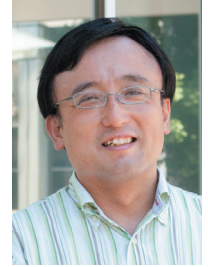


Are Japanese Corporate Profits Strong?



Author Nobuo Iizuka

By Nobuo Iizuka

Current Profits for October-December 2024 See Increase

According to the Quarterly Survey of the Financial Statement Statistics of Corporations by Industry for the period October to December 2024, which the Ministry of Finance released on March 4, 2025, ordinary profits for Japanese enterprises (excluding finance and insurance industries) increased by 13.5% year-on-year. In the previous July-September quarter, profits had seen a 3.3% decline. The rise of 6.4% for the non-manufacturing industry was the 16th consecutive quarterly increase, while the manufacturing industry also saw a rise in profits of 26.7%, in contrast to the previous quarter's decline.

As the article in this series in the November/December 2022 issue indicated, Quarterly Surveys of the Financial Statement Statistics of Corporations by Industry survey non-consolidated sales and profits of commercial corporations with capital, contributions, or funds of

10 million yen or over. Sales revenue and operating profits surveyed are for domestic earnings, but ordinary profits include dividends and others from domestic and overseas group companies.

Operating Profits Also Rising

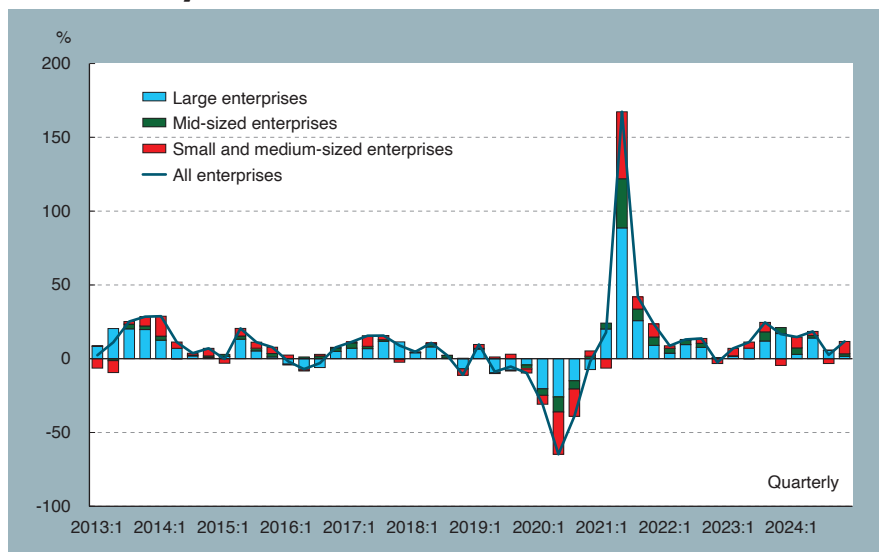
In focusing on operating profits, year-on-year growth was 11.7%, showing once again a rise from 2.5% for the period July to September. The manufacturing industry rose by 10.8% (3.6% for July-September) and the non-manufacturing industry rose by 12.1% (2.0% for July-September), both expanding.

Chart 1 shows the contribution by size of all industries to year-on-year growth in operating profits. Year-on-year growth in operating profits for all industries was by 9.2 percentage points from the previous period but contribution fell by 4.0 percentage points (5.7% rise for July-September to 1.7% rise for October-December) for large enterprises (capital of more than 1 billion yen). Contribution by

mid-sized enterprises (capital of more than 100 million yen but less than 1 billion yen) saw an expansion by 1.6 percentage points (0.1% rise for July-September to 1.7% rise for October-December) but have not been able to cover the decline in the growth rate in earnings of large enterprises. This is because contribution by small and medium-sized enterprises (capital of more than 10 million yen but less than 100 million yen) saw significant expansion by 11.6 percentage points (3.3% drop for July-September to 8.3% rise for October-December). The magnitude of the contribution of SMEs can also be confirmed in *Chart 1* as indicated in red.

CHART 1

Year-on-year increase rate of operating profit (all industries)



Source: Financial Statement Statistics of Corporations by Industry quarterly survey, Ministry of Finance, Japan

Differences in Response Rates of Enterprises Surveyed by Size

A straightforward review of the results

will be interpreted as improvements in corporate profits spreading to SMEs, but there is a possibility that this cannot be taken at face value. This is because the ratio of the number of surveyed companies within the entire sample (population) varies quite significantly between large enterprises, mid-sized enterprises and SMEs in the Financial Statement Statistics of Corporations by Industry.

