

# **Our Approach to Sustainability**

**June. 2021**

*[www.peptidream.com](http://www.peptidream.com)*

# President's Message (1/2): Sustainability Efforts Crucial in Getting to the Next Stage of Growth



Patrick Reid, Representative Director, President & CEO

PeptiDream was established in July 2006 with the goal of developing innovative medicines using special peptides. For the first ten years, we were in the stage of building foundations, establishing technology, expanding alliances with domestic and international pharmaceutical companies, and increasing our trustworthiness as a company. With the completion of our new headquarters and laboratory in July 2017, the 11th year since our establishment, we kicked off a new organization in September 2017. Kiichi Kubota, who served as President for ten years since the foundation of the company, became Representative Director and Chairman, and I became Representative Director and President. I believe my mission for the coming decade is to deliver medicine to those around the world suffering from illnesses through strongly promoting business by utilizing our new R&D facilities and state-of-the-art technology.

To accomplish this mission, I believe that our organization must strive toward sustainability as we grow our business even further. We have identified material issues that are high in priority our perspective as a company and from the perspective of our shareholders. We are committed to promoting ESG (environmental, social and governance) initiatives that lead to enhanced non-financial capital. I also believe that proactively disclosing information related to these initiatives and placing importance on communication with our shareholders, investors, and society as a whole is crucial to achieving sustainable growth and enhancing our mid -to long-term corporate value.

# President's Message (2/2): Sustainability Efforts Crucial in Getting to the Next Stage of Growth



In terms of **environmental friendliness (E)**, we strive toward the highest standards among drug development biotech companies. In June 2019, we expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition to creating a recycling-oriented society through rigorous separation of waste and improvement of recycling rates, we are promoting efforts that include SBT (the corporate version of the 2° C goal) measures and to become “carbon neutral” in our operations by 2026, to achieve the 2° C goal set by the Paris Agreement. Moreover, our new headquarters and laboratory have acquired S-Certification, the highest possible rank of the CASBEE environmental performance assessment.

In terms of our efforts toward **society and our employees (S)**, we are making a contribution to the sustainable development of the local community as well as educational and academic activities as a community member of the global innovation hub KING SKYFRONT and of Tonomachi in Kawasaki City, Kanagawa Prefecture. We are also committed in creating efficient innovation for the healthcare industry through providing our innovative pharmaceutical development technology, utilizing partnerships, and maintaining our intellectual property portfolio. The most important capital for us as a company built on innovation is our human resources. Along with respecting the individuality (strengths) of each and every employee, we strive to create a safe and comfortable working environment that allows each employee to demonstrate to their full capacities.

In terms of **governance (G)**, not only are we bolstering the auditing and supervisory functions of the Board of Directors by involving four auditing committee members (independent external directors) with voting rights in the management decision making, but we are actively promoting efforts to improve the effectiveness of the Board. We also seek to improve managerial transparency by proactive and fair disclosure of corporate information so that our shareholders, investors, and society as a whole, both in Japan and abroad, can understand the actual status of our company. The ratio of shares held by institutional investors is approximately 60%, with the ratio of foreign shareholders above 44%. We also proactively promote disclosure of information to individual investors and have hosted informational sessions aimed at individual investors with an accumulated total of 3,152 attendees since FY2018 in 46 cities nationwide.

I would like all executives and employees to continue to share the importance of working toward sustainability through our company-wide efforts so that many people as possible around the world will be grateful for us.

**Patrick Reid, Representative Director, President & CEO**

# PeptiDream's Contribution Towards Achieving the United Nations Sustainable Development Goals (SDGs)

## SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



Source: United Nations Information Centre

The Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015 are 17 goals aimed at changing the world by solving environmental and social problems and creating a sustainable society by 2030. The world must work together in order to achieve these goals.

The ESG report we have created compiles our company's basic policies and key measures on ten main items related to E (environment), S (society), and G (governance). Each item is classified as to which development goal in the SDGs it can contribute to and is listed under the initiative title.

# 10 Most Material Issues and Sustainability Focus at PeptiDream

## Environment

Responsibility for Environmental Impacts

**1** Reducing CO<sub>2</sub> Emissions

**2** Reducing Waste

**3** Sustainable Water Management

## Social

Initiatives for Society and Employees

**4** Contributions to Society and Local Community

**5** Promoting Industry-Wide Innovation

**6** Respecting Diversity, and Creating a Comfortable Working Environment

**7** Occupational Health and Safety

## Governance

Initiatives for Good Governance

**8** Dialogue with Shareholders, Investors and Society

**9** Corporate Governance

**10** Compliance and Risk Management

# 1 Reducing CO<sub>2</sub> Emissions

## Key Principle (What We Aim to Be)

All PeptiDream employees recognize the importance of preserving the global environment. We continue to strive to become “carbon neutral” in our operations by 2026 through efforts to protect the environment and counter global warming.

## Priority Initiatives

### Supporting TCFD Recommendations

In June 2019, PeptiDream expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

### ESG Task Force & Employee Engagement

PeptiDream initiated the establishment of an ESG task force which is led by a senior executive responsible for ESG. It is tasked to collect environmental data, to regularly discuss ideas to promote eco-friendly measures across the organization, and disseminate information to all employees and executives. In addition, the Company held multiple information sessions during FY2019 to update all employees on our environmental initiatives.

### Environmental Preservation and Global Warming Countermeasures at New Headquarters/Laboratory

In July 2017, PeptiDream moved to our new headquarters and laboratory. The newly operated office building is designed to be environmentally friendly and energy efficient with building features shown as below.

- highly-insulating wall materials and windows
- louver exterior to reduce solar heat burden
- LED lighting throughout the building
- highly efficient air conditioning and elevators
- half-transparent louvers to block sunlight and utilize natural lighting etc.

### Promoting the Use of Renewable Energy

PeptiDream uses electricity as its main source of power. Since August 2018, as an effort to reduce CO<sub>2</sub> emissions, the Company has adopted an electricity supplier which proactively promotes the shift towards renewable energy.



Headquarters and Laboratory Building

# 1 Reducing CO<sub>2</sub> Emissions

## Key Data / Index

### Reducing Power Consumption

We are working to reduce power consumption through efficient use of air conditioning in summer and winter season. Going forward, PeptiDream will strive to raise employee awareness of environmental preservation through visualization of energy consumption.

### Environmental Building Rating CASBEE

Our headquarters and laboratory building underwent CASBEE (Comprehensive Assessment System for Built Environment Efficiency) Kawasaki 2015 Edition Assessment on February 15, 2016 and received the highest possible rank of S-Certification.

(The upper right chart is an excerpt from the evaluation result of CASBEE Kawasaki)

### Electricity Consumption / CO<sub>2</sub> Emissions

Electricity consumption in FY2020 was 2,946 MWh (19.6 MWh per employee). The energy-related CO<sub>2</sub> emissions (Scope1+2) were 1,381 tons (9.2 tons per employee).

### Headquarters and Laboratory Building

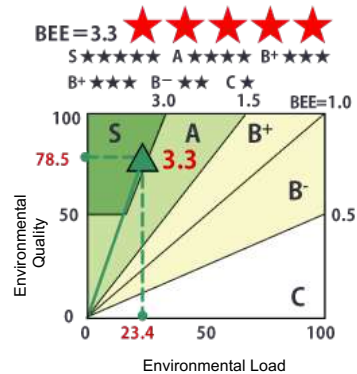
#### CASBEE

Obtained the “S Certification”,  
the highest rank



Evaluation by CASBEE Kawasaki 2015 Edition  
(As of February 15, 2016)

### Eco-Efficient Construction (BEE Rank & Chart)



### Electricity Consumption

2,946 MWh

Per employee: 19.6 MWh

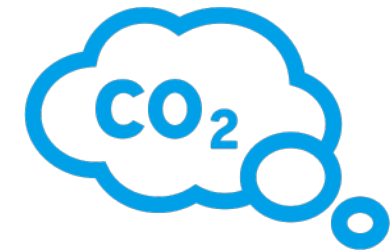


1 year record (January 2020 to December 2020)

### CO<sub>2</sub> Emissions (Scope 1+2)

1,381 tons

Per employee: 9.2 tons



1 year record (January 2020 to December 2020)



## 2 Reducing Waste



### Key Principle (What We Aim to Be)

PeptiDream is contributing to solving social issues such as constructing a recycling-oriented society through rigorous waste sorting and improving recycling rates.

### Priority Initiatives

#### Rigorous Waste Sorting

To reduce and recycle the amount of experimental and business-related waste, we strive to ensure rigorous waste sorting by implementing measures such as thorough sorting instructions as well as clear labeling.

#### Improving Recycling Rates

Our company entrusts the disposal of experimental and business-related waste to a contractor. All experimental waste is disposed properly and rendered harmless to support zero emissions and recycling of materials. Moreover, we properly verify and manage the manifest (Industrial Waste Management Slip) for disposal of waste.

#### Reducing OA Paper Consumption

We are promoting a variety of measures to reduce business-related OA paper consumption. Specifically, we have introduced Electronic Laboratory Notebook, set the printer defaults to print two pages per sheet and to print on both sides, and are promoting paperless meetings. Furthermore, we are promoting the use of paper that corresponds to the Act on Promoting Green Purchasing.



## 2 Reducing Waste

### Key Data/Index

#### Recycling Rate

Our business-related waste recycling rate is approximately 100%.

#### Waste Emissions

Regarding waste emissions in FY2020, there have been 93.0 tons of industrial waste, 9.4 tons of general waste, and 0.68 tons of waste emissions per employee.

#### OA Paper Consumption

OA paper consumption in FY2019 was 1.12 tons (0.008 tons per employee). Moreover, our toner cartridge recycling rate was 100%.

#### Participation in EyeCity's Eco Project

PeptiDream is engaged in the "Eco Project (Disposable Contact Lens Case Collection Initiative)" organized by EyeCity, the chain of contact lens specialty stores operated by HOYA Eye Care Company. The collected empty lens cases are recycled into recycled polypropylene materials and reused to create various recycled products.

The counter value of the recycled material is donated to the Japan Eye Bank Association to help those who wish to regain their eyesight.

PeptiDream collected approx. 10,390 empty lens cases in 2 years from August 2018 to August 2020.

#### Recycling Rate

General waste: 100%  
Toner cartridges: 100%



1 year record (July 2017 to June 2018)

#### Waste Emissions

Industrial waste: 93.0 tons  
General waste: 9.4 tons  
Per employee: 0.68 tons



1 year record (January 2020 to December 2020)

#### OA Paper Consumption

1.12 tons  
Per employee: 0.008 tons



1 year record (July 2018 to June 2019)

### 3 Efficient Use of Water and Prevention of Water Contamination



#### Key Principle (What We Aim to Be)

PeptiDream is working to use water resources efficiently and lessen the impact to the environment through our efforts to reduce water consumption and wastewater volume as well as to ensure the quality of wastewater.

