Corporate Governance Report

Last Update: April 20, 2021

PeptiDream Inc.
Patrick C. Reid
Representative Director, President & CEO
Contact: IR & Public Affairs Department
Securities Code: 4587
https://www.peptidream.com/

The corporate governance of PeptiDream Inc. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The fundamental basis of our corporate governance is to fulfill our social responsibilities as a listed company under the business philosophy of developing therapeutics using non-standard peptides by applying our proprietary Peptide Discovery Platform System (PDPS). The Company strives to support people around the world who are suffering from diseases, as well as to improve the soundness and efficiency of our corporate management and to sustainably enhance our corporate value.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

【Principle 1-4: Cross-shareholdings】

The Company does not hold shares of other listed companies as strategic shareholdings.

【Principle 1-7: Related party transactions】

The Company complies with the procedures specified in the Companies Act for transactions with directors that result in a conflict of interest and these transactions require reporting and approval by the Board of Directors.
The Company regularly checks with directors whether there are transactions between related parties and disclose the results in its securities reports.

【Principle 2-6: Roles of corporate pension funds as asset owners】

The Company has not adopted a corporate pension program; therefore, there will not be a case in which corporate pension funds perform the role as asset owners.

【Principle 3-1: Full disclosure】

(i) Company objectives (e.g., business principles), business strategies and business plans:
The Company's business philosophy is posted on its website. Its business strategies and plans are presented in the summaries of financial results, the presentation materials for financial result briefings, securities reports and other documents.(https://www.peptidream.com/esg/data_en.html)

(ii) Basic views and guidelines on corporate governance:
These are presented in Company's corporate governance reports and "Our Approach to Sustainability (ESG)" on its website.

(iii) Board policies and procedures in determining the remuneration of the senior management and directors:
See the "Policy for determining the amount of remuneration or calculation method" section in the "Directors' remuneration" in the corporate governance report.

(iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of director and corporate auditor candidates:
The Board of Directors comprehensively evaluates and assesses experience, knowledge, specialization and other qualities and determines candidates in accordance with our business philosophy and business strategies.

(v) Explanations with respect to the individual appointments/dismissals and nominations based on (iv):
The Company discloses the reasons for selecting the candidates for directors, who are members of the Board of Directors and Audit and Supervisory Committee members, in the reference materials for the Ordinary General Meeting of Shareholders.

【Supplementary Principles 4-1 (1) Roles and responsibilities of the Board】

Detailed standards for proposals are established according to the level of importance and these decisions are to be made by the Board of Directors or "Ringi", a system to make a request for decision making. The Company entrusts the President with decision-making through the Ringi system concerning matters other than decisions to be made by the Board of Directors. Job authority and division of duties for persons responsible for operations and the heads of departments are defined in internal rules, and the Company has constructed a system that is being constantly revised according to reorganization, etc.

【Principle 4-9: Independence standards and qualification for independent directors】

The Company selects candidates for independent external directors based on the standards for independency established by the Tokyo Stock Exchange.

【Principle 4-11 (2): Preconditions for the effectiveness of the Board of Directors and Board of Corporate Auditors】

External directors, directors and directors who are Audit and Supervisory Committee members dedicate their time and labor to the duties of directors and Audit and Supervisory Committee members to appropriately perform their roles and fulfill responsibilities while limiting concurrent positions outside of the Company to a reasonable range. The status of concurrently held jobs is disclosed in the business reports and securities reports.

【Principle 4-11 (3): Preconditions for the effectiveness the Board of Directors and Board of Corporate Auditors】

From October to December 2020, the Board of Directors conducted a questionnaire and individual interviews of all seven directors to evaluate the effectiveness of the Board of Directors. The survey consisted of 34 questions, including the composition of the Board of Directors, operation of the Board of Directors, agenda at meetings of the Board of Directors and the system that supports the Board of Directors. All directors submitted their responses with their names on them. As a result, the Company determined that the composition, operation, information materials, deliberations and responsibilities of the Board of Directors were appropriate and, as a whole, high effectiveness was maintained. The respondents shared concerns such as challenges in the consultation and development of a succession plan as well as in the reinforcement of risk management system to deal with unanticipated emergencies such as major earthquakes, typhoons and floods. Based on these results, the Company will continue to ensure the effectiveness of the Board of Directors.

