

BROTHER INDUSTRIES, LTD.

10 Years of working with ABeam as a Real Partner Achieving "Global Vision 21" and Beyond.

Brother is a leading enterprise in the market of fax machines, printers, Digital Multi Function Centers and traditional sewing machines. As a worldwide business, Brother's overseas sales account for nearly 80% of its total sales revenue. In 2002 Brother established "Global Vision 21," a moderate to long-term corporate vision for the company spanning the next ten years. By using cutting-edge IT and strategic IT planning, Brother has been able to realize this vision through cooperation and strong support from ABeam Consulting and ABeam Systems.



Mr. Kobun Koike
Director & Managing
Executive Officer
Brother Industries, Ltd.

Building Cutting Edge IT in Anticipation of GV 21 by 2012

In 1999, Brother, which leads the marketplace with their FAX machines, printers and Digital Multi Function Centers, enacted the "Global Charter." The realization of the company's mission, "Creation and swift delivery of superior values to our customers through manufacturing," is something that they continually strive for. Total revenues in 2006 totaled roughly JPY562.3 bn.

In their mid to long term corporate vision "Global Vision 21(GV21)" chartered in 2002, they decreed that "As an organization that does business on a global scale, the customer comes first in all of our activities and in many ways," while setting forth various goals. In 2007, they entered the second year of their mid term business plan (new three-year strategy) that was created as the second stage of GV 21. The entire company continues to work towards achieving the goals set forth in GV 21.

Mid-to-Long Term Vision <Global Vision 21>

As an organization that does business on a global scale, the customer comes first in all of our activities and in many ways. Moreover, Brother is a company that provides good values obviously to our "existing" customers but also to potential "future" customers. Global Vision 21(GV21) is the mid-to-long-term vision of the Brother Group that was adopted in FY2003 based on this line of thought.

Three goals to achieving "Global Vision 21"

To become a leading global company with high profitability

While promoting globalization not only in the scale of the business, but also in our way of thinking, Brother will flexibly react to various changes, and keep evolving swiftly. We will also establish a highly profitable and solid financial strength.

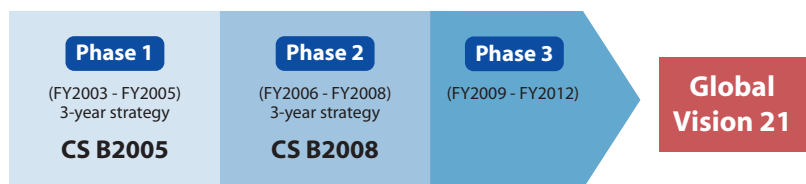
To become a world-class manufacturer by developing outstanding proprietary technologies

Brother will push forward manufacturing of unique and original products based on the customer-first standpoint, by developing outstanding proprietary core technologies and acquiring patents.

To embody Brother's motto, "At your side," throughout our corporate culture?

Brother will foster a customer-first corporate culture in all the stages of our operations, including product planning, development, design, manufacturing, sales, and services. Our goal is to ensure the customer perception that Brother is a "reliable brand."

Three phases for achieving "Global Vision 21"



When talking about GV21 and Brother's business, their original customer-centric Value Chain Concept "Brother, Value, Chain, Management (BVCM)" can not be left unmentioned. BVCM follows a process where customer needs are linked to product development (Demand Chain), development/production (Concurrent Chain) and then delivered to the customer (Supply Chain), while at the same time always seeking further improvements on a daily basis according to the Brother Group's motto, "At your side."

Brother Industries Director & Managing Executive Officer Mr. Kobun Koike said:

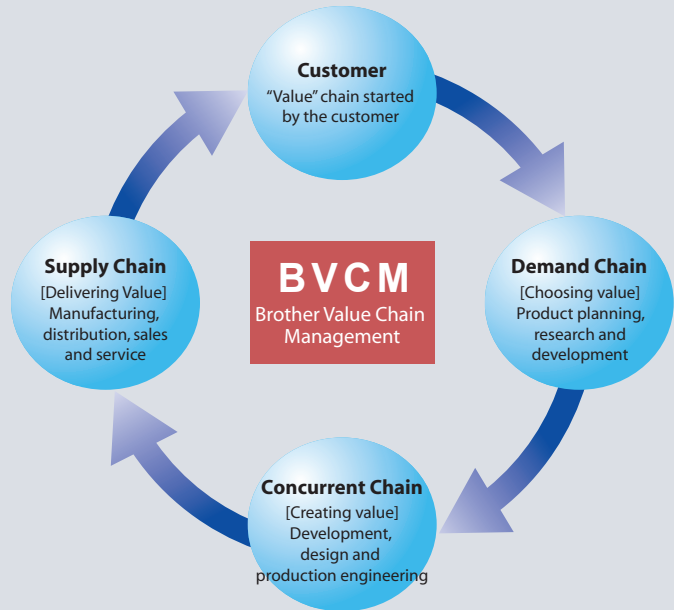
"Processes are created by people. IT is also something used by people. While I am responsible for the part of Brother's corporate goals that are supported by the Information System, I always approach business with the mindset of leading the evolution of both people and processes."

The word "Global" pops up frequently in talks with Mr. Koike. It could be said that employees fostered within

A Management System to Provide Superior Value <BVCM>

The Brother Group considers customer demands and expectations top priority as our guide for all of our business operations including product planning, development, design, manufacturing, sales and service. In order to create and deliver new values, an original management system was built and named the Brother Value Chain Management (BVCM) system.

BVCM is a process for delivering superior values to customers, consisting of three chains - the Demand Chain, the Concurrent Chain, and the Supply Chain. We will continue to advance this BVCM chain and deliver better products and services from a customer-oriented standpoint.



Brother, whose overseas sales account for nearly 80% of their total, have been gifted with true “Global Enterprise” DNA rather than simply that of a “Global Enterprise from Japan.”

“In BVCM we take a global approach to the total optimization of sharing information. While the overall group is included in the meaning of total optimization, it must also be decided whether Brother’s facilities would be acceptable to our customers and suppliers as well. To accomplish this, the ability to quickly determine the needs of the customers/suppliers and realizing them is extremely important.

Under Mr. Koike’s leadership and ABeam’s intimate cooperation policy, Brother’s IT has been able to support the realization of GV 21, while rapidly evolving BVCM. Brother Industries’ MIS Department Mr. Satoshi Watanabe oversees this part of the process.

“It is very difficult trying to unify Japan’s goals with those of our global goals. However, it is one hurdle that we must absolutely overcome as a Global Enterprise. If the entrance for System Implementation is the sharing of goals, then its exit point consists of system utilization. Creating the entrance is difficult, but once we get past it, we can focus all our efforts on the exit point.”

Brother’s Information System Division, lead by Mr. Koike and Mr. Watanabe,

overcame numerous difficulties and by the mid 1990’s had created an IT infrastructure that could act as a solid base, which they continue to improve and develop. First, let’s take a look at the work Brother went through until they chartered GV 21.

From Production Management to a Stage by Stage Implementation of ERP

Brother reached a decision to implement ERP in 1996. This happened at a time when product lifetimes were shortening, production points were being moved overseas and talks surfaced of selling products globally at once, rather than gradually introducing them according to region.

The market’s demands changed drastically as they began to be influenced by these trends. Those within the field felt this change the most, and began to place a new dimension of demands on services offered from the Information Systems Division. The host system that had been used for so long could no longer meet the demands of the field. Demands from the field were yearly becoming ever diverse and sophisticated. This stage became the catalyst for the implementation of ERP.

Reforming Business Processes was not enough. A flexible structure that could

respond to any future changes in the business model had to be built as well. This line of thinking matched that of Management’s desire for BVCM.

Around this time, the implementation of SAP R/3 was being pushed forward in the North American Region. Since total global optimization of BCM was the future goal of Brother, it was only natural that they sought to use the same package in Japan.

At the time, vendors were pitching what were referred to as “Big Bang Implementations,” or an instant change over of all modules. However, after much research and investigation into the size of the company, feasibility, and the scope of implementation, it was decided that a staged implementation approach would be taken. In the end it turned out this decision was the correct one. Reform started from Production Management.

As a test case, Brother started the implementation of MM (Stock and Inventory Control)/PP (Production Management) modules from Production Management into part of their process fields. The implementation of a large scale package solution was a first for the people at the Information System Subsidiary, who had long become used to the original host system. Also, the linkage between the Accounting and Host System had to also be examined since the Accounting System was op-



Mr. Satoshi Watanabe
MIS Department Director
Brother Industries.