#### Priority Initiatives

##### Reducing Water Consumption and Wastewater Volume

We are promoting efficient use of humidification in our indoor air conditioning to reduce water consumption and wastewater volume. Furthermore, we use water-conserving toilets and photocatalytic, self-cleaning exterior wall materials.

##### Ensuring Water Quality

We conduct proper wastewater treatment that strictly complies with environmental laws, regulations and agreements such as the Water Pollution Prevention Act and the Sewerage Service Act.

##### Monitoring Wastewater Quality

We regularly measure biochemical oxygen demand (BOD) and suspended solids (SS) to confirm that wastewater from our facilities meets the environmental standards. We also verify that wastewater used in our research and development activities does not contain hazardous substances.

# 3 Efficient Use of Water and Prevention of Water Contamination

## Key Data / Index

### Water Consumption

The water consumption in FY2020 was 5,312m<sup>3</sup> (35.4m<sup>3</sup> per employee). Consumption tends to increase during the winter months when indoor humidifiers are used, so we are currently considering more efficient methods.

### Total Water Discharge Volume and Decontaminated Water Volume

The total water discharge volume in FY2020 was 5,312m<sup>3</sup>, of which water volume processed in wastewater treatment facilities was 591.0m<sup>3</sup>.

### Monitoring for Pollutant Load Volume and Substances Hazardous to the Environment

The biochemical oxygen demand (BOD) of decontaminated wastewater in terms of yearly average pollutant load was 22.7kg and suspended solids content (SS) was 27.1kg. The biochemical oxygen demand (BOD) of decontaminated wastewater in terms of yearly average contaminant level was 29.8mg/L and suspended solids content (SS) was 25.6mg/L, well below their respective standards (less than 600 mg/L each). In addition, we have verified that the organic solvents and heavy metals used in our research and development activities are below their respective standards.

### Water Consumption

5,312m<sup>3</sup>  
Per employee: 35.4m<sup>3</sup>



1 year record (January 2020 to December 2020)

### Total Waste Water

5,312m<sup>3</sup>  
Of which, water volume  
processed in wastewater  
treatment facilities was 591.0m<sup>3</sup>



1 year record (January 2020 to December 2020)

### Pollutant Load Volume

Biochemical Oxygen Demand (BOD): 22.7kg  
Suspended Solids (SS): 27.1kg



1 year record (January 2020 to December 2020)

### Pollutants and Hazardous Substances in Wastewater

Below standards



1 year record (January 2020 to December 2020)

## 4 Contribution to Society and Local Communities

### Key Principle (What We Aim to Be)

PeptiDream strives to earn the trust of the broader society as a good corporate citizen through proactive and fair disclosure of our corporate information and improving the transparency in our management.

### Priority Initiatives

#### Participation in Attractive Urban Development Planning for Tonomachi KING SKYFRONT

PeptiDream was appointed Board Member of the KING SKYFRONT Network Association. Established on February 6, 2018, KING SKYFRONT Network Association comprises local companies, research institutes, and local governments who participate in the Tonomachi International Strategic Zone KING SKYFRONT and strive to create sustainable development through cooperation across industry, academia, and government.

#### Participating in Local Community Events

PeptiDream cherishes its ties to the local community and actively participates in local events.

#### Examples:

On March 22, 2018, the MEXT (Ministry of Education, Culture, Sports, Science and Technology) Regional Innovation Ecosystems Building Program hosted an event called “Commercialization of Innovative Middle Molecule Drug Development Through the Fusion of IT Drug Technology and Chemosynthetic Technology” in which the Company delivered a lecture entitled “The Future of Peptide Drug Development”.

On July 25, 2019, PeptiDream participated in the “KING SKYFRONT Company Tour” aimed at high school students in Kawasaki. The Company delivered a lecture entitled “Prospects of Japanese Pharmaceutical / Bio Industry and Future of PeptiDream” at the hall in our company.

On August 1, 2019, PeptiDream participated in the “Summer Science Event 2019” aimed at elementary school students in Kawasaki. The Company delivered a lecture about intractable diseases and provided trial sessions of a wheelchair riding.



Trial sessions of a wheelchair riding

## 4 Contribution to Society and Local Communities

### Priority Initiatives

#### Educational and Academic Supports

PeptiDream actively supports education and academics aimed at promoting and developing science and technology.

#### Examples:

On January 24, 2018, PeptiDream delivered a lecture entitled “Fusing PDPS and the International Space Station to Find Answers Out of Infinite Possibility” at the “International Space Station and KIBO Utilization Symposium: Expanding the 400 Km Stage in the Sky” hosted by the Japan Aerospace Exploration Agency (JAXA).

On February 2, 2018, PeptiDream hosted a company tour and information session for students from the Massachusetts Institute of Technology (MIT).

On October 26, 2018, PeptiDream delivered a lecture entitled “Introduction to Drug Discovery” for students in Center for iPS Cell Research and Application (CiRA), Kyoto University.

On February 28, 2021, PeptiDream co-sponsored the “Rare Disease Day 2021” event. The event began in Sweden to raise awareness for rare and intractable diseases and improve the quality of lives of patients and their families by better diagnoses and treatment.



Lecture: “Fusing PDPS and the International Space Station to Find Answers Out of Infinite Possibility”



Company tour and information session for MIT students



# 5 Developing Efficient Approaches to Foster Innovation Across Industry

## Key Principle (What We Aim to Be)







PeptiDream continues to seek ways to develop efficient approaches to foster innovation across industry and help patients suffering from diseases through providing eco-friendly and innovative technology for drug development and maximizing partnerships.

## Priority Initiatives

### Continious Upgrade of the Environmentally-Friendly PDPS

Developed as a drug development platform system to discover special cyclic peptides that serve as both small molecule drugs and antibody therapies, PDPS (Peptide Discovery Platform System) has undergone continual research to upgrade its process ever since its development. To find candidate compounds for hit molecules using PDPS, we carry out screening using a solution of just 0.1 ml in a miniature tube. By using our million times more diverse compound library (one trillion types), this makes it possible to search candidate compounds for hit molecules when compared to conventional methods. We believe that our PDPS makes it easier to innovate drug discovery, a once costly and time-consuming process.

### Efficient and Environmentally Friendly PDPS

	PDPS	Regular Screening Method (HTS)	When performing HTS with the same diversity as PDPS...
Library Diversity	1 trillion kinds ( $1 \times 10^{12}$ )	1 million kinds ( $1 \times 10^6$ )	1 trillion kinds ( $1 \times 10^{12}$ )
Total Library Capacity	0.1mL (1 tube) 	10 L (assuming that 1 compound = 1mL) 	100,000kL (about 280 twenty five-meter pools) (assuming that 1 compound = 1mL) 
Required Space for Library Storage (area)	0.5 m <sup>2</sup> (1 freezer) 	5.2 m <sup>2</sup> (11 freezers) 	5.2 x 10 <sup>6</sup> m <sup>2</sup> (about 11 million freezers) 
Time Required for Screening	About 10 days	About 11 days (assuming 1 compound = 1 sec)	About 30000 years (assuming 1 compound = 1 sec)

## 5 Developing Efficient Approaches to Foster Innovation Across Industry

### Priority Initiatives

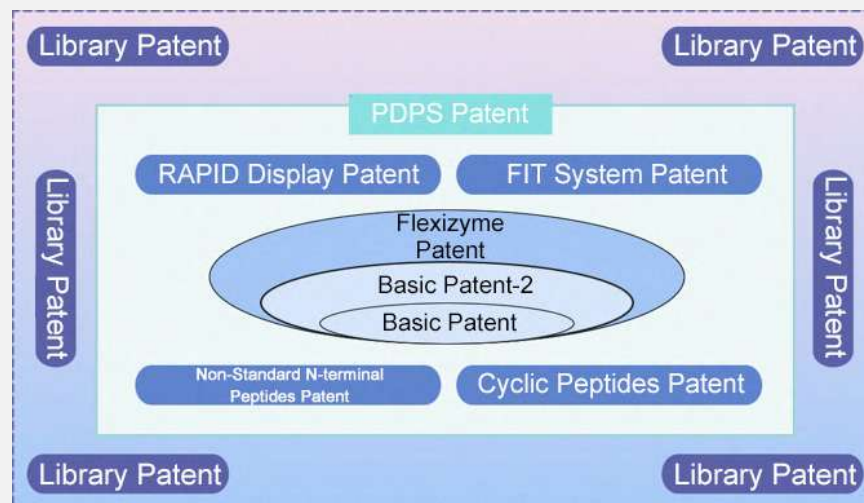
#### PDPS's Robust Intellectual Property Strategy to Drive Our Mission

Our PDPS (Peptide Discovery Platform System) is a proprietary drug discovery platform system combining three proprietary technologies and systems: Flexizyme Technology, FIT (Flexible In-Vitro Translation) System, and RAPID (Random Peptide Integrated Discovery) Display System.

Regarding the patent of PDPS, PDPS is designed to function as a “system” by building a strong patent portfolio of multiple related patents surrounding the Flexizyme patent, which serves as the core.

This closes loopholes that inevitably arise with individual patents and creates robust intellectual property, meaning our partner companies can use PDPS to discover new pharmaceuticals with assurance. As the number of clients licensed to use PDPS technology increases, with a focus on major pharmaceutical companies, we believe that our robust intellectual property contributes to our mission of fulfilling unmet medical needs and delivering medicine to people worldwide.

Additionally, our PDPS platform received the “Intellectual Property Achievement Award” from the Ministry of Economy, Trade and Industry.



PDPS Patent Portfolio Overview



## 5 Developing Efficient Approaches to Foster Innovation Across Industry



### Priority Initiatives

#### Joint Pharmaceutical Research and Development (R&D) Contract

Based on the drug target proteins provided from our partners, we facilitate special cyclic peptides and small molecular drug development through joint pharmaceutical R&D activities utilizing PDPS (Peptide Discovery Platform System), our proprietary drug discovery platform system. This makes it possible to obtain candidate compounds for hit molecules even for targets that were difficult to identify using conventional drug development methods.

#### PDPS Technology Licensing Contract

As of March 31, 2020, ten companies have signed a non-exclusive technology licensing contract with PeptiDream and two of these companies, Taiho Pharmaceuticals and Ono Pharmaceutical, have signed Automated PDPS platform licensing contract. Licensees using this technology have no limits on drug targets and are able to promote in-house pharmaceutical research and development by utilizing PDPS.

