Business Entry in Africa
– Introduction of messages from the Front Runner –

Toyota Tsusho Corporation
TICAD 7 Public and Private Round-table Talks WG
Joint Facilitator
Yutaka Hada

1. Status of Japanese Corporations' Business Entry in Africa

Africa is gaining attention as the last frontier.

The following outlines the status of Japanese corporations' business entry in Africa

- No. of Local Japanese Corporations

  39 countries 543 companies (*1)

  ▼

- Inland Sub-sahara (*2)

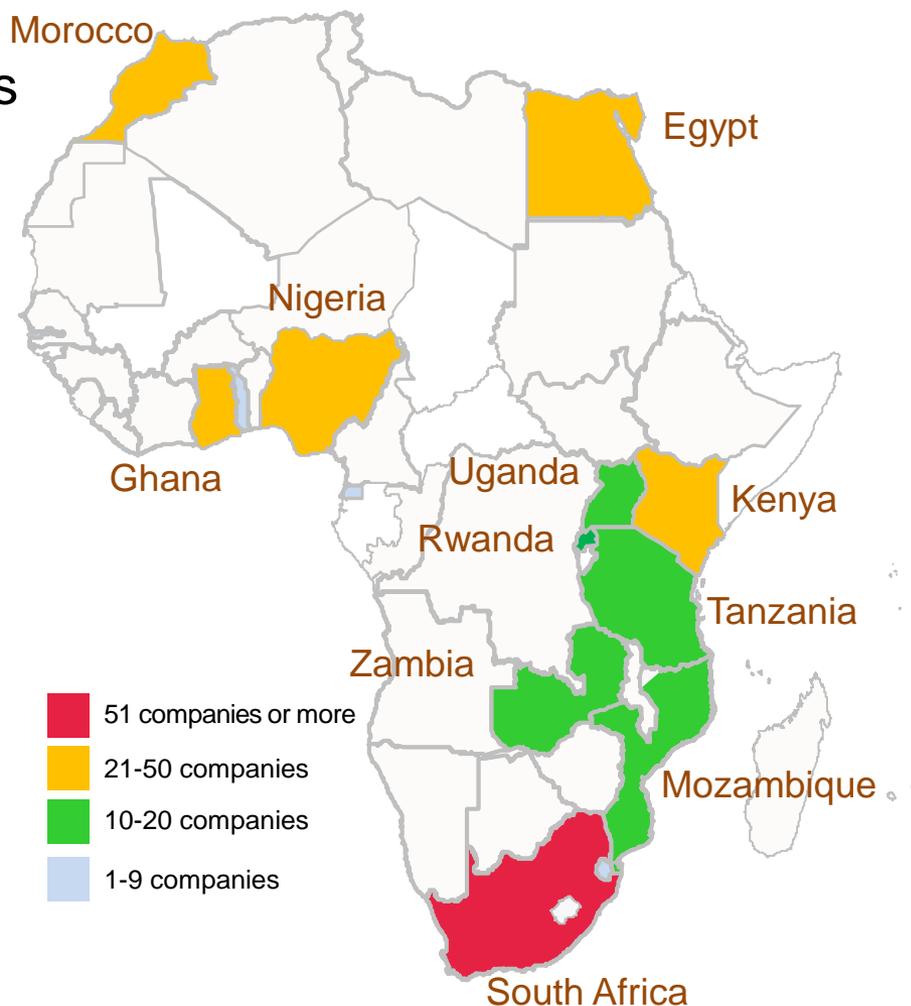 (*2 Excluding 6 countries in north Africa and South Africa)

  32 countries 233 companies

(Reference)

