Proposing/Implementing Key Measures for Industrial Recovery from the Great East Japan Earthquake

2018.07.18
Tohoku Bureau of Economy, Trade and Industry,
Promotion Office for Reconstruction from Great East Japan Earthquake
Overall condition of the Tohoku Region
Overview of the Tohoku Region(1)
### Overview of the Tohoku Region(2)

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
<th>2015 Percentage of Total Population: 7.1%</th>
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</thead>
<tbody>
<tr>
<td>Total area</td>
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<tr>
<td>Total population</td>
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<td></td>
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<tr>
<td>No. of employed persons</td>
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<tr>
<td>(Primary industry)</td>
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<tr>
<td>(Secondary industry)</td>
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<tr>
<td>(Tertiary industry)</td>
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<tr>
<td>GRDP</td>
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<tr>
<td>No. of business establishments</td>
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<tr>
<td>No. of employees</td>
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<tr>
<td>Value of manufactured goods shipped</td>
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<tr>
<td>(Foodstuffs)</td>
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<td></td>
<td></td>
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<tr>
<td>(Electronic parts, devices and electronic circuits)</td>
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<td>(Transportation equipment)</td>
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<tr>
<td>(Information and communications electronics equipment)</td>
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<tr>
<td>Wholesale sales value</td>
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<tr>
<td>Retail sales value</td>
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<tr>
<td>Department store/supermarket sales value</td>
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<tr>
<td>(Department stores)</td>
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<tr>
<td>(Supermarkets)</td>
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<tr>
<td>Convenience store sales value</td>
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<tr>
<td>New passenger car registrations</td>
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<tr>
<td>Housing starts</td>
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<tr>
<td>Value of public works contracted</td>
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<tr>
<td>No. of factory locations acquired</td>
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(Note) The number of employed persons is based on the 2015 Population Census (the Ministry of Internal Affairs and Communications)
The Great East Japan Earthquake’s impacts on Tohoku’s economy
Damage in the Tohoku region caused by the Great East Japan Earthquake

The magnitude 9.0 earthquake that struck off the coast of Sanriku at 14:46 on March 11, 2011, was the most powerful ever recorded in Japan, and the compounded effects of the massive tremor and the subsequent tsunami, nuclear power plant accident, and power supply constraints caused far-reaching and tremendous damage to SMEs.

<table>
<thead>
<tr>
<th>Date</th>
<th>March 11 (Fri) 14:46</th>
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<tbody>
<tr>
<td>Scale of earthquake</td>
<td>magnitude 9 earthquake</td>
</tr>
<tr>
<td>Tsunami warning</td>
<td>✓ aftershock 344 (over magnitude of 4)</td>
</tr>
<tr>
<td>Aomori, Iwate, Miyagi, Fukushima Prefecture</td>
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<td>Flooding over an area of 521km² in 42 cities</td>
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<td>The Disaster Relief Act was invoked in 130 cities, 4 prefecture</td>
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<tr>
<td>Damage</td>
<td>Dead 15,894</td>
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<td>Missing persons 2,546</td>
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<td>Evacuees 470,000人（during peak 2013.3.14）</td>
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<td>Gross amount of the loss 16.9 trillion（estimated）</td>
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<td>※ In the Great Hanshin Earthquake 9.6 trillion（estimated）, Dead 6,434</td>
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Distribution of seismic intensity

Kurihara City, Miyagi Pref.
Ofunato City in Iwate Prefecture
Miyako City in Iwate Prefecture

Before the Great East Japan Earthquake

After the Great East Japan Earthquake
The March 11 earthquake caused Tohoku’s index of industrial production (IIP) to fall far more than the national index in March 2011. Particularly in Miyagi prefecture due to many companies located along the coast. IIP was rapidly declining.

**Trend of index of industrial production**

- *National* 95.2 2012 Jan.
- *Tohoku Region* 95.2 National
- *Tohoku Region* 93.5
- *Iwate Pref.* 90.6
- *Miyagi Pref.* 73.9
- *Miyagi Pref.* 73.9
- *Fukushima Pref.* 90.4
- *Fukushima Pref.* 90.4
After the Great East Japan Earthquake, shortage of workers become a serious problem in the affected areas.
“Restoration and maintenance subsidy Project for Facilities of Small and Medium Enterprise Groups”
(SMEs group subsidy)
Designing of SMEs Group Subsidy

In the areas affected by the Great East Japan Earthquake, many companies’ production facilities and equipment were damaged. This had a significant additional impact on their supply chains and the Japanese economy as a whole.

We found that an effective approach was to prioritize support for the functional recovery of corporate networks playing particularly important roles in communities.

Intensive application of policy resources to groups of companies that are the core of local economies, focusing on industrial networks and the ability to absorb employment, centered on the following.