#### Expanding Our Pipeline Through Strategic Alliances

By forming strategic alliances with pharmaceutical companies around the world that have special technologies, bio-ventures, and academia, we are working to expand our in-house drug candidate compounds (pipeline).

\*As of March 31, 2021, we have entered strategic alliances with eleven companies (JCR Pharmaceuticals, Modulus Discovery, Heptares Therapeutics in the UK, Biohaven Pharmaceuticals (ex-Kleo Pharmaceuticals) in the US, Nihon Medi-Physics, POLA Chemical Industries, JSR Corporation, Mitsubishi Corporation (PeptiGrowth), RayzeBio in the US, PeptiAID, and Amolyt Pharma in France), and are conducting joint research on developing peptide drugs for rare refractory disease with Kawasaki Medical School, as well as conducting joint R&D with the Bill & Melinda Gates Foundation on novel therapies for tuberculosis, a serious problem for the world's poorest countries.

#### PDPS Partnerships

Technology licensees: 10 companies  
Strategic alliances: 11 companies,  
2 organizations



As of March 31, 2021

## 5 Developing Efficient Approaches to Foster Innovation Across Industry



### Key Data/Index

#### PDPS Technology Licensing Contract.(10 companies)

	Agreed to a non-exclusive technology license for the drug discovery platform system PDPS in September 2013.		Agreed to a non-exclusive technology license for the drug discovery platform system PDPS in April 2015.
	Agreed to a non-exclusive technology license for the drug discovery platform system PDPS in March 2016.		Agreed to a non-exclusive technology license for the drug discovery platform system PDPS in July 2016.
	Agreed to a non-exclusive technology license for the drug discovery platform system PDPS in June 2017.		Agreed to a non-exclusive technology license for the drug discovery platform system PDPS in June 2018.
	Agreed to a part of the patent for technology license of the drug discovery platform system PDPS in December 2018.		Taiho Pharmaceutical licensed Automated PDPS platform in December 2020.
	Janssen licensed PeptiDream's PDPS technology in December 2020.		Ono Pharmaceutical licensed Automated PDPS platform in March 2021.

# 5 Developing Efficient Approaches to Foster Innovation Across Industry

## Key Data/Index

### Expanding Development Pipeline through Strategic Alliances. (11 companies, 2 organizations)

	Conducting strategic joint research aimed at obtaining special cyclic peptides that can cross the blood-brain barrier.		Conducting strategic joint research on small molecular compound candidate drugs using computational chemistry.
	Conducting strategic joint research targeting G-protein reactive receptors (GPCR) involved in inflammatory disease.		Conducting strategic joint research on small molecule cancer immunotherapy drugs.
	Conducting strategic joint research on peptide therapies for Duchenne muscular dystrophy (DMD), an intractable disease.		Receiving subsidies for the research and development of novel therapies for tuberculosis and malaria.
	Conducting strategic joint research on radio isotope (RI) labelled drugs and diagnostic agents.		Conducting strategic joint research on cosmetics, quasi-drugs and drugs with peptides.
	JSR Corporation is a partner for the joint research and development of peptides applicable to affinity chromatography.		Mitsubishi Corporation is a joint venture partner for the establishment of PeptiGrowth Inc. which develops, produces and sells peptide alternatives to growth factors, key ingredients of cell culture, used in the manufacturing of cell therapy, regenerative medicines and other biopharmaceuticals.
	RayzeBio is a partner for the joint research and development of peptide-radioisotope (RI) conjugates for therapeutic use.		PeptiAID is a joint venture established for the development of therapeutics for the treatment of Coronavirus Disease.
	Signed strategic collaborative research and license option agreement for optimal GHRA peptide compounds for acromegaly therapeutics.		

# 6 Creating a Comfortable Working Environment with Respect for Diversity



## Key Principle (What We Aim to Be)

PeptiDream respects the individuality of our employees. We also strive to create an environment that matches one's aptitudes, where each and every employee feels a sense of solidarity as a member of the company and can demonstrate their abilities.

## Priority Initiatives

### Company Policy for Human Rights

We have established "PeptiDream's Policy on the Respect for Human Rights."

#### PeptiDream's Policy on the Respect for Human Rights

PeptiDream Inc. sets out its policy on the respect for human rights as follows. Following this policy, PeptiDream pursues business activities in which it respects the human rights of all stakeholders.

##### 1. 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.

##### 2. Scope of application

This policy is applied to all board members and all employees of PeptiDream. PeptiDream asks all stakeholders throughout the entire supply chain for their understanding of the policy and cooperation to respect human rights.

##### 3. Education for respect for human rights

PeptiDream strives to educate all board members and employees on respecting human rights through providing training for preventing discrimination and harassment in the workplace.

##### 4. Dialogue with stakeholders

PeptiDream considers that its initiatives to respect human rights should be developed continuously. The Company emphasizes the importance of ongoing dialogue with relevant stakeholders as well as understanding human rights implications relevant to its business activities from the perspectives of the people affected. Through continuing these efforts and disclosing relevant information, we will continue to improve our human rights activities.

## 6 Creating a Comfortable Working Environment with Respect for Diversity

### Priority Initiatives

#### Human Rights & Diversity Initiatives

We are a company that respects diversity.

Patrick Reid (Representative Director and President) actively promotes human rights initiatives and strives to foster awareness of respect for employee individuality and human rights.

We are also promoting the employment of a wide range of human resources, regardless of gender, age, disability, nationality, academic and work history, and more.

#### High Ratio of Female Employees

At 38%, our ratio of female employees exceeds by far the pharmaceutical industry average, and we are working to create a comfortable working environment for women that can help maximize their capabilities. PeptiDream's Female Manager Ratio is 18.8% in FY2020.

#### Employing Wheelchair Rugby Player

We employed wheelchair rugby players Koichi Tanabe and Masayuki Haga. The company entirely supports them as they are committed to achieve their dream with respect to team play which resonates with our business style. They actively take part in disabled athletes' school visits and visited 26 schools in FY2019.



Koichi Tanabe and Masayuki Haga



## 6 Creating a Comfortable Working Environment with Respect for Diversity

### Priority Initiatives

#### Improving Work-life Balance

We have introduced a flex-time system to promote a more flexible working style. We are striving to improve work-life balance of our employees as well as sustainability through overtime work management.

#### Supports for Life Events and Promotion of Diverse Working Styles

We are promoting the creation of a working environment that makes it easier for an employee to return after taking childcare leave. 100% of our female employees have taken childcare leave in the past eight years, and the rate of return and six-year retention rate after taking childcare leave is also 100%.

In addition to this, we have introduced a short-time work hours system and a nursing care leave system.

#### Cultivating Human Resources, Developing Careers

We have introduced an online learning subsidy system and in-house training programs to continuously develop our employees' skills and careers.

#### Dialogues and Employee Engagement

We host monthly social gatherings and meetings for all researchers aimed at enhancing communication, presentation training, and understanding the work of other departments.

#### Fair Compensation and Mid-term Incentive System

In addition to fair compensation and treatment, we have introduced the "Employee Stock Ownership Plan" (J-ESOP), an incentive plan that provides employees with company shares to enhance their morale and motivation toward maximizing company corporate values and productivity.



Town hall meeting



Regular social gathering

## 6 Creating a Comfortable Working Environment with Respect for Diversity

### Key Data / Index

#### Female Employees' Childcare Leave Rate

100%



The rate of female employees taking childcare leave in the past six years is 100%.

Childcare Leave Rate: Number of employees who took childcare leave between April 2013 and March 2021/Number of employees who gave birth x 100

#### Return Rate/Retention Rate After Childcare Leave

100%



The rate of return and retention rate for female employees after taking childcare leave has been 100% for the past eight years.

Return Rate: Number of employees returning after childcare leave/Number of employees who took childcare leave x 100

Retention Rate: Number of employees still working six years after taking childcare leave/number of employees returning from childcare leave x 100

Both are from April 2013 to March 2021

#### Female Employee Ratio

38%



The female employee ratio is 38.0% as of December 31, 2021. This is well above the 24.0%\* average of the top seven Japanese pharmaceutical companies.

\*Top seven companies in terms of sales, based on each company's public data  
Female Employee Ratio: female employees/total employees; "employees" include dispatched, contracted and full time employees

#### Rate of Paid Leave Days Actually Taken

67%



The average rate of paid leave days actually taken was 67% in FY2020. This is well above the average paid leave rate of 51.1% in the 2017 Comprehensive Working Condition Survey (targeting 6,400 companies) performed by the Ministry of Health, Labor, and Welfare of Japan.

Rate of Paid Leave Days Actually Taken: Number of paid leave days taken by full-time or contract employees in FY2021/number of paid leave days given x 100

#### Female Manager Ratio

18.8%



The female manager ratio as of December 31, 2020 is 18.8%, with an increase of 2.1% year-on-year.

#### Turnover Rate

3.2%



The turnover rate in FY2020 was 3.2%. This is well below the average annual turnover rate of 14.9% for 2017 according to the Ministry of Health, Labor, and Welfare of Japan.



# 7 Compliance with Occupational Health and Safety

## Key Principle (What We Aim to Be)

PeptiDream prioritizes safety and health in all our operations. We strive for zero accident through continued occupational health and safety efforts.

## Priority Initiatives

### **Establishing and Running Holding 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.

### **Biosafety**

All genetic recombination experiments are conducted in accordance to relevant laws and regulations such as the Cartagena Act and the "Kawasaki City Guidelines for Proper Use of Biotechnology". Safety education is provided for employees engaged in related work by the biosafety chief in charge.

### **Installing AED (Automated External Defibrillator)**

AED devices are installed within the company, and we host training sessions on cardiopulmonary resuscitation using AED and training dummies.

### **Disaster Preparedness & Implementing Disaster Drills**

An emergency power generator has been installed on the rooftop in preparation of floods or tsunamis. We have set aside evacuation space within the company for those who would 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.

## 7 Compliance with Occupational Health and Safety

### Key Data / Index

#### # of Occupational Accidents

1



The total number of occupational accidents in FY2020 was one, which was non-severe accidents and timely reported to authority.

#### Rate of Lost-Worktime Injuries

4.6%



The Lost Time Injuries Frequency Rate (LTIFR) in FY2020 was 4.6%.

LTIFR: Number of casualties by occupational accident/total working hours during FY2019 x 1,000,000

#### Severity Rate

0.05%



The Severity Rate in FY2020 was 0.05%.

Severity Rate : lostworkdays /total working hours during FY2019 x 1,000

## 8 Dialogue with Shareholders, Investors and Society



### Key Principle (What We Aim to Be)

PeptiDream proactively and fairly discloses corporate information and strive toward improving transparency, so that our shareholders, investors, and the whole society can understand the actual reality of our company.

