

Translation

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November 7, 2023  
Alfresa Holdings Corporation

## Notice regarding the Issuance of Social Bonds

To contribute toward the creation of social value, the Company has submitted the Amended Shelf Registration Statement for the issuance of social bonds, which will procure funds for the construction and operation of a new distribution center in Tsukuba City, Ibaraki Prefecture, and buildings for the production of pharmaceuticals in Ota City, Gunma Prefecture. Details regarding the issuance of these bonds are as follows.

### 1. Background Information and the Purpose of Issuing Bonds

The phrase “we create and deliver a fresh life for all” comprises Our Philosophy—part of the Alfresa Group’s Principles—and the Alfresa Group’s Basic Sustainability Policy. In addition, Our Vision, another part of the Alfresa Group’s Principles, states that “We aim to become a Healthcare Consortium that provides products and services in every health-related field.” We have also identified eight Important Sustainability Issues and are promoting business activities aimed at addressing them.

For the first of these issues, “improvement of quality of products and services,” we help resolve social issues by providing reliable products and services. For the second issue, “value creation and innovation,” we venture into new business domains related to health and treatment.

To tackle these two issues, proceeds from the mentioned social bonds will be used for the construction and operation of the Tsukuba Distribution Center, which will enable the development of an optimized distribution network in compliance with PIC/S GDP standards and buildings for the production of pharmaceuticals, which will enhance consigned manufacturing. Completion of these projects will help strengthen and expand our total supply chain services, help us provide pharmaceuticals across a wide range of modalities beyond existing small-molecule treatments, and further reinforce our system for delivering them to the medical institutions and patients that need them in a way that is reliable, safe, and sincere.

“Contribution to local communities” is another Important Sustainability Issue focused on the development of health and medical care in local communities. As a social infrastructure company that deals with life-related products, we believe that we need to support the supply chain for pharmaceuticals not only in ordinary times but also in times of emergency. Accordingly, we will utilize the Tsukuba Distribution Center to establish a system that can better ensure the stable supply of pharmaceuticals in any situation and prevent interruptions in local medical treatment. This involves the implementation of a business continuity plan that includes the installation of seismic isolation structures, an emergency power supply, and water storage facilities at the center.

## Reference

- The Alfresa Group's Principles  
<https://www.alfresa.com/eng/about/philosophy/>
- The Alfresa Group's Basic Sustainability Policy  
<https://www.alfresa.com/eng/csr/policy/>
- Important Sustainability Issues for the Alfresa Group  
<https://www.alfresa.com/eng/csr/materiality/>

## 2. Overview of the Bond

Corporate name	Alfresa Holdings Corporation, (undecided) unsecured bond (with limited inter-bond pari passu clause) (social bond)
Total issue amount (planned)	undecided
Use of proceeds	The proceeds will be used for new investments toward the eligible projects determined under the social bond framework. ① Construction and operation of a new distribution center in Tsukuba City, Ibaraki Prefecture ② Construction and operation of buildings for the production of pharmaceuticals in Ota City, Gunma Prefecture
Structuring agent*1	Daiwa Securities Co., Ltd.
Lead underwriters	Daiwa Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

\*1 An entity that supports the issuance of SDGs-related bonds by providing advice on developing frameworks and on obtaining second opinions and other external evaluations

## 3. Development of the Social Bond Framework and External Evaluation

The social bond framework for the issuance of social bonds was developed in accordance with the 2023 Social Bond Principles (SBP) of the International Capital Market Association (ICMA) and the 2021 Social Bond Guidelines (SBG) of the Financial Services Agency (FSA). For details on this framework, please refer to [*Alfresa Holdings Corporation*] *Social Bond Framework* attached below. We obtained a second-party opinion\*2 from Rating and Investment Information, Inc. (R&I), an independent outside reviewer, regarding the alignment of this framework with the principles mentioned above.

\*2 R&I's evaluation of the social bond framework

URL: <https://www.r-i.co.jp/rating/esg/index.html> (Japanese only)

## About the Alfresa Group

The Alfresa Group is a leader in the Japanese healthcare industry and is dedicated to making its corporate philosophy, "we create and deliver a fresh life for all," come true through a wide range of business lines, including ethical pharmaceuticals wholesaling, OTC pharmaceuticals wholesaling, pharmaceutical manufacturing, and operating dispensing pharmacies. Alfresa Holdings Corporation (TSE:2784) reported consolidated revenue of ¥2.6 trillion for the fiscal year ended March 31, 2023. For more information, please see: <https://www.alfresa.com/eng/>