【Supplementary Principles 4-14 (2): Training of directors and corporate auditors】

The Company provides its directors, including the Audit and Supervisory Committee members, with opportunities to acquire knowledge such as external training when they assume the position of director. Even during their term of office, the Company encourages them to participate in study sessions and external seminars provided by outside experts corresponding to revisions of laws.

【Principle 5-1: Policy for constructive dialogues with shareholders】

The Company places importance on constructive dialogue with its shareholders and other parties as the Company believes that this contributes to the company's sustainable growth and medium to long-term increase in corporate value. In particular, the corporate management and the Head of the Investor Relations Department work to hold dialogues with shareholders and investors at a variety of opportunities.
The Company holds two financial result briefings with the participation of the corporate management each year and holds meetings with institutional investors in and outside Japan as necessary. The Company also conducts telephone interviews, briefings for individual investors multiple times a year, and carry out overseas IR activities.
The results are reported to the Board of Directors as appropriate. In the dialogues with shareholders, the Company ensures that leakage of insider information is prevented.

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Kiichi Kubota	14,106,400	11.20
Hiroaki Suga	10,822,804	8.60
The Master Trust Bank of Japan, Ltd. (as a trustee)	8,085,600	6.42
Northern Trust Co. (AVFC) Sub A/C Nontreaty	5,604,853	4.45
Custody Bank of Japan, Ltd. (as a trustee)	5,019,400	3.99
Patrick C. Reid	4,657,400	3.70
SSBTC Client Omnibus Account	3,766,402	2.99
SMBC Trust Bank Ltd. (as a trustee for regulated securities)	2,400,000	1.91
The Bank of New York, Non-Treaty JASDEC Account	2,202,600	1.75
State Street Bank West Client – Treaty 505234	2,199,800	1.75

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

* Foreign Shareholding Ratio and Status of Major Shareholders set forth above are as of 31 December 2020. * The shareholding ratio is calculated by subtracting 52 treasury shares. The number of treasury shares does not include the 193,600 shares of the company held by Trust & Custody Services Bank, Ltd. (Trust Account E) as trust property for Board Benefit Trust.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Pharmaceutical
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥ 100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with an Auditing Committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	11
Term of Office Stipulated in Articles of Incorporation	1 Year
Chairperson of the Board	President

Number of Directors	7
Status of Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Michio Sasaoka	From another company											
Toshio Nagae	From another company											
Yukinori Hanafusa	CPA											
Junko Utsunomiya	Lawyer											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/ are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Michio Sasaoka	○	○		Dr. Sasaoka was appointed as an External Director for his experience and extensive knowledge of corporate management as well as his broad global insight. He is deemed to have no conflict of interest with our General

				Shareholders and is qualified as an independent officer.
Toshio Nagae	○	○		Mr. Nagae was appointed as an External Director for his experience and extensive knowledge of corporate management as well as his broad global insight. He is deemed to have no conflict of interest with our General Shareholders and is qualified as an independent officer.
Yukinori Hanafusa	○	○	[Significant concurrent positions]: Representative Director, ACCOUTING WORKS Co., Ltd	Mr. Hanafusa was appointed as an External Director because, as a certified public accountant, he is well-versed in finance and accounting. He is deemed to have no conflict of interest with our General Shareholders and is qualified as an independent officer.
Junko Utsunomiya	○	○	[Significant concurrent positions]: Partner, Utsunomiya, Shimizu & Haruki.	Ms. Utsunomiya was appointed as an External Director because, as a lawyer, she is well-versed in corporate legal matters. She is deemed to have no conflict of interest with our General Shareholders and is qualified as an independent officer.

[Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Supervisory Committee	4	1	0	4	Outside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Directors
Although there are no dedicated employees who assist the Audit and Supervisory Committee, the person in charge of internal audits assists with the duties of the Committee as needed. To ensure independence, the personnel changes, evaluations and other matters of these employees are determined with the consent of the Committee.

Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments
The Audit and Supervisory Committee receives audit reports from the accounting auditor and works with them to exchange information and opinions appropriately. In addition, the Committee works closely with the person

in charge of internal audits by requiring them to attend the Committee meetings to exchange information as needed, and by asking them to report to the Committee as needed.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

At the Board of Directors meeting held on July 18, 2019, the Nomination and Compensation Committee was established as a voluntary advisory body to the Board of Directors. In order to ensure the independence and objectivity of the procedures concerning the nomination and compensation of directors and to further enhance corporate governance, the chairman of this committee is the independent outside director (Michio Sasaoka), and members consist of 4 people in total- 2 internal directors (Patrick C. Reid, President and Kiyofumi Kaneshiro, Executive Vice President) and 2 independent outside directors (Michio Sasaoka, Independent Outside Director and Toshio Nagae, Independent Outside Director). The committee was held 5 times in total in the fiscal year ended December 31, 2020.

[Independent Directors]

Number of Independent Directors	4

Matters relating to Independent Directors

The Company designates all qualified independent officers as independent officers.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options /

Supplementary Explanation

The Company employs a stock option system, with the aim of increasing motivation and morale of its employees as well as to improve its business performance and enhance its corporate value by securing talented human resources. In addition, the Company employs a performance-linked stock compensation scheme called the Board Benefit Trust (BBT). By promoting BBT, the Company strives to raise awareness of shareholders

towards contributing to the medium to long-term improvement of business performance and increasing corporate value, as well as sharing not only the benefits of rising stock prices but also the risk of falling stock prices and further strengthening the link between the directors' remuneration, its company's performances and stock value.

Recipients of Stock Options	Inside Directors / Employees

Supplementary Explanation
The Company offers stock options to its directors (excluding those who are members of the Audit and Supervisory Committee) and employees, with the aim of increasing motivation and morale of employees to improve its business performance as well as to help enhance its corporate value by securing talented human resources.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Individual disclosure made for certain directors only

Supplementary Explanation
The total remuneration of the four directors is 377,000 thousand yen and the total remuneration of the three members of the Audit and Supervisory Committee is 15,600 thousand yen for the fiscal year ended December 31, 2020. The following three executives received remuneration of 100 million yen or more in the fiscal year ended December 31, 2020. Patrick C. Reid: Total remuneration of 120 million yen (fixed remuneration of 60 million yen and performance-linked remuneration of 60 million yen) Keiichi Masuya: Total remuneration of 120 million yen (fixed remuneration of 60 million yen and performance-linked remuneration of 60 million yen) Kiyofumi Kaneshiro: Total remuneration of 120 million yen (fixed remuneration of 60 million yen and performance-linked remuneration of 60 million yen)

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
<Overview of director remuneration system> The remuneration of directors (excluding those who are members of the Audit and Supervisory Committee) includes fixed pay in consideration of their day-to-day performance of duties, taking into account their expected roles and tasks, and performance-linked pay based on the achievement of performance targets. Performance-linked remuneration is determined in a range from 0% to 100% of their fixed pay, with performance-linked remuneration making up 0% to 50% of their total remuneration. The remuneration of directors serving as Audit and Supervisory Committee members does not include performance-linked pay in light of their responsibilities, and only consists of fixed compensation. The performance-linked remuneration is, specifically, comprised of The Board Benefit Trust (BBT) and Bonuses. The BBT is a performance-linked equity compensation scheme that provides directors (excluding outside directors and directors serving as Audit and Supervisory Committee members) with shares of the Company's stock and cash at the time of their retirement based on points earned during their term of office. The goals of the BBT are to visualize the link between the directors' remuneration and the Company's performance and stock value and to motivate directors to contribute to the medium to long-term improvement

of business performance and the increase of corporate value. Bonuses, however, are payments linked to short-term performance with the goal of motivating directors to contribute to the achievement of financial targets in the current business year.

<Method for determining director remuneration>
The director remuneration is determined at the discretion of the President, after approval by Board of Directors. In order to ensure independence and objectivity, the Nomination and Compensation Committee, consisting of independent outside directors and other directors, is consulted in advance regarding the amount of directors' remuneration, and the amount is determined respecting the opinions of this committee.
The amount of remuneration of the directors who serve as Audit and Supervisory Committee members is determined through consultation with the directors serving as Audit and Supervisory Committee members.

