Message from the CIO

DX in the Panasonic Group: Panasonic Transformation (PX)

Bring happiness to life.
Bring happiness to work.
It's digital, it's our value.

Hajime Tamaoki
Executive Officer
Group Chief Information Officer (Group CIO)

Under a new organizational structure, Panasonic is currently propelling initiatives to exhaustively strengthen its competitiveness by making each business more "specialized and sharpened." The business environment nowadays is entirely dependent on digital technology and it would be no exaggeration to say that IT is indeed a key pillar of corporate management and the driver of differentiation. Panasonic too must ramp up its Group-wide efforts in the area of digital transformation (DX). However, much of our IT—which a successful DX hinges upon—is unfortunately outdated and still consists of mainly individually optimized or old legacy systems, so it is absolutely essential that we shore up our overall IT framework. Accordingly, in May 2021 we launched in earnest our so-called Panasonic Transformation (PX) project to achieve a DX at the Company.
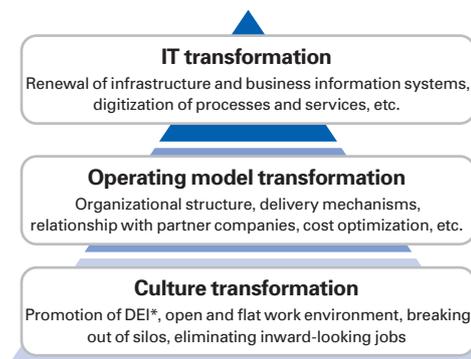
Transformation framework

The word "transform" basically refers to a change in the true nature of something. As part of the PX, we believe we need to promote genuine transformation on three layers and we have already decided what needs reinforcing on each layer and have started taking concrete action.

At the top is the transformation of business or IT itself. In the middle is the transformation of our operating model needed to deliver it. At the bottom is the most critical and most challenging layer—the transformation of culture that underpins the accomplishment of the two aforementioned transformations. Properly advancing all of these transformations will be crucial. For example, if nothing other than cloud computing installation on the top layer is implemented, changes are unlikely to become entrenched and things will revert back to the old ways of doing things. So in this sense, the transformations on these three layers need to be implemented collectively. To that end, all employees in departments, not just the Information Systems Department, involved in the PX as a Panasonic Group-wide transformation project under the

ownership of CEO Kusumi must work together to drive the project forward.

Transformation framework

IT transformation
Renewal of infrastructure and business information systems, digitization of processes and services, etc.

Operating model transformation
Organizational structure, delivery mechanisms, relationship with partner companies, cost optimization, etc.

Culture transformation
Promotion of DEI*, open and flat work environment, breaking out of silos, eliminating inward-looking jobs

* Diversity, Equity & Inclusion

IT transformation (IT strategy)

Having been subjected to business reorganizations over the years, our IT systems have undergone numerous integrations and separations, while those in charge of information systems have followed suit and successively added new functions on top of old platforms in order to meet worksite requests for completing certain tasks with IT technology. As a result, we have ended up with a disjointed collection of individually optimized systems that are unable to agilely respond to the pace of business and management. But rebuilding everything will require a vast amount of time and money. That is why in the PX, the prerequisite for transforming IT itself will rest on supporting each Panasonic business to become "specialized and sharpened" and making business operations more efficient, and to achieve that, we have selected four optimal programs: (1) modernization of legacy systems; (2) maintenance of master data; (3) use of cloud computing; and (4) SCM streamlining and improvement. We are currently assigning concrete themes to these programs, launching

activities, and deciding on implementation targets. In addition, we are working closely with business divisions and employees at the *gemba* (operational frontlines) to simplify and standardize business processes with a "back-to-basics" approach that is essential to IT implementation.

