



Japanese Industries' Profitability Insights Report 2022

Cissoko & Company





Quotes

“Crudely speaking, the game of strategy is the game of profitability.”

– Cissoko Mamady, CEO

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Japanese Industries and Sectors Profitability Report 2022



Table of Contents



01 / Overview of Japan's Profit Pools

02 / Japan's manufacturing sector
Profit pool and trends – deep dive

03 / Japan's non-manufacturing sector
profit pool trends – deep dive

04 / Japan's Finance and Insurance
Profit pools trends – deep dive

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Japanese Industries And Sectors Profitability **Report 2022**



**Table
of Contents**

01/

Executive Summary
of Japan's profit landscape

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The 3Ps of profitability for strategy games



(Report Focus is here)

Profitability of Sales (+Industry Profit Pools)

- Ordinary Profit/Sales or Operating Profit/Sales
- Net Profit/Sales
- EBITDA (Earning Before Interest, Taxes, Depreciation and Amortization)/Sales
- Profit margin trends, Etc.

Profitability of Assets

- Operating Profit/Assets
- Net Profit/Assets
- Operating Profit/Current Assets
- Net Profit/Current Assets

Profitability of Capital

- Net Profit/Equity
- Net Profit/Share Capital
- Profit Per Share, which is Net Profit/(Equity+Long-term Liabilities)
- Etc.



Japanese industries' profit pools by the numbers 2021



Executive summary

Ordinary Profits

01 Manufacturing Sector

02 Non-manufacturing Sector, includes non-manufacturing (ex-Finance & Insurance) and Finance & Insurance

**JPY96.4
Trillion**

Japan's Profits Pools
(as of March 2022)

+31.4%

Growth YoY
(as of March 2022)

Key Highlights

JPY33.1T

Manufacturing
Sector

34.4%

Share of
Profits Pools

JPY50.7T

Non-manufacturing
(ex-banking &
Finance)

52.6%

Share of
Profits Pools

JPY12.4T

Finance & Insurance

13%

Share of
Profits Pools

**Firms' Size
matters**

Japanese industries' profit pools by the numbers



Manufacturing

(+15%)

29.8% 34.4%

2020 2021

Non-manufacturing (ex-Finance & Insurance)

(-6%)

55.9% 52.6%

2020 2021

Finance & Insurance

(-9%)

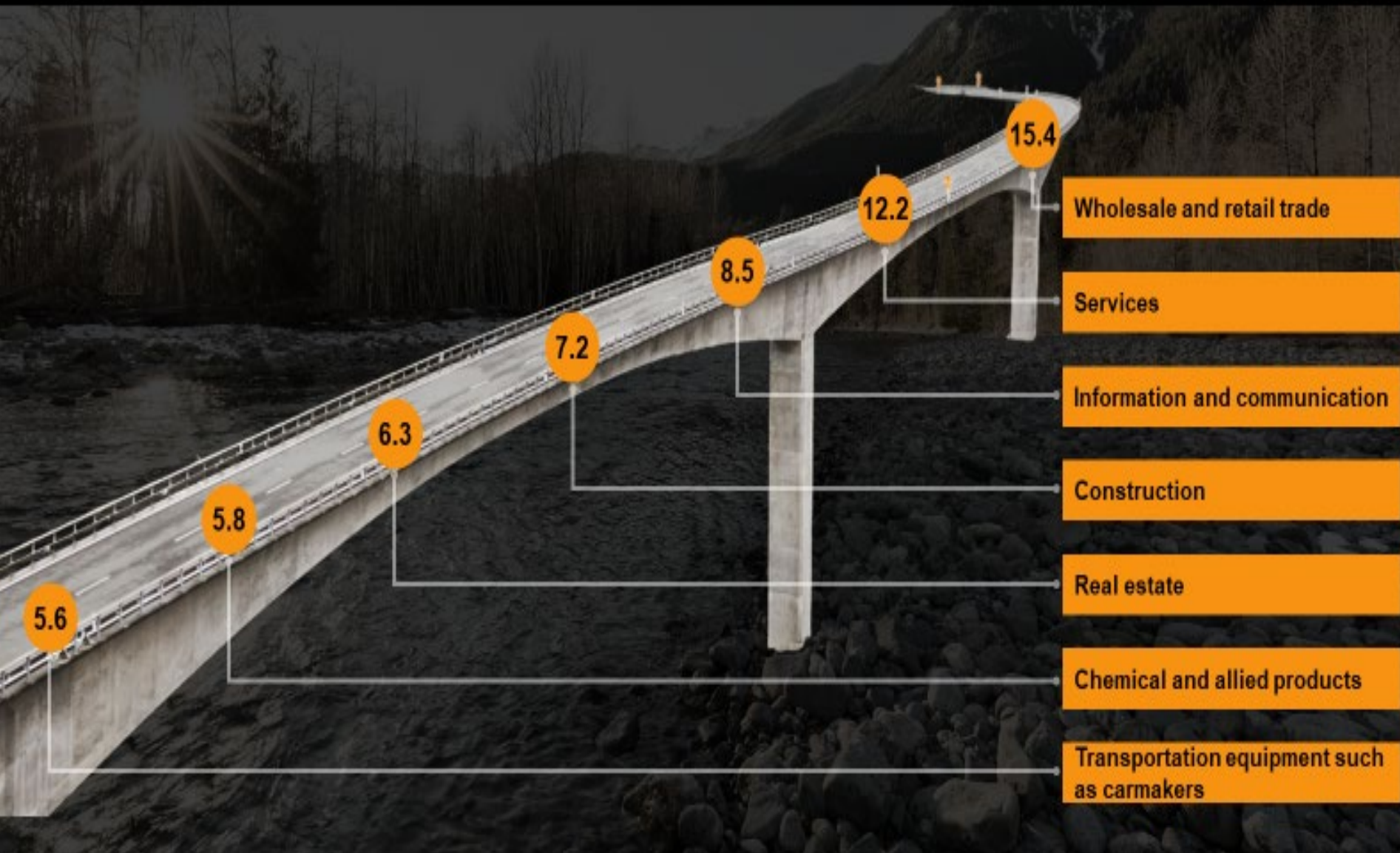
14.3% 13.0%

2020 2021

Source: Japan Ministry of Finance, Cissoko & Company database & analysis

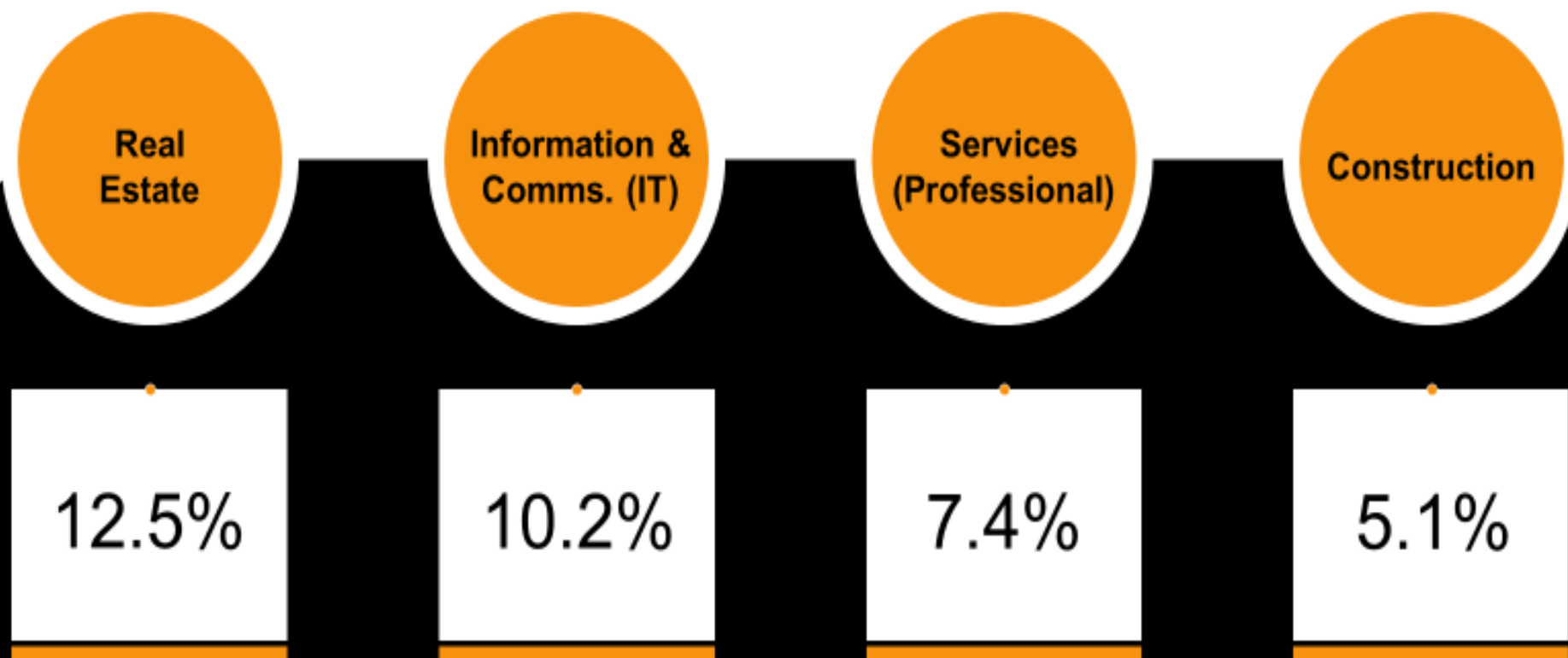
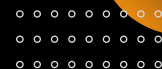


The top 7 ordinary profit pool leaders in 2021 (% of total)



The four leading industries in ordinary margin above 4.8% -- the non-manufacturing average (ex-Finance & Insurance)

Fig. 4



Source: Japan Ministry of Finance, Cissoko & Company database & analysis

The six leading industries in profit margin above 8.3% average across Japan's manufacturing sector in 2021

Chemical and Allied Products **12.8%**

The industry includes 1) Soap, Detergents, And Cleaning Preparations; Perfumes, Cosmetics, and Other Toilet Preparations 2) Industrial Inorganic Chemicals 3) Pharmaceuticals 4) Paints, Varnishes, Lacquers, Enamels, And Allied 5) Agricultural Chemicals, etc.



11.8% Business Oriented Machinery

The industry includes amusement machines, measuring, testing, and analytical instruments, office machines, medical instruments, optical instruments, etc.



10.5% Electrical Machinery, Equipment & Supplies

The industry includes generators, motors and other rotating electrical machinery, household electric appliances, electronic equipment, primary batteries (dry and wet)



10.2% Information & Comms. Electronic Equipment

Industry includes internet services, broadcasting and video, and data processing services ex-marketing, computer programming, etc.



9.4% Production Machinery

The industry includes agricultural machinery and equipment, except agricultural tools, machinery and equipment for construction and mining, flat-panel and semiconductor machinery, food processing, pulp and packaging machinery, etc.



9.2% Fabrication of General-Purpose Machinery

The industry includes boilers, engines and turbines, pumps and compressors, Industrial furnaces and ovens, Refrigerating and air conditioning apparatus, etc.

Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Mid-sized businesses earn less compared to the bigger and smaller ones – don't be stuck in the middle



A firm's capital does matter in Japan. Be very big or small.



62.4%

1 Billion Yen or more

19.2%

Between 10M and 100M

15.4%

Between 100M and 1B

3%

Others

Source: Japan Ministry of Finance, Cissoko & Company database & analysis

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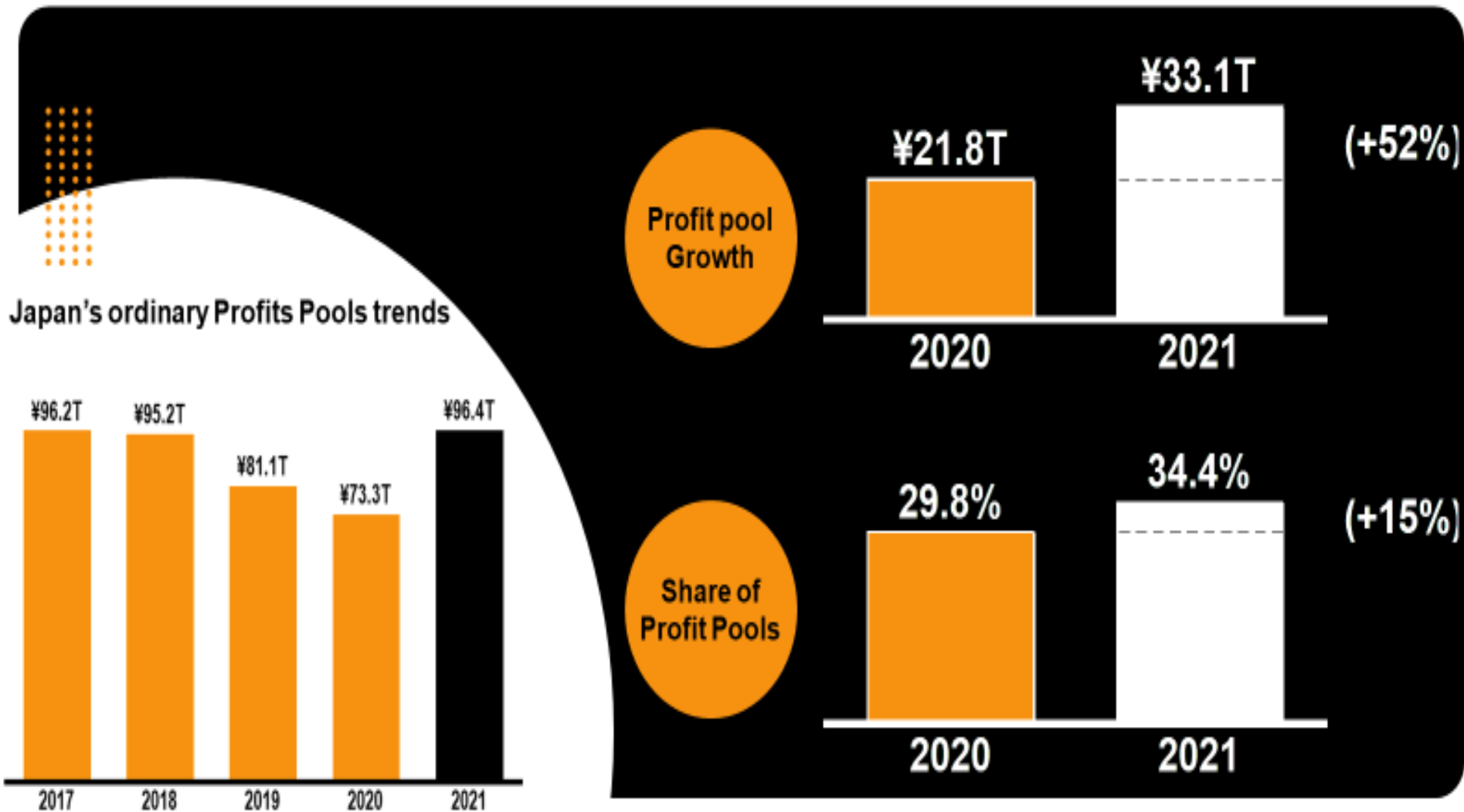
**Table
of Contents**