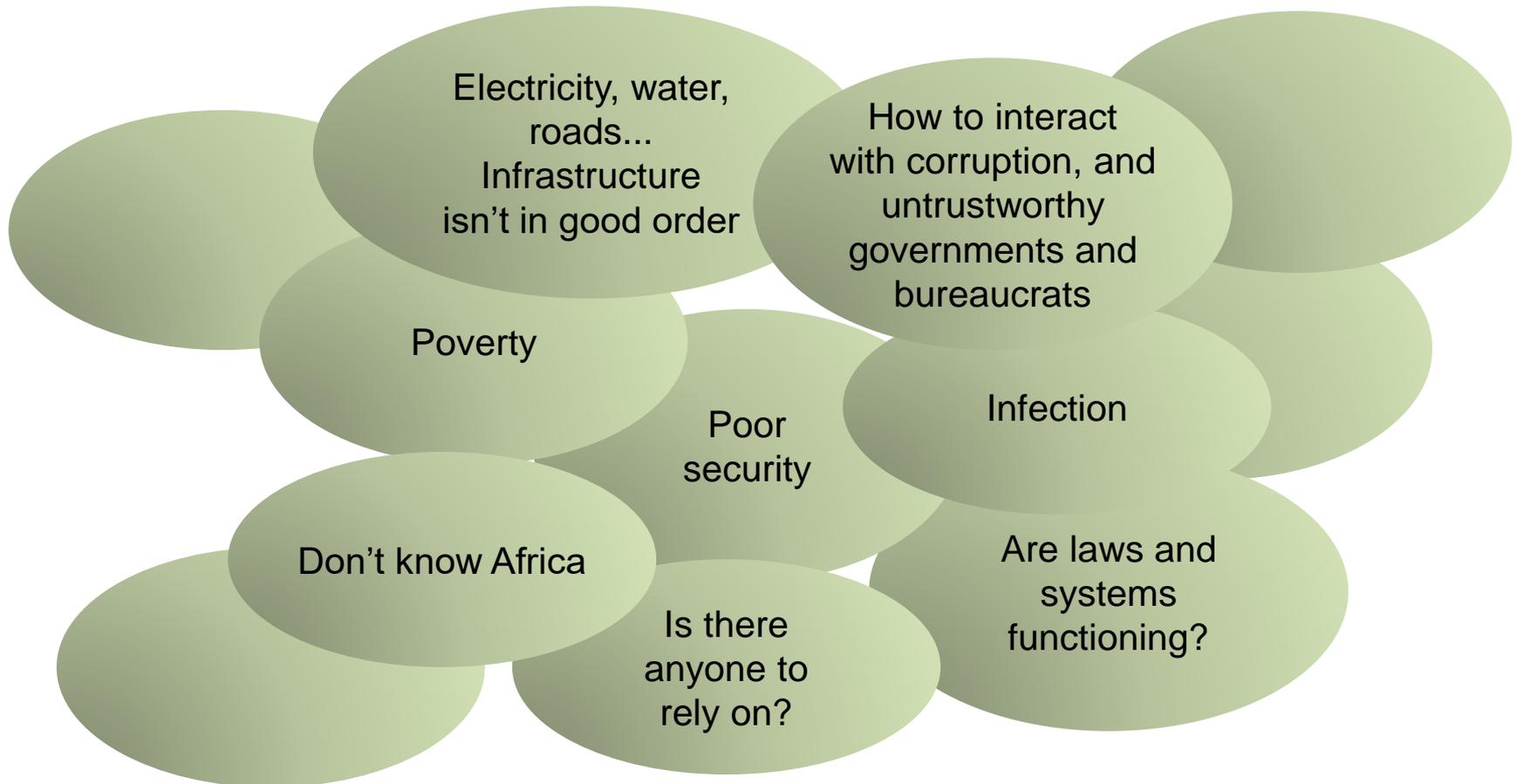Myanmar 249 companies

Vietnam 1,474 companies

(*1) No. of Japanese corporations that have become incorporated locally
If the same company has advanced into multiple countries, it is counted multiple times.

Morocco

Egypt

Nigeria

Ghana

Uganda

Rwanda

Kenya

Tanzania

Zambia

Mozambique

South Africa

- 51 companies or more
- 21-50 companies
- 10-20 companies
- 1-9 companies

■ Among the messages often heard from Japanese corporations, "insecure" and "confusion" are prevalent.

Electricity, water, roads... Infrastructure isn't in good order

How to interact with corruption, and untrustworthy governments and bureaucrats

Poverty

Poor security

Infection

Don't know Africa

Is there anyone to rely on?

Are laws and systems functioning?

■ Many Japanese corporations may still be taking risks more seriously of Africa's chances and risks.