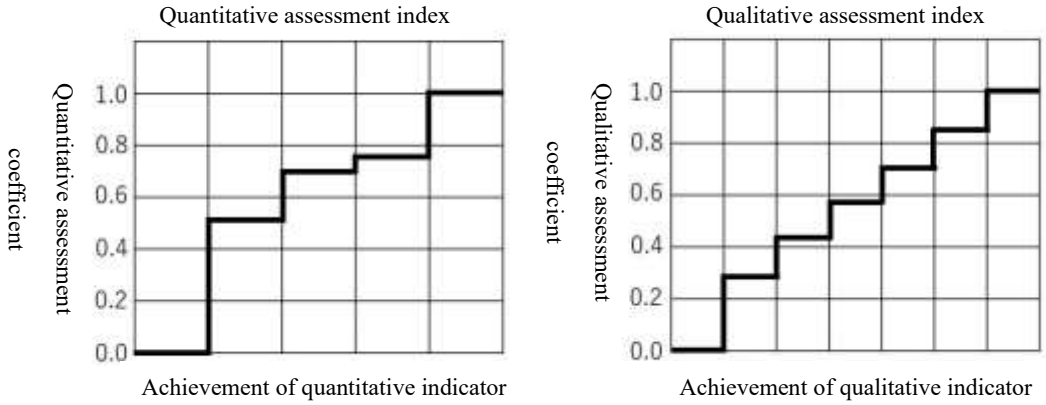
<Method for calculating performance-linked remuneration>
The performance-linked remuneration of directors (excluding directors who serve as Audit and Supervisory Committee members) is calculated based on the following formula:

- Performance-linked remuneration = fixed remuneration x (quantitative assessment coefficient※1 x weight※2 + qualitative assessment coefficient※1 x weight※2)

※1 Quantitative assessment coefficient and qualitative assessment coefficient are results of the assessment of the achievement of the Company's performance targets.

The Company has established two performance indicators, its quantitative assessment indicator and its qualitative assessment indicator, to measure the short-term and medium- to long-term performance of directors. The assessment coefficients are determined based on the table below.

<Quantitative assessment index and qualitative assessment index>
(developed by the Company)



The level of achievement of the quantitative assessment indicator (out of five levels) is determined based on achievement criteria set in advance for A. sales growth ratio (year-on-year comparison), B. achievement of sales target, and C. achievement of operating income target. For the fiscal year ended December 31, 2020, the sales growth target (year-on-year comparison) was sales growth of more than 10%, the sales target was 10,000,000 thousand yen and more, and the operating income target was operating income of 5,300,000 thousand yen and more.

The following eight criteria were set in advance for the qualitative assessment indicator. Based on these criteria, the Nomination and Compensation Committee members respectively assess the level of achievement (out of seven levels) prior to comprehensive deliberation and evaluation.

- Efforts to develop intangible assets of the Company
  - a. Increasing the value of R&D pipelines
  - b. Expanding new alliance partners
  - c. Developing new platform technologies and intellectual property rights
  - d. Efforts in relation to ESG (sustainability)
- Efforts to avoid asset losses and mitigate risks of the Company
  - e. Managing and mitigating legal risks
  - f. Managing business continuity (business continuity plans)
  - g. Managing corporate reputation
  - h. Optimizing costs and developing lean organization

※2 The weighting of the quantitative assessment coefficient and the qualitative assessment coefficient is appropriately determined in advance each fiscal year by the Nomination and Compensation Committee upon comprehensive examination of management and business environment and other factors.

For the fiscal year ended December 31, 2020, the weight of the quantitative assessment coefficient was 65% and the weight of the qualitative assessment coefficient was 35% of the total amount.

<Achievements and results based on the assessment indicators for performance-linked remuneration>
Achievement based on the quantitative assessment indicator was five out of a possible five levels and the quantitative assessment coefficient was 1.0 for the fiscal year ended December 31, 2020, as a result of sales of 11,677,253 thousand yen and operating income of 6,991,323 thousand yen, which met the criteria set in advance.
Achievement based on the qualitative assessment indicator as determined by the Nomination and Compensation Committee was seven out of a possible seven levels (the total score was 93 of 100 points) and the qualitative assessment coefficient was 1.0. Therefore, performance-linked remuneration for the fiscal year ended December 31, 2020, was determined to be 100% of fixed remuneration.