Mr. Eiichi Yoshida
P&S Planning Department,
Information Planning Group,
Group Manager
Brother Industries.
Printing and Solutions Company



Mr. Nobumichi Kito
MIS Department Group
Manager
Brother Industries.



Mr. Shigeru Mizuno
MIS Department Group
Team Manager
Brother Industries.

erated by the Host System. Brother Industries P&S Plannig Department, Information Planning Group, Group Manager Mr. Eiichi Yoshida reflects, "Most other companies that were implementing R3 took either a Big Bang approach, or started from the Account Module. Many thought it was strange that we would start implementation from the Production Management / Stock Management Modules."

The project went through numerous trial and errors. There were times where everything would be scrapped when it became apparent that the specifications and conditions did not match, even though it was partially completed. In a time when consultants that possessed Package Solution expertise were scarce, Brother slowly accumulated this knowledge with members of the Information System

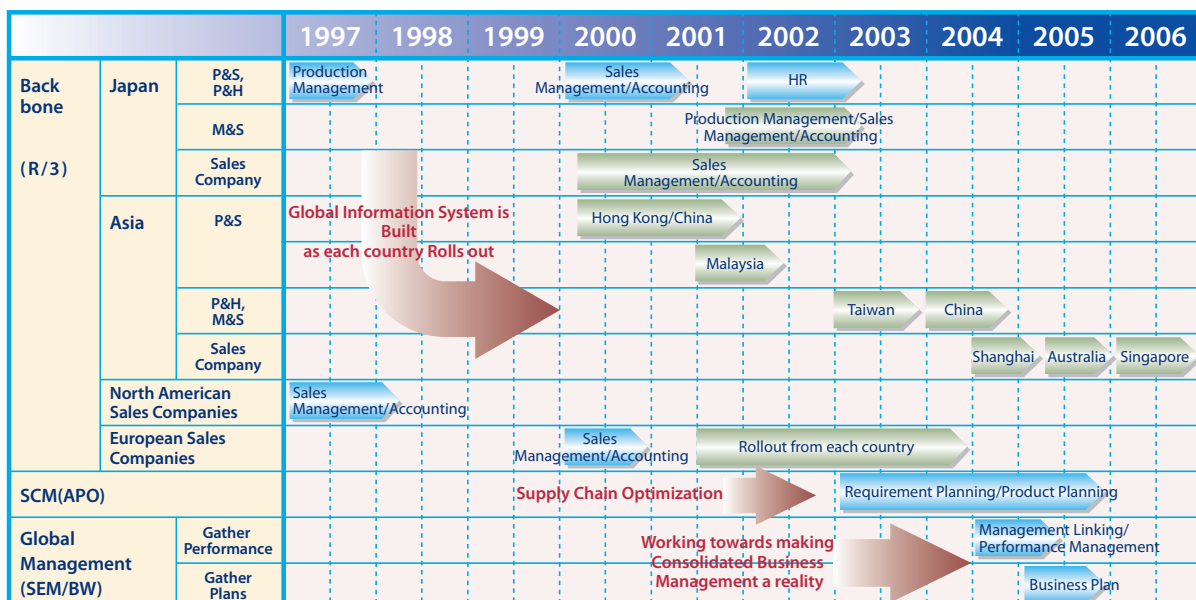
Subsidiary, slowly but surely working towards a Go-Live date of 1998. They managed to realize the shortening of the planning cycle, while completely switching towards an EDI standard for all transactions with outside vendors as well as making them paperless. This System Operation allowed for the BVCM Change Readiness to move into full swing. Under a globally unified business process, the integrated system began linking information in real time. They tried to share the value of this with the rest of the company. While Change Readiness was occurring, FI (Finance Accounting)/CO(Sales Management) also started to be implemented. It was right around this time that ABeam consulting started to become involved in the project, which blossomed into a full scale implementation of all modules. Consultants with Package Solution expertise supported

