Results of an Emergency Survey on the Actual Status of Industries after the Great East Japan Earthquake (2) Collection of Real Opinions

August 2011
Ministry of Economy, Trade and Industry
1. Current state of supply chain

【(1) Production level at earthquake-affected bases】

Materials industry>

Immediately after the disaster, we suffered from damage to some of the production facilities but managed to continue operations by arranging alternative production at other companies and negotiating with customers to reschedule delivery. At present, our production level has completely returned to the level before earthquake. (Steel)

> Our factory was severely damaged and has yet to resume production. We continue recovery work with resumed production slated for November. (Cement)

> Our factories that had been shut down due to damage from the earthquake and tsunami resumed production except for those that suffered extraordinary damage. Their production levels have returned to the level before the earthquake. However, it is currently uncertain when all the factories in the earthquake-affected areas can restore production to the levels seen before the earthquake. (Paper and pulp)

Processing industry>

> Our production conditions have completely returned to the levels maintained before the earthquake. (Automobiles)

> We expect that our production level will be completely restored between July and September. This is three or more months earlier than previously expected in April. (Automobiles)
1. Current state of supply chain

【(3) Production level factors of the non-affected production bases】

Lower production level

<Materials industry>

> Due to reduced production by auto manufacturers, automotive glass production has reduced to about 80% of the normal level. (Glass)

<Processing industry>

> Our production level has returned to only 80-100% of the level before earthquake due to insufficiency of parts and materials. Complete recovery is expected between July and September, when sufficient parts and materials will be available. Although we have already started sourcing from alternative suppliers, we are maintaining our capacity utilization rate and production levels at about 10% less. (Automobiles)

Higher production level

<Materials industry>

> Our output is above the levels seen before the earthquake because we front-loaded production prior to the start of restrictions on electricity usage in the summer and expect increased reconstruction demand from the earthquake. However, actual demand has settled at the level before earthquake for the moment. (Nonferrous metals)

<Processing industry>

> Although we were concerned that the occurrence of the earthquake would slow down domestic demand, demand remains brisk, without declining. In the overseas market, demand is growing in Europe, the U.S. and Asia. (Industrial machinery)
1. Current state of supply chain

【(7) Impact on overseas transactions】

<Insufficiency of parts and components>

> In April and May, we could not present a clear product delivery date due to the shortage of parts and materials and therefore lost some orders in overseas markets. (Industrial machinery)

<NPS-related>

> In the aftermath of the accident at the nuclear power station, we experienced some cases (some of them in Europe) in which radiation inspection was tightened or Japanese products were refused. (Steel)

> Some customers, such as Chinese customers and their clients in Europe, are avoiding Japanese products. (Nonferrous metals)

> Immediately after the earthquake, a German customer asked us how many kilometers our factory is away from Fukushima and where our raw materials are procured. Despite our reassurance of safety, the customer requested to suspend our contract for a year. Transactions of not only new products but also existing products have also been suspended. (Textiles)

<Distribution of supply chains>

> Some customers requested that we establish a dual-production structure based in both Japan and overseas. (Chemical)
2. Impact of voluntary self-restraint (*jishuku*) in economic activities

【Change in sales from the level before earthquake】

> Sales of the company have decreased due to the decline in the number of events. (Hotel)

> There was a rush of demand for daily necessities and other items immediately after the earthquake, but the level of merchandise supply remained below the normal level for a while. This was because of the decline in production capacity for reasons such as difficulties at production plants and scheduled power outages. However, mostly normal levels have been restored since mid-May. (Retailing)

> In Shinjuku and Ginza, the number of foreign customers visiting our stores remains low. (Retailing)

> The reason (for our decline in sales) is the decline in the number of tourists visiting the Tokyo area. (Theme park)

> Some of our sites are located in areas directly affected by the earthquake and are experiencing a decline in purchasing power (Fitness)