



## FUJIFILM GROUP

# CONSOLIDATING SAP® SOFTWARE ENVIRONMENTS TO RESPOND TO RAPID EXPANSION

### QUICK FACTS

“I think the progress of the SAP environment consolidation over the entire group has laid the foundation for strengthening consolidated management.”

**Shigeki Hayashi**, IT Group Manager,  
Corporate Planning Division,  
FUJIFILM Holdings Corporation

#### Company

- Name: FUJIFILM Holdings Corporation
- Location: Tokyo
- Industry: Consumer products
- Products and services: Visual imaging, healthcare, and office product documents
- Revenue: ¥2.78 trillion (€17 billion)
- Employees: 76,358
- Web site: [www.fujifilmholdings.com](http://www.fujifilmholdings.com)

#### Challenges and Opportunities

- Improve system operability by replacing aging servers
- Expand system to form the basis for business growth and continuity

#### Objectives

- Secure continuity of business processes through system expansion
- Increase operational efficiency through the consolidation of servers in each global region
- Improve IT solutions for internal control

#### SAP® Solution and Services

SAP® ERP application

#### Implementation Highlights

- Completed with only 3 days of downtime instead of anticipated 5
- Included development of templates that facilitated deployment across the group

#### Why SAP/Microsoft

- Smooth response to structural reforms and mergers and acquisitions
- Business processes that meet global business requirements
- Increased operational efficiency through the consolidation of operating systems and databases

#### Benefits

- Strengthened consolidated management
- Increased management efficiency
- Established IT governance
- Improved communication among group companies
- Enhanced data availability

#### Third-Party Integration

- Database: Microsoft SQL Server 2005
- Hardware: 64-bit compatible Microsoft Windows server
- Operating system: Microsoft Windows Server 2003

# FUJIFILM

SAP Case Study  
Consumer Products





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## EXECUTIVE SUMMARY

In October 2006 Fujifilm Group shifted to a corporate structure centered on the holding company FUJIFILM Holdings Corporation, which controls both FUJIFILM Corporation and Fuji Xerox Co. Ltd. Fujifilm Group is developing business in wide-ranging fields focusing on the three key areas of visual imaging, healthcare and printing information, and office product documents. The group is promoting growth strategies based on its VISION75 medium-term management plan, which it has been promoting since 2004.

Fujifilm Group's strategic moves involve various structural reforms. These include discarding conventional business structures dependent on the photo film business and implementing R & D or mergers and acquisitions (M&A) in the fields of highly functional materials for the purpose of securing a new source of income. As part of these reforms, FUJIFILM has been promoting the consolidation of the backbone system based on the SAP® ERP application at locations inside and outside Japan since 2000. In October 2006 FUJIFILM began migrating from Oracle to an operating system and database with Microsoft SQL Server while upgrading the initial version of its SAP R/3® software to SAP R/3 Enterprise software (functionality now found in SAP ERP). Full operation started in May 2007.



## UPGRADING SAP ERP FOR BUSINESS CONTINUITY

Prior to rolling out in Japan, FUJIFILM had been implementing SAP ERP at production companies overseas. In 2000 the company began to implement SAP ERP at the head office and affiliated companies inside and outside Japan. What led to this implementation was the management decision that highlighted the need to expand existing business and create new business. This decision was taken after a considerable decline was forecast in the demand for photo films, the company's long-standing core business, due to the spread of the digital camera. In order to establish an information infrastructure capable of responding rapidly to such changes, the company has been promoting the renewal of backbone systems over the entire group.