[Supporting System for Outside Directors]

Our Business Administration Department or the person in charge of internal audits supports our external directors and provides necessary support such as notification and distribution of materials related to the Board of Directors.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Others

Kiichi Kubota, a former Representative Director and the Chairman, retired as a member of the Board and the Chairman at the expiration of his term at the 15th Ordinary General Meeting of Shareholders held on March 25, 2021.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

At the 9th Ordinary General Meeting of Shareholders held on September 18, 2015, the Company resolved to change the Articles of Incorporation to become a company with an Audit and Supervisory Committee. Accordingly, the Company transformed from a company with a Board of Corporate Auditors to one with an Audit and Supervisory Committee. The Audit and Supervisory Committee is composed of four directors (all of whom are external directors) who are members of the Audit and Supervisory Committee. Directors who are members of the Audit and Supervisory Committee regularly hold Audit and Supervisory Committee

meetings and attend Board of Directors' meetings, which creates a prompt and fair audit and monitoring system.

The Board of Directors consists of seven members: one representative director and two directors (excluding those who are Audit and Supervisory Committee members) and four directors who are Audit and Supervisory Committee members. The Board of Directors maintains a prompt and efficient management monitoring system by holding a regular board meeting once a month and an extraordinary board meeting as needed.

The Audit and Supervisory Committee is composed of four directors who are Audit and Supervisory Committee members. According to their roles, the directors attend the Board of Directors and actively exchange opinions with top management, view documents that require managerial approval and other documents in a timely manner, and audit the execution of operations by directors.

In terms of internal audits, one full-time employee in charge of internal audits systematically conducts audits and reports the results to the representative director. The officer conducts highly effective audits by providing feedback on audit results to the audited departments and requiring them to report improvement policies and other matters in response to the matters for improvement and guidance given.

In addition, the Audit and Supervisory Committee, the person in charge of internal audits and the accounting auditor collaborate to share information such as issues and matters for improvement under a three-pronged audit system, in order to conduct efficient and effective audits.

Regarding accounting audits, the Company is audited by KPMG AZSA LLC under its contract with the audit corporation.
At the Board of Directors meeting held on July 18, 2019, the Nomination and Compensation Committee was established as a voluntary advisory body to the Board of Directors. In order to ensure the independence and objectivity of the procedures concerning the nomination and compensation of directors and to further enhance corporate governance, the chairman of this committee shall be the independent outside director (Michio Sasaoka), and members shall consist of 4 people in total- 2 internal directors (Patrick C. Reid, President and Kiyofumi Kaneshiro, Executive Vice President) and 2 independent outside directors (Michio Sasaoka, Independent Outside Director and Toshio Nagae, Independent Outside Director).

3. Reasons for Adoption of Current Corporate Governance System

The Company has an Audit and Supervisory Committee, Board of Directors, Audit and Supervisory Committee, Nomination and Compensation Committee and an accounting auditor organization. Under the current system, four members of the Audit and Supervisory Committee with voting rights at the Board of Directors are engaged in decision making for management, which enables the Company to strengthen the audit and supervisory functions of its Board of Directors and further enhance its corporate governance and improve efficiency of management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The notice is sent three weeks before the Ordinary General Meeting of Shareholders.
Scheduling AGMs Avoiding the Peak Day	The Company convenes the Ordinary General Meeting of Shareholders avoiding the Peak Day so that as many shareholders as possible may attend the meeting.
Allowing Electronic Exercise of Voting Rights	From the exercise of voting rights pertaining to the 13th Ordinary General Meeting of Shareholders held in September 2019, shareholders may exercise voting rights by an electromagnetic method.