### Priority Initiatives

#### Co-Creation Through Communication with Stakeholders

We select accessible locations for our general meetings of shareholders meetings to encourage active participation. We also hosted a management information session after the general meeting in 2021 and made time for discussion with our shareholders.

We proactively communicate with domestic and international investors directly by face-to-face discussion or through telephone conferences. In addition to paying IR visits, especially to our international institutional investors, we actively participate in conferences sponsored by securities companies hosted in Japan.

We engage in direct dialogue with several individual investors, and we have hosted company information sessions aimed at individual investors with an accumulated total of 3,152 attendees since FY2018 in 46 cities nationwide. We also carry out unique initiatives such as hosting company information sessions jointly with other companies.

We started an IR information blog in June 2017, where we provide detailed information on our activities in a precise, easy-to-understand manner, even for technical content.

## 8 Dialogue with Shareholders, Investors and Society



### Priority Initiatives

#### Disclosure Policy Establishment and Compliance

##### Basic Policy on Disclosure of Information

Our basic policy is to proactively and fairly disclose corporate information and strive toward improving transparency, so our shareholders, investors, and society at large can understand the actual circumstances at our company.

##### Information Disclosure Standards

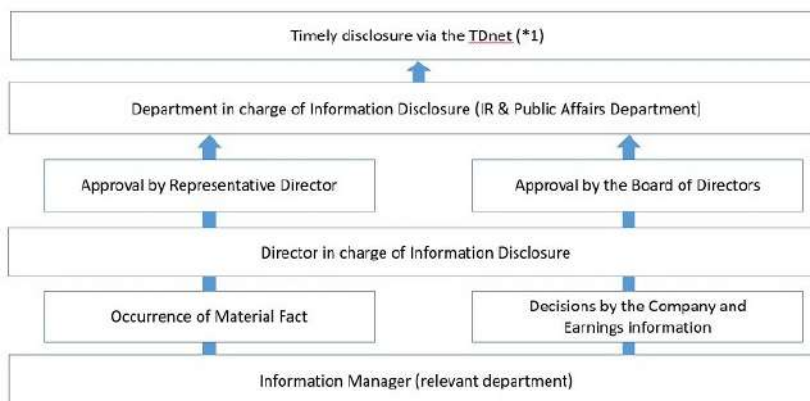
We promptly disclose information based on the principles of transparency, fairness, and continuity according to the laws and regulations in the Financial Instruments and Exchange Act and the “Timely Disclosure of Corporate Information” regulations for companies listed on the Tokyo Stock Exchange (hereinafter referred to as “Timely Disclosure Regulations”).

We also strive to actively disclose information that we believe may be effective in understanding our company, even if this information does not fall under the Timely Disclosure Regulations. That said, we do not disclose personal information, customer information, or information that violates the rights of anyone involved.

##### How We Disclose Information

Disclosure of information as stipulated by the Timely Disclosure Regulations is done using the Timely Disclosure Network (TDnet) provided by the Tokyo Stock Exchange, and after disclosing it through the system, the information is then also promptly posted to our website. We strive to actively disclose information that we believe may be effective in understanding our company, even if this information does not fall under the Timely Disclosure Regulations.

<Timely Disclosure – Flowchart>



\*1: In addition to disclosure via the TDnet (TSE), other disclosure methods (press conference and e-mail distribution) are used, based on disclosed information.

## 8 Dialogue with Shareholders, Investors and Society



### Priority Initiatives

#### Disclosure Policy Establishment and Compliance

##### **Silent Period**

To prevent information leakage of financial results (including quarterly financial results), and to ensure fairness in disclosing information, our silent period is from the day after the final day of settling accounts period (quarterly settlements in December, March, June, September) until the day results are announced. During this period, we will refrain from answering questions or commenting on financial results and performance forecasts. However, if significant performance fluctuations are expected during this period, we will disclose information as deemed appropriate according to the Timely Disclosure Regulations.

##### **Disclaimers**

Among information disclosed (including the contents of this website), anything other than past facts are future forecasts made by our company based on information currently available and is not guaranteed. As such, please be aware that actual results may vary.

Also, disclosure of information (including content on this website) is only to provide information for understanding our corporation and is not intended to solicit investment.

We ask that any decisions made regarding investment should be done at your sole discretion.

## 8 Dialogue with Shareholders, Investors and Society

### Key Data / Index

#### # of Attendees of the Shareholders Meeting

75 people



75 shareholders attended the 2021 General Shareholders Meeting due to COVID-19 concerns. With shareholders meetings focused on "dialog with shareholders", the number of attendees recorded 98 people in 2015, 236 in 2016, 365 in 2017, 439 in 2018, 403 in 2019 and 97 in 2020.

#### Rate of Institutional Investor Ownership

61%



The rate of institutional investors as of the end of December 2020 is 60.7%. Breaking this number down, 40.7% are foreign institutional investors and 20.0% domestic.

#### Rate of Foreign Stock Ownership

44%



The rate of foreign share ownership as of the end of December 2020 is 44.4%, with an increase of 1.5% compared to 42.9% as of the end of December 2019.

#### Discussions with Institutional Investors Total Number of Companies

289 companies



We carried out discussions (including telephone conferences) with a total of 289 institutional investors in FY2020. We hosted financial results sessions twice and made one overseas IR visit.

#### Company Information Sessions Aimed at Individual Investors

46 / 3,152  
times attendees



We are planning to implement company information sessions aimed at individual investors in all 47 prefectures. Since FY2020 we implemented company information sessions aimed at individual investors in 46 cities nationwide, with an accumulated total of 3,152 attendees.

#### # of Postings in IR Information Blog

95 times



The IR information blog was updated 95 times in FY2020. The IR blog was started in June 2017 as a way of explaining our company's current status and future possibilities in an easy-to-understand, accurate manner, and is updated once every three days.

## 9 Corporate Governance



### Key Principle (What We Aim to Be)

The fundamental thinking behind our corporate governance is, to fulfill our social responsibilities as a company listed on the stock exchange with our philosophy of “utilizing our proprietary PDPS (Peptide Discovery Platform System) to create pharmaceuticals from special peptides and help people around the world suffering from disease”, and to improve the soundness and efficiency of management to create a lasting increase in our corporate value.

### Priority Initiatives

#### Reinforcing Auditory Function by Establishing an Auditing Committee and Appointing Independent External Directors

Our company is a “Company with an Auditing Committee”, having a Board of Directors, Auditing Committee, and Accounting Auditors in place. We believe that having four Auditing Committee members (independent External Directors), who participate in the management decision-making with voting rights on the Board of Directors, reinforces the auditing and supervisory function of the Board of Directors.

#### Establishing a Basic Policy of Corporate Governing, Conducting Continuous Review and Improvement (PDCA Cycle)

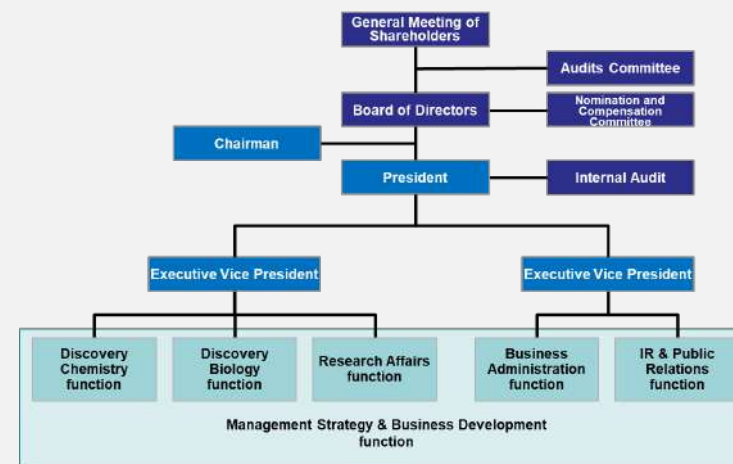
In addition to sharing understanding of the content of the Corporate Governance Report at the Board of Directors meeting, we are promoting initiatives and follow-up on all principles stipulated in the Corporate Governance Code. We have submitted our Report (both English and Japanese versions) on Corporate Governance to the Tokyo Stock Exchange.

#### Improving the Effectiveness of the Board of Directors

Our company meets the qualifications for independent officers set by the Tokyo Stock Exchange with four elected independent External Directors (independent External Director ratio of 57%), enabling discussions based on independent, neutral opinions within the Board of Directors. To improve the effectiveness of the Board of Directors, we comply with advance delivery deadlines for Board of Directors materials (at least three business days in advance) and have increased opportunities to provide information to our independent External Directors.

#### Establishing Nomination and Compensation Committee

Nomination and Compensation Committee with an outside director as chairman was established as an advisory body to the Board of Directors. Through deliberation of subjects, the Committee ensures the independence and objectivity of the procedures concerning the nomination and compensation of directors and aims to further enhance our corporate governance function.



PeptiDream's Organization Structure



## 9 Corporate Governance

### Key Data / Index

#### Ratio of Independent External Directors

57%



With four independent External Directors and a ratio of external directors at 57%, we met corporate governance code standards (As of March 31, 2021).

#### Cross Shareholdings

Zero



Our company does not have cross shareholdings.

#### Number and Ratio of Independent External Directors

	July 2017	July 2018	July 2019	July 2020	March 2021
Board of Directors Total	8	6	7	7	7
Board of Directors (Excluding Auditing Committee Members)	5	3	4	4	3
Internal Directors	4	3	4	4	3
External Directors	1	0	0	0	0
Board of Directors (Auditing Committee Members)	3	3	3	3	4
Independent External Directors	3	3	3	3	4
<b>Ratio of Independent External Directors</b>	<b>38%</b>	<b>50%</b>	<b>43%</b>	<b>43%</b>	<b>57%</b>

#### Diversity in directors

Regarding internationalization, our president is American and two executive directors have years of experience working overseas for foreign-based companies. Therefore, they help to achieve a high ratio of diversity and balance in ideas and ways of thinking. Meanwhile, a female external director was appointed as a new member of the Audit and Supervisory Committee at the 15th Ordinary General Meeting of Shareholders held on 25th March 2021.