The SAP functionalities implemented by FUJIFILM comprise financial accounting (FI), controlling (CO), sales and distribution (SD), and materials management (MM). First, the FI and CO components began operating at the head office in 2000 and the SD and MM components in 2001. After 2002, the scope of implementation was expanded to sales companies and production companies

in Japan, while templates were created for sales companies to promote group deployment, including those at overseas locations. These information strategies were founded on intensive managerial measures, such as structural reform of the photo film business and the injection of management resources in growth fields. Shigeki Hayashi, IT group manager, corporate planning division of FUJIFILM Holdings, talks about the management effectiveness of SAP ERP implementation:

"The greatest effectiveness is seen in the smooth response to mergers and acquisitions and business structure reforms. It is also significant that the standardization of business processes and management data was promoted especially through group deployment. By operating business process analysis at multiple group companies, we were able to remove partial optimization specific to each company to create optimal business processes for the group. This event also contributed to enhancing the management efficiency that enabled communication at the same managerial level or language."



“We can visualize business scenarios to establish a system when starting up a new company. This is possible only because of the SAP solutions that meet global business requirements. Also, from our past experience, we are confident of their effectiveness.”

Hiroshi Yajima, Director and Division Manager of Information Systems,  
FUJIFILM Computer System Co. Ltd.

Running parallel to the creation of such effectiveness, FUJIFILM is working on optimizing the entire SAP software system environment at a global level. Hiroshi Yajima, director and division manager of information systems at FUJIFILM Computer System Co. Ltd., who is in charge of establishing and operating IT, talks about the global architecture concept:

“For information sharing and faster preparation of financial results within the group, our basic intention is to increase IT operation efficiency by consolidating SAP servers previously allocated to each company into one server. The move to consolidate the SAP environments into one server at data centers located in Europe, China, Japan, and the United States was enabled by implementing SAP ERP, resulting in increased communication efficiency among groups and creation of a system better suited to enforcing IT governance.”

In this concept for server consolidation, FUJIFILM identified two major measures: to upgrade the head-office system toward the consolidation of systems in Japan and to migrate mixed environments with UNIX, Microsoft Windows, Oracle, and Microsoft SQL Server to a consolidated Windows and SQL Server environment. Regarding this decision, Hiroyuki Toda, operations manager for logistics systems of the information systems division at FUJIFILM Computer System, points out that upgrading and migration were also essential from the standpoint of business continuity:

“The backbone system of the FUJIFILM head office had been operating with risks associated with aging of hardware and software. With hardware, the provision period for maintenance parts had nearly expired, and there was a danger of not being able to repair failures. It was difficult for us to add new features because the maintenance period for software was nearing its expiry date as well. It was clear that we had risks related to business continuity and future expandability, so we had to upgrade and migrate to promptly respond to new challenges, such as failures and complying with laws and regulations. Also on the operation side, we had to secure engineers for each of the heterogeneous environments with various operating systems and databases. This consolidation brought us the advantage of developing common technology.”

# PARALLEL PROCESSING SHORTENS DOWNTIME FROM FIVE TO THREE DAYS

FUJIFILM's first target was to upgrade SAP ERP and database migrations at the head office, in an effort to establish a base environment for the eventual consolidation of SAP software environments in Japan into one server based on the global architecture concept. Yajima explains:

"As a basic policy, we first defined a scenario to upgrade the head-office SAP server as a base, and then to conduct the sequential consolidation of SAP environments at affiliated companies. It was also important to minimize burdens created at other operations in order to reduce risks related to the challenging tasks of implementing upgrading and migrations simultaneously. So we chose to upgrade to SAP R/3 Enterprise, which had already been operating at some of the sales companies, so as to avoid unnecessary migrations, such as transferring to existing enterprise application integration tools. The policy to conduct technical upgrading without the addition of new features comes from the same line of thinking."

The project started in October 2006 with the framework of the logistics (SD, MM, and data warehouse), administration (FI and CO), and infrastructure teams. FUJIFILM had been promoting project activities in accordance with the phases of study and analysis, application adjustment and testing, and actual transition. What it emphasized when the project progressed toward actual transition was creating a schedule that did not

interfere with user operations and minimizing downtime (the period when the system cannot be used). The project plan set three days as the downtime goal for the actual transition to take place during consecutive holidays in May 2007.