02/

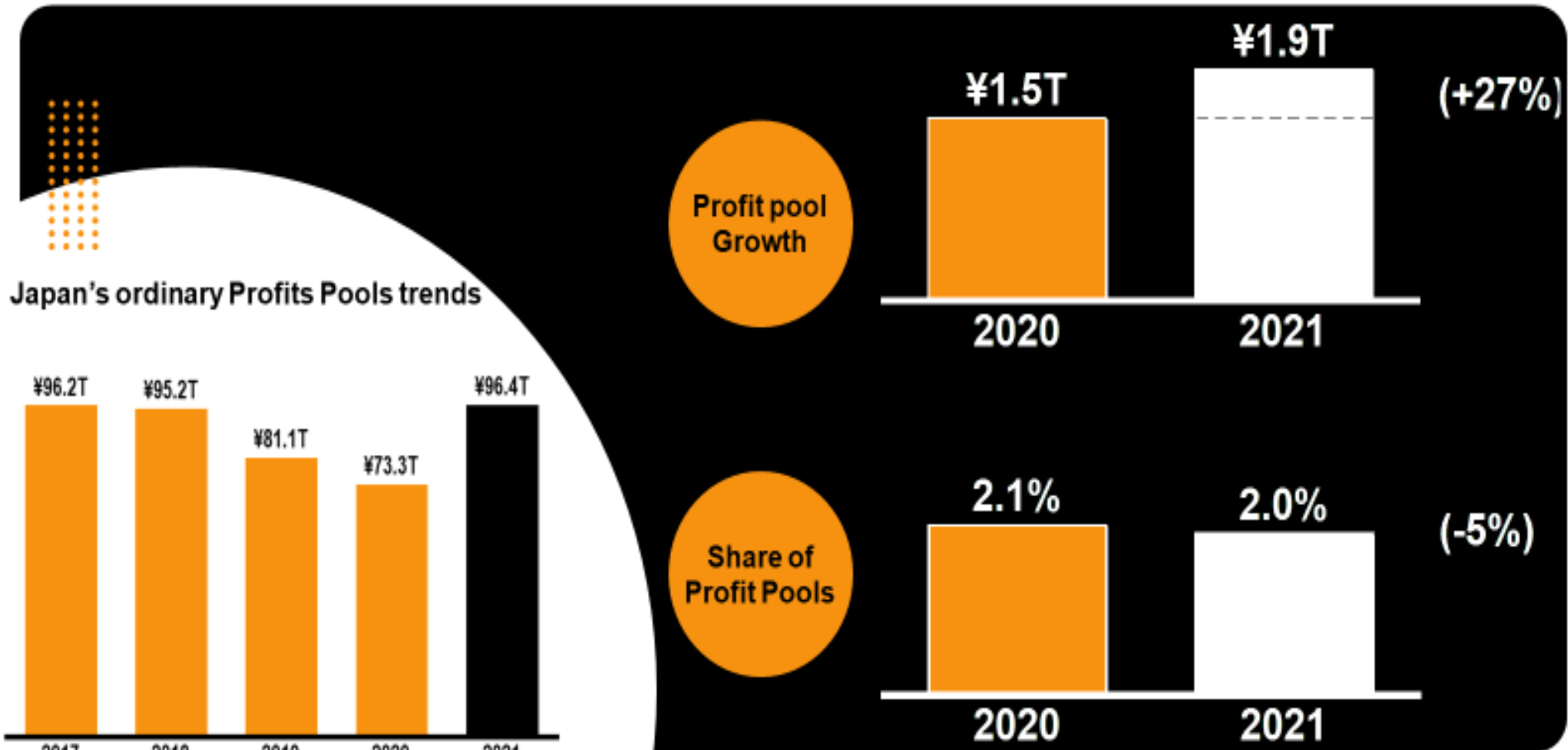
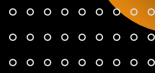
Manufacturing Sector's
Profit Pools and Trends

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Japan's Manufacturing sector's ordinary profit pool trends



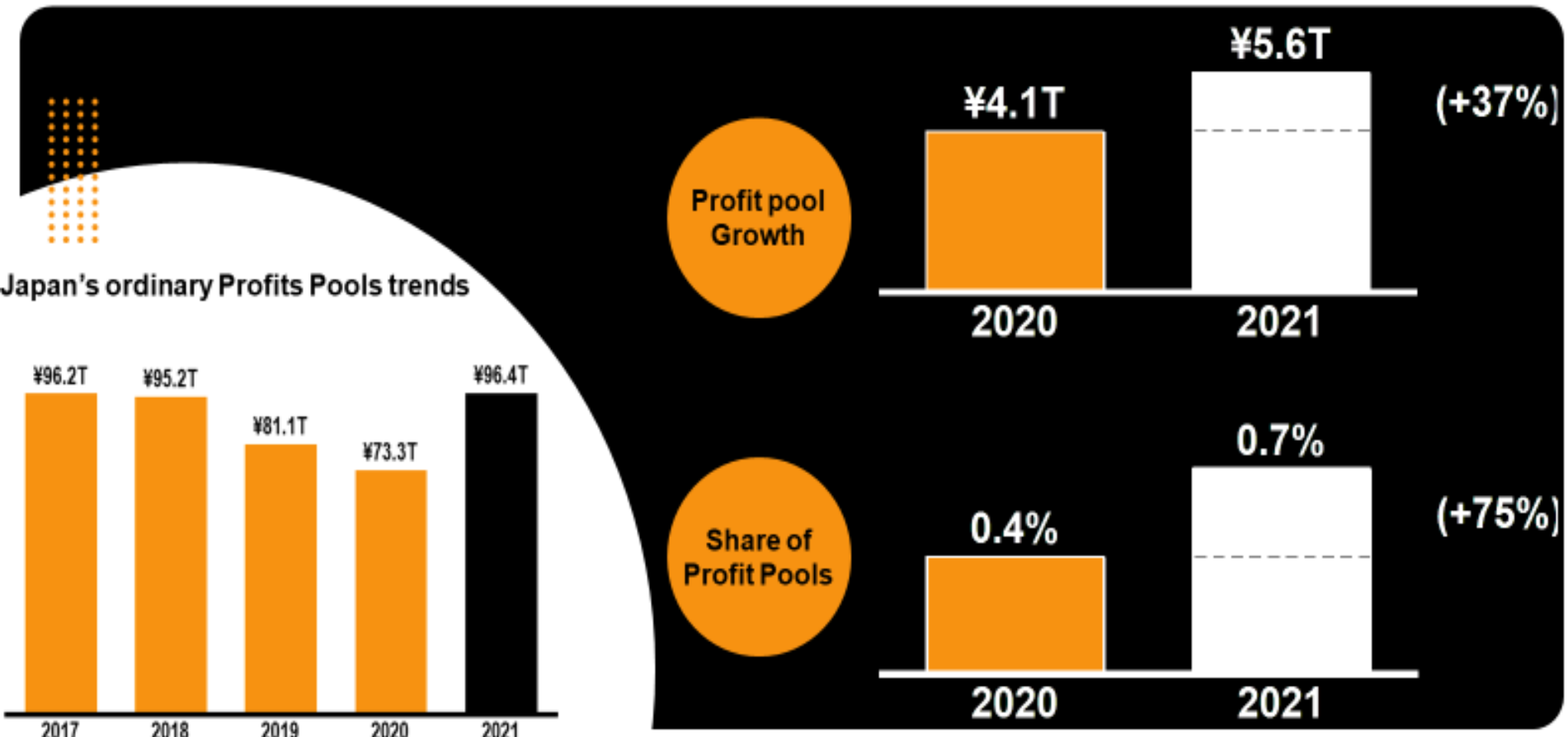
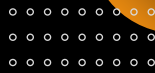
Japan's food industry ordinary profit pool trends



Source: Japan Ministry of Finance, Cissoko & Company database & analysis



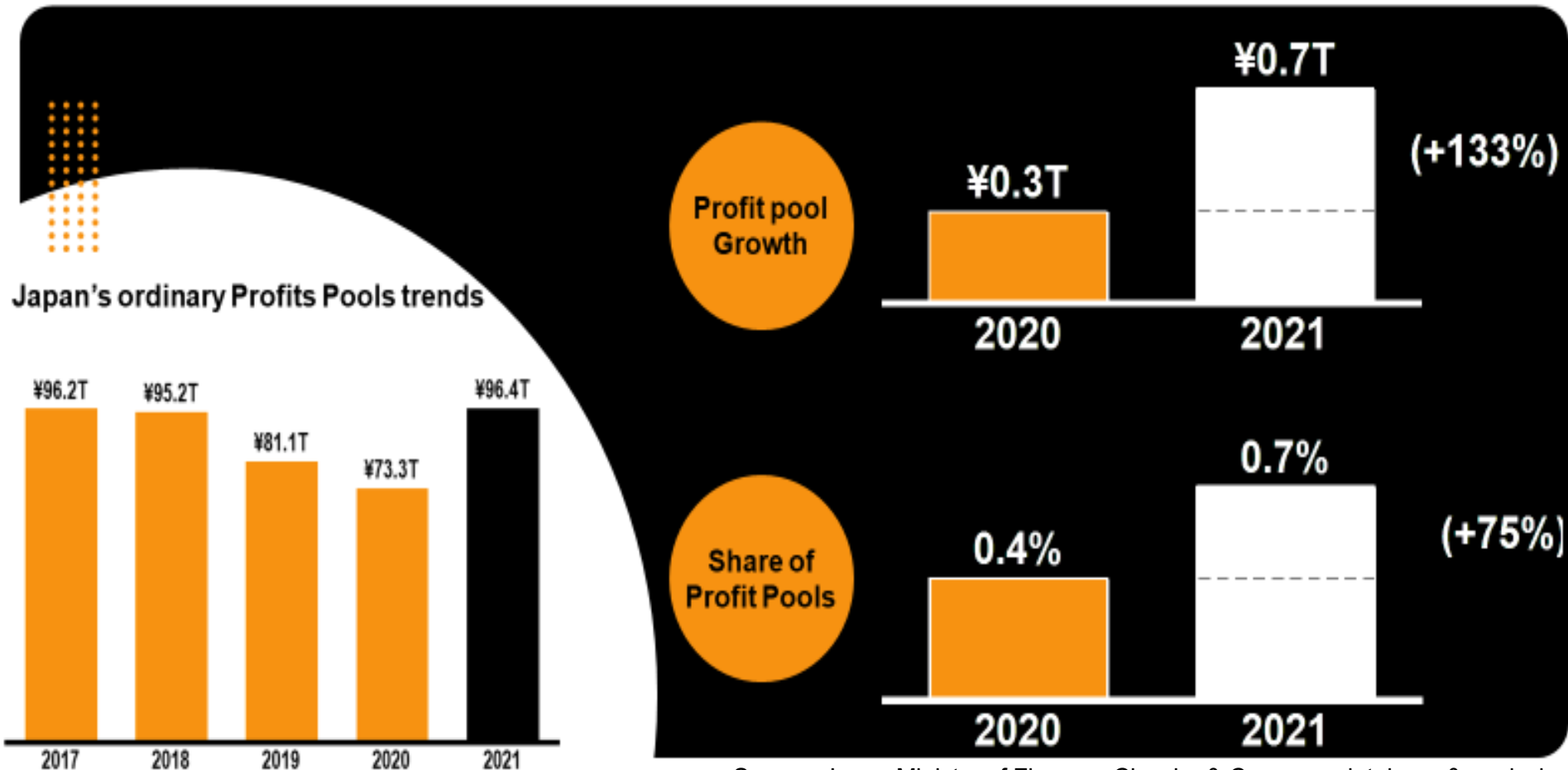
Japan's chemical and allied industry profit pool trends



