

Risks and Opportunities

SHIONOGI analyzed and assessed its risks and opportunities based on changes in the internal and external environments and its time frame, identified the material issues (materialities) that must be addressed in the long term, and developed STS2030 Revision as its Medium-Term Business Plan. We will continue to assess the impacts SHIONOGI and society have on each other, and reflect such assessment in our initiatives to promote activities aimed at resolving issues.



**Medium-Term Business Plan  
STS2030 Revision**  
➤ P.37

Creating value through solutions to  
social issues of healthcare

Strengthening the company platform  
and contributing to a sustainable society

Environmental Changes/Social Needs

- Perception of the environment surrounding society and the healthcare industry
- The global epidemic of COVID-19 and subsequent lifestyle changes
  - Further expansion of the scope of corporate social responsibility
  - Aging of developed countries' populations and rise of emerging countries
  - Accelerating investment in the children of the future
  - Structural changes in the healthcare industry
  - Restricted access to medical care
  - International instability
  - Technical innovation and evolution, including digitalization, and greater use of data
  - Growth of the global market for prescription drugs, and contraction of the Japanese market
  - Global warming

- Perception of the internal environment
- Transformation to realize the SHIONOGI Group Vision
  - Promotion of workstyle reforms
  - Numbers of pipelines, imbalance in R&D progress
  - High reliance on royalty business
  - Lower patent cliff risks

Risks	Opportunities
<ul style="list-style-type: none"><li>• Contraction in market for infectious disease drugs as awareness of hygiene increases</li></ul>	<ul style="list-style-type: none"><li>• Globalization of infectious diseases due to climate change</li></ul>
<ul style="list-style-type: none"><li>• Human rights violations, risks affecting stable supply, business delays, continuity, and deterioration of credit-worthiness by the Company and its suppliers due to the following events<ul style="list-style-type: none"><li>• Deterioration in relations with local communities</li><li>• Human rights, environmental, and compliance/governance issues</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Increased expectations and demand for global infectious disease countermeasures</li><li>• Increasing demand for wellbeing and social participation in all generations</li><li>• Rising needs for prevention, presymptomatic conditions, self-medication needs, and related market expansion</li><li>• Promoting access to medical care</li><li>• Creating solutions through technological innovation</li><li>• Achieving stable supply, customer satisfaction, and reliability in the Company and its suppliers in the following events:<ul style="list-style-type: none"><li>• Continuous improvement of stable supply and quality assurance</li><li>• Care for human rights and the environment</li></ul></li></ul>
<ul style="list-style-type: none"><li>• Greater information security risks</li></ul>	
<ul style="list-style-type: none"><li>• Collapse of existing business models through disruptive innovation</li><li>• Lack of human resources to realize SHIONOGI Group Vision</li><li>• Loss of business opportunities as nothing is done in emerging countries</li><li>• Higher hurdles to drug discovery and lower research efficiency</li><li>• Decrease in productivity/outflow of human resources</li></ul>	<ul style="list-style-type: none"><li>• Construction of a business that does not rely on patents</li><li>• Enhance employee awareness of transformation, to create innovation and enhance their ability to respond to change</li><li>• Secure human resources by expanding the environment in which diverse human resources can play active roles</li></ul>

Material Issues

Material issues to create value by solving healthcare social issues	Protect people from the threat of infectious diseases ➤ P.16, P.48, P.54, P.58, P.62, P.66
	Contributing to a healthy and prosperous life ➤ P.48, P.54, P.62, P.66
	Create innovation ➤ P.62, P.66
	Improve access to healthcare ➤ P.22, P.54, P.62
Material issues to reduce negative impacts on customers and society	Supply socially responsible products and services ➤ P.84
	Strengthen supply chain management ➤ P.82
	Respect human rights ➤ P.85
	Protect the environment ➤ P.86
Material issues to support the realization of a sustainable society and the growth of SHIONOGI	Develop and secure human resources to support growth ➤ P.74
	Ensure compliance ➤ P.102
	Strengthen governance ➤ P.90, P.92