



Management Improvement Service



Metric Japan Inc.

Japanese Precision, Global Execution

www.metricjapan.com

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1. Goal—The Ideal Management System



In reality, many SMEs cannot apply this ideal flow immediately because their accounting accuracy is insufficient.

Therefore, the first priority is to improve accounting accuracy.

2. Improving Financial Accounting Accuracy (Task No.1)

1. Compliance with revenue recognition rules in manufacturing
2. Compliance with procurement recognition rules in manufacturing
3. Achieving “**One Truth**” for manufacturing cost
4. Proper accrual of selling & administrative expenses

Accurate accounting is the foundation of all management systems !

2. Improving Financial Accounting Accuracy

① Revenue Recognition in Manufacturing

■ Products

- Domestic Sales : EX-WORKS
(upon warehouse shipment)
- Export Sales : FOB
(Free On Board: upon vessel loading)

EXW	FOB	CIF	DDP
Ex Works	Free On Board	Cost, Insurance and Freight	Delivered Duty Paid
			
Seller: Minimal	Seller: Export & loading	Seller: Freight, insurance export	Seller: Full logistics, duties, taxes
Buyer: All transport and customs	Buyer: Ocean freight, insurance, import	Buyer: Import clearance & inland	Buyer: None (just receive goods)

■ Installation/ Services

- Upon Customer's Final Acceptance Certificate

- ✓ Even if advance payments are received, revenue cannot be recognized until the above conditions are met !
- ✓ Cost of sales cannot be recognized until revenue is recognized; likewise, the relating costs must remain in inventory !

2. Improving Financial Accounting Accuracy

② Purchase Recognition in Manufacturing

■ Parts

- Domestic Purchase : DDP
(upon warehouse receipt)
- Import Purchase : FOB
(Free On Board: upon vessel loading)

■ Installation/ Services (outsourced)