Participation in Electronic Voting Platform	The Company has participated in an electronic voting platform and enabled its use since the voting at the 13th general meeting of shareholders held in September 2019.
Providing Convocation Notice in English	The notice and reference materials for the Ordinary General Meeting of Shareholders are provided in English.
Other	In order to facilitate a smooth exercise of voting rights, the Company will disclose the notice of convocation on its website before its shipment.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	They are posted on our website.
Regular Investor Briefings for Individual Investors	Company briefings for individual investors are held several times a year.
Regular Investor Briefings for Analysts and Institutional Investors	Briefings are held twice a year after the announcement of financial results for the six months and the full fiscal year. Also, individual meetings are held with analysts and institutional investors in Japan and overseas as needed.
Regular Investor Briefings for Overseas Investors	The Company attends domestic conferences, respond to individual meeting requests from overseas, and holds meetings with overseas institutional investors in the U.S., the U.K. and Hong Kong and such as needed.
Posting of IR Materials on Website	Financial results information, timely disclosure information other than financial results information and related press releases, materials for company briefings and other documents are posted in Japanese and English.
Establishment of Department and/or Manager in Charge of IR	There is a person in charge of IR in the IR & Public Affairs Department.
Other	Head of Investor Relations runs a blog dedicated to PeptiDream's IR and other corporate activities.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company will advance efforts to assist our stakeholders in deepening their understanding of our business by actively disseminating information through measures such as holding financial results briefings and posting materials on its website.
Implementation of Environmental Activities, CSR Activities etc.	The Company is committed to promoting ESG (environmental, social and governance) initiatives and proactively disclosing its policy and information related to these initiatives. The Company has set up the ESG WEB site (https://www.peptidream.com/esg/index_en.html) In June 2019, the Company expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
Development of Policies on Information Provision to Stakeholders	The Company has established the Disclosure Policy to disclose appropriate information at the appropriate timing.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

At the Board of Directors, the Company resolved the System for Ensuring the Properness of Operations stipulated in the Companies Act and the Ordinance for Enforcement of the Companies Act. The outline is as follows.

(1) System for ensuring that the execution of duties of directors and employees conforms to laws and regulations and the Articles of Incorporation

i. The Board of Directors shall establish a Corporate Code of Conduct and familiarize all employees with it.

ii. The Board of Directors shall formulate rules on compliance and establish a system for directors and employees to promote compliance.

iii. Directors who are members of the Audit and Supervisory Committee (hereinafter referred to as "Audit and Supervisory Committee members") shall attend meetings of the Board of Directors and audit the execution of duties by directors through surveys on their business execution status and so forth, based on the audit and other standards of the Audit and Supervisory Committee.

iv. The internal auditor shall regularly audit whether employees carry out operations in accordance with the laws and regulations, the Articles of Incorporation and company rules, provide feedback to the employees on the results of the audit, and report the results to the representative director and president.

(2) System for storing and managing information related to the execution of duties by directors
For legal documents, such as the minutes of the General Meeting of Shareholders and the Board of Directors, and documents and information related to the execution of important duties by directors, we shall establish the necessary rules including document management rules. We shall store and manage information appropriately in accordance with these rules and allow the necessary parties to view these documents and information.

(3) Rules and other systems for the management of risk of loss
To prepare for risks that have a significant impact on management, the Board of Directors shall establish rules on risk management, identify possible risks, formulate preventive measures and develop a crisis management system to respond to risks when they occur.

(4) System for ensuring efficient execution of duties by directors

i. The Board of Directors shall formulate a medium-term business plan and an annual business plan, and each department shall implement appropriate operation activities to achieve these plans.

ii. The Board of Directors shall establish rules on the division of duties, job authority and requests for managerial decisions, among others, and transfer its authority to employees based on these rules, and clarify the decision-making authority to facilitate the execution of duties.

iii. To manage and supervise business execution, a regular Board of Directors' meeting shall be held monthly, and an Extraordinary Board of Directors' meeting shall be held as needed.

iv. At the regular Board of Directors' meetings, directors analyze and evaluate monthly performance and take necessary measures.

(5) System for ensuring the appropriateness of operations in the corporate group consisting of the company concerned, its parent company and subsidiaries

Currently, the Company does not have any subsidiaries, but if we were to set up one in the future, we shall establish a necessary system to ensure thorough internal control company-wide.

(6) Matters concerning directors and employees who should assist with the duties of the Audit and Supervisory Committee

The Company shall assign employees who will assist with the duties of the Audit and Supervisory Committee. We shall consult with the Committee on the specifics (including organization and number of employees) for the assignment and give due consideration to its opinions before assigning them.

(7) Matters concerning the independence of directors and employees who should assist with the duties of the Audit and Supervisory Committee from directors (excluding those who are Audit and Supervisory Committee members)

i. To ensure the independence of directors and employees who should assist with the duties of the Audit and Supervisory Committee, employees who have received an order necessary for an audit from the Committee shall not receive any instructions from directors (excluding those who are Audit and Supervisory Committee members) and department and other managers regarding the order.

ii. Personnel changes, evaluations and other matters of the employees shall be decided with prior consent of the Audit and Supervisory Committee.