**ALFRESA HOLDINGS CORPORATION**

**Social Bond Framework**  
November 2023



**Contents**

1. Introduction.....2  
1.1 Overview of the Issuer .....3  
1.2 Alfresa Group’s Principles and Our Approach to Sustainability.....4  
1.3 Significance of Social Bond Issuance .....7  
  
2. Social Bond Framework .....9  
2.1 Use of Proceeds.....10  
2.2 Process for Project Evaluation and Selection.....11  
2.3 Management of Proceeds .....11  
2.4 Reporting.....12  
  
3. External Evaluation.....12  
3.1 Second-Party Opinion (Pre-Issuance) .....12

## **Alfresa Group’s Social Bond Framework**

### **1. Introduction**

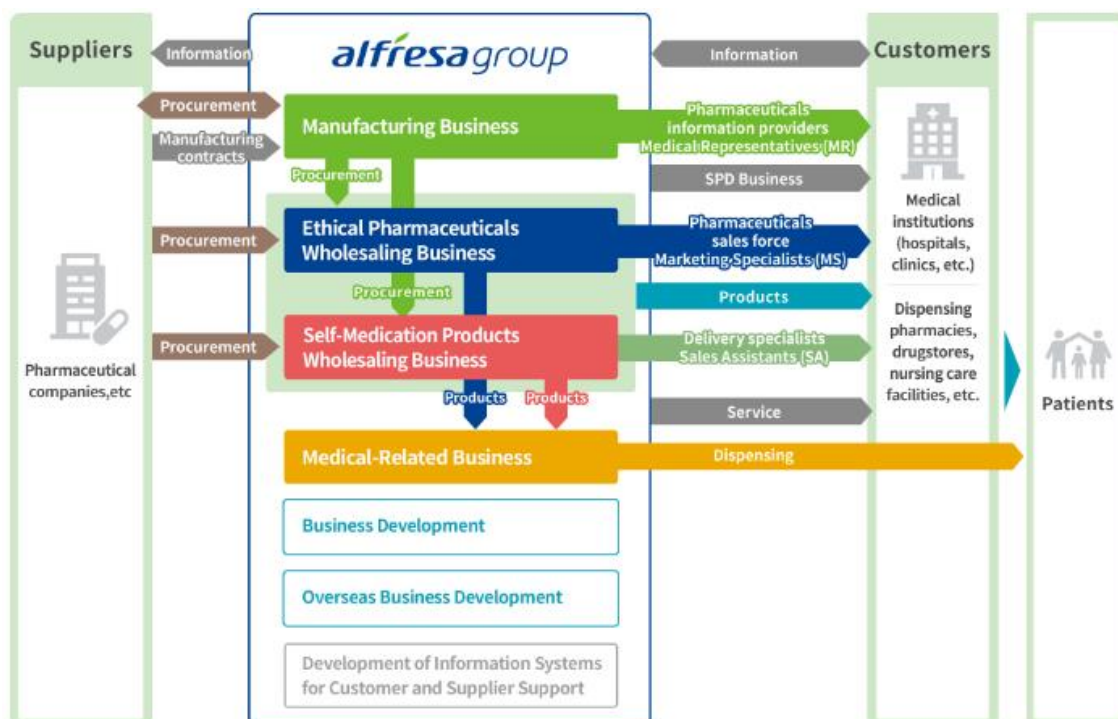
The Alfresa Group aims to become “A Healthcare Consortium that provides products and services in every health-related field” and has set milestones toward this goal for fiscal 2024 within the 22–24 Mid-term Management Plan: Leap into the Future: “An Evolving Healthcare Consortium” (hereinafter “22–24 Mid-term Management Plan”), and for fiscal 2032 within the Alfresa Group’s Medium- to Long-Term Vision. Currently, the Group is united in its efforts to address the eight Important Sustainability Issues and to implement the Group’s management policies as outlined in the 22–24 Mid-term Management Plan, in accordance with the Alfresa Group’s Basic Sustainability Policy and the Alfresa Group’s Principles, specifically the idea stated under Our Philosophy: “We create and deliver a fresh life for all.” We have decided to utilize social bonds as a means to raise the funds required for these efforts and have therefore formulated a social bond framework (“the framework”) in accordance with the 2023 Social Bond Principles (SBP) of the International Capital Market Association (ICMA) and the 2021 Social Bond Guidelines (SBG) of the Financial Services Agency (FSA).

We have obtained a second-party opinion from Rating and Investment Information, Inc. (R&I), an independent outside reviewer to confirm that the framework is in accordance with the above principles, etc., and will utilize this framework to issue social bonds.