## 9 Corporate Governance



### Directors (as of March 31, 2021)



#### Patrick C. Reid, Ph.D.

Representative Director, President & CEO

**Date of birth** January 14, 1975

**Term** 12 years

Number of shares held 4,657,400

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 (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: 100% (16/16)

## 9 Corporate Governance

### Directors (as of March 31, 2021)



**Keiichi Masuya, Ph.D.**  
Executive Vice President

Date of Birth: April 2, 1969  
Term : 5 years

Number of shares Held 0

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 (to present)
April 2020	Director of PeptiGrowth Inc. (to present)
November 2020	Representative Director and President of PeptiAID Inc. (to present)

#### 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 : 100% (16/16)



**Kiyofumi Kaneshiro, Ph.D.**  
Executive Vice President

Date of Birth: August 16, 1977  
Term : 2 years

Number of shares Held 0

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 (to present)
November 2020	Director of PeptiAID Inc. (to present)

#### 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 : 100% (16/16)

# 9 Corporate Governance

## Independent External Directors (as of March 31, 2021)



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

Date of Birth: July 16, 1949

Term: 5 years

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 : 87.5% (14/16)

Auditing Committee Meeting attendance 85.7% (12/14)



**Toshio Nagae**  
Independent External Director  
(Auditing Committee Member)

Date of Birth: December 2, 1943

Term: 5 years

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 Healthclic 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 : 100% (16/16)

Auditing Committee Meeting attendance 100% (14/14)

# 9 Corporate Governance

## Independent External Directors (as of March 31, 2021)



**Yukinori Hanafusa**  
Independent External Director  
(Auditing Committee Member)

Date of Birth: May 10, 1975  
Term: 3 years

Number of shares Held 0



**Junko Utsunomiya**  
Independent External Director  
(Auditing Committee Member)

Date of Birth: June 21, 1971  
Term: - (Newly appointed)

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)
June 2014	Corporate Auditor of Tottori Gas Co., Ltd. (to present)
September 2014	Auditor of Yatani Gakuen (to present)
December 2014	Corporate Auditor of Zen Inc. (to present)
March 2015	Corporate Auditor of ARCLAND SERVICE CO., LTD.
March 2016	Director (Audit and Supervisory Committee Member) of ARCLAND SERVICE CO., LTD. (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 : 93.8% (15/16)

Auditing Committee Meeting attendance 100% (14/14)

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
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.

## 9 Corporate Governance

### Key Skills & Expertise of PeptiDream's Board Members

Board Members		Corporate Management	Global Business	Technology, Research & Development	Finance & Accounting	HR Management & Development	Legal & Risk Management	Environment	Society	Internal Control & Governance
Patrick C. Reid, Ph.D.	Representative Director, President & CEO	○	○	○		○	○		○	○
Keiichi Masuya, Ph.D.	Executive Vice President	○	○	○		○		○	○	
Kiyofumi Kaneshiro, Ph.D.	Executive Vice President	○	○		○	○	○	○	○	○
Michio Sasaoka, Ph.D. <span>Independent</span> <span>Outside</span>	Independent External Director (Full-Time Auditing Committee Member)	○		○	○			○	○	○
Toshio Nagae <span>Independent</span> <span>Outside</span>	Independent External Director (Auditing Committee Member)	○	○	○			○	○	○	
Yukinori Hanafusa <span>Independent</span> <span>Outside</span>	Independent External Director (Auditing Committee Member)	○			○	○				○
Junko Utsunomiya <span>Independent</span> <span>Outside</span> <span>New</span>	Independent External Director (Auditing Committee Member)	○			○	○	○		○	○



# 10 Compliance and Risk Management



## Key Principle (What We Aim to Be)

In accordance with our Charter of Corporate Behavior, PeptiDream strives to increase employee awareness of compliance and foster a corporate culture for employees to speak out.

## Priority Initiatives

### Enactment and Compliance with the Corporate Code of Conduct

We are working to spread awareness of the Corporate Code of Conduct among executives and employees.

We also minimize risk and ensure high transparency in our tax practice by observing related laws (Tax Policy) and correctly filling tax returns.

As a company, PeptiDream maintains a healthy and normal relationship with politics (Political Involvement Policy) and we do not make any political donations.

### Establishment of Internal Whistleblowing Helpline

We have set up a whistleblowing helpline to report workplace fraud and harassment in the workplace that allows anonymous consultation.

### Information Management System

Our internal network uses a 24-hour monitoring service to detect anomalies and take measures quickly.

Research and development data are managed by Electronic Laboratory Notebook, which records operation history and has a stringent backup system in place.

### PeptiDream Corporate Code of Conduct

Recognizing that fulfilling our corporate social responsibility leads to increasing corporate value, we will act responsibly with common sense and faithfully comply with the code of conduct when conducting our corporate activities.

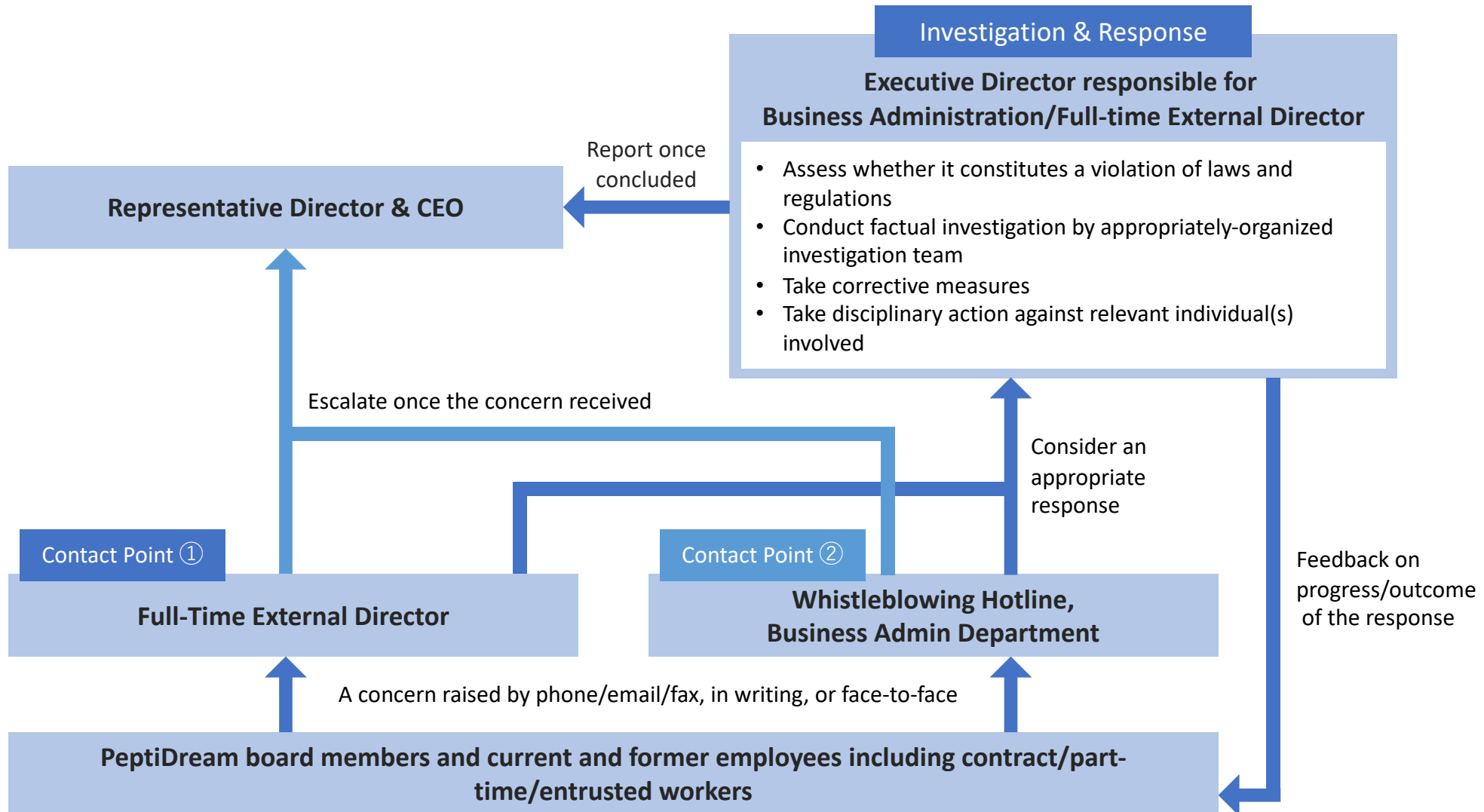
- By applying our proprietary Peptide Discovery Platform System (PDPS), which is a world-leading technology, we contribute to creating the market for peptide drug discovery, the third market following those of low molecular drugs and antibody drugs, thereby contributing to advances in medicine around the world.
- We comply with laws and regulations and execute fair corporate activities in accordance with the legislative intent.
- We communicate with the broader public, not to mention our shareholders, to disclose our corporate information proactively and fairly.
- We respect the distinctive personalities of our employees, ensure that their workplaces are safe and comfortable, and create an environment that enables all employees to demonstrate their capabilities and vitality with a sense of unity as members of the company.
- We act based on fair, transparent, free competition and trade. We do not tolerate any form of bribery and corruption.
- We adopt a firm attitude with respect to anti-social forces and similar groups that threaten social order and safety and have no involvement with them at all.
- We maintain sound, normal relationships with politicians, the government, medical professionals, and others.
- By respecting diversity, we proactively push forward with efforts relating to human rights. We will not condone any discrimination based on gender, sexual orientation and gender identity (SOGI), nationality, race, age, disability, religion or anything else.