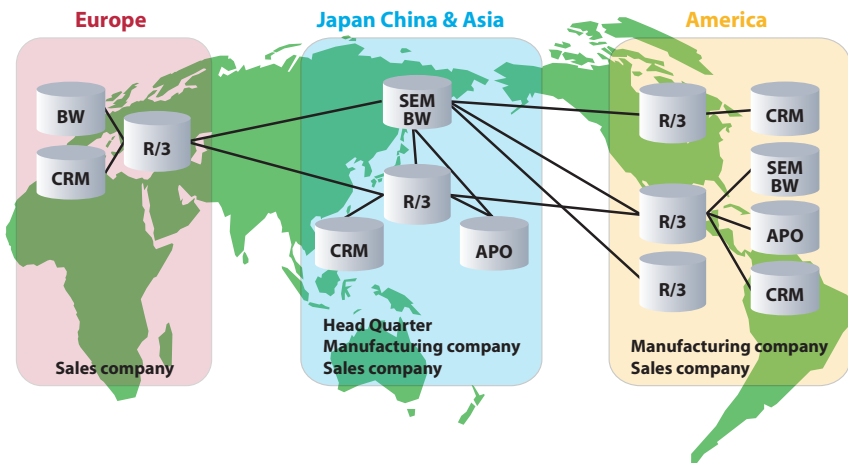
the project, pushing the project forward, culminating in its Going Live in 2001.

Brother Industries MIS Department Director, Group Manager, Mr. Nobumichi Kito said, "ABeam had Project Management skills that we did not possess. A system renewal of this scale had not happened since we installed our mainframe. It is something that happens once in 20 years. We were able to move forward in this project without trepidation because of the expertise within ABeam. The team possessed not only an understanding of the System, but Business Process as well."

Following this, they started to gradually implement in the Asiatic Regions as well. All databases were placed in Japan, with all master data, including BOM (Parts Charts), residing in Japan. Each regions needs were accommodated through the application layer.

Implementation Schedule





SAP Products R/3 and SEM/BW are deployed globally as an Information Infrastructure for Global Information Sharing as well as for consistent business management

SCM System Implementation Reduces Planning Cycle from Half Month to Weekly Turnaround

After some time passed following the implementation of R/3, a new issue surfaced; the need to accelerate BVCM and subsequently reduce the planning cycle to a weekly basis. Also, there were those within the sales field who said that they wished to fully understand the production conditions.

Brother's production points were concentrated across Asia, with facilities in Japan, China and Malaysia. North America and Europe served to sell the products that were manufactured in Asia. While each region was responsible for their own stock, it was apparent that they were having problems coordinating the stock of items they wished to sell.

The main reason for this lay in the fact that the coordination of inventory numbers was mainly accomplished through an Excel base. Information between the production site and sales site were not being shared, and the distribution of completed products and inventory allowance was not ideal.

Thus it was, in 2002, the Supply Chain Reform project was born with the enormous goal of realizing an integrated Planning Process that was agile, flexible and possessed high mobility. To facilitate this, sharing of information between the Distribution Company and Supplier was pushed forward, exposing the need for a weekly production plan.

The project was planned to not only

use the typical shared benchmarks of P (Purchasing), S (Sales), I (Inventory), but also add the distributors perspective in the form of A (Arrival), making a total of 4 benchmarks visible.

However, the project was faced with issues such as, "Sellable Inventory is different for each company," or "Monitoring the exact inventory available on ship is difficult." In order to face these issues, the Business Process Transformation and Business Model were standardized while companies were linked through common business vocabulary. It was decided that SAP/APO*1 would be implemented in order to realize the sharing of information.

A little while back, the project direction changed significantly. ABeam, which had continued to support the project from the outside, invested capital in Brother Systems, an Information Systems Subsidiary of Brother's. With this action Brother Systems became a 100% subsidiary of ABeam, allowing ABeam to commit even more strongly to the project.

Differences in thinking that existed between each company with regards to business were overcome and SAP/APO was Go-Live on January, 2005. As the infrastructure was globally unified and the project realized weekly production plans, ABeam was able to become a part of Brother and support them as one.

After implementation, the PASI information became visible. However, no mention was made to talk about the results in terms of numbers. Mr. Yoshida talks about this in the following: "Reducing inventory is possible. Of

course we can see the inventory so reducing it is a simple matter. However, whether reducing the inventory would be beneficial or not is up to each company. The purpose of this project was to share the numbers on a global scale and allow decisions to be made on the basis of these numbers."