Source: Japan Ministry of Finance, Cissoko & Company database & analysis

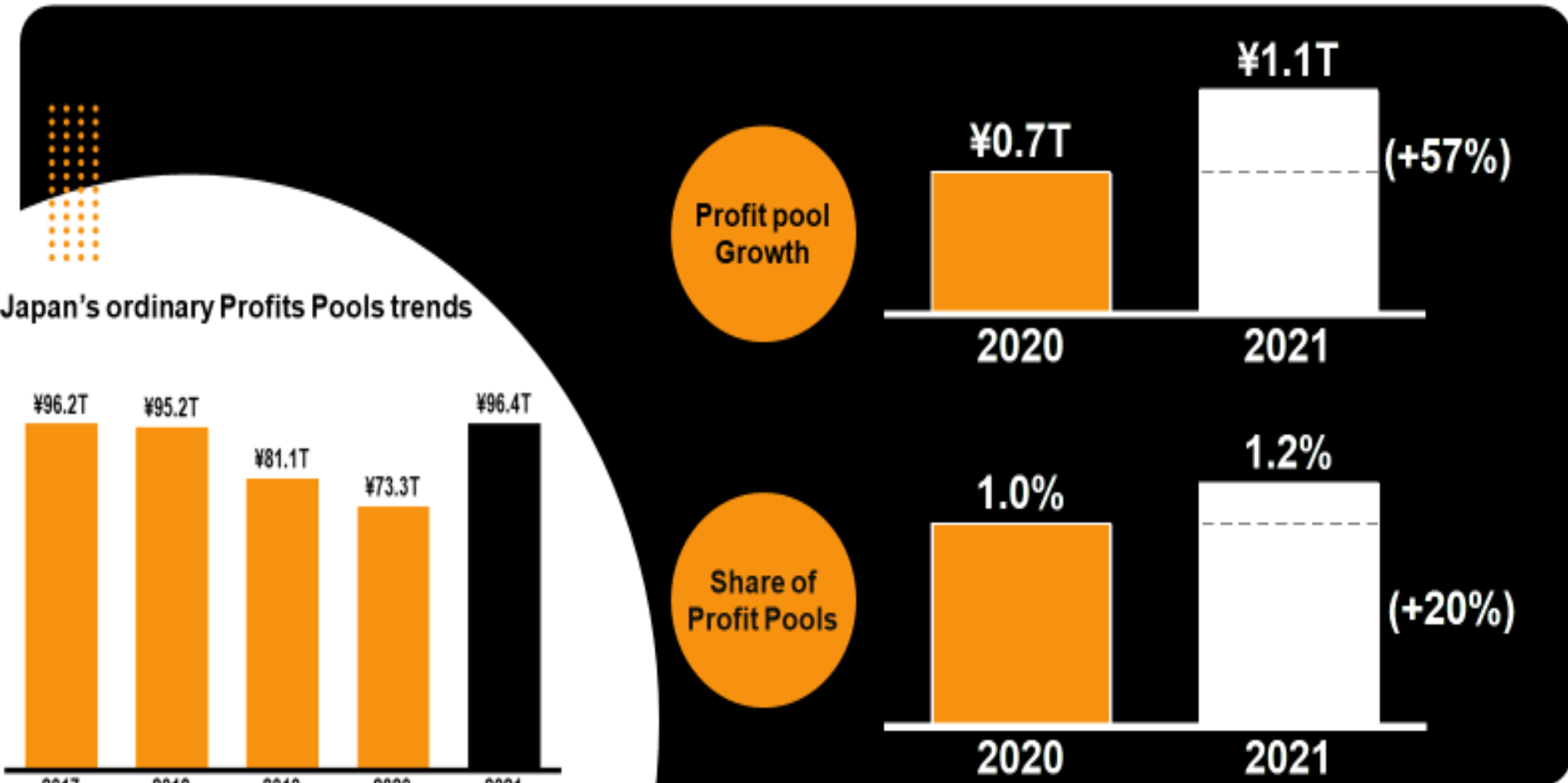
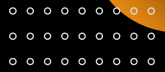


Japan's petroleum and coal industries profit pool trends



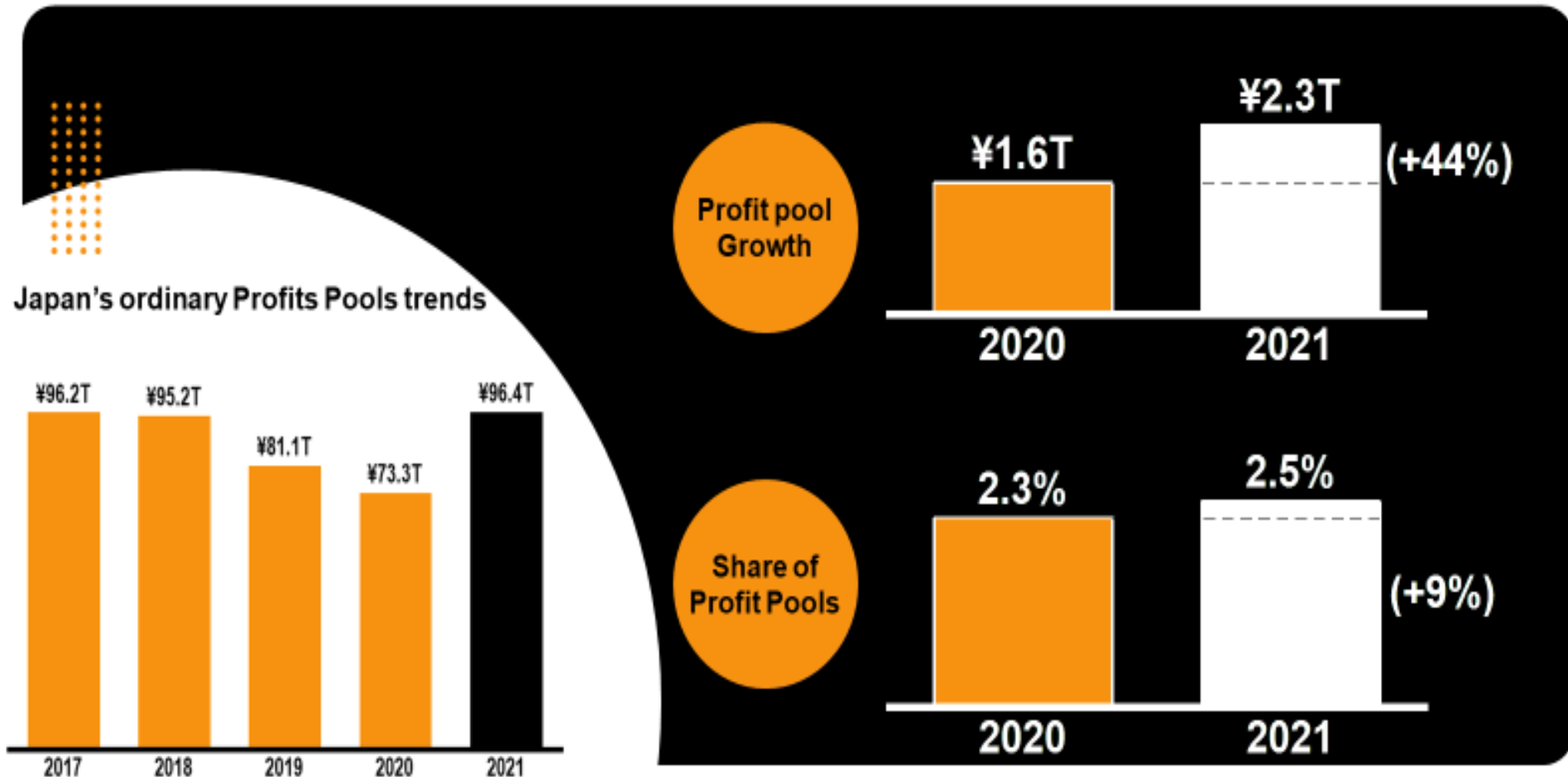
Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Japan's iron and steel industries profit pool trends



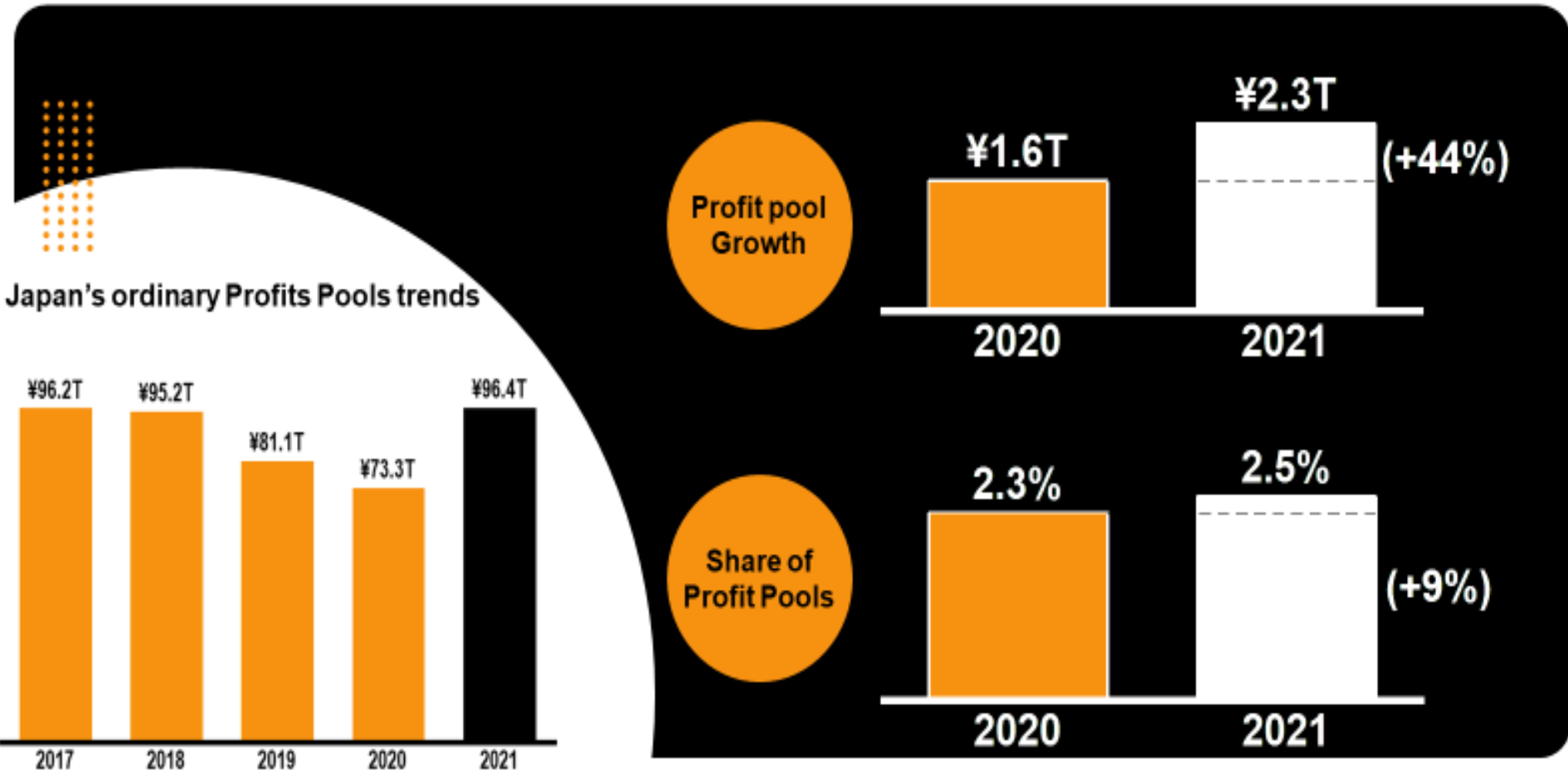
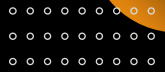
Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Japan's fabricated and metal industries profit pool trends



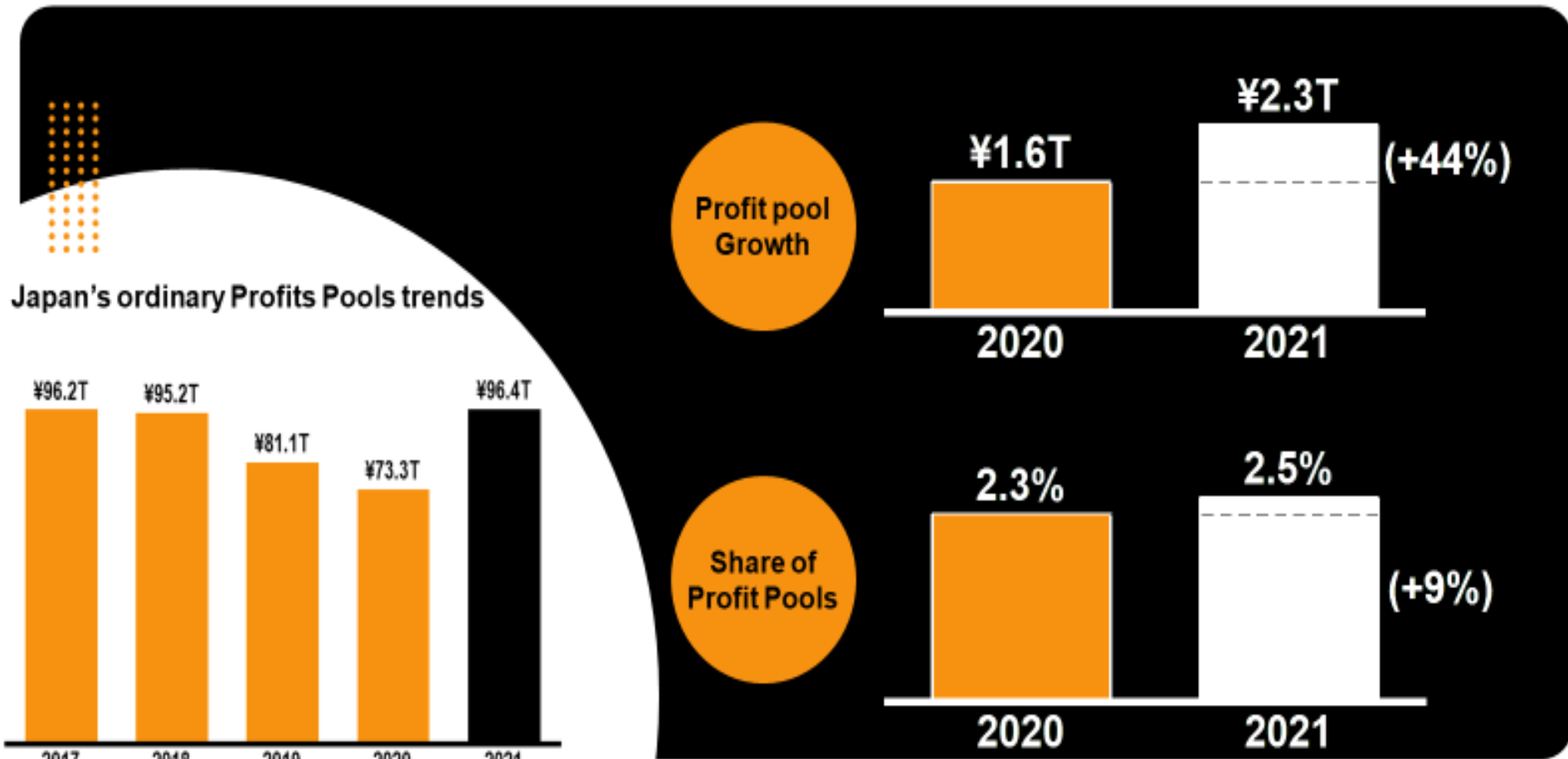
Source: Japan Ministry of Finance, Cissoko & Company database & analysis