# 10 Compliance and Risk Management



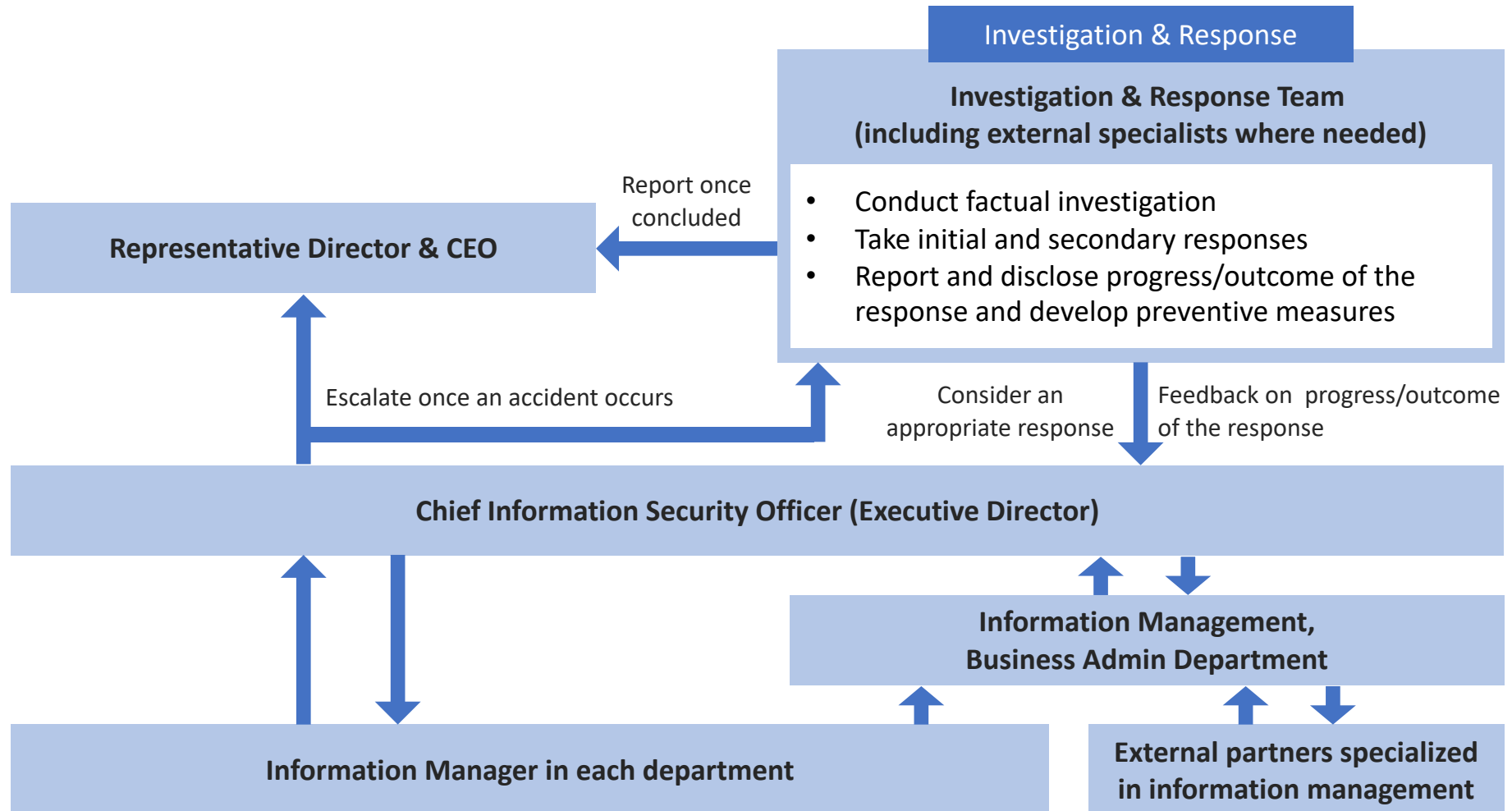
## Whistleblowing Procedure Flowchart



# 10 Compliance and Risk Management



## Information Security Accident Response - Flowchart



# 10 Compliance and Risk Management

## Priority Initiatives

### Enactment and Compliance with the Supplier Code of Conduct

We ask for the understanding and cooperation of all suppliers and their subcontractors in compliance with this Supplier Code of Conduct.

### Establishment of Animal Testing Policy

We outsource animal testing to contracted research organizations (CRO) in which we evaluate their activities according to our policy.

### Risk Management Structure

Through weekly management meetings to discuss risk issues (members include the President and Representative Director and both Vice Presidents), we take measures to respond to risks in a timely manner.

#### PeptiDream's Animal Testing Policy

In order to prove safety and effectiveness for research and development of new drugs, animal testing within the minimum necessary range is essential. We respect the dignity of animal life and recognize the "3R Principle: Replacement (use of non-animal alternative methods), Reduction (reducing the number of animals involved), Refinement (avoiding the infliction of distress on animals) as our basic principle of animal testing. Animal experiments are conducted only within the minimum necessary range. As there is no animal testing facility in the company, we outsource work to contracted research organizations (CRO) which can comply with our basic principle and has the capabilities to perform animal testing consistent to our policy.

#### PeptiDream's Supplier Code of Conduct

PeptiDream is committed to understanding legal compliance, human rights, environmental conservation, and health and safety, associated with our supply chain. To ensure that PeptiDream meets these social standards and norms, and to promote procurement activities considering them, we articulated this Supplier Code of Conduct. We request our suppliers to comply with this Supplier Code of Conduct in order to strengthen mutual trust and build sustainable business partnership.

1. Employment through free choice: Forced labor or work in captivity shall be prohibited.
2. Child labor and young workers: Child workers shall not be employed illegally. Young workers shall be employed to the extent permitted under applicable laws. Their duties shall be limited to those that will not expose them to any danger.
3. Elimination of discrimination: Discrimination associated with gender, sexual orientation and gender identity (SOGI), nationality, race, age, disabilities, religions, etc. shall be prohibited.
4. Wages, benefits, and work hours: Minimum wages, wages for overtime work, statutory benefits, including social security, etc. shall be paid under applicable laws. Work hours shall be within those prescribed under applicable laws.
5. Freedom of association: Suppliers' rights on freedom of association, participation or non-participation in labor unions, and appointment of representatives shall be respected under local laws.
6. Prevention of corruption: Corruption shall be prohibited. Bribes shall not be offered or received directly or indirectly through a third person to make an inappropriate profit.
7. Unfair competition: Business activities shall be conducted in compliance with the antimonopoly law for fair competition.
8. Environmental consideration: Applicable laws and regulations related to the environment such as reduction of greenhouse gas (GHG) emission and waste management shall be complied with.

## List of Appendices

### 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](#)
- [Talent Employment 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 \(Governance\)](#)



## Environmental Policy

At PeptiDream, all executives and employees recognize the importance of protecting the global environment for the sustainable growth of the company and is considered in every aspect of the business.

1. We comply with environmental laws and international regulations.
2. We work on developing environmentally friendly technologies, products and services.
3. In selecting suppliers, in addition to quality, technical capabilities, safety, economic rationality (price, delivery date), etc., we position suppliers' efforts for environmental protection such as reduction of greenhouse gas (GHG) emission and waste management as an important element of procurement standards. We promote "Green Procurement" which aims to minimize environmental impacts.
4. We provide continual training in environmental education for all employees so that they can keep abreast of environmental issues and embrace their social responsibility.
5. We are committed to openly communicate environmental information in a timely and appropriate manner to our stakeholders.

END

Revised June 2021

## Data (Environment)

	FY2018	FY ending Jun.2019	FY ending Dec.2019	FY 2020	Remark
CO <sub>2</sub> emissions (Scope 1 and 2)	1,217t-CO <sub>2</sub>	1,817t-CO <sub>2</sub>	1,077t-CO <sub>2</sub>	1,381 t-CO <sub>2</sub>	
Scope 1	0 t-CO <sub>2</sub>	0 t-CO <sub>2</sub>	0 t-CO <sub>2</sub>	0 t-CO <sub>2</sub>	
Scope 2	1,217t-CO <sub>2</sub>	1,817t-CO <sub>2</sub>	1,077t-CO <sub>2</sub>	1,381 t-CO <sub>2</sub>	
CO <sub>2</sub> emissions per employee	13.37 t-CO <sub>2</sub>	15.14 t-CO <sub>2</sub>	8.76 t-CO <sub>2</sub>	9.21 t-CO <sub>2</sub>	
Scope 3	—	—	—	236 t-CO <sub>2</sub>	
Category 3	—	—	—	201 t-CO <sub>2</sub>	
Category 7	—	—	—	35 t-CO <sub>2</sub>	
Electricity consumption	2,517,436 kWh	2,738,591 kWh	1,514,503 kWh	2,946,014 kWh	
Water usage and emission	4,803m <sup>3</sup>	5,143m <sup>3</sup>	2,397m <sup>3</sup>	5,312m <sup>3</sup>	
of which, processed in wastewater treatment facilities	425.9m <sup>3</sup>	525.6m <sup>3</sup>	292.2m <sup>3</sup>	591.0m <sup>3</sup>	
Pollutant concentration (annual average)					
Biochemical Oxygen Demand (BOD)	34.3mg/L	29.1mg/L	26.7mg/L	29.8mg/L	Standard is less than 600mg/L
Suspended Solids (SS)	10.8mg/L	10.8mg/L	25.2mg/L	25.6mg/L	Standard is less than 600mg/L
Pollution load (annual)					
Biochemical Oxygen Demand (BOD)	22.3kg	20.1kg	10.0kg	22.7kg	
Suspended Solids (SS)	7.1kg	8.7kg	11.4kg	27.1kg	
Waste emissions	51.4 tons	78.0 tons	44.4 tons	102.4 tons	
Industrial waste	40.5 tons	67.1tons	38.6 tons	93.0 tons	
General waste	10.9 tons	10.9 tons	5.7 tons	9.4 tons	
No. of administrative penalties and litigations related to the environment	0	0	0	0	

(Note) Due to a fiscal year change, the fiscal year ending December 2019 consists of 6 months from July 1 to December 31, 2019.



## Verification Statement

2 April 2021  
Statement No : SGS21/039

Dr. Patrick Reid  
Representative Director, President & CEO  
PeptiDream Inc.

### Objective

SGS Japan Inc. (hereinafter referred to as "SGS") was commissioned by PeptiDream Inc. (hereinafter referred to as "the Organization") to conduct independent verification based on Criteria of Verification (ISO14064-3: 2006 and the SGS verification protocol) regarding the data prepared by the Organization on the scope of verification (hereinafter referred to as "the assertion"). The objective of this verification is to confirm that the assertion in the Organization's applicable scope has been correctly calculated and reported in the assertion in conformance with the criteria, and to express our views as a third party.

### Scope

The scope of verification is Scope 1 and 2 emissions, energy consumption, Scope3 emissions, water usage and emission. The period subject to report is from 1 January 2020 to 31 December 2020. Refer to the attached sheet for the detailed scope of verification.

### Procedure of Verification

The assertion was verified in accordance with Criteria of Verification, and the following processes were implemented at a limited level of assurance:

- Verification of the calculation system: Interviews on the measurement, tabulation, calculation and reporting methods employed by the Organization as well as review of related documents and records
- Verification of the assertion: On-site verification, review of vouchers and interviews conducted at the Headquarters and Laboratory

The criteria for this review are based on the GHG Emissions Calculation and Reporting Manual Ver. 4.4, the protocol specified by the Organization, Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, Ver. 2.3 and Emission Factor Database on the same Accounting Ver. 3.0.

### Conclusion

Within the scope of the verification activities employing the methodologies mentioned above, nothing has come to our attention that caused us to believe that the Organization's assertion was not calculated and reported in conformance with the criteria.

SGS Japan Inc. affirms our independence from the organization, being free from bias and conflicts of interest with the Organization.

