October 23, 2025

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	(Securities code: 4587; TSE Prime Market)
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Regarding the Cause Analysis and Implementation of Recurrence Prevention Measures Based on the Findings of the Special Investigation Committee

KANAGAWA, JAPAN –October 23, 2025 - PeptiDream Inc., a public Kanagawa, Japan-based biopharmaceutical company (President: Patrick C. Reid, hereinafter "PeptiDream") (Tokyo: 4587) today announced that following a comprehensive cause analysis based on the findings identified in the Special Investigation Committee's August Report, along with the proposals of an internally created Recurrence Prevention Task Force established to examine recurrence prevention measures, we have resolved to implement a set of measures aimed at preventing recurrence and strengthening all aspects of company operations.

As announced in our disclosure dated August 6, 2025, "Receipt of the Investigation Report from the Special Investigation Committee and Future Actions," we received an investigation report from the Special Investigation Committee regarding two incidents involving our former Director and Executive Vice President COO (hereinafter, "Mr. A").

Case 1: The inappropriate ordering and removal of research reagents from the company.

Case 2: The unauthorized acceptance of outsourced work and monetary compensation from business partners.

We sincerely apologize for the significant concern and inconvenience this matter has caused to our shareholders, investors, market participants, business partners, and all other stakeholders.

We are firmly committed to ensuring that similar incidents do not occur in the future and will make every effort to restore the trust of all concerned parties through the

implementation of these recurrence prevention measures. We kindly ask for your understanding and continued support.

1. Cause Analysis

Regarding Case 1, Mr. A, in his capacity as an executive and director of the company, was responsible for the ordering and management of research reagents and for establishing and operating internal risk controls, abused his authority and acted without the company's consent. This incident can be attributed directly to Mr. A's misconduct that effectively nullified internal risk controls.

Regarding Case 2, Mr. A, despite being bound by a non-compete obligation to the company, entered into outsourcing/consulting agreements with company business partners without obtaining approval from or reporting to the Board of Directors. Mr. A additionally undertook work that could be considered competitive with the company and received monetary compensation for it. It must be concluded that the primary cause of this incident was Mr. A's lack of ethics and integrity as an executive and company director.

The following factors are believed to have contributed to the company's inability to detect and correct these inappropriate acts as they occurred:

(1) Circumvention of Standard Reagent Purchasing Operations

In Case 1, Mr. A, who was responsible for overseeing the purchasing and management of research reagents, abused his authority by purchasing reagents under the guise of normal business operations, with the actual intent of providing them to unrelated third parties. These reagents were then removed from the company without authorization and distributed externally.

Within our company, the ordering and management of reagents required for research activities were centrally handled by the Research Administration Group and the Research IT Group (collectively referred to as the "Research Administration Group"), overseen by Mr. A. Specifically, researchers submitted requests for reagents needed for their research to this group. The Research Administration Group then reviewed the appropriateness of the supplier and identified best pricing, compiled the requests into a purchasing sheet, and placed orders with reagent vendors following approval by Mr. A - this was the standard reagent purchasing process.

The reagents in question, ordered under Mr. A's direction, were formally requested under another employee's name and listed alongside thousands of other monthly orders on the purchasing sheet. These were approved by Mr. A, and thus, at least superficially, followed the standard reagent purchasing process, with the requester and approver appearing to be different individuals.

Although the purchasing sheet was visible to other researchers, they could only assess orders related to their own research. Given the volume of monthly orders and the appearance of procedural compliance, it was difficult for others to question the legitimacy of orders unrelated to their work.

Furthermore, the reagent ordering and management system that was in operation until March 2025 is believed to have contributed to challenges in identifying this misconduct earlier. In April 2025, a new digital reagent ordering and management system was introduced, replacing the previous paper-based approval system, making electronic tracking easier compared to the previous system. Additionally, regarding the inventory management of reagents after purchase, certain types - such as those used entirely at once - were treated as consumables and considered to be fully used upon delivery, and these reagents were not subject to standard inventory management. As a result, among the thousands of reagent purchases made monthly at the company, it was not easy to track which reagents Mr. A had ordered for purposes unrelated to his official duties.