General-purpose machinery industry profit pool trends



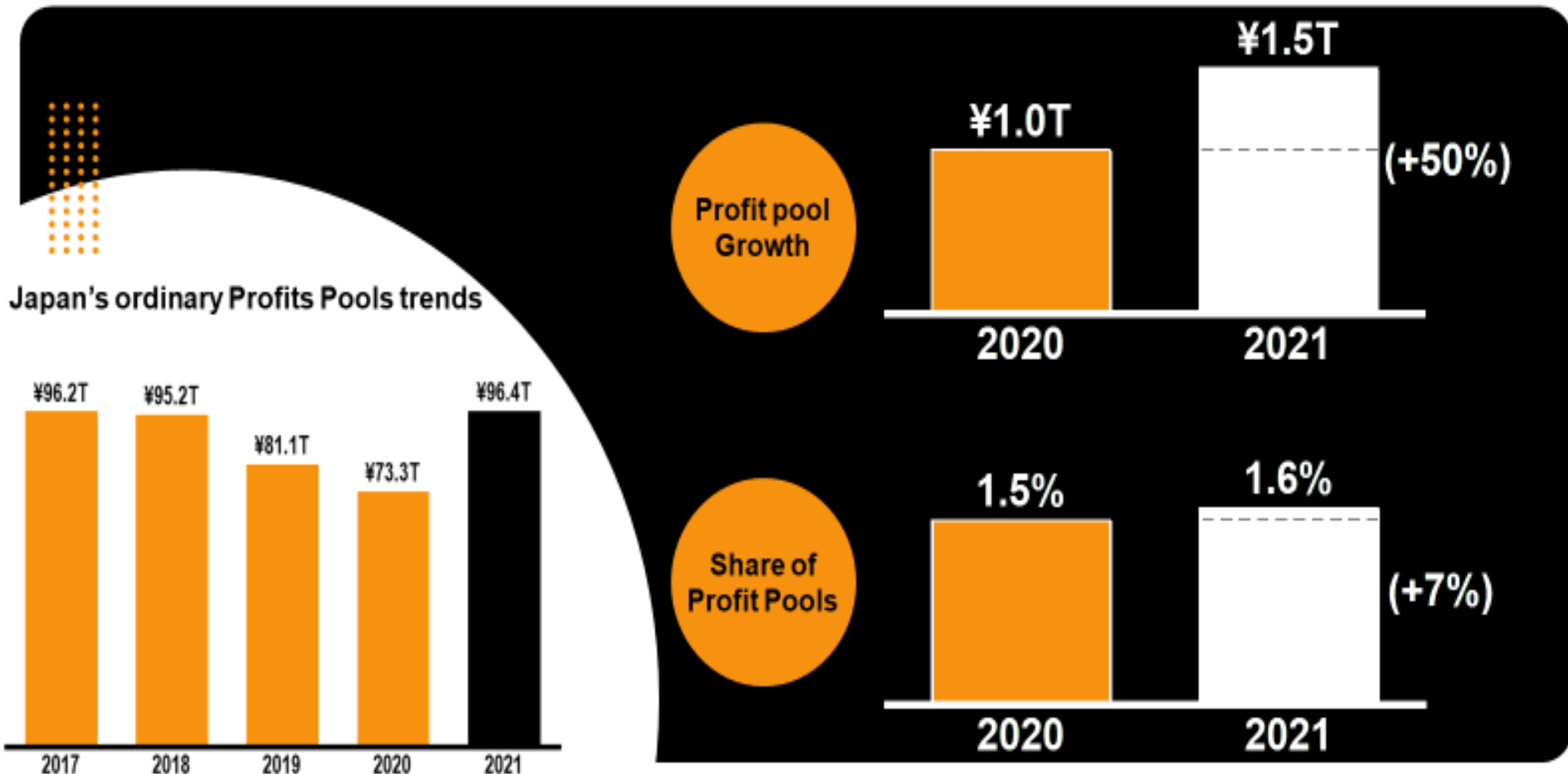
Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Japan's production machinery industry profit pool trends



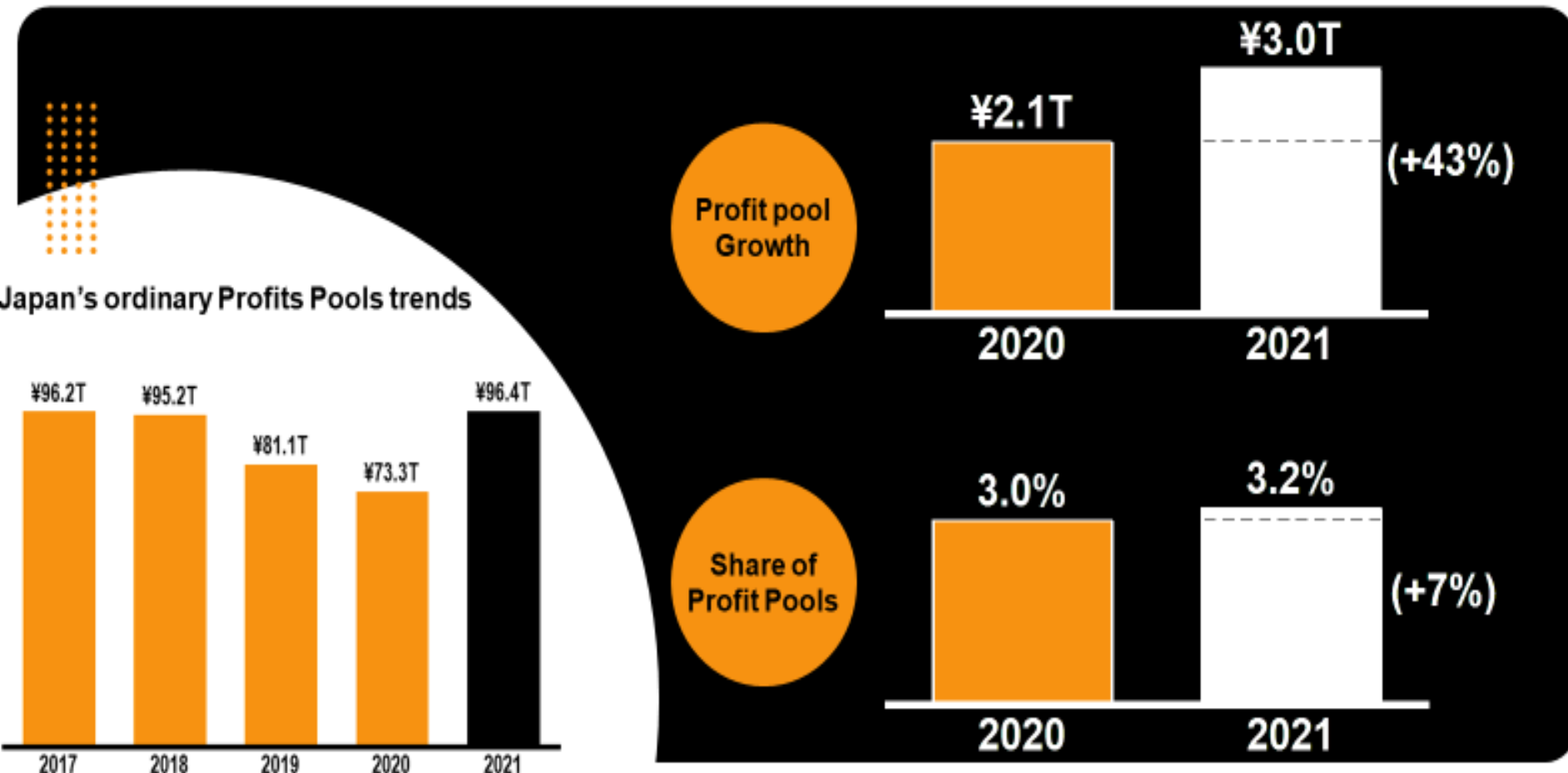
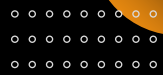
Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Business oriented machinery industry profit pool trends



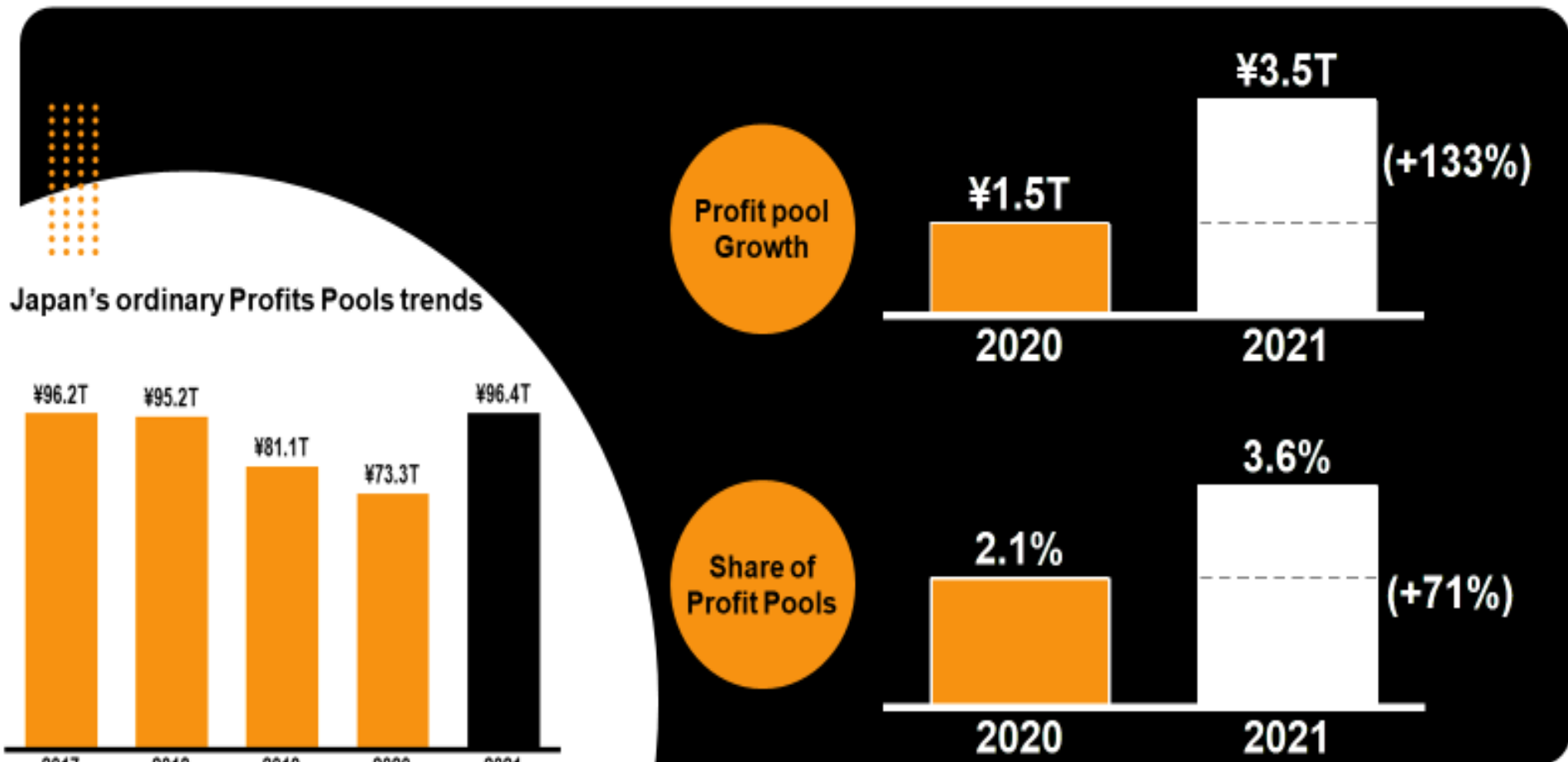
Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Japan's electrical machinery industry profit pool trends



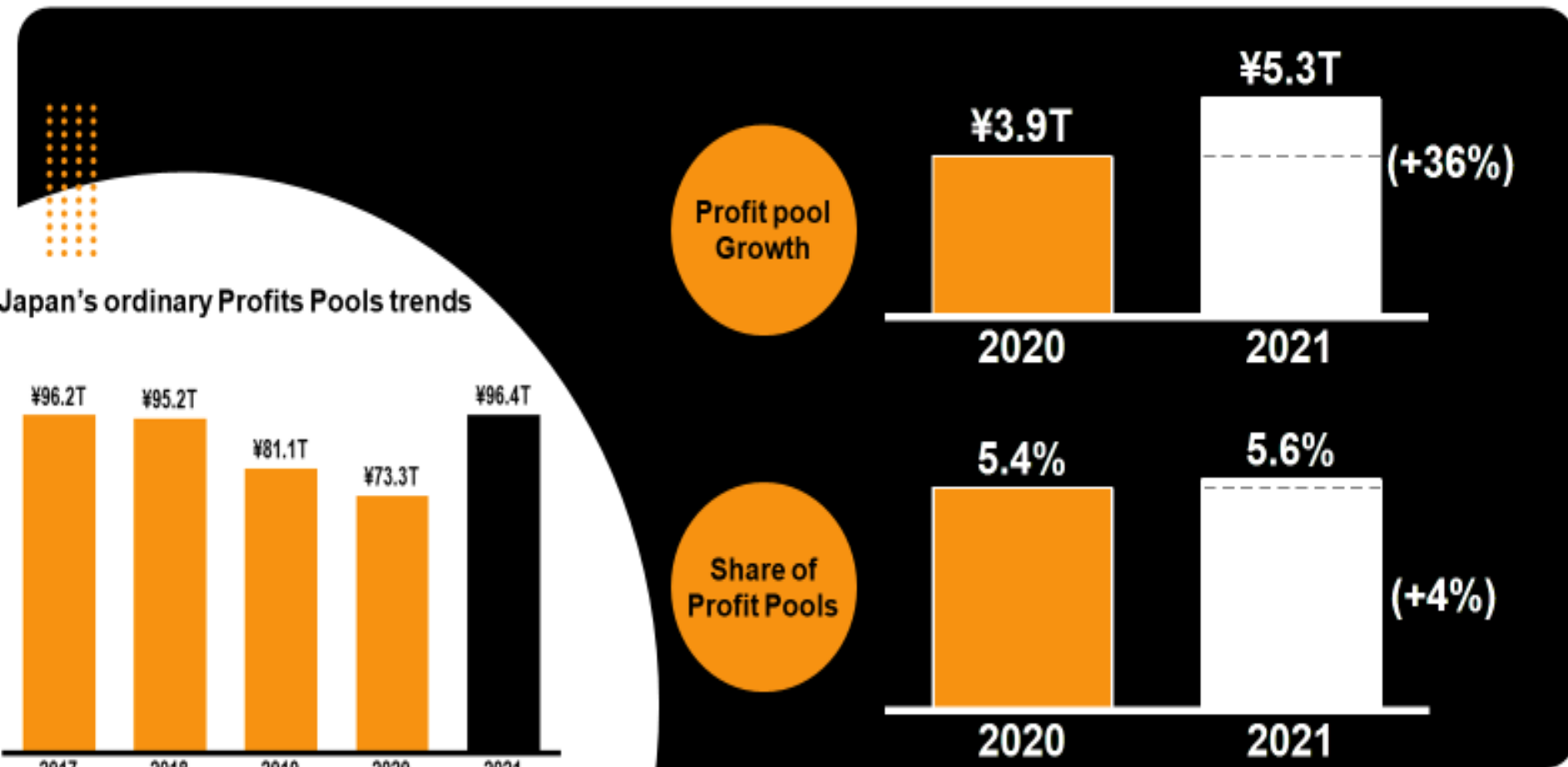
Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Information & comms. electronic equipment profit pool trends