Brother handles products with short life cycles. The SCM project's target was to bring about a structure that could support and expand faster life cycles. Mr. Yoshida stated "Through this project, I feel that both Brother and ABeam were able to grow and that this allowed us to aspire to even higher Process Transformation Goals. I hope to continue to work with them in the future."

*1:SAP APO (Advanced Planner and Optimize). Planning Scheduling Tool that supports real-time decision making, allowing for realization of entire supply chain optimization

Building a Structure that Provides a Short Term Consolidated Financial Statement

As BVCM was accelerated to meet GV21, Brother focused next on building a Management Accounting structure that could be used as a Business Benchmark. In this manner, a goal to combine the numbers based SCM, which tracks profits and losses, with a financially oriented perspective based on costs from a management viewpoint based budget, was created in order to bring about further Business Transformation.

As part of the Tokyo Stock Exchange Market, Brother needed to provide consolidated quarterly results. To accomplish this, over a month of lead time was required for all data to be collected from each site, consolidated, confirmed and analyzed. On top of this, users needed to have analysis done on happenings in the present. Brother realized that it would have a hard time fulfilling user needs.

This project focused on creating a structure from a Management Accounting perspective that would disclose the monthly status by the 8th of each month. Reports disclosed to external sources only required as much accuracy as could be achieved in a speedy report.

In order to achieve this, the tools SAP

SEM/BW *2 were used. Since the plan was to extend the scope of analysis beyond accounting, the compatibility with the existing SAP components was a high priority.

However, there were both technical and human obstacles in trying to implement this plan. On the people-side, there was a fair amount of resistance towards reforming the distribution rules of shared costs and the account system. This structure was created such that the BW server was Japan-centric, but with data being received from the group companies residing in each area or country. For this reason, it was imperative that cooperation with other companies was achieved. It was necessary for the project members to have close liaisons with overseas companies and show their commitment by traveling on site. Before changes were implemented globally, talks proceeded as the project members listened to what their partners had to say, as they sought to unify people's conceptions. It was these talks done at the beginning of each stage in the process that were a key to success.

On the technical side, the SAP tool was still unstable; resolving bugs during implementation provided many hardships in the process. While debugging was a task that could be handled within Japan, gathering data from overseas could increase the workload for each company. For this reason, cooperation was actively sought from people on site in order to collaborate fixing and updating of the existing system. ABeam supported these efforts by sending consultants abroad for several months.

Mr. Shigeru Mizuno of Brother Industries MIS Department Director, Team Manager said, "It was extremely beneficial to finally realize a means to execute Monthly Performance Management on a global basis. It was something that we always had a need for, but was never able to fully achieve. Also, I think the merit given to our members over the world in being able to receive the same report, and quickly absorb this information can not be understated."

After Going Live, actual performance data was available about a year after implementation, in May of 2005. In

reality, it was difficult for the business to keep up, with the data being provided turning out to be unsatisfactory in parts. In the end however, a report useable in Management Meetings was finally available several months later, due to the perception unification which had been done in preparation for the switchover to SEM/BW.

*2:SAP SEM (Strategic Enterprise Management). Since SAP SEM is dependent on SAP BW (Business Information Warehouse), the implementation of SEM is crucial for the success of SAP BW. Brother referred to this relationship as SEM/BW when including it in the project.

Unwavering Commitment to the Success of the Project

Brother set forth seeking to realize a giant vision, evolving the concept of IT in the process. The further expansion of the scope of Management Information is also written on the boards.

Mr. Koike mentioned the following about expectations towards ABeam, "We have received complete support from ABeam with regards to Business Process Design and System Develop-

ment/Operation. They have always produced solid results in many different areas. I hope they will help support our people to cope with and utilize the evolutions in IT." ABeam helped us immensely in the implementation of this global system and I look forward to cooperating with them to create an IT system that innovates both in terms of people and structure."

In 2006, Brother decided to reinvest in ABeam Systems, holding 35% of ABeam Systems. ABeam Systems had become a subsidiary of ABeam after buying the company from Brother. Through the injection of capital and other means, ABeam continued their cooperative efforts, progressing from "Outsider" to "Real Partner." Their continued effort to strengthen this relationship is nothing short of symbolic.

