

Investor Introduction + DD Checklist for manufacturers

Shigenori Tanaka

- Pre-DD / DD / PMI Execution Specialist President, Metric Japan Inc.
- Email: shigenori.tanaka@metricjapan.com
- LinkedIn: linkedin.com/in/shigenori-tanaka-59902b130



1. Professional Introduction

I specialize in pre-DD assessments, full DD, PMI execution, and operational improvement for small and mid-sized manufacturing companies in Japan. With over 20 years of hands-on experience, I evaluate companies from the perspectives of factory operations, management systems, financial accuracy, and value creation potential.

As President & Controller of a European industrial equipment manufacturer's Japan subsidiary, I led a full turnaround and tripled operating profit from JPY 100M to JPY 300M. I also executed an acquisition of a JPY 800M manufacturing business and its complete PMI integration, covering finance, operations, and organizational alignment.

My approach is practical, fast, and focused on identifying risks and opportunities that matter to investors.

2. Manufacturing DD Checklist

A. Competitive Position & Differentiation (Critical for Investors)

- Unique capabilities vs. competitors (technology, quality, delivery speed)
- Customer switching barriers
- Proprietary know-how or specialized processes
- Certifications (ISO, industry-specific)
- AfterMarket/service revenue potential
- Exposure to declining vs. growing industries
- Sustainability of competitive advantage over 3–5 years

B. Equipment Condition & Capex Requirements

- Age and condition of key production equipment
- Maintenance records and downtime
- Automation level vs. competitors
- Equipment bottlenecks limiting growth
- Capex required for business continuity or expansion
- Ability to scale production without major investment
- Environmental compliance (waste, emissions)

C. Management & Finance (Accuracy & Reliability)

- Monthly closing accuracy (inventory count, adjustments, cut-off)
- 3–5 year trends: revenue, gross margin, operating profit
- Manufacturing cost from ERP vs. P&L cost of goods sold (COGS)
 - Degree of mismatch
 - Causes (incorrect BOM, overhead allocation, inventory errors, non-chargeable additional cost)
- Inventory valuation (slow-moving, obsolete, write-down risks)
- Budgeting and KPI system (presence / absence / maturity)
- Cash flow stability and short-term debt dependency
- Customer concentration (top 3–5 customers)
- Supplier dependency (single-source risks)
- Governance and approval workflows

D. Factory Operations (On-site Review)

- Production flow (bottlenecks, layout efficiency)
- Quality issues (scrap rate, rework, customer complaints)
- Process stability (variation, operator dependency)
- Equipment condition (maintenance records, downtime)
- Inventory levels (raw materials, WIP, finished goods)
- Scheduling and lead-time management
- Safety compliance and basic housekeeping (5S)

E. Organization & People

- Management capability and succession risk
- Skill level of operators and supervisors
- Turnover rate and morale

- HR systems (evaluation, training, role clarity)
- Owner-dependency risk

F. Liabilities & Hidden Risks (Often Missed in Small Manufacturers)

- Bad debt risk (aging of receivables, customer financial health)
- Retirement benefit obligations (underfunded liabilities)
- Allowance for doubtful accounts (conservative vs. optimistic)
- Warranty reserves (adequacy vs. actual defect rates)
- Inventory reserves (slow-moving, obsolete stock)
- Off-balance sheet obligations
- Pending litigation or compliance issues
- Construction business license status (required for any on-site installation work exceeding JPY 5 million)

G. Immediate Red Flags

- No monthly closing / inaccurate financials
- Significant discrepancies between ERP cost calculations and P/L cost calculations
- Excessive inventory or hidden losses
- High customer concentration (>40%)
- Quality issues not tracked
- No KPIs / no reporting discipline
- Owner-dependent operations
- Unclear governance or undocumented critical processes

H. Value Creation Opportunities

- Pricing improvements
- Cost reduction (materials, scrap, rework)
- Inventory optimization
- Production flow redesign
- AfterMarket revenue expansion
- KPI introduction and management system upgrade
- Digitalization (IoT/AI for quality and process stability)