Source: Japan Ministry of Finance, Cissoko & Company database & analysis
Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Transportation equipment (auto) industry profit pool trends



Source: Japan Ministry of Finance, Cissoko & Company database & analysis

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03/

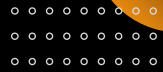
Non-manufacturing Sector's
Profit Pools and key Trends
(ex-Finance & Insurance)

**Table
of Contents**



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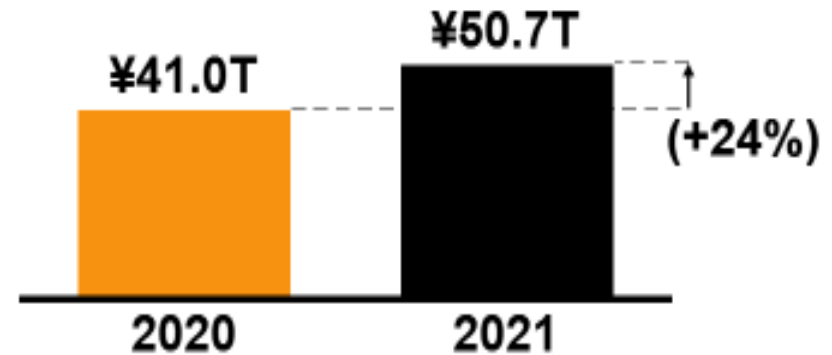
Japan's non-manufacturing sector profit pool trends



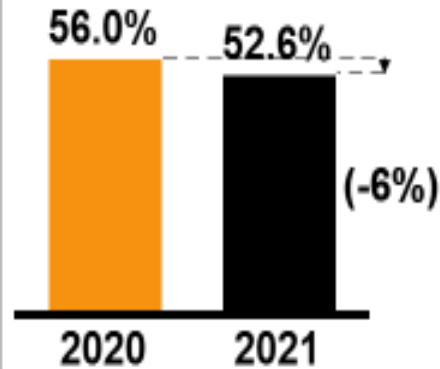
Corporate Japan's ordinary profits trends



Non-manufacturing profit pools (ex-Finance and Insurance)



Share of total profit pools



Key Insights

In the non-manufacturing sector, the growth is driven by:

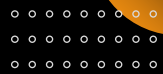
Wholesale and retail trade, services, consistently...

IT and services switch each other in enhancing growth

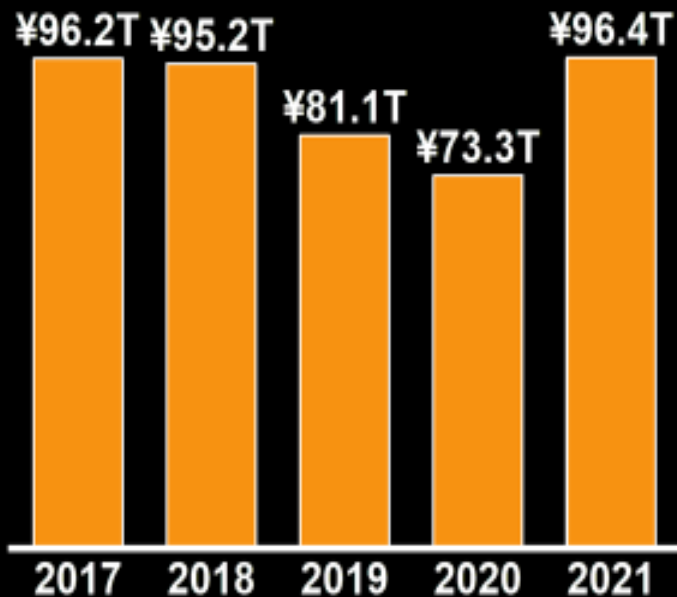
Source: Japan Ministry of Finance, Cissoko & Company database & analysis



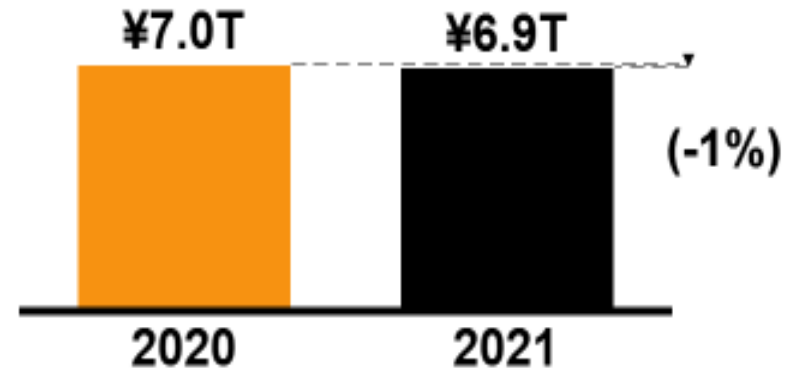
Japan's construction industry profit pool trends



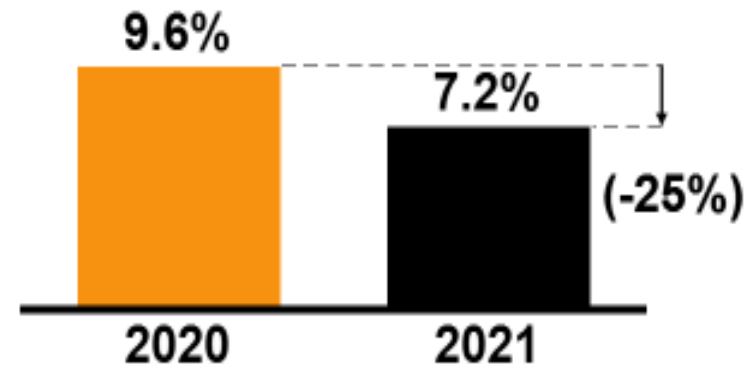
Corporate Japan's ordinary profits trends



Non-manufacturing profit pools (ex-Finance and Insurance)



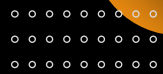
Share of total profit pools



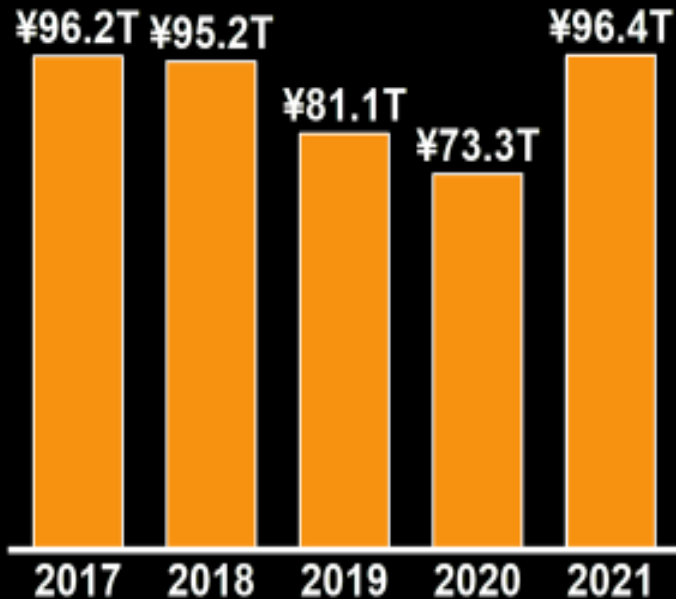
Source: Japan Ministry of Finance, Cissoko & Company database & analysis



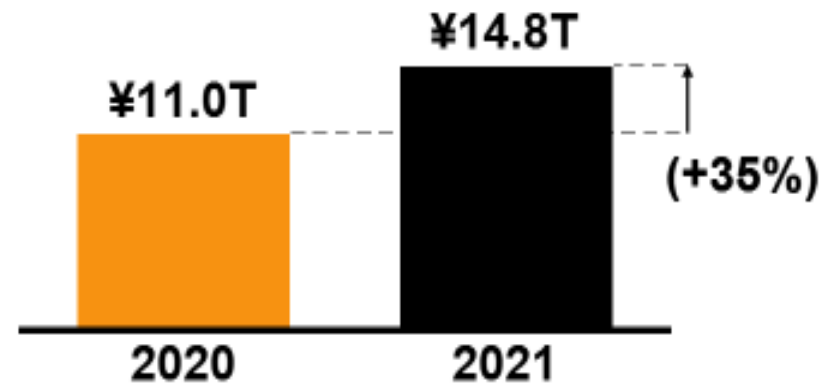
Wholesale and retail trade industries profit pool trends



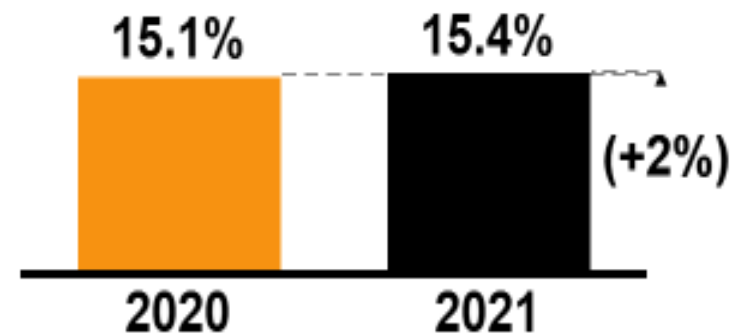
Corporate Japan's ordinary profits trends



Non-manufacturing profit pools (ex-Finance and Insurance)



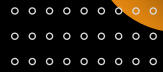
Share of total profit pools



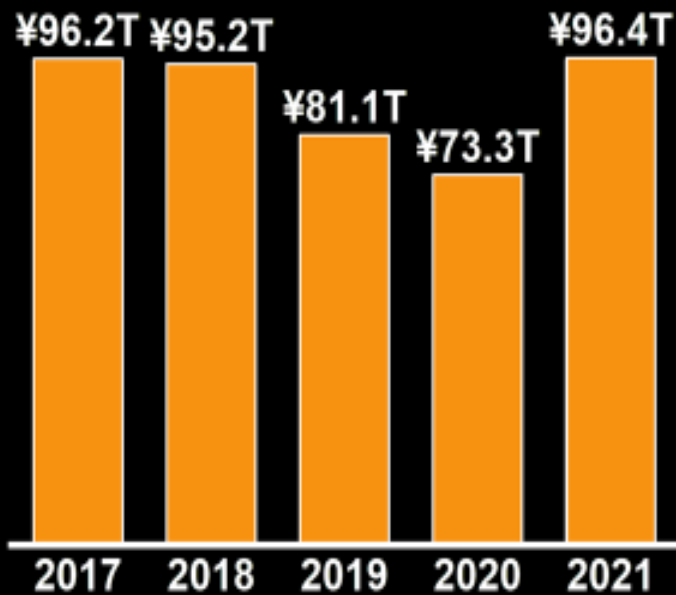
Source: Japan Ministry of Finance, Cissoko & Company database & analysis



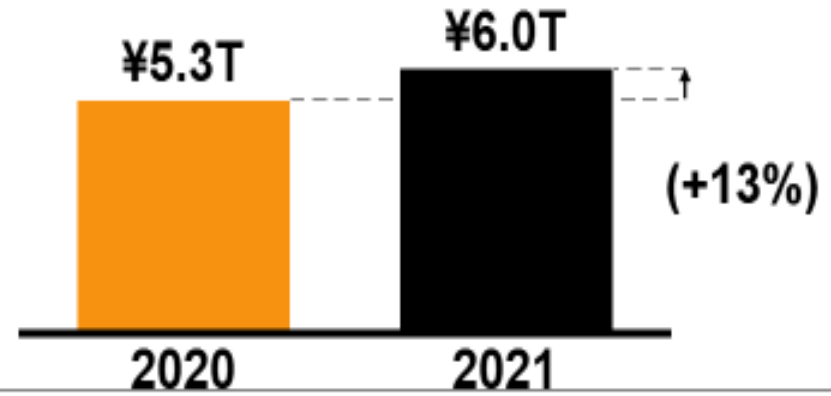
Japan's real estate industry profit pool trends



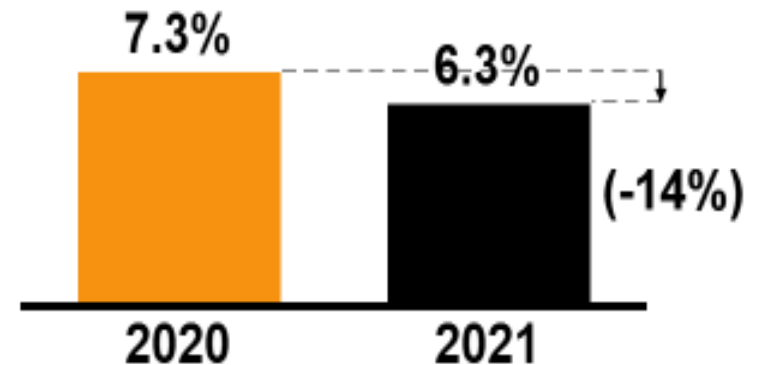
Corporate Japan's ordinary profits trends