(2) Inadequate Risk Management Awareness and Detection Controls within the Research Administration Group

The risk of fraudulent reagent orders was recognized as a potential risk within our internal risk control framework, and company policies and regulations were put into place to mitigate such risk. The Research Administration Group was tasked with implementing risk controls related to reagent ordering and inventory management and was expected to investigate any signs of irregularities and consult or report to other officers and employees as necessary.

However, in Case 1, despite recognizing that orders were being placed under the names of employees not directly involved in research, and that reagents were being physically removed from the company by an executive - actions that are difficult to justify as part of routine operations - no further investigation, consultation,

or reporting was undertaken.

Although Mr. A, the company director responsible for approving the purchasing sheet, effectively nullified internal controls through his own actions, there were multiple avenues available for consultation, including internal reporting channels, interviews by internal auditors, and hearings by audit committee members. Nevertheless, the group simply followed Mr. A's instructions without question and failed to take proactive steps to reduce the risk of misconduct in accordance with company policies and regulations. This indicates that the level of risk awareness expected of the group under the internal control framework was insufficient.

(3) Inadequate Mutual Oversight through the Internal Reporting System

Since 2012, our company has operated an internal reporting "whistleblowing" system designed to facilitate the early detection and correction of misconduct and legal violations. This system accepts reports not only from full-time employees but also from temporary staff, part-time workers, and even former employees, through both internal and external reporting channels.

In practice, the system has received a wide range of inquiries - not only formal reports but also consultations related to interpersonal issues and harassment in the workplace. The Research Administration Group has also made use of the system, indicating that its existence was well known within this group and the company.

However, in Case 1, despite multiple employees witnessing Mr. A's instructions to order reagents and remove them from the company, no one came forward to consult or report on the matter. It is likely that Mr. A's position as a company director in charge of reagent ordering and management led to deference among employees, resulting in a diminished sense of mutual oversight and reluctance to challenge or report his actions.

2. Recurrence Prevention Measures and Implementation Schedule

Our company takes this matter very seriously and recognizes the critical need to thoroughly prevent recurrence. Accordingly, we will implement the following measures not only to mitigate the potential causes of misconduct but also to further enhance the effectiveness of our company's governance and control. We will also regularly assess the effectiveness of these measures and pursue continuous improvement efforts to

restore the trust of all stakeholders.

Some of the measures described below have already been put into operation, whereas others are in the process of being implemented. We aim to complete the full implementation and operation of all measures by November 2025.

(1) Full Integration of an End-to-End Reagent Management IT System

While these efforts began months ago, we have now implemented an integrated IT system that enables end-to-end management - from ordering to inventory control - along with the digitization of all related procedures, meaning our reagent ordering and inventory management system is now fully-paperless. This fully integrated system will allow for easier tracking of all transactions, enhance transparency around the approval process, and ultimately provide for greater surveillance of our research reagent procurement and inventory management operations.

(2) Organizational Changes to the Research Administration Group

Our Research Administration Group, the department responsible for the ordering and management of research reagents as well as the associated risk management of these processes, lacked a strong sense of awareness towards the company's risk management policies, resulting in a breakdown of the detection controls that were originally intended to prevent misconduct.

In light of this case, we have made organizational changes to the Research Administration Group in both personnel and operations, as we realize the critical role this group plays in the risk management of our research reagent purchasing and inventory management operations, we have implemented new training programs to instill a greater awareness of company rules and protocols, as well as initiatives to further increase transparency and strengthen reporting to management regarding risk management.

(3) Strengthening Detection Controls through Regular Monitoring

As outlined in (1), the introduction of a new management system for reagent ordering and control will enable easier electronic tracking. Based on ordering records and inventory information, we will implement regular monitoring using analytical tools and AI to support fraud detection. Furthermore, by regularly reporting the monitoring results to management, we will work to strengthen the

detection control process.