In June 2011 the national and prefectural governments joined together in creating the SMEs Group Subsidy designed to promote the recovery and reconstruction of disaster-hit communities by subsidizing part of the recovery costs for the purpose of maintaining or rebuilding commercial districts that support local communities and local infrastructure.
(1) an industry cluster that is important to the region in terms of the breadth of its business dealings;

(2) made up of a core company that occupies an important role in the region from the perspective of employment and that company’s peripheral companies;

(3) a corporate group that makes up an important supply chain for the Japanese economy;

(4) a leading regional retail precinct that is indispensable to the local community; (Type shopping districts)
Introduced measures whereby the national government provides a one-half subsidy and the prefecture provides a one-fourth subsidy for the equipment and facilities’ restoration and preparation when a group comprising of multiple SMEs prepares a restoration plan which is certified by the prefecture.

SMEs Group

① submit restorations plan to prefecture
② Review Board gives certification and notice
③ performs a subsidy
④ performs a subsidy
⑤ Review Board, Grant Notification
⑥ Grant Notification

Prefecture

Tohoku METI
By the end of FY2017, 9764 SMEs had been approved for the Tohoku Region. (Aomori Prefecture, 208  Iwate Prefecture, 1478  Miyagi Prefecture, 4127  Fukushima Prefecture, 3,942)

Total amount of subsidy is 480 billion (Government provides only)

Amount of subsidy has been on a decreasing trend since its peak in FY2011, FY2012.

But in affected areas, many other companies need the subsidy.

※Only in Tohoku Region
4 major changes in SMEs Group Subsidy

2011.6 SMEs group subsidy to begin

① Simplifying the budget extension and subsidy renewal procedures (since 2012.11)

② Enhanced support of “TYPE shopping district” (since FY2013)

③ Enhanced support for soaring construction contract prices (since 2014.7)

④ Enhancement of advances into new business fields
① Simplifying the budget extension and subsidy renewal procedures

【Background】
・In affected areas, because of construction delays, many subsidized projects remain incomplete at the end of the fiscal year.
・Additionally, the budget extension or subsidy renewal procedures are overly complicated.

Since FY2012, Ministry of Finance notified the GOJ and the public of the plan to simplify the budget extension procedure.
・Additionally, in case where subsidized projects are not completed before the deadline of the subsidy due to unforeseen circumstances (second extension), a subsidy is to be granted anew.
② Enhanced support of “TYPE shopping district ”

【Background】
・The environment faced by SMEs was changing dramatically, as exemplified by the moving away from the affected areas.
・Supporting the restoration of single shops was not attractive to shopping districts.

To make attractive shopping districts in affected areas, we have enhanced support for “TYPE shopping districts” since FY2015

・Subsidies were provided for the cost of construction of shared stores, parking, street-lights, security cameras and so on.
・Permission changes of business under certain conditions in case of lack of tenants
・Additionally, provided for the cost of “recovery fairs” to restore prosperity to damaged shopping districts.
③ Enhanced support for soaring construction contract prices

【Background】
Due to the lengthening land readjustment project, construction and other costs had surged, though companies in affected areas had not undertaken restoration works.

The then Minister for Economy, Trade and Industry, Mr. Motegi, gave concrete instructions for solutions to the office when he inspected affected areas in Fukushima, 2014.7.3

In addition, some points were discussed.
◆ Scope of objects to be supported
◆ Amount of subsidy
◆ How to support SMEs that had completed their restoration projects
4 Enhancement of advances into new business fields

【Background】
- According to the Group Subsidy Questionnaire Survey in FY2014, many companies have rebuilt their facilities and equipment, but have struggled to reopen sales channels that were lost after the disaster, and sales remain down on pre-quake levels.
- In the four years since the Great East Japan Earthquake, the business environment had transformed.

- We provided assistance in FY2015 to companies seeking to enter new lines of business after losing business partners and customers due to long delays in recovery and finding themselves unable to restore their businesses to pre-disaster levels.

In addition, some points were discussed
- Scope of objects to be supported
- Amount of Subsidy
- How to support planning new business
About the Subsidy Program for New Business Establishment in Disaster-Affected Areas towards Employment Creation
Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation (for manufacturing)

<Background>

- In the municipalities affected by the Tsunami, existing industrial parks were allocated as land for provisional housings.
- After the Great East Japan Earthquake, the number of companies decreased significantly.
  
  **Kesennuma City, Miyagi Prefecture** (−33%), **Ishinomaki City, Miyagi Prefecture** (−35%), **Kamaishi City, Iwate Prefecture** (−25%), **Rikuzentakata City, Iwate Prefecture** (−47%)
  
  ※Source: Economic Census(2009,2012), Statistics Bureau, Ministry of Internal Affairs

- Even companies recovered from the Great East Japan Earthquake are facing challenges in terms of marketing channels

For industrial reconstruction, we need...