(8) System for directors and employees to report to the Audit and Supervisory Committee, and other systems for them to report to the Audit and Supervisory Committee

i. Directors and employees shall report the status of business execution at the request of the Audit and Supervisory Committee.

ii. Directors and employees shall immediately report to the Audit and Supervisory Committee if they discover a fact that could cause significant damage to the company.

iii. The Company shall not unfavorably treat directors and employees who reported a fact that could cause significant damage to the company, on the grounds of reporting based on our whistleblower system or reporting on the status of execution of duties and other matters to the Audit and Supervisory Committee.

(9) Other systems for ensuring that audits by the Audit and Supervisory Committee are conducted effectively

i. The Audit and Supervisory Committee shall attend the Board of Directors' meetings based on the audit and other standards of the Audit and Supervisory Committee, and view important documents related to operations such as minutes and requests for managerial decisions, and may request explanations of these documents to directors or employees as necessary.

ii. The representative director shall meet with the Audit and Supervisory Committee as needed.

iii. The Audit and Supervisory Committee shall meet with the accounting auditor as needed, receive explanations on the details of accounting audits and work together by exchanging information.

iv. The Audit and Supervisory Committee shall continue working closely with internal auditors and exchange information as needed.

v. The Company shall respond to the Audit and Supervisory Board members if they request the payment of reasonable expenses for the execution of their duties.

(10) System for ensuring the credibility of financial reports
To ensure the credibility of financial reports, we shall formulate a basic policy on internal control over financial reporting. We shall organizationally promote the development and operation of the systems and schemes necessary to create appropriate financial information, evaluate the effectiveness of control activities on a continual basis, and review control activities as needed.

(11) Basic policy for eliminating antisocial forces and its development status

i. The Company believes that having a relationship with antisocial forces, which threatens the order and security of civil life and hinders the development of a sound economic and social life, has a significant impact on the business continuity of a company. Therefore, we shall take a firm stance against antisocial forces and declare in our Charter of Corporate Behavior that we have no relationship with antisocial forces at all.

ii. To prevent antisocial forces from becoming involved in our management activities and any damage they may cause, we shall establish rules for the elimination of antisocial forces and promote the development of an internal system to eliminate them.

2. Basic Views on Eliminating Anti-Social Forces

The Company's policy concerning the elimination of antisocial forces is stipulated in its Charter of Corporate Behavior and Basic Policy on the Development of an Internal Control System.
In accordance with these standards, the Company has established Rules for the Elimination of Antisocial Forces and are promoting the development of an internal system for eliminating them.
As measures based on these, the Company carries out prior examinations, assigns persons responsible for preventing unreasonable demands, collaborates with external specialized organizations for the purpose of eliminating antisocial forces, and collects information related to antisocial forces.