(4) Enhancing Compliance Awareness Among All Officers and Employees

The major cause of this incident was the purposeful actions and misconduct on the part of Mr. A, the executive tasked with overseeing reagent ordering and management operations and ensuring compliance with company policies and regulations in regard to these operations. The order requests by the former executive were followed unconditionally by employees without carefully considering whether the actions they were involved in were appropriate or not. Even in the unusual case where general research reagents purchased were taken out of the company by an executive, the situation was interpreted with a presumption of good faith, and none of the employees who were aware of the incident raised any compliance concerns. This indicates a lack of sufficient awareness toward the possibility of potential acts of misconduct.

To address this, we will conduct renewed training aimed at strengthening compliance awareness and sensitivity, so that all officers and employees, as members of the company, can better recognize possible signs of misconduct and take appropriate actions - such as consulting with supervisors or colleagues, or utilizing the internal reporting system - in a timely manner.

(5) Promoting Awareness of the Internal Reporting “Whistleblower” System and Strengthening Mutual Oversight

The internal reporting “whistleblower” system is expected to play a key role in the early detection and correction of misconduct. However, despite the system being well-publicized within the company, no reports or consultations related to this case were submitted.

In parallel with the compliance training mentioned earlier, we will conduct additional training to raise awareness of the importance of mutual oversight and to continue to educate employees on how to effectively utilize the internal reporting system.

(6) Strengthening Deterrence Against Potential Misconduct Through Facility Enhancements

The presence of surveillance cameras not only allows for the recording of incidents when misconduct occurs but also serves as a deterrent by creating a sense of being watched. Although security cameras are already installed within our

company, we will further promote the creation of an environment that reinforces this awareness by expanding and enhancing their functionality. This will help increase the deterrent effect against potential misconduct.

(7) Strengthening the Supervisory and Verification Functions of the Board of Directors and Various Committees

Starting in April 2025, our company launched a new governance structure, including the establishment of the R&D Leadership Team. This shift placed greater emphasis on the supervisory role of the Board of Directors, aiming to clearly separate business execution from oversight and to enhance the Board's supervisory functions.

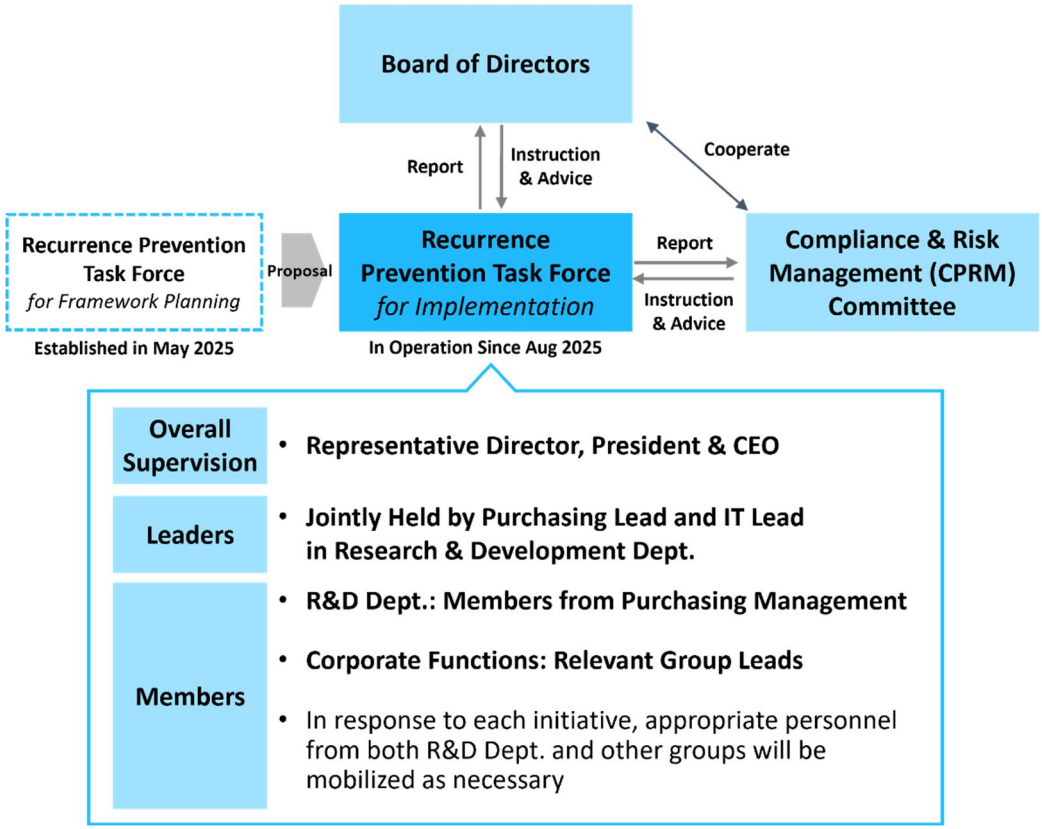
To further strengthen our governance framework, we will establish a new **Executive Leadership Team**, composed of executive officers (CEO, CFO, CSO, CMO) as well as leaders from key corporate departments such as Research General Affairs, Business Development, Corporate Management, and IR/Public Affairs. By centralizing major decision-making within this team and delegating authority from directors to functional department leaders, we aim to prevent excessive concentration of power and build a more transparent business execution structure.

