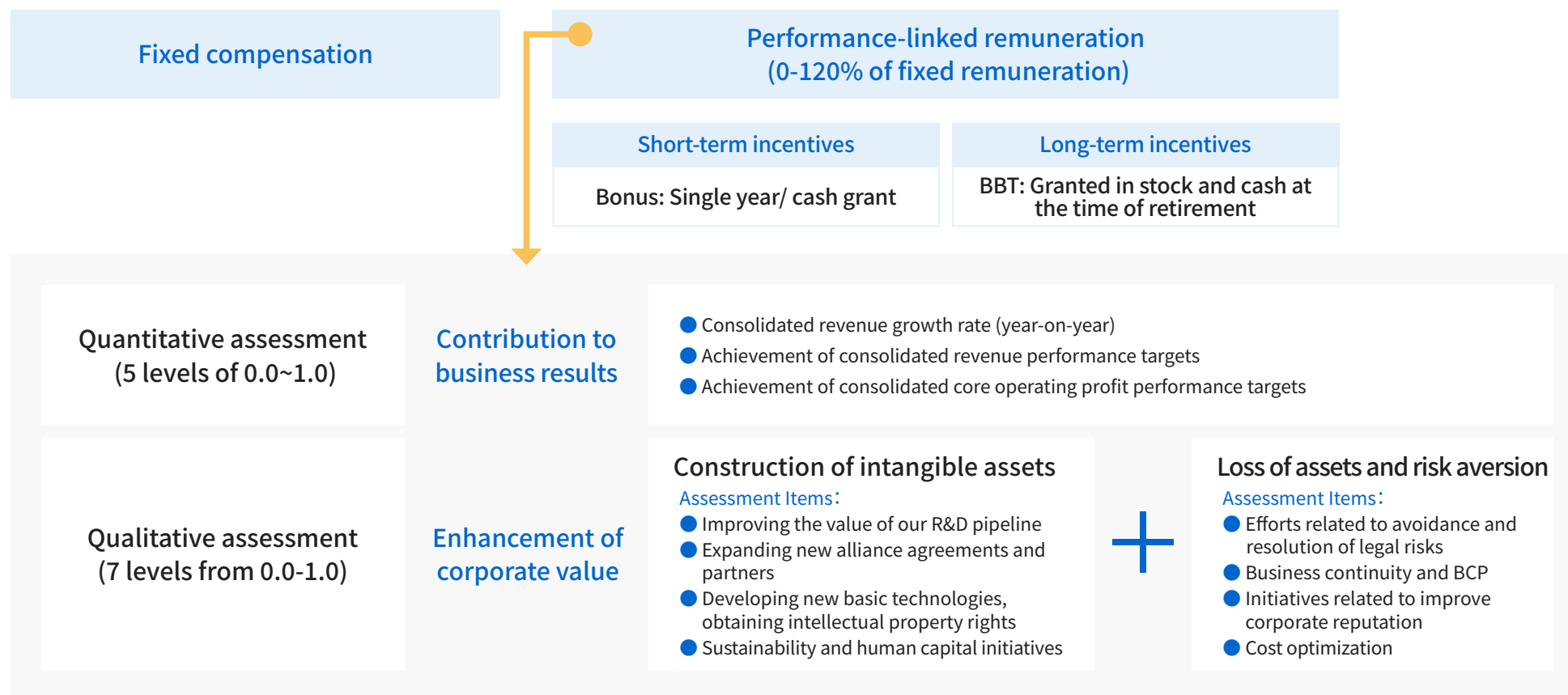
Board Meeting attendance (2023) : 100% (21/21)
Auditing Committee Meeting attendance (2023) : 100% (14/14)

19 Governance

Directors' Remuneration

PeptiDream's policy is to determine the remuneration of Directors as a level appropriate for a global company, by enabling PeptiDream to attract and motivate talented personnel towards the achievement of short-term performance targets and medium-term targets. Directors' remuneration including CEO compensation is a combination of fixed remuneration and performance-linked remuneration. Performance-based compensation is determined at a range of 0% to 120% of fixed compensation, with the percentage of the performance-based portion of total compensation being in the range of 0% to 54.5%. Remuneration for Directors serving on the Audit and Supervisory Committee is limited to fixed remuneration, rather than adopting a performance-linked remuneration system. The total remuneration of the three Directors is 485,748 thousand yen and the total remuneration of the four members of the Audit and Supervisory Committee is 23,468 thousand yen for the fiscal year ended December 31, 2023.