For and on behalf of SGS Japan Inc  
Senior Executive & Director  
Certification and Business Enhancement

Yuji Takeuchi



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attached sheet

2 April 2021  
Statement No : SGS21/039

## The details of the scope of verification

The scope	The boundary	The assertion
1 The performance data Scope 1 and 2 include energy related greenhouse gas emissions. Energy consumption ※ Excluding the vehicles which run outside of the sites	Headquarters and Laboratory	Scope1: 0 t-CO <sub>2</sub> Scope2: 1,380.9 t-CO <sub>2</sub>
2 Scope 3 (category3, 7)	Headquarters and Laboratory	category3: 200.9 t-CO <sub>2</sub> category7: 35.0 t-CO <sub>2</sub>
3 Water usage and emission	Headquarters and Laboratory	5,312 m <sup>3</sup>



# Policy on the Respect for Human Rights

## 1. 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.

## 2. Scope of application

This policy is applied to all board members and all employees of PeptiDream. PeptiDream asks all stakeholders throughout the entire supply

chain for their understanding of the policy and cooperation to respect human rights.

### 3. Education for respect for human rights

PeptiDream strives to educate all board members and employees on respecting human rights through providing training for preventing discrimination and harassment in the workplace.

### 4. Dialogue with stakeholders

PeptiDream considers that its initiatives to respect human rights should be developed continuously. The Company emphasizes the importance of ongoing dialogue with relevant stakeholders as well as understanding human rights implications relevant to its business activities from the perspectives of the people affected. Through continuing these efforts and disclosing relevant information, we will continue to improve our human rights activities.

(Reference)

1. THE INTERNATIONAL BILL OF HUMAN RIGHTS:

<https://www.ohchr.org/documents/publications/compilation1.1en.pdf>

2. ILO Declaration on Fundamental Principles and Rights at Work:

<http://www.ilo.org/declaration/lang--en/index.htm>

3. Guiding Principles on Business and Human Rights:

[https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf)

END

Revised July 2020



## Non-Discrimination and Anti-Harassment 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. Based on this viewpoint, we specifically adhere to the following to strive to provide our stakeholders with and to maintain a respectful and sustainable workplace free from any kind of discrimination or harassment.

1. PeptiDream prohibits illegal acts of discrimination and harassment based on gender, sexual orientation and gender identity (SOGI), nationality, race, age, disabilities, religion or belief, or any other characteristic protected by applicable law. PeptiDream also prohibits any kind of inappropriate behavior such as bullying.
2. PeptiDream expects every board member and employee to exhibit positive behavior such as treating everyone fairly, maintaining a workplace where employees can openly communicate, and respecting individual differences, so that each person contributes to maintain a respectful and good working environment.
3. At PeptiDream, violations of this policy may be subject to potential disciplinary action in accordance with company's rules and regulations including PeptiDream's Code of Conduct.
4. This policy applies to all aboard members and employees of PeptiDream. We also request our stakeholders in the entire supply chain to understand the relevant policy and ask for their cooperation in preventing discrimination and harassment.

5. PeptiDream prohibits retaliation against anyone who in good faith reports a concern about harassment, discrimination, bullying or other issues, or cooperates with an investigation thereof.
6. PeptiDream strives to educate all board members and employees on respecting human rights through providing training for preventing discrimination and harassment in the workplace.

End

June 2021



## Animal Testing Policy

In order to prove safety and effectiveness for research and development of new drugs, animal testing within the minimum necessary range is essential.

We respect the dignity of animal life and recognize the "3R Principle: Replacement (use of non-animal alternative methods), Reduction (reducing the number of animals involved), Refinement (avoiding the infliction of distress on animals) as our basic principle of animal testing.

Animal experiments are conducted only within the minimum necessary range.

As there is no animal testing facility in the company, we outsource work to contracted research organizations (CRO) which can comply with our basic principle and has the capabilities to perform animal testing consistent to our policy.

END

Revised Aug 2019





## Access to Medicine Policy

At PeptiDream, our mission is to work to develop innovative medicines and to hear a “thank you” from the people suffering from diseases around the world. Improving access to medicines is an important issue for many, and we strive to contribute to it.

1. Commitment to creations of innovative medicines which fulfill unmet medical needs

With drug discovery using PDPS- PeptiDream’s unique drug development platform system- it is possible to obtain hit candidate compounds even for targets that were difficult to identify using conventional drug development methods. PDPS enables to create new medicines in various disease areas where there is no appropriate treatment, addressing unmet medical needs.

2. Contributing to develop an environment to enhance accessibility to medicines

In developing countries, access to innovative medicines is often hindered due to affordability. PeptiDream receives research funding from the Bill & Melinda Gates Foundation, one of the world's largest charitable foundations, and is currently researching and developing for new treatments for tuberculosis. Drugs developed with this grant will be offered at low prices in low-and-middle income countries (LMIC).

### 3. Promoting improved understandings of health and diseases

PeptiDream believes that improved understandings of health and diseases in the society is crucial not only for disease prevention but also for receiving adequate diagnosis and treatments relevant to each patient. We promote support activities in the areas of science and disease education in cooperation with non-profit organizations and through organizing local community events.

END

Revised Dec 2019



## Supplier Code of Conduct

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PeptiDream is committed to understanding legal compliance, human rights, environmental conservation, and health and safety, associated with our supply chain. To ensure PeptiDream meets these social standards and norms, and to promote procurement activities considering them, we articulated this Supplier Code of Conduct. We request our suppliers to comply with this Supplier Code of Conduct in order to strengthen mutual trust and build sustainable business partnership.

1. Employment through free choice: Forced labor or work in captivity shall be prohibited.
2. Child labor and young workers: Child workers shall not be employed illegally. Young workers shall be employed to the extent permitted under applicable laws. Their duties shall be limited to those that will not expose them to any danger.
3. Elimination of discrimination: Discrimination associated with gender, sexual orientation and gender identity (SOGI), nationality, race, age, disabilities, religions, etc. shall be prohibited.
4. Wages, benefits, and work hours: Minimum wages, wages for overtime work, statutory benefits, including social security, etc. shall be paid under applicable laws. Work hours shall be within those prescribed under applicable laws.
5. Freedom of association: Employees' rights on freedom of association, participation or non-participation in labor unions, and appointment of representatives shall be respected under local laws.
6. Prevention of corruption: Corruption shall be prohibited. Bribes shall not be offered or received directly or indirectly through a third person to make an inappropriate profit.

7. Unfair competition: Business activities shall be conducted in compliance with the antimonopoly law for fair competition.
8. Environmental consideration: Applicable laws and regulations related to the environment such as reduction of greenhouse gas (GHG) emission and waste management shall be complied with.

To understand the actual implementation status by suppliers, we may request our suppliers to respond to a questionnaire from PeptiDream or a third-party auditor. We ask for the understanding and cooperation of all suppliers and their subcontractors in compliance with this Supplier Code of Conduct.

End

Revised June 2021



# Talent Employment Policy

## 1. Diversity and Inclusion- a high priority in PeptiDream's HR strategy

- Diversity and inclusion is a high priority in PeptiDream's HR strategy. At PeptiDream, we believe that diversity gives our company a competitive advantage and develops innovation which are important to the fulfillment of our mission.
- Diversity includes not only visible difference such as gender, nationality, race, age, disability, religion, but also invisible difference which include values, beliefs, physical differences, ethnicity, experiences, backgrounds, sexual preferences. As a R&D based innovative company, we respect the diversity of each researcher's expertise and sensitivity as a scientist.

## 2. Creating an environment where everyone can play an active role

- PeptiDream commits to the realization of a workplace where diverse employees can demonstrate their individuality and work together to achieve results through solidarity and cooperation. Employees are expected to contribute towards realizing these workplaces as well.
- PeptiDream promotes management and communication to support business execution, achievement of goals and personal growth obtained through these processes.
- Recruitment / promotion / skill development / reward decisions are based on individual skills, experience, achievements, aptitude and growth potential. PeptiDream fairly evaluates each employee's contribution to the company.

- We ban and do not tolerate any mental, physical or sexual harassment or any other infringement. In the case of harassment, employees are encouraged to report to the company on any instance of harassment immediately.
  - PeptiDream is committed to the realization of workplace environment and business processes with consideration for health, safety, and environmental protection
3. Confirming policies be observed in all aspects of business execution
- PeptiDream acknowledges the 1. The International Bill of Human Rights, 2. The ILO Declaration on Fundamental Principles and Rights at Work, 3. The Guiding Principles on Business and Human Rights. We comply to these international norms in all scenes of business activities.
    - ◆ PeptiDream does not tolerate workplace discrimination based on gender, nationality, age, religion, marital status, sexual preference, physical or mental disability, and other characteristics protected by law.
    - ◆ 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.

END

Revised Dec 2019





## Policy on Social Contribution

PeptiDream's corporate philosophy is to contribute to people suffering from diseases around the world and to address unmet medical needs by utilizing our unique drug development platform system (PDPS) and completing drug discovery using special peptides. PeptiDream is committed to serve as a good corporate citizen for society through interaction with a local community and activities which will promote development of industries.

1. PeptiDream will carry out social contribution activities for society and local community through participation in various projects of Network Council of KING SKYFRONT, Tonomachi International Strategic Zone in Kawasaki City, and by organizing local community events. We are committed to contribute towards the better town planning of Tonomachi and KING SKYFRONT to make the district even more attractive. In addition, PeptiDream will carry out support activities in the areas of education and academia with the goal to promote and pursue development of science and technology, in liaison with public institutions and non-profit organizations.
2. PeptiDream will carry out social contribution in the areas of drug discovery and healthcare by providing environment-friendly and innovative drug discovery technology, and by making the best use of partnerships with different stakeholders. By doing so, we believe that it will consequently lead us to contribute to bring about creations of innovation in a more efficient way on industries-wide basis. We believe that accelerating innovation will benefit patients suffering from intractable diseases.

3. PeptiDream will report on our activities in an appropriate manner to our stakeholders.

END

Revised Dec 2019



## Political Involvement Policy

PeptiDream respects employees' freedom of political participation. However, personal political activities of employees must be clearly distinguished from activities of PeptiDream.

1. Employees will not use their worktime and any PeptiDream's funds and resources for personal political activities and personal political contributions. Employees will not use their positions with PeptiDream to coerce or pressure other employees to make contributions or to support or oppose any political activities.
2. As a company, PeptiDream's relationship with politics maintains a healthy and normal relationship.