Non-manufacturing profit pools (Finance and Insurance)

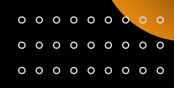


Share of total profit pools



Source: Japan Ministry of Finance, Cissoko & Company database & analysis

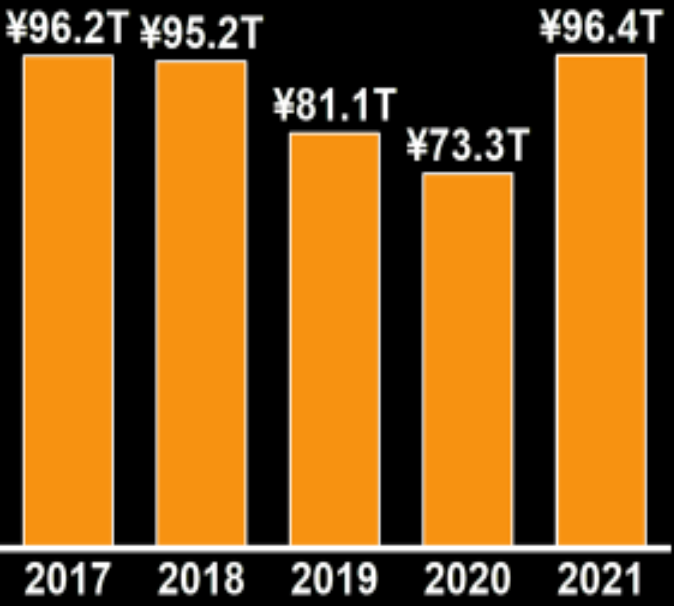




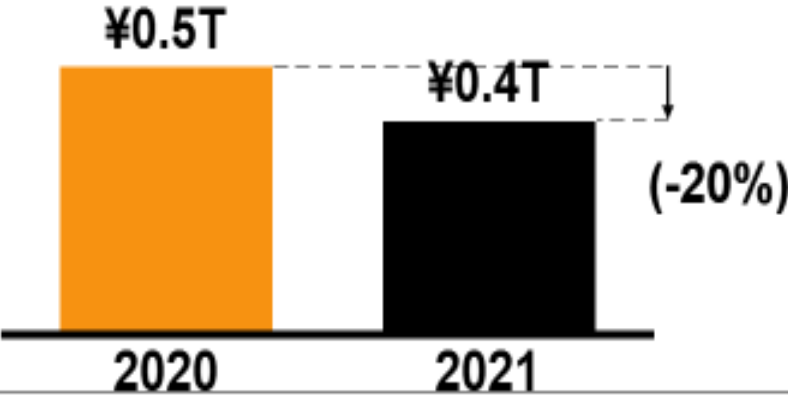
Japan's rental and leasing industries profit pool trends



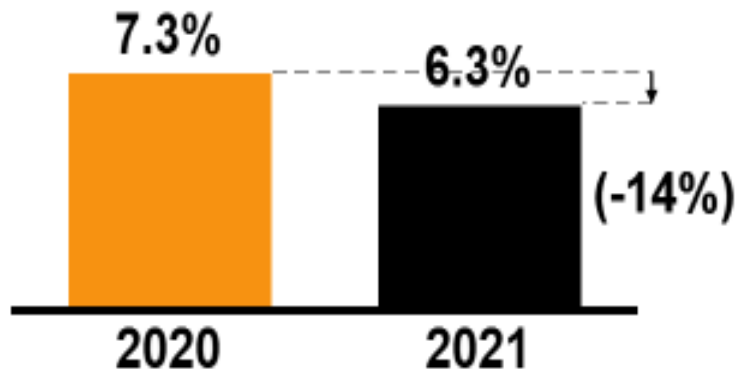
Corporate Japan's ordinary profits trends



Non-manufacturing profit pools (ex-Finance and Insurance)



Share of total profit pools



Source: Japan Ministry of Finance, Cissoko & Company database & analysis

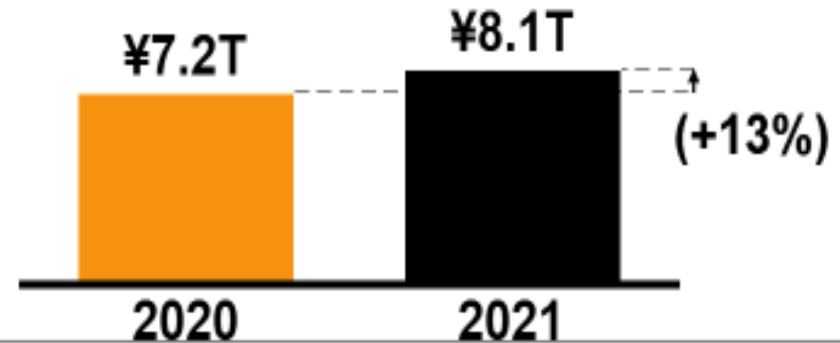


Information and communication industry profit pool trends

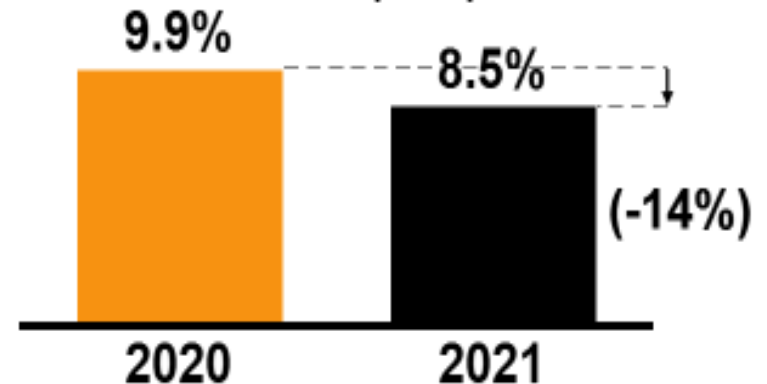
Corporate Japan's ordinary profits trends



Non-manufacturing profit pools (ex-Finance and Insurance)

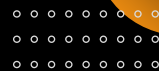


Share of total profit pools

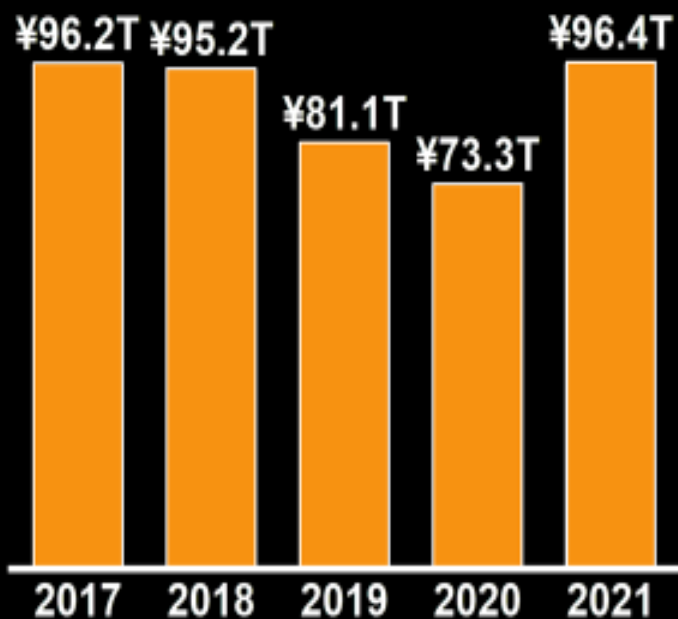


Source: Japan Ministry of Finance, Cissoko & Company database & analysis

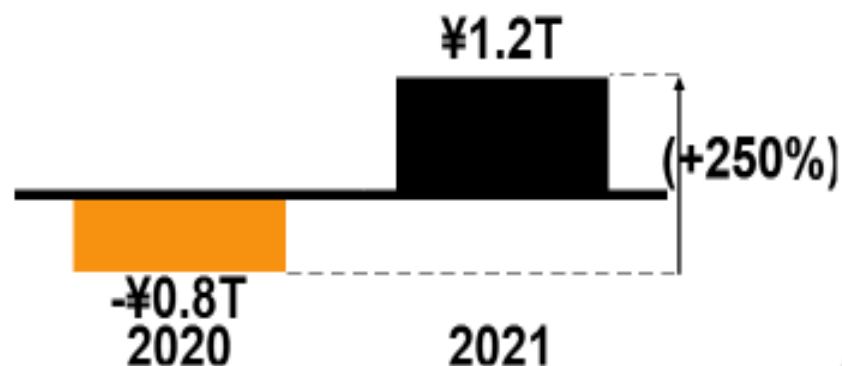
Transportation and postal industries profit pool trends



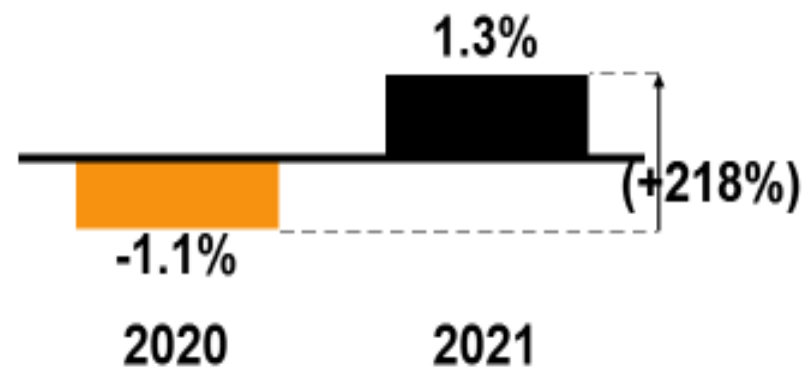
Corporate Japan's ordinary profits trends



Non-manufacturing profit pools (ex-Finance and Insurance)



Share of total profit pools

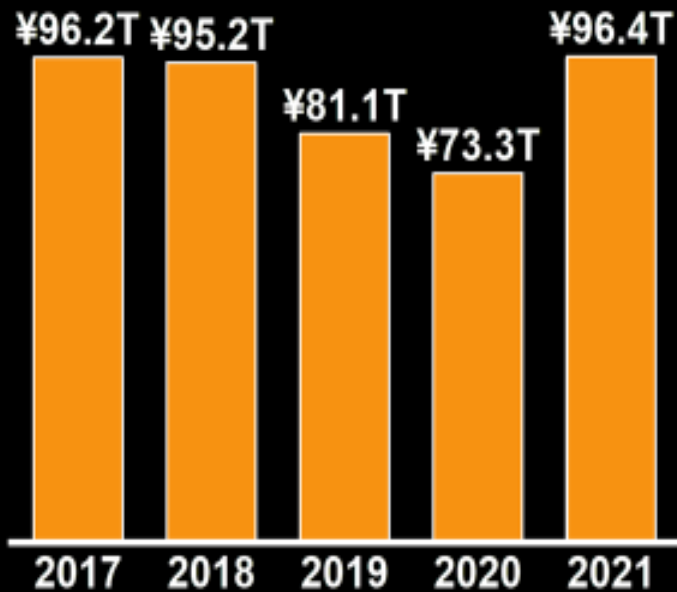


Source: Japan Ministry of Finance, Cissoko & Company database & analysis

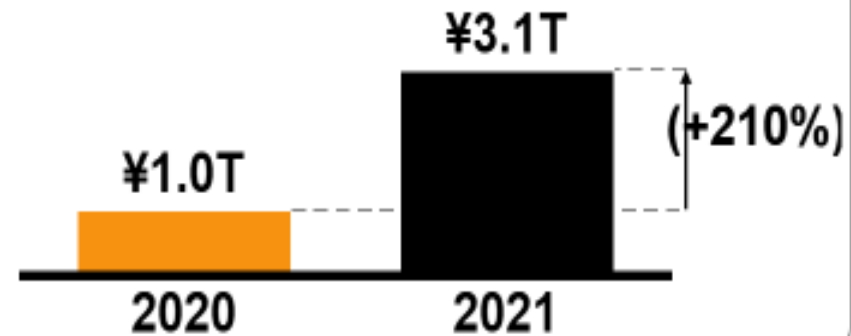


Electricity Production and transportation profit pool trends

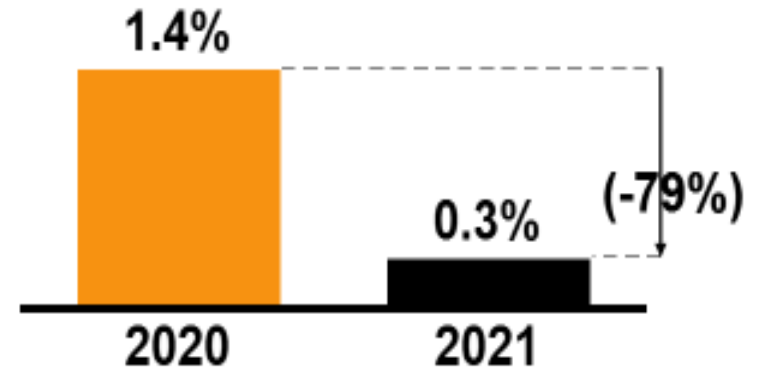
Corporate Japan's ordinary profits trends



Non-manufacturing profit pools (ex-Banking and Insurance)