In looking at the scope and response rates of surveyed enterprises as listed in the released documents for the period October-December 2024, all 4,699 large enterprises (excluding finance and insurance industries) were surveyed, of which 4,159 or 88.5% responded. On the other hand, for SMEs, of the total of 860,873 enterprises, the number surveyed was only 11,111 and only 6,984 responded. The percentage of enterprises that responded among the 860,873 is therefore less than 1%. So when discrepancies in profits arise for such reasons as companies that responded being different from the previous year, there is a possibility that fluctuations in earnings will appear excessively. For example, operating profits for SMEs for April-June 2021 rose by 1,013.5% year-on-year. The state of emergency that was declared for the same period the previous year may have had an impact, but the value was still quite extreme (for reference, it was a 106.1% rise for large enterprises, and 15.8% for mid-sized enterprises).

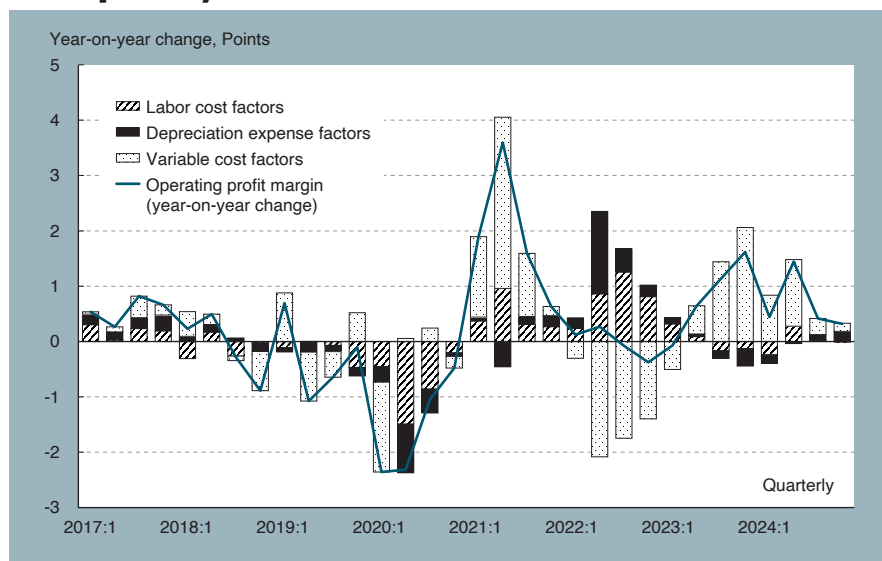
Rate of Profit Growth for Large Enterprises Continues to Decline

A complete survey on operating profits for large enterprises continues to show a declining rate of profit growth. Most recently, it peaked at a 33.6% rise for October-December 2023 and has been on a declining trend since then – at a 6.0% rise in January-March 2024), a 21.5% rise in April-June 2024, a 10.2% rise in July-September 2024, and a 2.9% rise in October-December 2024.

This is due not only to sales revenue struggling to grow, turning to a decline of 1.4% for October-December 2024, but also, as indicated in [Chart 2](#), because the positive range between the difference in year-on-year growth of operating profit margins has shrunk. For October-

CHART 2

Breakdown of operating profit margins (large enterprises)



Source: Financial Statement Statistics of Corporations by Industry quarterly survey, Ministry of Finance, Japan

December 2024, it declined to 0.3 points compared to the 1.6 percentage point year-on-year difference for October-December 2023. This is because the decline in the percentage (upward pressure on operating profit margins) of variable costs (calculated by subtracting operating profits, personnel costs and depreciation costs from sales revenue) such as yen/dollar exchange rates and crude oil prices to sales has begun to shrink. On the other hand, the ratio of personnel costs to sales (downward pressure on operating profit margins) which had been rising from July-September 2023 to January-March 2024 has become flat, and this is contributing to maintaining growth in profits. The future trend of operating profits of large enterprises requires close monitoring.

NOTE: This article was based on available information as of March 4, 2025.

Article translated from the original Japanese by Mio Uchida

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Nobuo Iizuka is a professor of the Department of Economics at Kanagawa University. He worked for the *Nihon Keizai Shimbun (Nikkei)* and the Japan Center for Economic Research for more than 20 years, and is one of the most highly-regarded commentators on Japanese business and the economy.