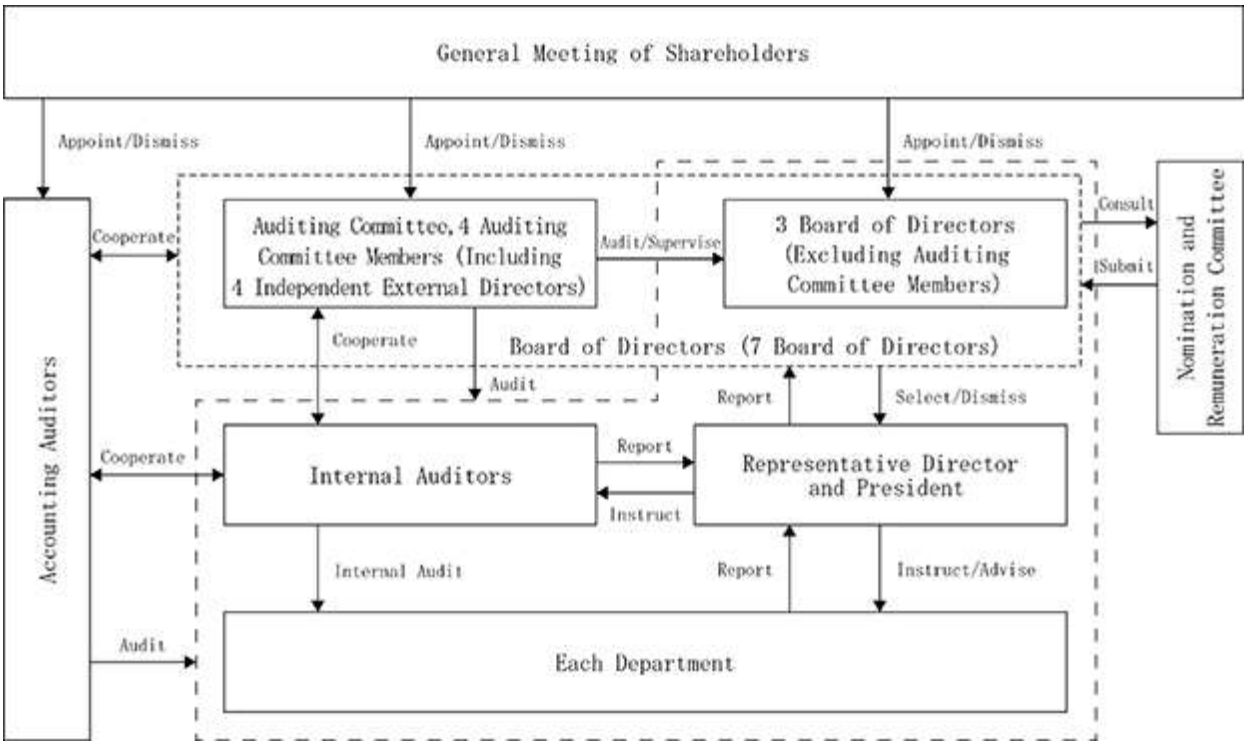
V. Other

1. Adoption of Anti-Takeover Measures

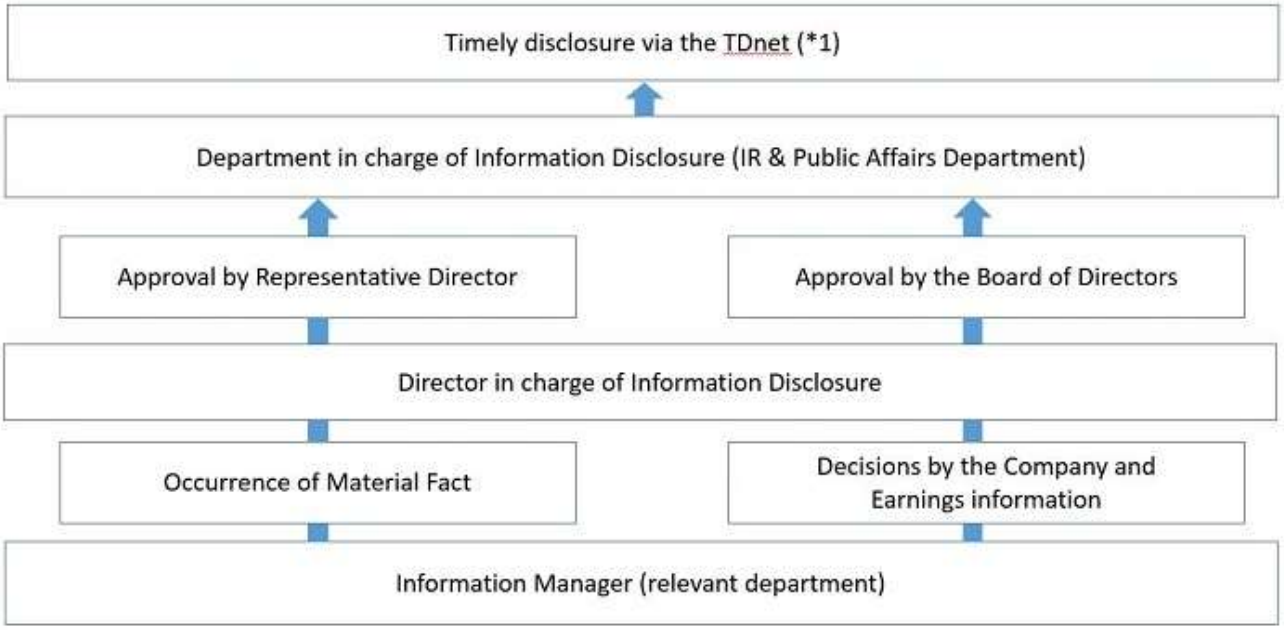
Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

2. Other Matters Concerning to Corporate Governance System (Updated)



<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.