## 1.1 Overview of the Issuer

Medical products, including ethical pharmaceuticals prescribed or dispensed in hospitals, clinics, and pharmacies, are essential for maintaining people's health and lives. The Alfresa Group operates in four business segments: the Ethical Pharmaceuticals Wholesaling Business (its core business), the Self-Medication Products Wholesaling Business, the Manufacturing Business, and the Medical-Related Business. As a social infrastructure company that deals with life-related products, the Group works as one to support the supply chain of pharmaceuticals and other medical products.

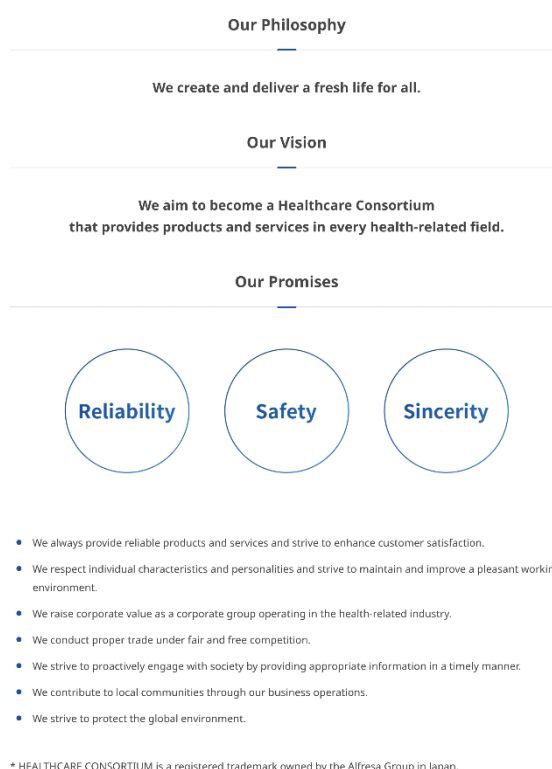
In our Manufacturing Business, we have five manufacturing facilities and handle approximately 530 types of medical products such as pharmaceuticals, diagnostic reagents, medical devices, and active pharmaceutical ingredients. In the Ethical Pharmaceuticals Wholesaling Business, we hold the top share in market sales in the Japanese market. In the Self-Medication Products Wholesaling Business, we function as a total healthcare merchandising wholesaler. These latter two segments feature a distribution network across Japan comprising a total of 217 distribution bases, making it possible to deliver pharmaceuticals and other medical products to over 200,000 medical institutions and customers daily. In the Medical-Related Business, we operate dispensing pharmacies and we have 183 community-based pharmacies from the northernmost prefecture of Hokkaido to the Kansai region of Japan. Through the expansion and transformation of these business portfolios, we aim to become a Healthcare Consortium that provides products and services in every health-related field.



## 1.2 Alfresa Group’s Principles and Our Approach to Sustainability

### The Alfresa Group’s Principles

The first aspect of the Alfresa Group’s Principles is Our Philosophy, under which “we create and deliver a fresh life for all.” As Our Vision, another aspect, “we aim to become a Healthcare Consortium that provides products and services in every health-related field.” Lastly, we state Our Promises—seven promises that guide our business activities and ensure that we deliver needed pharmaceuticals and other medical products to the places that need them on a daily basis, and do so with reliability, safety, and sincerity.



### Important Sustainability Issues for the Alfresa Group

We believe that in order to create and deliver a fresh life for all, we must also pursue a sustainable society. Therefore, our Basic Sustainability Policy includes the same statement put forth in Our Philosophy—“We create and deliver a fresh life for all”—and in that same spirit, declares our commitment to utilizing our business activities to address environmental and social issues and contribute to the development of a society in which everyone can live in good health.

To realize a sustainable society, the Alfresa Group has identified eight Important Sustainability Issues—issues that have a significant impact on enhancing value over the medium to long term. For the first issue, “improvement of quality of products and services,” we help resolve social issues by

providing reliable products and services. For the second issue, “value creation and innovation,” we venture into new business domains related to health and medical treatment. To tackle these two issues, we are building the Tsukuba Distribution Center, which enables the development of an optimized distribution network in compliance with PIC/S GDP standards. Similarly, we are constructing buildings for the production of pharmaceuticals as part of the Manufacturing Business, which will enhance consigned manufacturing. Put together, these efforts will help strengthen and expand our total supply chain services, help us provide pharmaceuticals across a wide range of modalities beyond existing small-molecule treatments, and further reinforce our system for delivering them to the medical institutions and patients that need them in a way that is reliable, safe, and sincere.