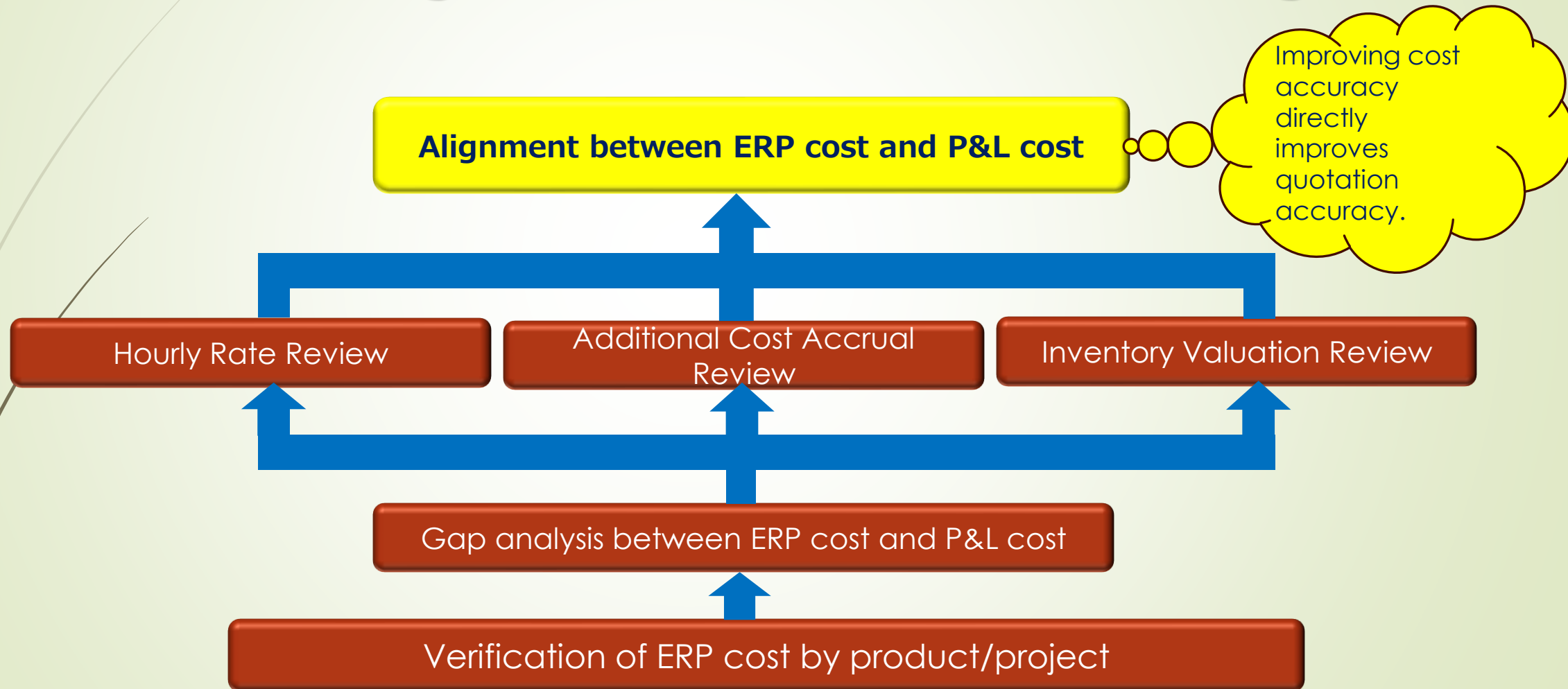
- Upon Final Acceptance Certificate

- ✓ Even if advance payments are made, procurement cannot be recognized until acceptance !
- ✓ Work-in-process inventory cannot be recognized until procurement is recognized !

EXW	FOB	CIF	DDP
Ex Works	Free On Board	Cost, Insurance and Freight	Delivered Duty Paid
			
Seller: Minimal	Seller: Export & loading	Seller: Freight, insurance export	Seller: Full logistics, duties, taxes
Buyer: All transport and customs	Buyer: Ocean freight, insurance, import	Buyer: Import clearance & inland	Buyer: None (just receive goods)

2. Improving Financial Accounting Accuracy

③ Achieving “One Truth” for Manufacturing Cost



2. Improving Financial Accounting Accuracy

④ Accrual of Selling & Administrative Expenses

■ Actual expenses

- To be recorded normally

■ Accruals required under IFRS (International Accounting Standard)

- Allowance for doubtful accounts
- Accrued paid leave
- Retirement benefit obligations
- Bonus accrual
- Litigation accruals and etc.

■ Accruals required for conservative management

- Marketing expenses, Insurance and other planned expenses based on annual budget

→ Unused accrual balance to be reversed at year-end

3. Building the Management Accounting System (Task No.2)

1. Cost classification (variable vs fixed)
2. Marginal profit / contribution margin / gross margin
3. CVP analysis
4. Rolling forecast
5. Investment return analysis (NPV)

Numbers begin to support management only after management accounting is effectively applied.

3. Building the Management Accounting System

① Cost Classification (Variable/ Fixed)

■ Variable Costs

- Costs that change with sales volume

■ Fixed Costs

- Costs incurred even with zero sales

Packaged accounting systems should allow each cost item to be classified into variable or fixed.