Calendar year, Quarter and Month	Real GDP		Nominal GDP		IIP rate of increase over previous year/term (month) (%)	CPI (All terms, less fresh food) rate of increase over previous year/the same term (month) of the previous year (%)
	Amount (trillion yen)	Rate of increase over previous year/term (%)	Amount (trillion yen)	Rate of increase over previous year/term (%)		
2017	551.2	1.7	553.1	1.6	3.1	0.5
2018	554.8	0.6	556.6	0.6	0.6	0.9
2019	552.5	-0.4	557.9	0.2	-2.6	0.6
2020	529.5	-4.2	539.6	-3.3	-10.4	-0.2
2021	543.8	2.7	553.1	2.5	5.4	-0.2
2022	548.9	0.9	560.5	1.3	-0.1	2.3
2023	557.0	1.5	591.9	5.6	-1.3	3.1
2024	557.5	0.1	609.4	3.0	-2.6	2.5
2024/1st Qtr.	552.5	-0.5	595.9	0.0	-5.2	2.5
2nd Qtr.	556.9	0.8	608.7	2.2	2.1	2.5
3rd Qtr.	558.9	0.4	613.0	0.7	0.3	2.7
4th Qtr.	562.0	0.6	620.0	1.1	0.4	2.6
2024/July	—	—	—	—	1.8	2.7
Aug.	—	—	—	—	-2.0	2.8
Sep.	—	—	—	—	0.7	2.4
Oct.	—	—	—	—	1.8	2.3
Nov.	—	—	—	—	-1.7	2.7
Dec.	—	—	—	—	-0.3	3.0
2025/Jan.	—	—	—	—	-1.1	3.2
Feb.	—	—	—	—	2.3	3.0
Sources	"SNA (National Accounts of Japan)", Cabinet Office				"Indices of Industrial Production", Ministry of Economy, Trade and Industry	"Consumer Price Index", Statistics Bureau, Ministry of Internal Affairs and Communications

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Exports amount (trillion yen)	Exports rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount (trillion yen)	Imports rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to US (trillion yen)	Exports to US rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from US (trillion yen)	Imports from US rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to EU (trillion yen)	Exports to EU rate of increase over previous year/ the same term (month) of the previous year (%)
2017	78.3	11.8	75.4	14.1	15.1	6.9	8.1	10.5	7.1	9.5
2018	81.5	4.1	82.7	9.7	15.5	2.4	9.0	11.4	7.7	7.8
2019	76.9	-5.6	78.6	-5.0	15.3	-1.4	8.6	-4.2	7.4	-3.0
2020	68.4	-11.1	68.0	-13.5	12.6	-17.3	7.5	-13.7	6.3	-15.1
2021	83.1	21.5	84.9	24.8	14.8	17.6	8.9	19.6	7.7	21.4
2022	98.2	18.2	118.5	39.6	18.3	23.1	11.8	31.9	9.4	22.0
2023	100.9	2.7	110.4	-6.8	20.3	11.0	11.6	-1.7	10.4	10.9
2024	107.1	6.2	112.6	2.0	21.3	5.1	12.7	9.6	10.0	-3.9
2024/1st Qtr.	25.1	8.8	26.9	-4.8	5.0	13.8	3.1	6.4	2.5	10.0
2nd Qtr.	26.5	8.8	28.0	7.0	5.4	14.0	3.4	24.7	2.4	-8.4
3rd Qtr.	27.1	4.5	28.7	6.8	5.4	1.4	3.1	8.6	2.5	-7.7
4th Qtr.	28.5	3.2	28.9	-0.5	5.5	-5.3	3.0	0.1	2.5	-7.6
2024/July	9.6	10.2	10.2	16.5	1.9	7.3	1.2	21.5	0.9	-5.3
Aug.	8.4	5.5	9.1	2.2	1.6	-0.7	1.0	-2.0	0.7	-9.1
Sep.	9.0	-1.8	9.3	1.9	1.9	-2.4	1.0	6.5	0.8	-9.0
Oct.	9.4	3.1	9.9	0.5	1.8	-6.2	1.0	-0.6	0.8	-11.3
Nov.	9.2	3.8	9.3	-3.8	1.7	-8.0	1.0	-0.6	0.8	-12.5
Dec.	9.9	2.7	9.8	1.8	2.0	-2.1	1.0	1.4	1.0	0.5
2025/Jan.	7.9	7.3	10.6	16.3	1.5	8.1	1.1	5.2	0.7	-15.0
Feb.	9.2	11.4	8.6	-0.7	1.9	10.5	1.0	-2.7	0.8	-7.7
Sources	"Trade Statistics of Japan", Ministry of Finance									