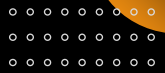


Share of total profit pools

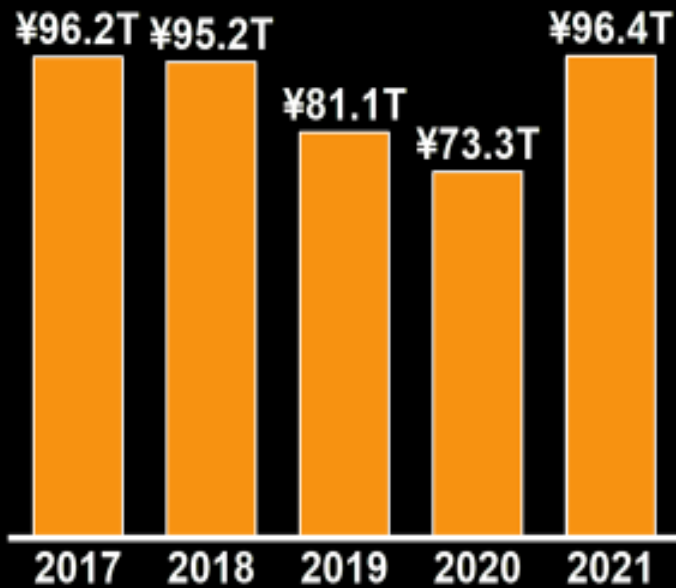


Source: Japan Ministry of Finance, Cissoko & Company database & analysis

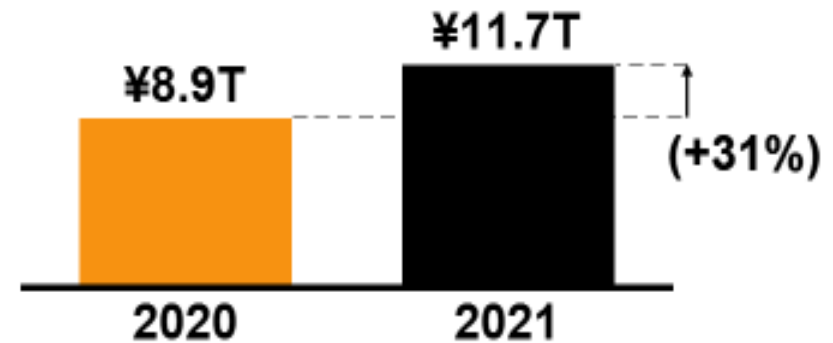
Japan's services industries such as professional, consulting and maintenance profit pools trends



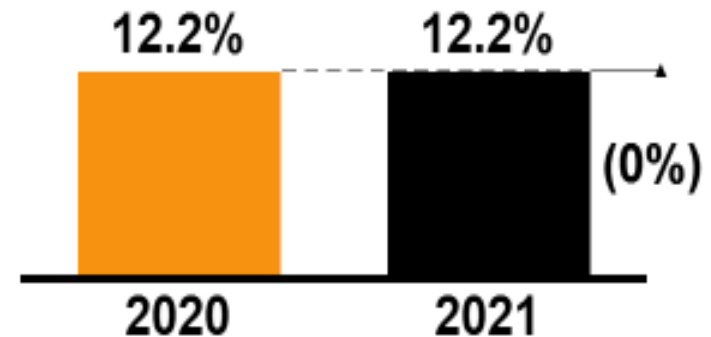
Corporate Japan's ordinary profits trends



Non-manufacturing profit pools (ex-Finance and Insurance)



Share of total profit pools



Source: Japan Ministry of Finance, Cissoko & Company database & analysis





Japanese Industries And Sectors Profitability **Report 2022**

03/

Non-manufacturing Sector –
Finance & Insurance's
Profit pools and Key Trends

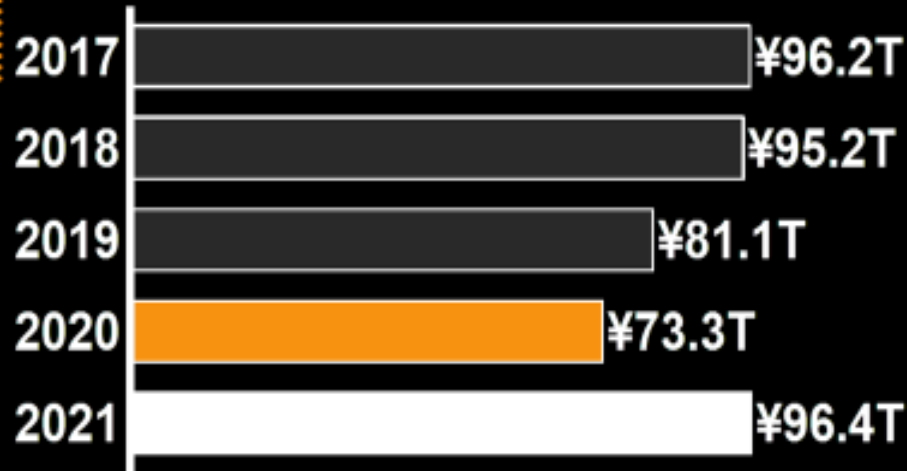


**Table
of Contents**

Cissoko & Company

Japan's non-manufacturing sector – Finance & Insurance

Corporate Japan's ordinary profits trend



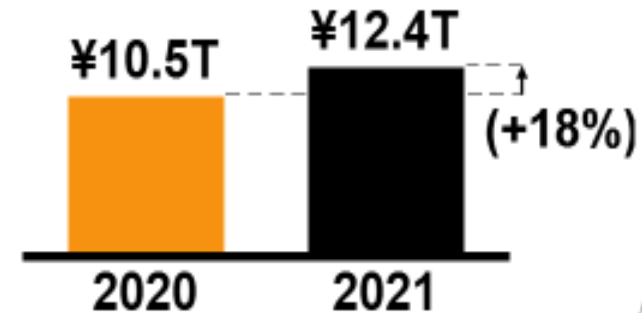
31.4%

Ordinary Profit
Growth (2021)

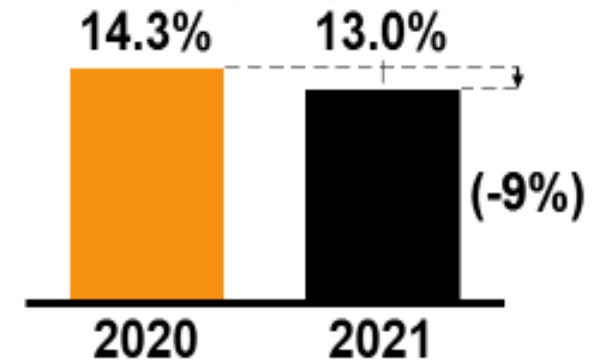
JPY23
Trillion

Growth in Yen
Value (2021)

Finance and Insurance Ordinary Profit Pools

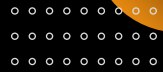


Share of total profit pools

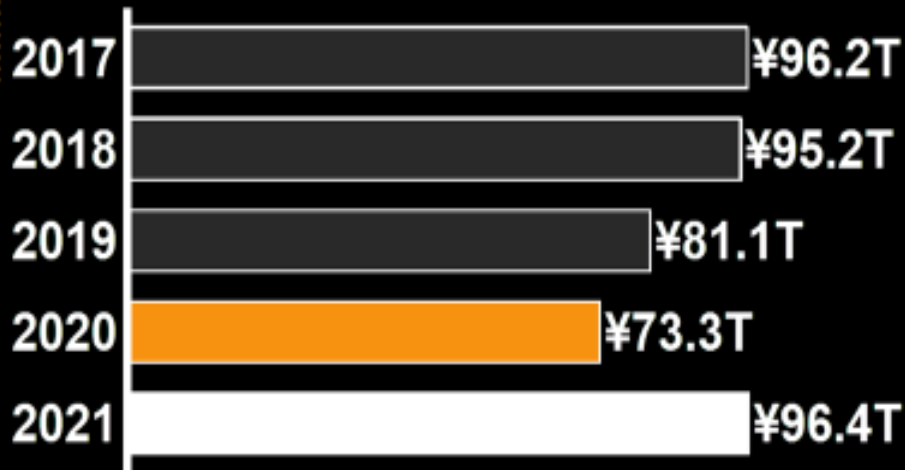


Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Non-manufacturing sector – Money lending industry



Corporate Japan's ordinary profits trend



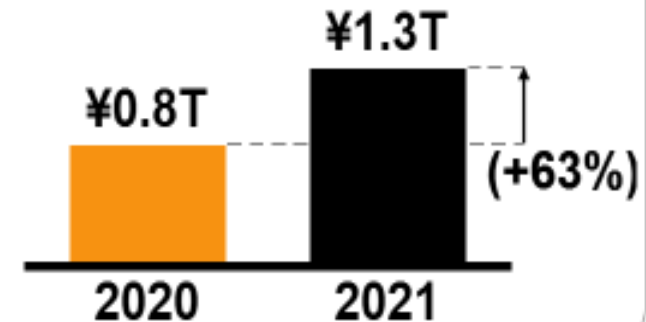
31.4%



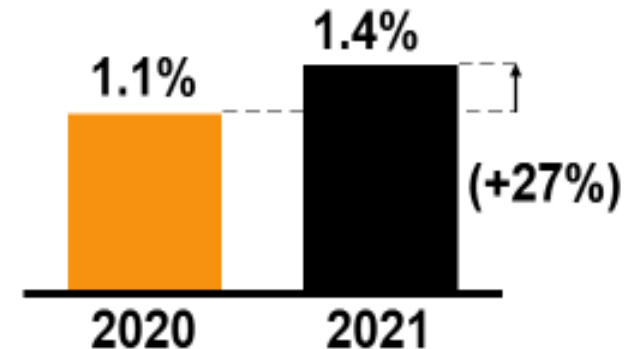
JPY23
Trillion



Money lending Ordinary Profit Pools



Share of total profit pools

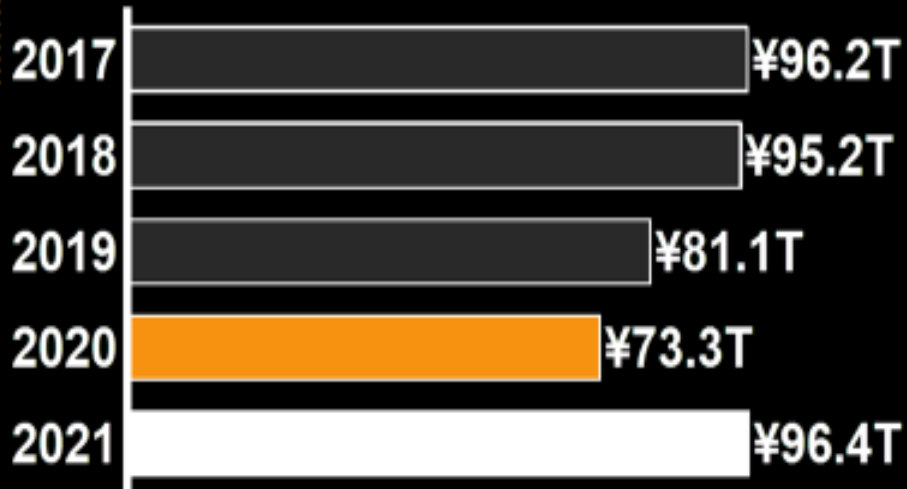


Source: Japan Ministry of Finance, Cissoko & Company database & analysis



Non-manufacturing sector – Financial prod. transactions

Corporate Japan's ordinary profits trend



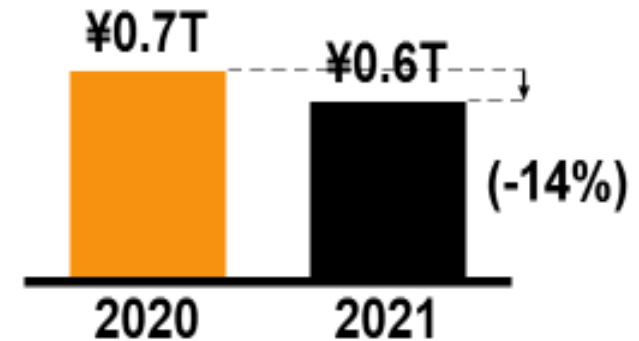
31.4%

Ordinary Profit
Growth (2021)

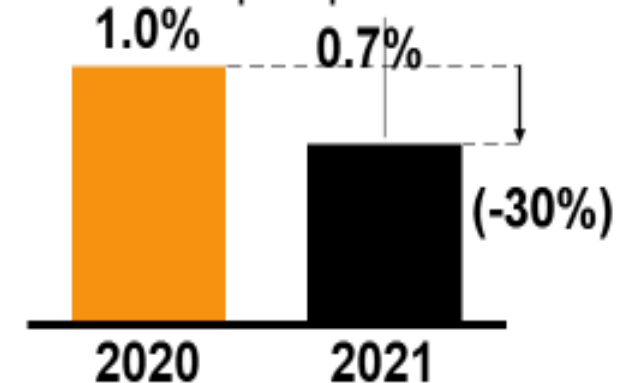
JPY23
Trillion

Growth in Yen
Value (2021)

Financial product transaction dealers
Profit Pools



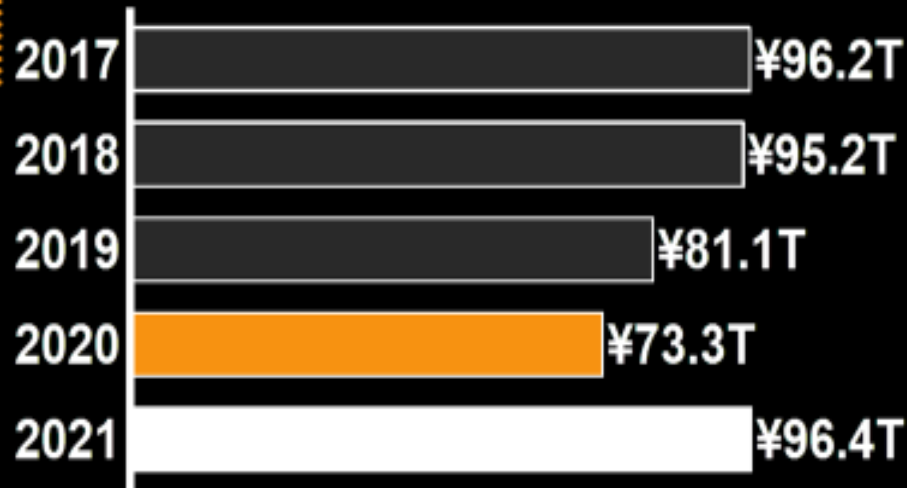
Share of total profit pools



Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Non-manufacturing sector – Futures commodity dealers