Initially, downtime had been estimated at five days. The procedure flow was clarified for the infrastructure transition to upgrade SAP ERP and migrate databases and then to perform the application transition to set parameters and actualize programs. If standard SAP procedures were followed for the infrastructure transition, however, database migrations alone would require 78 hours for exporting and 26 hours for importing. Here the technology and expertise of FUJIFILM Computer System were utilized. As Toda explains, "By significantly reducing the database migration time from 104 to 22 hours, we completed the infrastructure transition in 48 hours and total operations, including the application transition, within three days."

The operation that had heavy loads in the application adjustment and testing phases was system testing based on business scenarios. "The basic steps of system testing are to incorporate add-on corrections in advance and check operations based on results obtained by analyzing the upgrade differences with tools," says Yajima. "However, we inevitably discover areas that require response only after operating the system based on business scenarios involving, for example, ERP standard features being different from the older versions."

The operating system switch from UNIX to Windows was performed at the same time, so switching tests and verification became necessary for the linkage areas with peripheral systems. Evidentially, ingenuity was required to confirm transition results. "The upgrading of SAP ERP had clear basic procedures," says Toda, "but the linkage areas with peripheral systems also had various transition targets (definitions and settings). We considered the methods of extraction, modification, verification, and transition for each transition target so as to increase efficiency and quality of the work."

While incorporating such ingenuity, a total of three rehearsals were conducted for both infrastructures and applications, and the transition operation, including upgrading and migrations, was completed within three days as a result. After full operation started, FUJIFILM Computer System provided follow-up to respond to system operation monitoring, reception of user inquiries, and failure research and solution. In the first week of full operation, the team fielded inquiries from users regarding the screen operation changes, but the situation settled down from the second week onward. Pattern errors that could not be verified during system testing were discovered in some of the exceptional business process operations, but the approximate one-month follow-up period seems to have brought stability to the system.



## AIMING FOR GLOBAL EFFECTIVENESS FROM STRONGER MANAGEMENT

FUJIFILM's goal in the next three years is to consolidate the SAP software environments of affiliated companies in Japan into the SAP software server that performed upgrading and migrations during this time. It also plans to consolidate SAP software environments in Europe, China, and the United States while implementing structural reforms related to organizations, capital, and distribution.

The standardized business processes of SAP ERP bring out the effectiveness in organizational restructuring within the group. "We must continue to promptly revise or newly establish information infrastructures in accordance with new organizational controls," says Yajima. "For example, we can visualize business scenarios to establish a system when starting up a new company. Its streamlined realization is possible only because the SAP solutions contain business processes that meet global business requirements. Also, from our past experiences, we are confident of SAP solutions' effectiveness. When founding a new company in the past, we used to launch SAP systems to coincide with the starting date of business operations. In-house development involves large time and cost loads, and so smooth response is difficult because the company must prepare for all of the necessary business processes. Also, when conducting an M&A for new

business development, IT consolidation poses a huge business challenge. With this in mind, if the M&A target is an SAP ERP user, we feel secure knowing that its business processes are standardized."

In the medium-term management plan known as VISION75 (2007), FUJIFILM Holdings cites as priority issues the following items: further promotion of growth strategies through dynamic capital investment in fast-growing fields and proactive M&As centering on new business fields; and realizing a robust corporate constitution through concretization of shared business, distribution cost reductions, and purchasing reforms. "With the progress of SAP environment consolidation over the entire group," explains Hayashi, "I think the foundation for reinforcing consolidated management has been completed with the establishment of a framework where all data necessary for consolidated management is gathered from our group companies in each country. In the future, we will utilize the standardized business processes and management data to promote inventory reduction and increased fund efficiency on a global level." This project has strengthened the global business infrastructure of FUJIFILM Holdings. Without a doubt, SAP solutions will play a still-greater role in its future business expansion.

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