END

Revised Dec 2019

## Data (Society)

	FY2015	FY2016	FY2017	FY2018	FY ending Jun.2019	FY ending Dec.2019	FY 2020
<b>&lt;Employee Data&gt;</b>							
No. of employees	46	52	67	91	120	123	150
Of which, Female	17	20	26	36	47	48	57
Ratio of female employees	37.0%	38.5%	38.8%	39.6%	39.2%	39.0%	38.0%
Of which, non-Japanese	3	2	4	4	4	4	4
Ratio of non-Japanese employees	6.5%	3.8%	6.0%	4.4%	3.3%	3.3%	2.7%
No. of full-time employees	43	47	60	83	104	107	128
Of which, Female	14	17	20	31	41	42	45
Ratio of female employees	32.6%	36.2%	33.3%	37.3%	39.4%	39.3%	35.2%
No. of full-time employees involved in R&D	40	43	54	73	89	93	120
Of which, Female	13	16	19	29	34	35	41
No. of managerial employees	—	—	—	25	25	24	32
Of which, Female	—	—	—	3	4	4	6
Ratio of female in managerial positions	—	—	—	12.0%	16.0%	16.7%	18.8%
Average age	39.5	39.9	40.8	38.9	37.6	37.7	38.2
Of which, Male	40	40	40	39	38	39	38.7
Of which, Female	36	36	36	35	35	36	37.2
Average service years	2.4	3.0	3.2	2.9	3.1	3.3	3.5
Of which, Male	2.0	2.5	2.7	2.9	3.1	3.3	3.4
Of which, Female	3.1	3.6	3.5	3.0	3.1	3.3	3.8
No. of hires (of which, Female)	—	—	—	—	—	7 (4)	25 (4)
No. of new graduate (of which, Female)	0 (0)	1 (0)	1 (0)	1 (0)	5 (1)	0 (0)	0 (0)
No. of retirees (of which, Female)	1 (1)	2 (0)	2 (2)	2 (0)	3 (0)	4 (3)	3 (1)
Turnover rate	2.2%	3.8%	3.0%	2.2%	2.5%	3.3%	2.4%
Turnover rate of hired new graduates after three years	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average annual salary (thousand yen)	9,443	9,387	9,936	10,160	9,793	5,674	9,760
No. of handicapped employees	0	0	0	2	4	4	4
Ratio of handicapped employees	0.0%	0.0%	0.0%	2.4%	3.8%	3.7%	3.1%
Ratio of female employees who took childcare leave	100%	100%	100%	100%	100%	100%	100%
Return rate/retention rate after childcare leave	100%	100%	100%	100%	100%	100%	100%
No. of employees who took nursing care leave	0	0	0	0	1	0	0
Usage of annual paid leave	—	—	75.8%	63.5%	62.9%		67.7%
Usage of summer paid leave	—	—	97.6%	93.5%	93.9%		95.1%
Ratio of employees who underwent health checkup	—	—	—	94.7%	95.8%		88.6%
Ratio of employees who participated Stress Check Program mandated by MHLW	—	—	—	98.5%	98.9%	95.1%	91.3%
Ratio of employees on leave due to mental disorders	0.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%
<b>&lt;Other Society-related Data&gt;</b>							
No. of occupational accidents	0	0	0	0	0	0	1
Fatalities	0	0	0	0	0	0	0
LTIFR (Lost Time Injury Frequency Rate)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.6%
Severity rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.05%
OIFR (Occupational Illness Frequency Rate)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
No. of administrative guidance and violation of laws and regulatory compliance	0	0	0	0	0	0	0
No. of whistle-blowing system hotline complaints received	—	—	—	1	0	0	1

**(Note)**Due to a fiscal year change, PeptiDream's fiscal year ending December 2019 consists of 6 months from July 1 to December 31, 2019.



## Board Diversity Policy

PeptiDream recognizes and embraces the importance of increasing diversity at the board level, from various perspectives such as skills, industry experience, nationality, race, gender, etc., as an essential element in maintaining and further improving the company's competitive advantage. As such, this policy is set with an aim toward realizing an appropriate level of board diversity, in order for the board of directors ("the Board") as a whole to be well-equipped with knowledge, experience and capability combined in a balanced manner to effectively fulfill its duties and responsibilities.

### 1. Scope of application

This policy is applied to all board members of PeptiDream. Matters related to diversity of its employees is separately covered in our Talent Employment Policy.

### 2. Our actions

We specifically adhere to the following;

- Review and monitoring of effectiveness of the Board are conducted to oversee whether the Board is well-balanced in the context of knowledge, experience and capability to effectively perform its duties and responsibilities.
- Skills matrix chart which exhibits an overall balance of the skills and experience of the board members is formulated and disclosed.

- The Nomination and Compensation Committee ('the Committee') reviews and assesses Board composition on behalf of the Board on a regular basis and recommends the appointment of new board members, where necessary, considering both the optimum size of the Board and its diversity.
- The Committee will oversee succession planning and maintain and cultivate a list of potential candidates for succession to the Board.

End

June 2021





## Anti-bribery & Corruption Policy

Peptide Dream will not tolerate any violation of bribery and corruption. We establish and operate an internal system and mechanism to eliminate bribery and corruption.

1. To gain business and business advantages in all countries and regions where we operate, we prohibit the offer, promise, offer or request or receipt of bribes (monetary or economic benefits) for the purpose of improperly affecting public affairs or formal decisions.
2. All expenses, including payments to third parties, are recorded and stored accurately and appropriately in an accounting book so that it can be proved that no bribery or corruption has occurred.
3. When executives and employees violate this policy, they will be punished according to internal labour regulations.

END

Revised Dec 2019



## Whistleblower/Anti-retaliation Policy

For the purpose of ensuring compliance management, PeptiDream has established a whistle-blowing system to prevent, detect, and correct fraud. In this system includes a hotline, reporting methods such as telephone calls, e-mails, written documents, and interviews which are communicated to employees, and a senior executive who is in charge and is responsible for the operation.

1. We speak up if we become aware of inappropriate conduct or violation of laws and regulations in the workplace.
2. In accordance to the laws and regulations and PeptiDream's Code of Conduct, we consult with appropriate superiors or report to or consult with hotlines designated concerning facts that are problems or are believed to be problems
3. We do not misuse the whistle-blowing system for the purpose of damaging public interest or a third party's legitimate interests.
4. We secure the personal information of and protect the privacy of any person making a report or consultation.
5. We ensure that such reporting is not used to the detriment of the person making the report.
6. We take care to protect honor and privacy of not only the person making the report, but all persons who take part in the resulting investigation.
7. When the investigation reveals improper conduct, we promptly take corrective and preventive measures to preclude the behavior from

recurring and make efforts to notify without delay the person making the report.

8. When corrective and preventive measures are taken to preclude the behavior from recurring, we inform all to raise awareness.
9. We do not tolerate retaliation against employees who have reported or who cooperated with the investigation is prohibited. In the event of retaliation, we will take appropriate and strict measures regardless of the position within the company.

END

Revised Dec 2019



## Tax Policy

Peptide Dream strives to minimize tax risk and realize highly transparent tax practices by complying with tax-related laws and regulations and making appropriate tax returns.

1. We recognize that ensuring tax transparency is an important aspect of social responsibility. We make efforts to ensure appropriate filing and tax payment is done in accordance with tax-related laws and regulations of all countries and regions where we operate.
2. Within the scope of normal business activities, we will apply the preferential tax system that can be used and strive to maximize business value by improving tax efficiency.
3. In case of disagreement with tax authorities in each country or region, we will resolve these issues through constructive dialogue with tax authorities.

END

Revised Dec 2019



# Cybersecurity Policy

PeptiDream works in close collaboration with multiple R&D partners for a number of drug discovery programs. At PeptiDream, therefore, all executives and employees recognize the importance of information security and regard that setting a high standard of information security is essential for the sustainable growth of the company. As such, this policy hereinafter prescribed is set to protect PeptiDream's information asset including client and personal information the company handles, in order to protect it from possible cybersecurity threats and risks involved.

## 1. Scope of application

This policy is applied to all board members and all employees of PeptiDream and covers every piece of information which is under the control of the company in relation to its operating activities.

## 2. Our actions

We specifically adhere to the following;

- PeptiDream duly complies with relevant cybersecurity laws, regulations and guidelines set forth by the government.
- PeptiDream works on developing and operating appropriate cybersecurity management system.
- PeptiDream strives to prevent and to detect risks and issues related to cybersecurity.

- In case an incident in relation to cybersecurity occurs, PeptiDream shall handle it promptly and appropriately and take necessary steps to prevent a recurrence of similar incidents in future.
- PeptiDream provides continual education and trainings for all employees to promote high cybersecurity awareness so that they can keep abreast of the cybersecurity-related risks and recognize their importance.
- PeptiDream timely reviews its cybersecurity-related operations and activities to make a continuous improvement.

END

Revised July 2020

## Data (Governance)

	Jun 30, 2016	Jun 30, 2017	Jun 30, 2018	Jun 30, 2019	Dec 31, 2019	Dec 31, 2020	Apr 30, 2021
Board of Directors Total	8	8	7	7	7	7	7
Board of Directors (Excluding Auditing Committee Members)	5	5	4	4	4	4	3
Internal Directors	4	4	3	4	4	4	3
External Directors	1	1	1	0	0	0	0
Board of Directors (Auditing Committee Members)	3	3	3	3	3	3	4
Independent External Directors	3	3	3	3	3	3	4
Ratio of Independent External Directors	37.5%	37.5%	42.9%	42.9%	42.9%	42.9%	57.1%
Ratio of Female Directors	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	14.3%
Ratio of Foreign Directors	12.5%	12.5%	14.3%	14.3%	14.3%	14.3%	14.3%
Average Age of Directors	53	54	57	56	57	58	56

	FY2016	FY2017	FY2018	FY ending Jun. 2019	FY ending Dec. 2019	FY 2020
Meeting Frequency of Board of Directors	16	15	18	15	8	16
Meeting Attendance Ratio	96.8%	94.2%	95.9%	98.1%	100%	97.3%
Meeting Frequency of Auditing Committee	10	14	14	14	8	14
Meeting Attendance Ratio	90.0%	92.9%	97.4%	97.6%	100%	95.2%
Meeting Frequency of Nomination and Compensation Committee	—	—	—	—	4	5
Meeting Attendance Ratio	—	—	—	—	100%	100%
Remuneration of Board of Directors (in thousand yen)						
Board of Directors (Excluding Auditing Committee Members)	169,230	315,210	174,840	245,758	96,750	377,000
Fixed Remuneration	169,230	215,210	174,840	181,515	96,750	192,000
Performance-Based Remuneration	—	100,000	—	64,243	—	185,000
Board of Directors (Auditing Committee Members)	11,400	14,700	12,950	14,850	7,800	15,600

(Note) Due to a fiscal year change, the fiscal year ending December 2019 consists of 6 months from July 1 to December 31, 2019.





**Our Aim, Mission and Dream:**

**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.**