3. Building the Management Accounting System

② Marginal Profit / Contribution Margin / Gross Margin

■ Marginal Profit

- Sales – material cost, travel cost, subcontracting cost

■ Contribution Margin

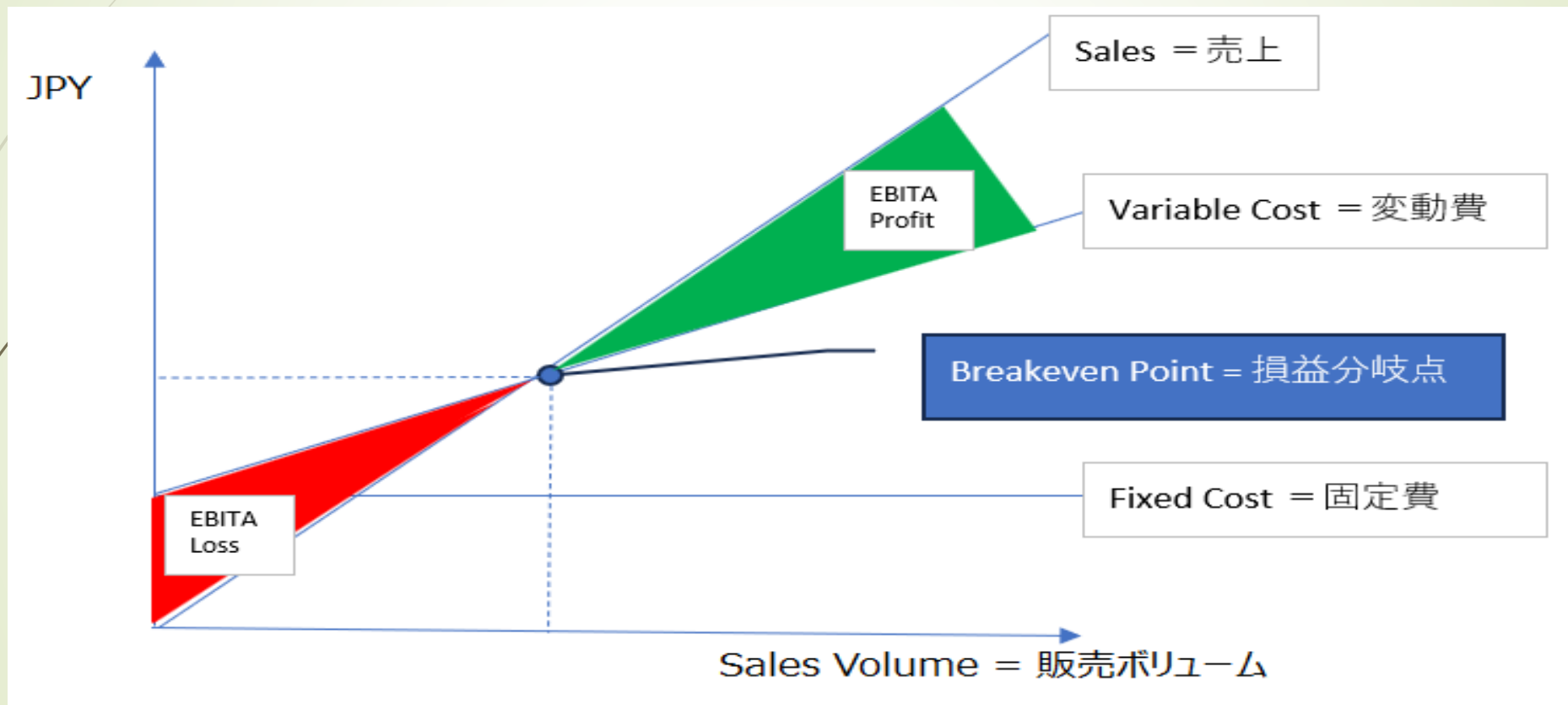
- Marginal profit – other variable costs (import freight costs, inventory devaluation cost and etc.)

■ Gross Margin → **Must match P&L gross margin !**

- Contribution margin – allocated fixed manufacturing costs

3. Building the Management Accounting System

③ CVP Analysis (Cost vs Profit)



This allows simulation of profit/loss based on sales volume using variable/fixed cost classification.

3. Building the Management Accounting System

④ Rolling Forecast

9+3 Rolling Forecast => To be the basis for the next year annual budget

		Based on backlog/ booking forecast / expense forecast			Basis for the next year Budget		
P&L Ledgers	9M YTD Actual	3M Forecast			A	B	A-B
	From Jan to Sep	Oct	Nov	Dec	9+3 Forecast	Budget for this year	Variance
	JPY000	JPY000	JPY000	JPY000	JPY000	JPY000	JPY000
Sales	2,500,000	240,000	250,000	240,000	3,230,000	3,300,000	(70,000)
(Variable Costs)	(1,625,000)	(156,000)	(162,500)	(156,000)	(2,099,500)	(2,145,000)	45,500
(Fixed Costs Allocation)	(453,000)	(50,000)	(50,000)	(50,000)	(603,000)	(594,000)	(9,000)
(Cost of Sales)	(2,078,000)	(206,000)	(212,500)	(206,000)	(2,702,500)	(2,739,000)	36,500
Gross Margin	422,000	34,000	37,500	34,000	527,500	561,000	(33,500)
(SG&A)	(260,000)	(29,000)	(28,500)	(28,000)	(345,500)	(350,000)	4,500
Operating Profit	162,000	5,000	9,000	6,000	182,000	211,000	(29,000)

The forecast can be made accurately once the classifications between variable and fixed costs and between actual and accrual costs are done.

3. Building the Management Accounting System

⑤ Investment Return Analysis (NPV)

【Example】

- Investment : JPY30,000,000
- Exp. Variable cost reduction : JPY80/ piece
- Annual production : 200K pcs
- Exp. Fixed cost reduction : JPY1,200,000/ year
- Corporate tax rate : 30%
- Discount rate (r) : 2%
- Investment duration : 5 years

① Annual Cashflow (after corporate tax)

- Exp. Variable cost reduction JPY80 × 200K pcs = JPY16,000,000
- Exp. Fixed cost reduction JPY1,200,000
- Total JPY17,200,000
- After tax $17,200,000 \times (1 - 0.3) = \text{JPY}12,040,000/\text{year}$

② Present Value (PV)

- $PV = 12,040,000 \div (1 + 0.02)^t$
- 5-year PV total= JPY55,000,000 (approx.)