Corporate Japan's ordinary profits trend



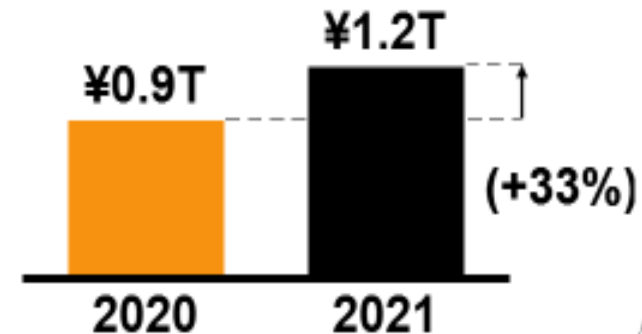
31.4%

Ordinary Profit
Growth (2021)

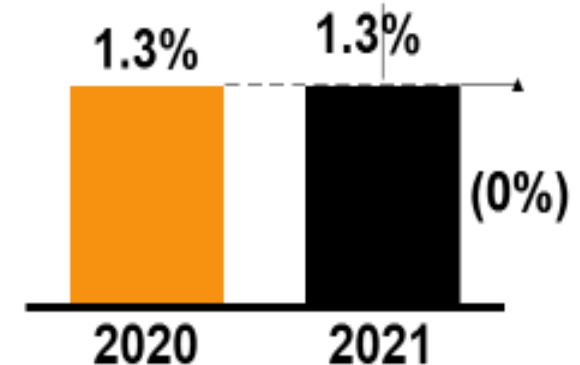
JPY23
Trillion

Growth in Yen
Value (2021)

Futures commodity transaction
dealers Ordinary Profit Pools

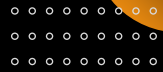


Share of total profit pools

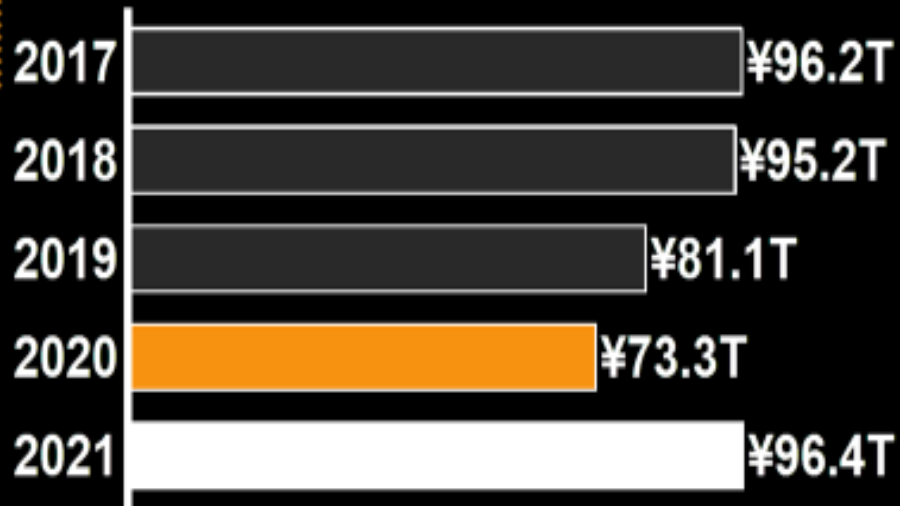


Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Non-manufacturing sector – Life Insurance industry



Corporate Japan's ordinary profits trend



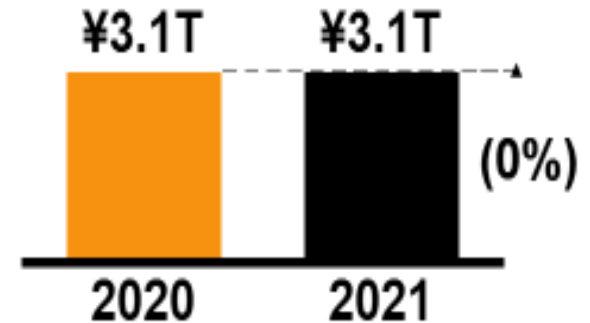
31.4%



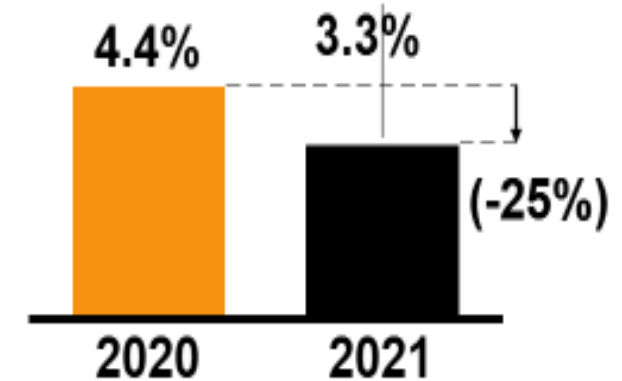
JPY23
Trillion



Life insurance institutions' Ordinary Profit Pools



Share of total profit pools

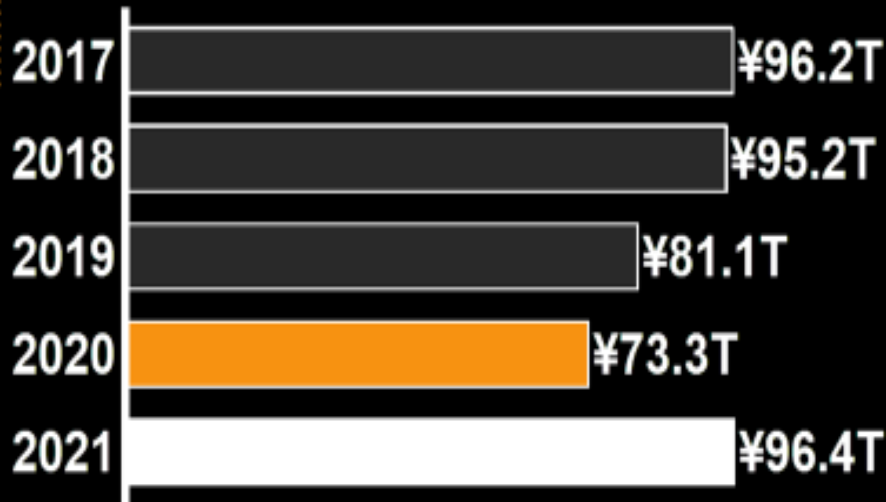


Source: Japan Ministry of Finance, Cissoko & Company database & analysis



Non-manufacturing sector – Non-life Insurance industry

Corporate Japan's ordinary profits trend



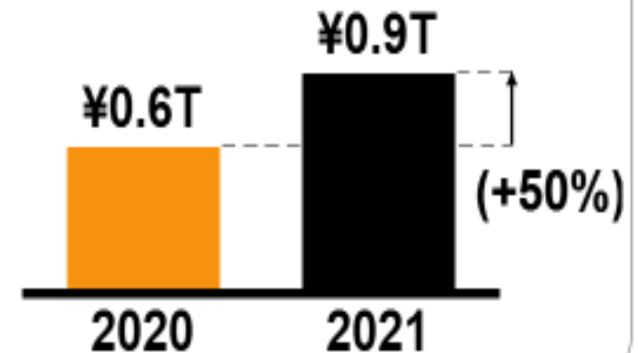
31.4%

Ordinary Profit
Growth (2021)

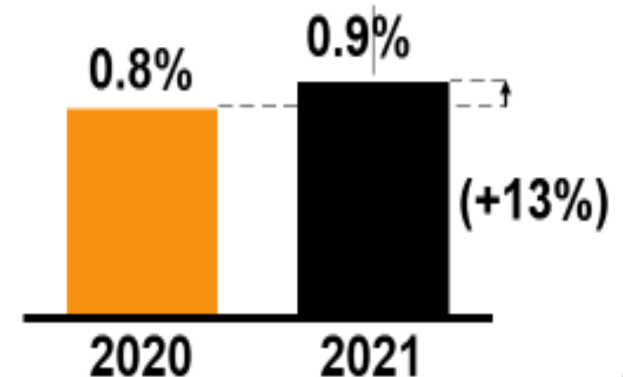
JPY23
Trillion

Growth in Yen
Value (2021)

Finance and Insurance Ordinary Profit Pools



Share of total profit pools



Source: Japan Ministry of Finance, Cissoko & Company database & analysis

Japanese Industries And Sectors Profitability **Report 2022**



**Table
of Contents**

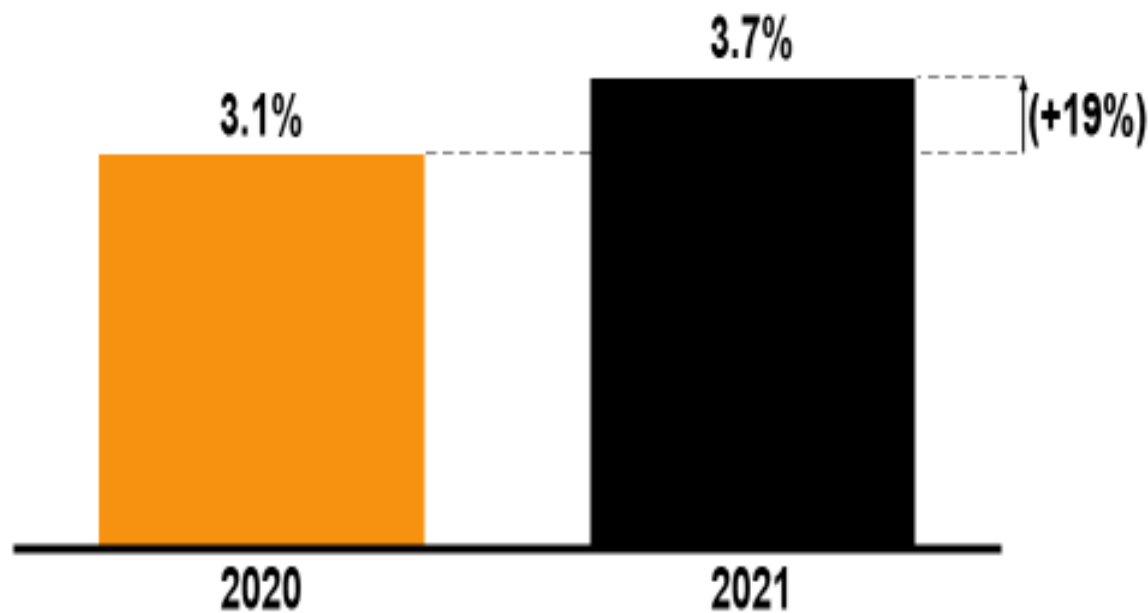
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**rofitability Benchmarks
of all Japanese sectors
(ex-Finance and Insurance)**

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Operating profit margin of all Japanese Industries (excluding Finance and insurance 2020 and 2021)



Operating
Profit to
Sales

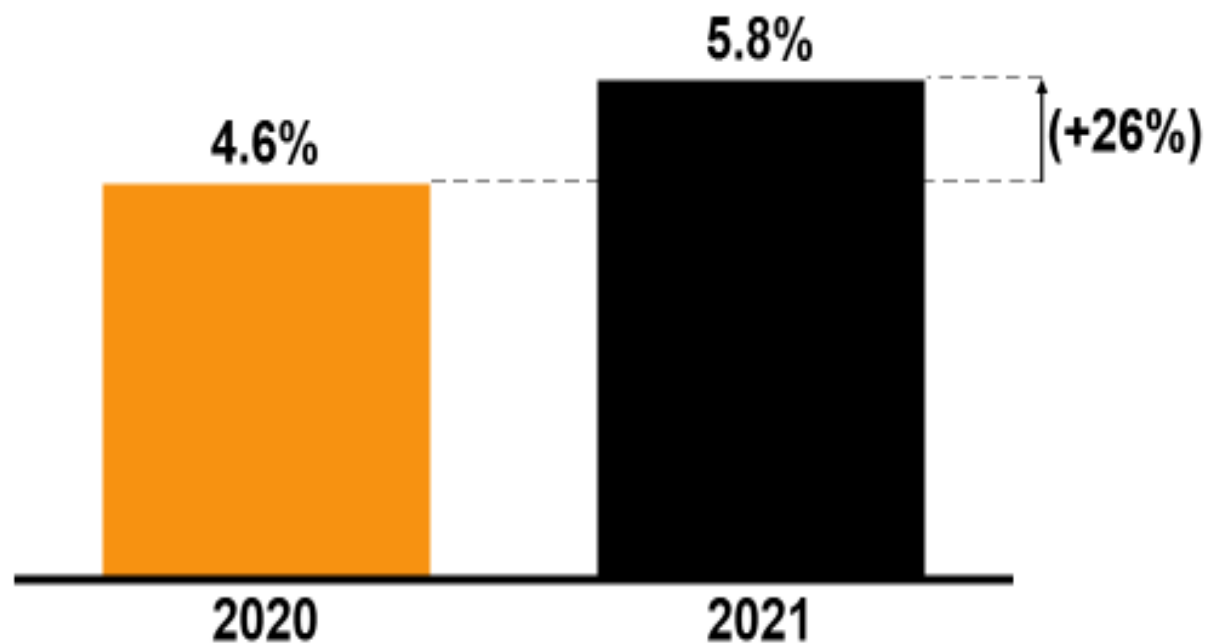
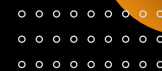
Key Insights

Against 2019, operating profit of all Japanese industries sank by **19.3%**

In 2021, Japanese industries' operating profit margin recovered to pre-COVID

However, with the rising inflation and the ongoing Ukraine war, the fortune of many industries will change

Ordinary profit margin of all Japanese Industries (excluding. Finance and insurance 2020 and 2021)



Ordinary
Profit to
Sales

Key Insights

Unlike operating profit margin (EBIT), the ordinary profits of Japanese industries tanked by **Just 4% in 2020**

The margin improved to beat the pre-COVID ordinary profit margin by **20%**

However, with the rising inflation and the ongoing war and the rapid depreciation of the Yen, we expect headwinds.

Cissoko & Company



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Thank You for your Time!



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— INSIGHTS TO WIN —

About Cissoko & Company

The Firm is a Tokyo-based Leading Management Consulting Firm That Helps Boards, C-Suites, And Leading Companies to Win. It Helps Them in Creating, Unlocking, And Capturing Value While Accelerating Their Success.