“Contribution to local communities” is another Important Sustainability Issue focused on the development of health and medical care in local communities. As a social infrastructure company that deals with life-related products, we believe that we need to support the supply chain for pharmaceuticals not only in ordinary times but also in times of emergency. Accordingly, we will utilize the Tsukuba Distribution Center to establish a system that can better ensure the stable supply of pharmaceuticals in any situation and prevent interruption of local medical treatment. This involves the implementation of a business continuity plan (BCP) that includes the use of seismic isolation structures, an emergency power supply, and water storage facilities at the center.

**Important Sustainability Issues for the Alfresa Group**



1	<b>Improvement of quality of products and services</b>	The Group helps resolve social issues, focusing on realizing a health-oriented society, by always providing reliable products and services.
2	<b>Value creation and innovation</b>	The Group promotes digital transformation (DX) and other initiatives in order to improve customer satisfaction and productivity while also venturing into new business domains related to health and treatment.
3	<b>Environmental protection</b>	The Group has established the Alfresa Group's Environmental Policy and strives to protect the environment through business activities intended to realize a health-oriented society.
4	<b>Contribution to local communities</b>	The Group contributes to local health and treatments through business activities conducted by each of its Group companies. These activities have been developed over many years and are rooted in the community.
5	<b>Active participation of human resources</b>	The Group has established the Alfresa Group's Diversity Policy and takes steps to create an environment where people can work together and display their individual talents.
6	<b>Compliance</b>	The Group will promote sincere business activities premised on the observance of laws, internal and external regulations, and social norms.
7	<b>Risk management</b>	The Group will formulate measures to respond to natural disasters, pandemics, system-related troubles, and other events to ensure a stable supply of health and treatment-related products and services.
8	<b>Corporate governance</b>	The Group promotes control and supervision over corporate management in order to fulfill its corporate social responsibilities and improve corporate value.



## Group Management Policies in the 22–24 Mid-term Management Plan

In the 22–24 Mid-term Management Plan announced in May 2022, we established five Group management policies: 1) enhancement of business models and creation of new value, 2) contribution to local health and treatments through united Group efforts, 3) contribution toward a sustainable society through initiatives to protect the environment, 4) promotion of a human resource strategy focused on diversity, and 5) cultivation of a corporate culture with compliance as its highest priority. The issuance of social bonds will allow us to invest in the first policy, “enhancement of business models and creation of new value, and contribute toward a more sustainable society.

22–24 Mid-term Management Plan: Group Management Policies



Regarding the enhancement of business models, we aim to work as a united Group to strengthen consigned manufacturing in the Manufacturing Business, and to develop total supply chain services that contribute to medical care by leveraging the Group's diverse capabilities, from the manufacture of pharmaceutical ingredients to drug administration and treatment. The construction of buildings for the production of pharmaceuticals will help strengthen and expand consigned manufacturing, particularly from R&D-oriented companies and others, both in Japan and overseas. In addition, the Alfresa Group's distribution centers across Japan, including the under-construction Tsukuba Distribution Center, will bring pharmaceuticals to medical institutions—and ultimately patients—in a timely and appropriate manner. We believe these efforts will create new value that can benefit society.

## Management Framework for Sustainability

We have established the CSR Promotion Committee in order to promote sustainability-related activities throughout the Group. The committee is chaired by the executive officer responsible for CSR and consists of officers appointed by said chairperson, as well as officers elected from each Group company. As an advisory body to the representative directors, the committee, in accordance with the Alfresa Group's Basic Sustainability Policy established by the Board of Directors, discusses policies related to sustainability activities throughout the Group. The committee also receives reports regarding sustainability-related activities conducted by each Group company and evaluates these activities, then subsequently reports an outline of its discussions to the representative directors and the Board of

Directors. When necessary, the committee will also make proposals to the representative directors regarding basic policies and other matters, which are then deliberated upon and resolved in Board meetings or other meetings.

### **1.3 Significance of Social Bond Issuance**

The Alfresa Group aims to become “a Healthcare Consortium that provides products and services in every health-related field.” We strive to enhance corporate value by addressing social issues such as extending healthy life expectancies, contributing to community healthcare, and contributing through innovations in healthcare.

Our belief is that these efforts can contribute to our stakeholders, including our clients, patients, customers, business partners, colleagues, investors, and local communities. Therefore, to communicate these efforts widely and incorporate constructive dialogue into our business activities, and thereby achieve sustainable growth, we will issue social bonds.