③ Net Present Value (NPV)

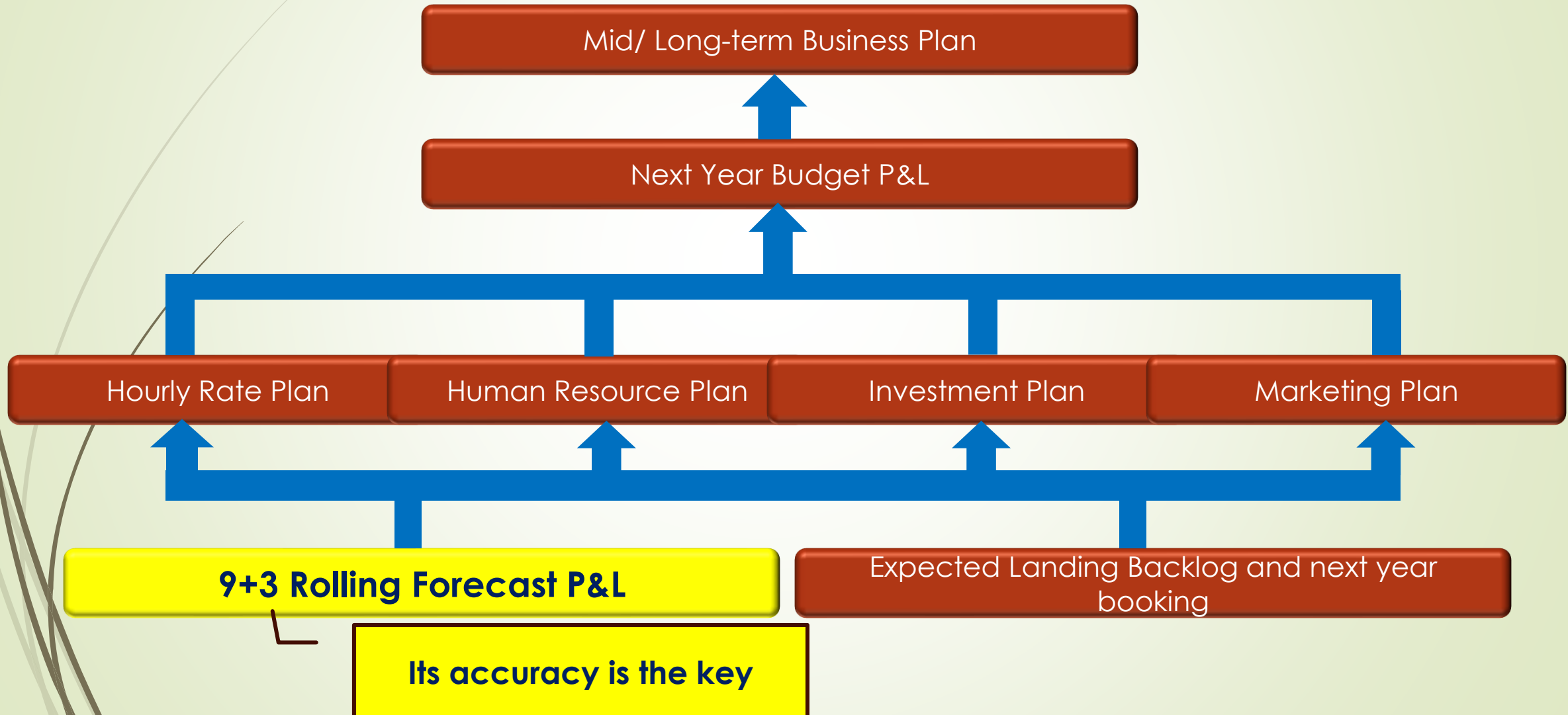
- $NPV = PV \text{ total} - \text{Investment} = 55,000,000 - 30,000,000$
 $= +\text{JPY}25,000,000 > 0$