Regarding governance over executive appointments, we will enhance the independence and objectivity of the Nomination and Compensation Committee by increasing the proportion of independent outside directors and audit committee members. Additionally, we will place greater emphasis on the ethical standards and integrity of candidates. This includes strengthening checks on concurrent roles held by directors and employees in key positions, thereby reinforcing oversight and verification mechanisms.

3. Implementation Framework for Recurrence Prevention Measures

To implement recurrence prevention measures, our Representative Director, President & CEO will oversee the overall initiative. In addition, responsible personnel will be appointed for each measure from among the relevant departments' operational staff, thereby establishing an effective implementation framework - **the Recurrence Prevention Task Force** - which has already begun operations. Progress on the prevention measures and any related issues will be reported to the Board of Directors and the Compliance & Risk Management (CPRM) Committee. These bodies will

deliberate and review the matters, provide instructions and advice to the Task Force as needed, and make necessary decisions to ensure the company's response is both appropriate and effective.



4. Legal Actions Against Mr. A

To further uncover the facts of this case and to facilitate the prompt recovery of damages suffered by the company, we intend to take appropriate legal action against former director Mr. A. In accordance with Article 399-7, Paragraph 1 of the Companies Act, Mr. Kiichiro Kamiya, a full-time Audit and Supervisory Committee member selected by the company's Audit and Supervisory Committee, will serve as the representative in these legal proceedings. The review and consideration of these actions will also be led by the Audit and Supervisory Committee, in line with the intent of the aforementioned article. Although Mr. A is no longer employed by the company and therefore cannot be subject to internal disciplinary measures, his actions directly caused financial damage and significantly harmed the company's credibility. As such, at today's extraordinary meeting of the Board of Directors, that the 8th and 9th stock acquisition rights issued by the company to Mr. A would be terminated (a total of 1,230,000 shares).

5. Other Actions

Among the directors who were in office during the period when these incidents occurred (from March 2017 to January 2025), all four current directors voluntarily offered to reduce a portion of their executive compensation. Following discussions by the Board of Directors for the two executive directors, and by the Audit and Supervisory Committee for the two audit committee members, the following reductions were decided:

- **President and Representative Director**:
  Voluntary 20% reduction of one month's compensation
- **Executive Vice President and Director**:
  Voluntary 10% reduction of one month's compensation
- **Two Outside Directors serving as Audit and Supervisory Committee Members**:
  Voluntary 10% reduction of one month's compensation