## **2. Social Bond Framework**




The framework is aligned with the 2023 SBP established by the International Capital Markets Association (ICMA) and the 2021 SBG established by the Financial Services Agency of Japan, which stipulate the following four core components.

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

We will also describe the external evaluation, which stipulated a set of recommended items, under “3. External Evaluation” below.

## 2.1 Use of Proceeds

Net proceeds from social bonds under the framework will be allocated to new investments in the following eligible projects.

Eligible Projects	Potential Social Benefit	Category (Target Group)	SDGs
<p>Construction and operation of a new distribution center in Tsukuba City, Ibaraki Prefecture</p>	<p>To ensure uninterrupted medical services even during disasters and to contribute to the stable supply of medicines, the following BCP measures will be implemented in the distribution center.</p> <ul style="list-style-type: none"> <li>▪ The entire building will utilize seismic isolation structures that minimize damage even in major earthquakes (intensity 6).</li> <li>▪ The building will be equipped with a large emergency power supply capable of operating for 72 hours.</li> <li>▪ Water storage facilities to prepare for disruptions to water supply and sewerage will be installed.</li> </ul>	<p>Access to essential services (people affected by a disaster who need medicine)</p>	 
<p>Construction and operation of buildings for the production of pharmaceuticals* in Ota City, Gunma Prefecture</p>	<p>By equipping these buildings with the following capabilities, they will be able to produce pharmaceuticals efficiently and stably, and contribute to meeting unmet medical needs. This will lead to advancements in healthcare.</p> <ul style="list-style-type: none"> <li>▪ The buildings will be capable of advanced containment of hazardous substances.</li> <li>▪ The buildings will be equipped to handle a variety of dosage types, such as capsules, liquids, ointments, and granules, as well as the consigned manufacture of small-molecule pharmaceuticals and substances with high pharmacological activity, with a focus on rare diseases.</li> </ul>	<p>Access to essential services (Patients with unmet medical needs)</p>	

\*Alfresa Pharma Corporation will construct three new buildings in the Gunma Plant

## **2.2 Process for Project Evaluation and Selection**

The eligible projects for funding with the proceeds from social bonds were selected based on the Alfresa Group's Aspiration (Long-Term Goals) and the Group's Medium- to Long-Term Vision. These projects were selected by the executive officer in charge of financial planning and CSR after discussions between the Financial Planning Department and the relevant business segments. These selections were then reported to the Board of Directors. When carrying out these projects, we will comply with applicable laws, internal and external regulations, and social norms as stipulated by the Alfresa Group Compliance Guidelines.

## **2.3 Management of Proceeds**

The Financial Planning Department ensures the proceeds of social bonds are tracked and managed to be allocated to eligible projects, and the status of allocation is also monitored and confirmed on an annual basis.

Until the proceeds of social bonds are fully allocated, the proceeds are managed as cash or cash equivalents. We plan to complete the allocation within approximately two years after the issuance of social bonds.

## 2.4 Reporting

### ① Allocation Reporting

Until the proceeds of social bonds are fully allocated to eligible projects, the following information will be disclosed on our website annually.

- An overview of each project (including progress)
- Allocated amount, unallocated amount, scheduled allocation period, and management method during the unallocated period

In the event of significant changes in the allocation plan or other important matters, we will disclose them on our website in a timely manner.

### ② Impact Reporting

Until the proceeds of social bonds are fully allocated to eligible projects, we will disclose the following information on our website on an annual basis at minimum to the extent we can disclose from the viewpoint of confidentiality and non-disclosure obligations.

Eligible Projects	Output	Outcome	Impact
Construction and operation of a new distribution center in Tsukuba City, Ibaraki Prefecture	▪ Capabilities related to the BCP	▪ The number of medical institutions in range of the pharmaceutical supply from distribution centers ▪ Reduction of risks associated with potential disasters	▪ Assurance of access to proper medical care during both normal times and disasters
Construction and operation of buildings for the production of pharmaceuticals in Ota City, Gunma Prefecture	▪ Capabilities of buildings for the production of pharmaceuticals	▪ The production volume in buildings	▪ Extension of healthy life expectancies through the advancement of healthcare services

## 3. External Evaluation

### 3.1 Second-Party Opinion (Pre-Issuance)

We obtained a second-party opinion from Rating and Investment Information, Inc., an independent outside reviewer, regarding the alignment of the framework with the 2023 SBP (ICMA) and the 2021 SBG (FSA).