Mr. Watanabe, "I hope to make our partnership with ABeam even stronger and resilient than ever. I look forward to their reform suggestions when we decide to pursue yet another project that is new territory to us. Their expertise, knowledge, and ability to think out of the box are something I await with great expectations."

Core ABeam Systems members



Mr. Sadamu Emaki
President
ABeam Systems



Mr. Hiroshi Mori
Director & Executive Officer
Division Manager
Value Chain Service
ABeam Systems



Mr. Atsushi Terasawa
Executive Officer
ABeam Systems



Mr. Tomoyuki Takagi
Project Leader
ABeam Systems



Mr. Junichiro Maeda
Project Leader
ABeam Systems



Mr. Satoshi Tanaka
Project Leader
ABeam Systems

Mr. Sadamu Emaki of ABeam Systems which supported Brother's project from halfway through as if one of Brother's own, said the following: "For roughly six years I have participated in Brother's project and I feel a definite connection to Mr. Koike's unflinching stance in his approach. The first sentiment I shared was total optimization through unifying people's mindsets to support the Brother Group as a whole. The other, is that the Management Strategy complements IT strategy. This means that no defects can exist in the IT system. The

strategy should be realized because of IT. ABeam Systems would like to continue to commit themselves to working with Brother, following this line of thinking."

The Project Supervisor for ABeam, Mr. Misao Nakaseko said, "Brother always takes a global strategic viewpoint when thinking about things, and as a result they have overcome any obstacle in their path. We are fortunate in that we were able to take part in the challenges that Brother faced, and were able to deliver value as well as results. We hope to continue to sup-

port Brother into the future. " Brother aims to achieve their lofty vision of GV21 by the year 2012. By the time this happens, it is almost certain that Brother will have evolved IT yet again. ABeam will not only continue to support Brother Industries' goals as a Real Partner in the field of IT, but offer complete and total support all around.

■ Core ABeam Consulting members



Mr. Misao Nakaseko
Lead Client Principal
ABeam Consulting



Mr. Taira Hiromatsu
Project Manager
ABeam Consulting



Mr. Izuru Kojima
Project Leader
ABeam Consulting



Mr. Hirofumi Sugimoto
Project Leader
ABeam Consulting

■ User Chart

Company Summary

Corporate Name	BROTHER INDUSTRIES, LTD.
Head Office	15-1 Naeshiro-cho, Mizuho-ku, Nagoya 467-8561
Telephone	81-52-824-2511
Date of Incorporation	January 15, 1934
Paid-in Capital	19,209,887,693 yen
Number of Employees	23,346 (consolidated) 2,910 (non-consolidated)

Winner of the SAP Award of Excellence for a record 11 consecutive years

ABeam Consulting has again won the "SAP Award of Excellence" in the "Services Partner Category". ABeam has now won this award for a record 11 consecutive years – a SAP track record unparalleled in the industry. The SAP Award of Excellence is given only to top performing companies, based purely on independent customer satisfaction surveys conducted by SAP.

Furthermore, we also received the "Project of the Year" award for 3 projects. This award is the top excellence award in the "Project Category" based on the size, complexity and benefits of projects. We also received the "Project Award", the outstanding performance award, for 6 other projects.

Additionally, we have received the "Best SAP Enterprise SOA Implementation Award" as the best eSOA Installation Partner in the Asia-Pacific area.

[ABeam's Roll of Honour in SAP Awards]

"SAP Award of Excellence - Services Partner Category"

Won for a record 11 consecutive years

"Project of the Year Awards"

Bridgestone Sports Co., Ltd. (2001), TEAC Corporation (2002), Kao Corporation (2005)

"Project Awards"

ORIX Corporation (2001), Nissan Chemical Industries, Ltd. (2003), Otsuka Pharmaceutical Co., Ltd. (2004), West Japan Railway Company (2004), Tokyo Metro Co., Ltd.(2007), Sumitomo Osaka Cement Co., Ltd. (2008)

"Best SAP Enterprise SOA Implementation Award"

Mitsui & Co., Ltd.

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Case Study

Manufacturing & Consumer Business Integrated Solutions