→ **Investment should be executed**

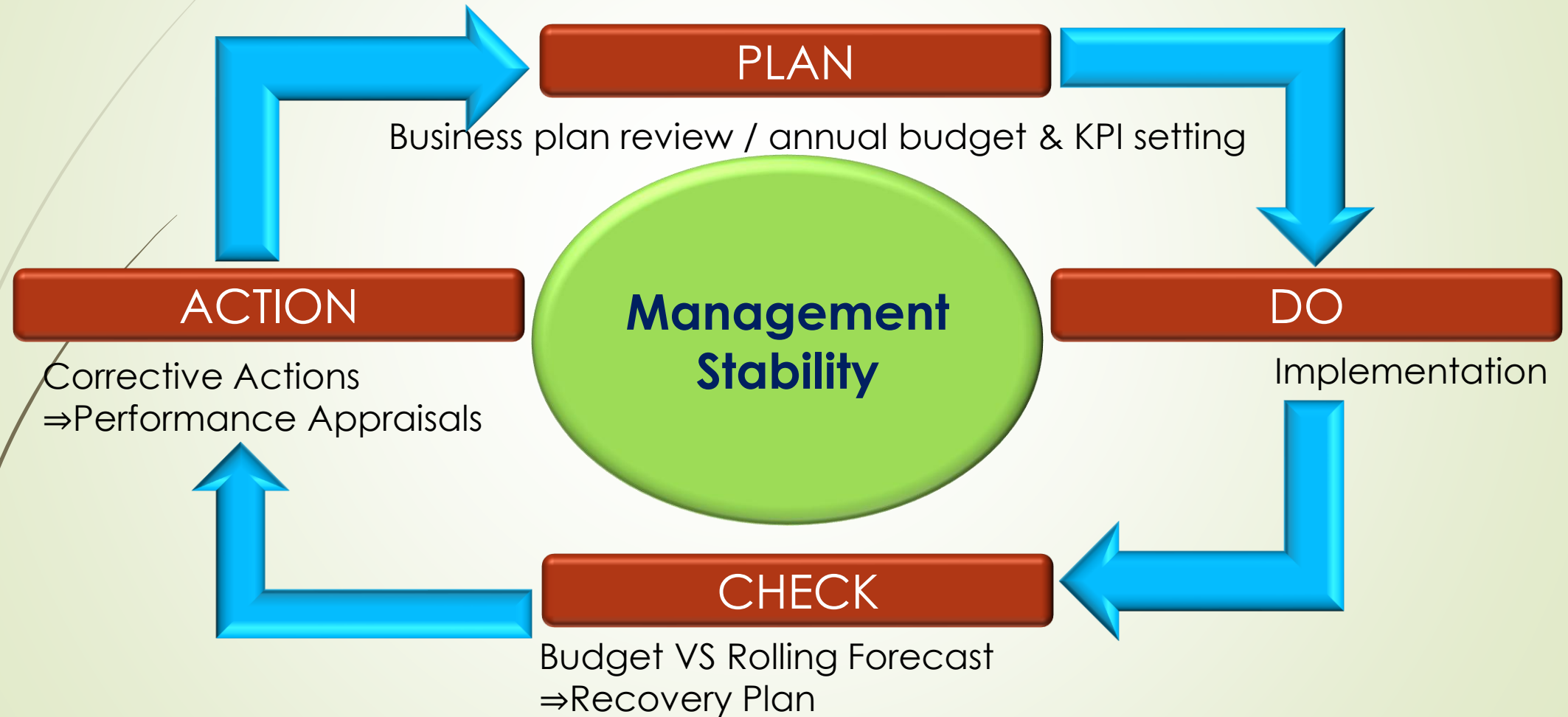


Classification between variable and fixed costs leads to accurate and fast decision-making

4. Backward Deployment into Budget & Business Plan



5. Completion of the Management PDCA Cycle



6. Service Fees

■ Fee (excl. VAT)

JPY 1M–10M

(varies depending on issue complexity, visit frequency, and duration)

After the initial diagnosis, we will present the optimal support scope and a detailed quotation.





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CEO Profile | Shigenori Tanaka

"People and companies are all different"—I provide support tailored to each unique situation.

- MBA (University of Birmingham, UK) / CIMA (Chartered Institute of Management Accountants, UK)
- International Business Advisor, Aichi Industrial Promotion Organization
- Certified Management & Technical Advisor, Aichi Industrial Promotion Organization

Over 20 years of executive leadership in owner-managed and foreign-affiliated companies in the industrial equipment and B2B sectors.

Tripled EBITA and achieved record-high profitability over a 10-year tenure at the Japanese subsidiary of a Danish industrial equipment manufacturer.

Strong execution track record in PMI, business turnaround, management system design, cost accounting, KPI design, factory data visualization/AI, and joint venture launches.

Value Proposition

Execution First

We execute, not just plan. We stay until results are delivered.

Transparency

We surface hidden issues and speak directly.

Global Standard

We apply Global-level Governance and Management practices.

Owner's Mindset

We support decisions with the perspective of someone who has run companies.



KPI	
Target	23.9%
Actual	23.9%
Variance	23.9%



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