Calendar year, Quarter and Month	Cash salary amount rate of increase over previous year/the same term (month) of the previous year (%)	Active job openings- to-applicants ratio (time(s))	Unemployment rate (%)	M2 rate of increase over previous year/ the same term (month) of the previous year (%)	Balance of payments		Yen/\$ rate (averaged during the term)
					Trade balance (trillion yen)	Current balance (trillion yen)	
2017	0.4	1.50	2.8	4.0	4.9	22.8	112.2
2018	1.4	1.61	2.4	2.9	1.1	19.5	110.4
2019	-0.4	1.60	2.4	2.4	0.2	19.3	109.0
2020	-1.2	1.18	2.8	6.5	2.8	16.0	106.8
2021	0.3	1.13	2.8	6.4	1.8	21.5	109.8
2022	2.0	1.28	2.6	3.3	-15.5	11.4	131.4
2023	1.2	1.31	2.6	2.5	-6.6	22.2	140.5
2024	2.8	1.25	2.5	1.7	-3.7	29.4	151.5
2024/1st Qtr.	1.3	1.26	2.6	2.5	-1.3	6.5	148.6
2nd Qtr.	3.0	1.25	2.6	1.8	-1.2	6.9	155.9
3rd Qtr.	2.9	1.24	2.5	1.3	-1.2	8.9	149.2
4th Qtr.	3.7	1.25	2.5	1.2	0.0	7.1	152.4
2024/July	3.4	1.25	2.6	1.5	-0.5	3.3	157.9
Aug.	2.8	1.24	2.5	1.3	-0.4	4.0	146.3
Sep.	2.5	1.25	2.4	1.2	-0.4	1.6	143.3
Oct.	2.2	1.25	2.5	1.2	-0.2	2.5	149.6
Nov.	3.9	1.25	2.5	1.2	0.1	3.4	153.8
Dec.	4.4	1.25	2.5	1.3	0.1	1.1	153.7
2025/Jan.	1.8	1.26	2.5	1.3	-2.9	-0.2	156.4
Feb.	3.1	1.24	2.4	1.2	0.7	4.1	152.0
Sources	"Monthly Labour Survey", Ministry of Health, Labour and Welfare	"Employment Referrals for General Workers", Ministry of Health, Labour and Welfare	"Labour Force Survey", Statistics Bureau, Ministry of Internal Affairs and Communications	"Money Stock", Bank of Japan	"Balance of Payments", Ministry of Finance		Bank of Japan

Calendar year, Quarter and Month	Foreign Trade Statistics									
	Imports amount from EU (trillion yen)	Imports from EU rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to Asia (excluding China) (trillion yen)	Exports to Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from Asia (excluding China) (trillion yen)	Imports from Asia (excluding China) rate of increase over previous year/ the same term (month) of the previous year (%)	Exports amount to China (trillion yen)	Exports to China rate of increase over previous year/ the same term (month) of the previous year (%)	Imports amount from China (trillion yen)	Imports from China rate of increase over previous year/ the same term (month) of the previous year (%)
2017	8.0	7.0	28.0	13.3	18.6	14.8	14.9	20.5	18.5	8.5
2018	8.8	10.6	28.8	2.9	20.0	7.8	15.9	6.8	19.2	4.0
2019	8.8	0.3	26.6	-7.6	19.0	-5.3	14.7	-7.6	18.5	-3.9
2020	7.8	-12.1	24.1	-9.4	17.2	-9.4	15.1	2.7	17.5	-5.1
2021	9.5	21.8	30.2	25.0	20.7	20.6	18.0	19.2	20.4	16.4
2022	11.4	21.1	36.4	20.6	28.6	37.8	19.0	5.7	24.8	21.9
2023	11.4	-0.2	34.7	-4.6	27.6	-3.4	17.8	-6.5	24.4	-1.7
2024	11.9	3.9	38.0	9.4	28.6	3.6	18.9	6.2	25.3	3.6
2024/1st Qtr.	2.7	0.3	8.8	4.3	6.8	-3.7	4.3	13.3	5.8	-3.5
2nd Qtr.	3.0	2.9	9.2	9.6	7.0	7.0	4.8	11.3	6.2	7.6
3rd Qtr.	3.2	10.1	9.8	12.5	7.5	10.2	4.7	1.5	6.3	5.2
4th Qtr.	3.1	2.0	10.2	11.1	7.3	1.7	5.1	0.7	6.9	5.2
2024/July	1.1	10.8	3.4	19.4	2.7	18.1	1.7	7.2	2.3	20.9
Aug.	1.1	17.2	3.2	14.7	2.3	3.4	1.5	5.1	1.9	-2.2
Sep.	1.0	2.5	3.2	4.2	2.5	9.2	1.5	-7.3	2.2	-1.8
Oct.	1.1	4.0	3.4	11.0	2.6	5.7	1.7	1.4	2.5	5.7
Nov.	1.0	-5.4	3.3	11.5	2.3	-4.5	1.7	4.1	2.3	4.2
Dec.	1.0	7.6	3.5	10.7	2.5	3.7	1.7	-3.2	2.1	5.7
2025/Jan.	1.1	37.8	3.0	12.1	2.7	18.9	1.2	-6.1	2.6	18.4
Feb.	1.0	15.2	3.4	16.5	2.3	1.7	1.5	14.0	1.7	-3.5
Sources	"Trade Statistics of Japan", Ministry of Finance									