1. promoting new business establishment
2. employment creation
3. Government support including land acquisition

Government in May 2013 created the Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami*¹ and Nuclear Disaster*² towards Employment Creation.

*1 the Areas Recovering from Tsunami : Aomori Prefecture, Iwate Prefecture, Miyagi Prefecture and Ibaraki Prefecture
*2 the Areas Recovering from Nuclear Disaster : Fukushima Prefecture
Overview of the Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation

**Subsidy objects**
Private sector businesses establishing new business in Subsidized areas
※Excluding restoration project

**Subsidy facilities**

1. Factories (for Manufacturing)
2. Logistics facilities
3. Laboratories (for Manufacturing)
4. Call centers, date centers, and similar facilities (for data processing and information services or Internet-based services)
5. Other facilities that a prefectural governor determines necessary

※At the beginning of the system
Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation (for commercial facilities)

<Background>
- Enhancement of the subsidy system was required because of the following points.
  ① Relocation assistance for temporary stores and retail precincts to be restored
  ② Recovery of function in commerce/service sectors
  ③ Targeting not only companies affected by the Tsunami and Nuclear Disaster but also companies leading reconstruction of retail precincts

Subsidy Program was amended so that it enables to …
- establish commercial facilities by municipalities leading restore commercial functions
- provide systematic assistance to companies as well as to municipalities by creating a government foundation
Transition of the Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation

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The Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation
(for manufacturing industry)

The Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation
(for commercial facility/private establishment)

The Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation
(for commercial facility/public)

The Subsidy Program for Industrial Location and Job Creation to Support Independence and a Return to Recovering Areas(for manufacturing/service industry)

The Subsidy Program for Industrial Location and Job Creation to Support Independence and a Return to Recovering Areas(for commercial facility)

SMEs Group Subsidy

Differentiate into a system specialized for the nuclear disaster affected area
Government Support for creating employment

- This program requires companies using subsidies to create employment according to their basic investment.
- On the other hand, the active opening rate has remained on a rising trend after the Great East Japan Earthquake (refer to p.19), causing difficulty in creating employment.
- Sometimes this condition is too strict for companies to use subsidies, though it’s also difficult to change regulation in order to secure employment.

Government has had a measure of success by …
- hosting seminars on securing employment
- organizing matching projects to encourage job seekers to join these companies

⇒ And it is necessary to continue such government support.
### Examples of support for creating employment by the government

<table>
<thead>
<tr>
<th>efforts</th>
<th>contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Advisory</td>
<td>Individual visits, information provision, formulation action plan</td>
</tr>
<tr>
<td>(2) Seminar</td>
<td>Creating employment know-how, introducing success stories</td>
</tr>
<tr>
<td>(3) Establishing consultation booths</td>
<td>Establishing employment consultation booths, information provision</td>
</tr>
</tbody>
</table>
In Conclusion

• SMEs group subsidy is the first system designed to promote the recovery and reconstruction of disaster-hit private enterprises.

• In the seven years since the unprecedented devastation of the Great East Japan Earthquake, revisions have been made to existing assistance programs and new programs have been created and implemented in line with the wishes expressed by companies, local governments, etc. The approaches taken in dealing with the Great East Japan Earthquake have also been utilized effectively in other disasters, e.g., Group Subsidy offered in Kumamoto and Oita Prefectures following the April 2016 Kumamoto Earthquake.

• It is practically impossible to envision all of the phenomena that could occur during future disasters and then design programs around these, so it is always the case that the national government needs to work in regular and close cooperation with local governments and aid organizations under normal circumstances as well, responding swiftly and flexibly to any contingencies that arise.
Sightseeing guide

Tohoku is beautiful, fun, delicious
“Hachinohe Sansya Taisai”  Hachinohe City, Aomori Prefecture
“Koiwai-Snow-Festival”  Shizukuishi-Cho, Iwate Prefecture
“Sansa-Odori” Morioka City, Iwate Prefecture
“Sendai Tanabata-Matsuri” Sendai City, Miyagi Prefecture
“National Fireworks Competitions/ Omagari Fireworks Festival”
Daisen City, Akita Prefecture
“Yudono-san” Tsuruoka City, Yamagata Prefecture
“Hanami-yama” Fukushima City, Fukushima Prefecture
Tohoku region boasts various sake, agricultural, forestry and fisheries products, traditional crafts, historical and cultural heritage, festivals and other tourist resources. Utilizing these rich and unique local resources, a string of new industries and initiatives are emerging in the affected areas as they continue to make their way toward recovery. We invite you to visit Tohoku and soak in the region’s enormous appeal while also observing firsthand the steady progress which Tohoku is making toward recovery.
I do hope you will continue to support Tohoku and visit again.
Thank you very much for your kind attention.

END