➔ For more information, please refer to the Corporate Governance Report https://www.peptidream.com/en/docs/Corporate_Governance_report_en.pdf



20 Governance

Dialogue with Stakeholders

We define patients and healthcare professionals, employees, shareholders and investors, business partners, research institutions, government agencies, NGOs/NPOs, and local communities as key stakeholders. Among the important initiatives is the timely and fair disclosure of information in order to build a relationship of trust with shareholders and investors and to enhance corporate value.

In 2023, we held a total of 274 IR meetings and facilitated active dialogue sessions with domestic and overseas investors. In addition, we held a briefing focusing on R&D in December. Also in December, we also held a face-to-face briefing for individual investors for the first time in more than three and a half years in December.

IR Meetings and Investor Conferences Held in FY2023

February 15	FY2022 Full Year Results Conference Call	94 participants
March 29	Management Briefing	82 participants
August 9, 10	FY2023 Half Year Results Conference Call (Japanese/English)	64 participants
October 26	Briefing on PD-L1 Program	39 participants
December 5	R&D Briefing (Japanese/English)	60 participants

● A total of 339 participants attended

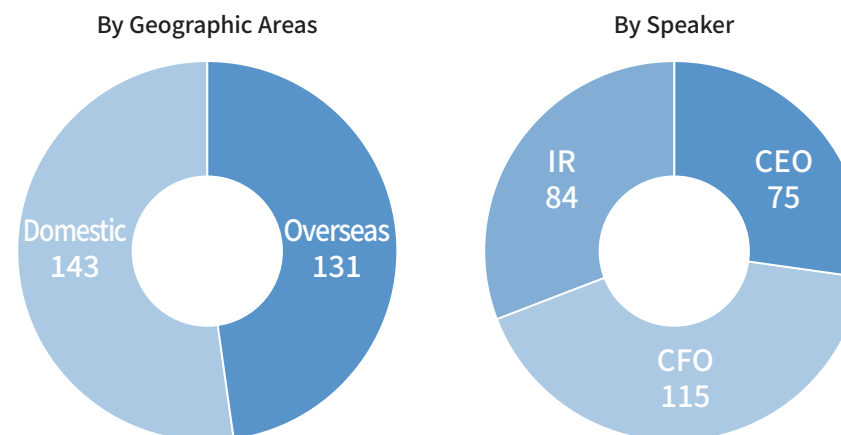
● IR information blog: 88,800 page views (April ~ December 2023)



Briefing for individual investors

Active Dialogue with Domestic and Overseas Institutional Investors

A total of 274 IR meetings were held in 2023



Strategic Stockholdings

We currently hold the stock of three 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.

We have held shares in RayzeBio of the U.S. since August 2020 as part of a strategic alliance, but we sold them when the company was listed on the NASDAQ in September 2023 and acquired by Bristol Myers Squibb (announced in December 2023). There are no holdings of ❶ shares of listed companies, ❷ cross-shareholdings, or ❸ holdings by financial institutions for strategic purposes.

21 Governance

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 our management system. An internal auditor audits the overall status of internal checking and legal compliance based on the plan. The results of the audit are reported to the President & CEO and the Board of Directors. Instructions for improvement are presented to the audited department, and follow-up audits are conducted to facilitate efficient operations and raise employee awareness. In addition, we conduct audits to evaluate our internal control over financial reporting. The Audit & Supervisory Committee members, the Audit & Supervisory Committee, and the accounting auditor exchanges opinions in an effort to cooperate under the three-way audit system and conduct efficient and effective audits.

Compliance and Whistleblower System

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 is established within the company and externally (external third-party and full-time outside Director) to receive reports and consultations from Directors and employees (including contract and part-time employees) by telephone, e-mail, facsimile, writing, visits, and other means. In 2023, we received one report and consultation, and after confirming the facts, we took corrective measures as necessary. Significant compliance violations have not been confirmed.

Risk Management System

PeptiDream has established a risk management system based on a three lines of defense model.