Operating model transformation (organizational transformation)

To overhaul the IT supply chain framework that efficiently delivers outputs under the aforementioned IT strategy, we will revamp not only our Information Systems Department, but also all aspects of management resources that encompass it, such as people, goods, and capital. Even though we have carried out large-scale IT innovation projects before, the fact that we are delving deep into this layer is the biggest thing that sets the PX apart from prior projects. As we work towards transforming management, the *gemba*, and processes, we intend to push ahead with seven projects, including the following: mechanism of incorporating IT into the management agenda; personnel management reforms; vendor governance and commercial flow innovation; and transformation of IT subsidiaries as a core of service delivery. We must pay particular attention to the point that "changing how to do things is the same as turning to become more 'Agile'." Here, the use of the word agile does not simply refer to the method of IT development—it means switching to an agile working style that can pave the way towards organizational transformation. We will make sure that this transformation drives an acceleration in management and business by emphasizing the following key points: eliminating inward-looking works and shifting thoroughly to a customer perspective; frequently delivering small results instead of a big result over a long term; and flexibly responding to changes rather than executing tasks as planned. We have also linked these activities to the third layer (culture transformation), launched an agile center modelled on our Operational Excellence Company, and commenced trials on a small scale. Based on the outcome of these activities, we intend to gradually have the entire Panasonic Group adopt more agile working styles and culture.
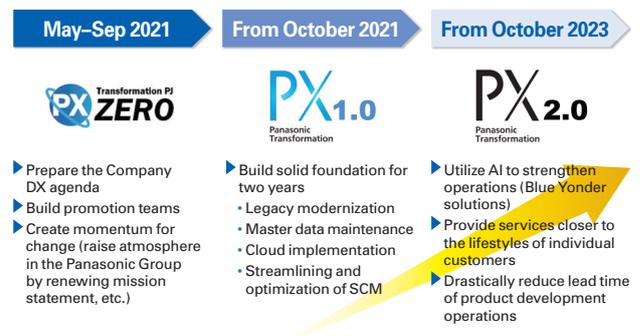
Culture transformation

The transformation framework (PX) is supported from the ground up by changes in organizational culture, the mindsets of individuals, and working styles. We believe these sustained transformations are the very reason why we can accomplish the PX for the first time. Accordingly, we have continued to put into practice throughout the Group the plan of One Panasonic IT (breaking out of silos), open and flat work environment, a zero-tolerance policy (ensuring psychological safety at work), and the elimination of inward-looking jobs. Moreover, for the benefit of not just the Information Systems Department, but also for all of the people involved in developing the IT and systems for driving the PX project forward together, for the first time in 13 years we renewed the mission statement of

the Information Systems Department that was formulated in 2008. The department's vision has been defined as "Bring happiness to life. Bring happiness to work. It's digital, it's our value." We consider both life and work are so important to us all, including our customers, so we are committed to deliver even more happiness to people's day-to-day lives with digital technology and our own endeavors. It is my wish for everyone in the Panasonic Group to enthusiastically pursue transformation under the PX project to turn Panasonic into a radiant company that makes contributions to society as a whole.

Two-year roadmap and a further step towards "genuine DX"

We are formulating a new three-year mid-term plan starting in April 2022. For the PX too, we view the current scenario as the first iteration of the project, or PX1.0, which will first shore up our basic footings, much like the seismic retrofitting process. After we have properly consolidated a foundation, we intend to redefine new strategies and value in each business and ensure they are consistent with the new IT strategy for PX2.0, which will evolve and grow into a business model transformation and new value creation, driven by cutting-edge digital technology.

May–Sep 2021	From October 2021	From October 2023
PX Transformation PJ ZERO	**PX 1.0** Panasonic Transformation	**PX 2.0** Panasonic Transformation
▶ Prepare the Company DX agenda ▶ Build promotion teams ▶ Create momentum for change (raise atmosphere in the Panasonic Group by renewing mission statement, etc.)	▶ Build solid foundation for two years • Legacy modernization • Master data maintenance • Cloud implementation • Streamlining and optimization of SCM	▶ Utilize AI to strengthen operations (Blue Yonder solutions) ▶ Provide services closer to the lifestyles of individual customers ▶ Drastically reduce lead time of product development operations

Aiming to further strengthen security measures

We fully recognize the importance of security measures when undertaking corporate activities such as the DX project discussed above. Alongside countermeasures for addressing a recent case of unauthorized access to one of our file servers, we will endeavor to further strengthen our security measures. Security measures based on a zero-trust network have been also discussed at Group management meetings and a decision has been made to strengthen our approach in fiscal year ending March 2023 (fiscal 2023) by earmarking a security investment budget that is more than double that of previous years. Given the responsibility of the Panasonic Group to protect sensitive customer data, the Company will continue to steadily work on building a safe and secure remote working environment for employees together with a zero-trust network.