- Risks associated with the promotion of day-to-day business activities are owned and managed by department managers, who report the risks to management. (First line of defense)
- The Legal & Compliance Department and the Compliance & Risk Management Committee, which is co-chaired by an independent outside Director and an internal Director, collect and analyze risk information from a group-wide perspective and report important risks and response policies to the Board of Directors. (Second line of defense)
- Internal audits are conducted with the involvement of independent outside Directors and external experts to independently evaluate and supervise the organizational practices of the first and second lines of defense to ensure that they are consistent with the company's overall risk strategy and policies. (Third line of defense)

In 2023, the Compliance & Risk Management Committee reviewed the company-wide risk and management status, including the operational status of the whistleblowing system.

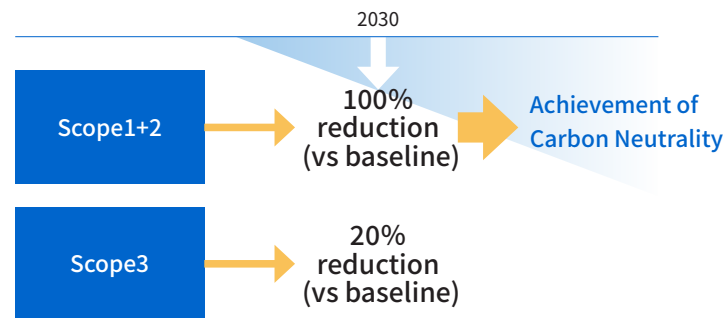
Specific examples of emerging risk items and countermeasures

- **Challenges to attract and retain top talent due to labor shortages in Japan (2040 labor shortage problem)**
As the working age population is expected to rapidly decline and talent mobility is increasing in the Japanese society, Japan may face a shortage of more than 11 million workers by 2040. Failure to attract or retain top talent may impact our overall business performance, as well as have a negative impact on those remaining in the workforce leading to additional work and responsibilities for the employees. In order to acquire talent, we aim to respond to societal changes such as rising wage levels and diversifying work styles, and we are striving to strengthen our recruitment competitiveness and secure human resources through improving employee engagement.
- **Intensifying conflicts between or within nations, political, economic and social decoupling and security crisis**
Radionuclides used in radiopharmaceuticals are often manufactured from radioactive raw materials in special facilities such as nuclear reactors and accelerators, and their supply sources depend on specific suppliers, mainly overseas. If a conflict intensifies in the country where the raw materials are sourced or where the manufacturing facilities are located, the supply of raw materials may be disrupted, leading to higher costs for raw materials and delays in product delivery. By diversifying the supply of raw materials to multiple regions and companies, we strive to reduce the risk of dependence on specific supply sources.

Environmental Initiatives

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. Key environmental performance data is 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 neutrality (virtually zero CO₂ emissions) across our business activities.

PeptiDream Group Carbon Emission Reduction Target



Environment

23 Environment

Actions against Climate Change and Reducing CO₂ Emissions

Expanding the Use of Renewable Energy

In addition to reducing energy consumption through continuous energy-saving activities and the introduction of high-efficiency equipment, in 2022, we switched to virtually CO₂-free electricity for the electricity used in PeptiDream's business activities to achieve carbon neutrality in Scope 1+2. From January 2024, we will begin introducing renewable energy at PDR Pharma's business sites.

TCFD Recommended Disclosure Items

1 Governance

The Sustainability and Governance Committee, which is an advisory body to the Board of Directors, comprehensively manages and supervises the identification and countermeasures of risks and opportunities related to climate change and biodiversity, as well as initiatives to reduce GHG emissions and water as one of the risks and opportunities related to sustainability. In addition, the Board of Directors receives a report from the Sustainability and Governance Committee once every three months on important matters related to climate change and biodiversity and endorses the key matters related to sustainability.

2 Risk Management

Risks related to climate change and biodiversity, which have a significant financial or strategic impact on the Company's business, are comprehensively deliberated by the Sustainability and Governance Committee, including financial perspectives, and regularly reported to the Board of Directors. Risks related to climate change are integrated into the Group's risk management system and are evaluated and managed as one of the business risks.

3 Strategy

PeptiDream categorizes each of the transitional and physical risks and opportunities related to climate change and biodiversity and deliberates and reviews them as needed. In 2023, we conducted a quantitative analysis of climate change-related risks that are expected to have a particularly large impact and for which future projection parameters are available.

Scenarios	Risks	Estimated financial impact (annual)	Affected period
1.5°C scenario (IEA NZE)	Increased costs due to the introduction of carbon taxes (transition risk)	0.8–1.6 billion yen	Long term
4°C scenario (RCP8.5)	Temporary suspension of business operation due to damage to facilities caused by natural disasters and restrictions on the supply of various infrastructures (physical risks)	6–40 million yen	Short term

4 Indicators and Targets

In order to achieve the 1.5°C target consistent with the Paris Agreement, we have set a target to reduce Scope 1+2 emissions from our business activities by 100% by 2030 (vs 2023 baseline), and we are promoting initiatives such as switching to renewable energy.

In addition, we have set a target of reducing Scope 3 CO₂ emissions by 20% (vs 2023 baseline) and are working together with our suppliers and other stakeholders to achieve this target.

PeptiDream Group Carbon Emission Reduction Target

Target year	2030	
Reduction target	① Scope1+2	100% reduction (vs 2023 baseline)
	② Scope3	20% reduction (vs 2023 baseline)

→ PeptiDream Group's data on FY2023 CO₂ emissions are listed here. https://www.peptidream.com/en/docs/data_environment_en_2023.pdf

24 Environment

Biodiversity Conservation

- **Prevention of water and soil contamination**

PeptiDream complies with environmental laws, ordinances and agreements, such as the Water Pollution Control Law and the Sewerage Law and conducts appropriate wastewater treatment that meets environmental standards. Wastewater at PeptiDream headquarters and research labs is measured once a month and regularly reported to Kawasaki City, and the pollution concentration is below the standard value. In addition, we have confirmed that the number of organic solvents and heavy metals used in our R&D activities is below the standard values.

Wastewater at the Chiba Plant of PDRadiopharma is purified in a septic tank at the plant after confirming that it does not contain significant radioactive substances, and the purified water is continuously measured for total organic carbon (TOC) and pH and discharged into the river via an observation pond where carps are raised. Before discharging the water, we measure the radioactivity again just in case. Radioactive wastewater generated in the production process is strictly controlled according to the concentration and treated in accordance with the law. Wastewater discharged from Kawasaki Laboratory and Ibaraki Laboratory is discharged into the sewer system in compliance with environmental laws after confirming that the concentration of radioactive substances is below the concentration limit stipulated by law.

- **Water consumption reduction activities**

PeptiDream's internal portal site visualizes daily and monthly water consumption and fosters employees' awareness of the environment. 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.

- **Research using pathogenic microorganisms and genetically modified organisms**

Experiments using research samples that may contain pathogenic microorganisms and pathogens, as well as genetic modification experiments, are conducted in accordance with the "Guideline of Proper Use of Kawasaki-City Biotechnology" in compliance with relevant laws and regulations such as the Cartagena Act and national guidelines. We have established internal rules regarding the handling and storage of these pathogens and genetically modified organisms, as well as the safety management necessary to ensure a safe working environment. Under the supervision of internal Directors, the Biosafety Committee operates and strives to prevent experimental accidents by deliberating experimental plans and providing safety education to employees engaged in related work.

→ Please access our Biodiversity and No Deforestation Policy from here https://www.peptidream.com/en/docs/E_Biodiversity_and_No_Deforestation_Policy.pdf

Reducing waste

- **Waste separation & disposal and improvement of recycling rate**

PeptiDream has been working to reduce and recycle laboratory and industrial waste by providing thorough guidance on waste sorting and clear labeling as part of its efforts to ensure thorough separation of waste. We outsource the disposal of laboratory and industrial wastes to contractors and dispose of it in a manner that complies with the law. We also properly check and manage manifests (industrial waste management slips) when waste disposal is outsourced.

Radioactive waste generated in PDRadiopharma's production process is handed over to specialized companies in accordance with the law and managed separately from ordinary waste.

- **Office paper reduction**

At PeptiDream, 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, alarms when more than 100 pages are printed, and paperless conferences. We continue to introduce office paper compliant with the Green Purchasing Law.

→ Please access our environmental data from here https://www.peptidream.com/en/docs/data_environment_en_2023.pdf