Opportunities

Risks

3
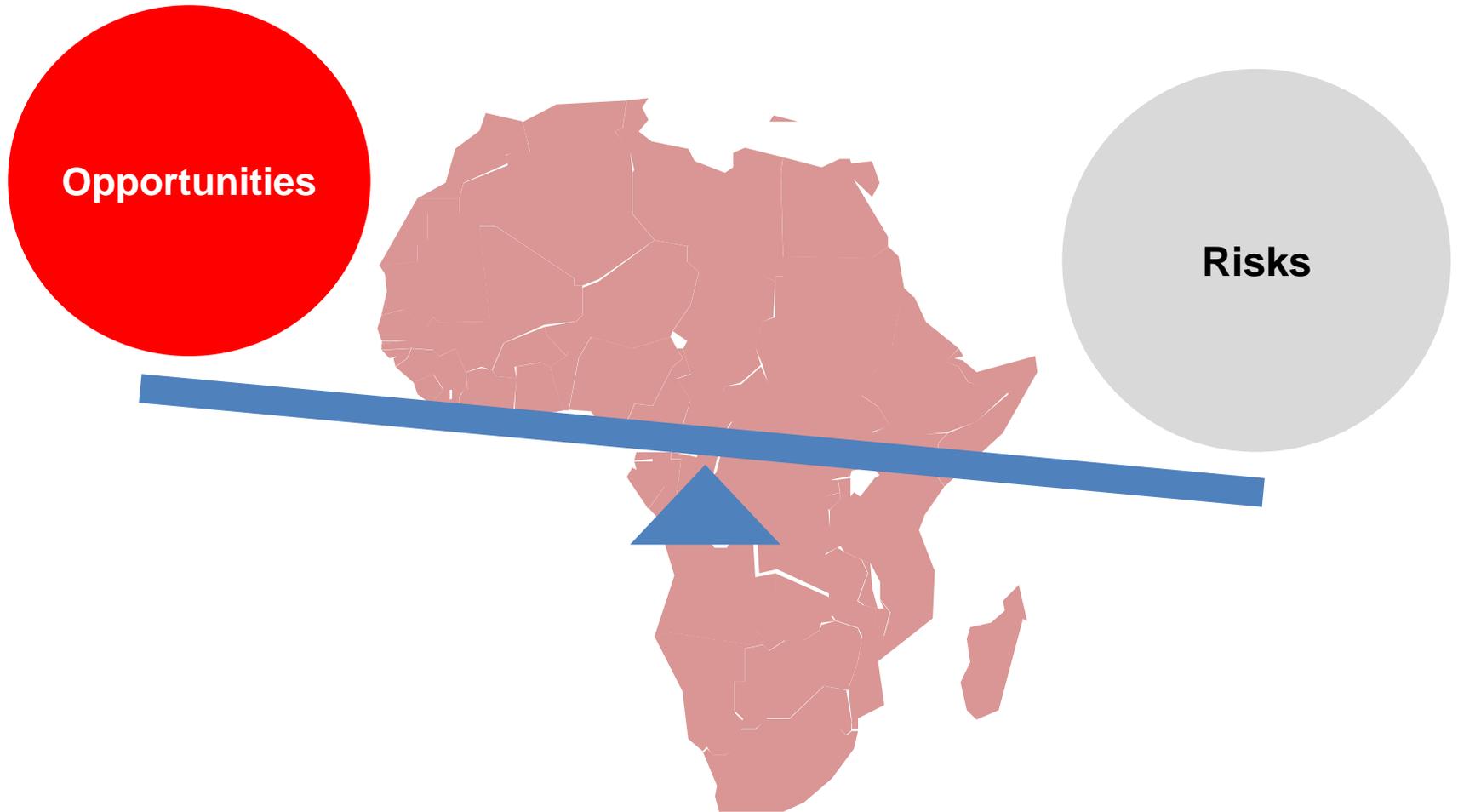
■ Conversely, there are start-ups and middle and middle-to-small companies reliably advancing into Africa, overcoming a variety of barriers.
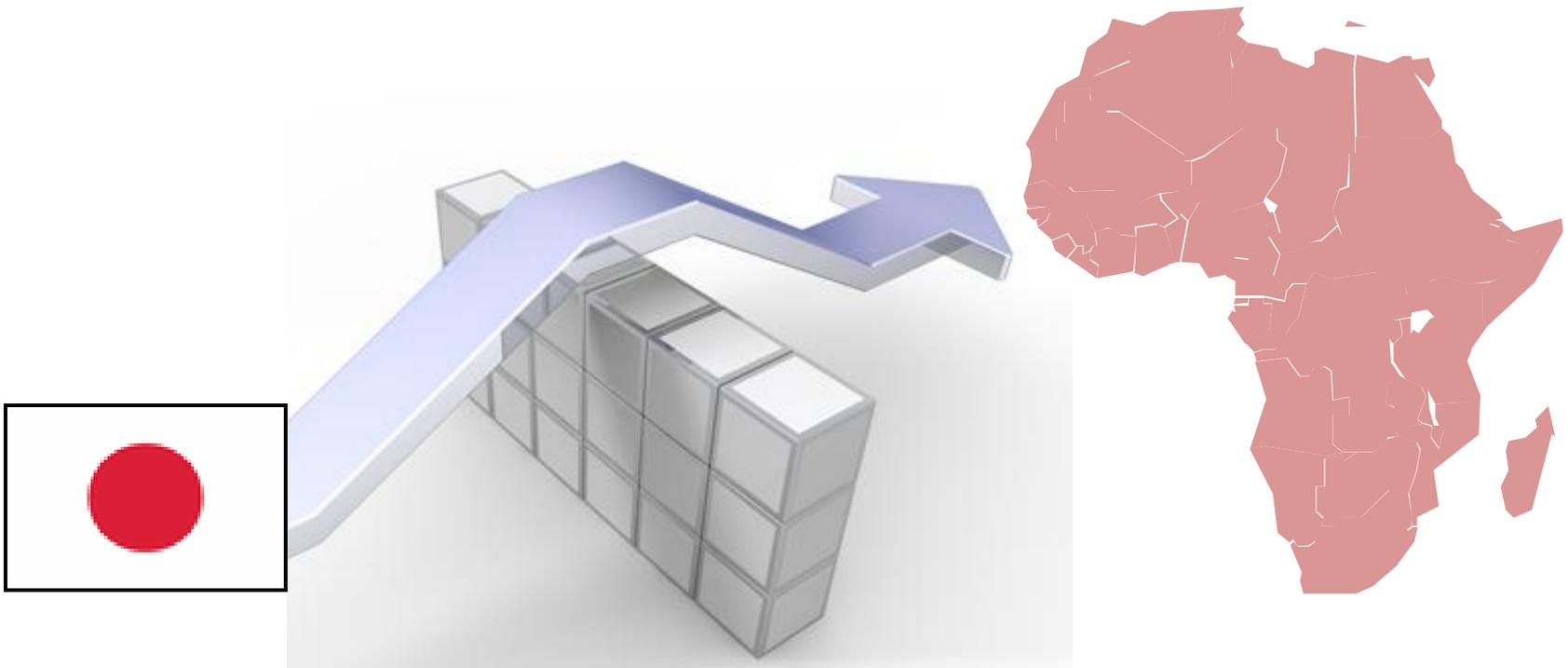
2. Messages from the Front Runners

■ Real messages from the Front Runner
(From Economic Association "Business entry in Africa")

- Conducted individual interviews with 30 Japanese companies that have advanced into Africa.

Business type	No. of companies
Foods	4
Construction/materials	3
Raw materials/chemicals	3
Medical products	1
Automobiles/transport	2
Machinery	2
Electrical, precision	3
Training	2
Trading, wholesale	2
Retail	1
Financial	3

* Other companies wishing to remain anonymous: 4 companies

Messages from the Front Runners (1)

1 There were many hardships, but the value of early business entry is large.

- There are fewer competitors compared to the ASEAN region. Conversely, there are many risks, but aim for pioneer profit by conducting adequate surveys, and preparations and understanding the risks.

- Overcoming after a brand has become established is difficult, and participating once the business game has become setup is difficult.

2 It takes time for businesses to get going in Africa. Make efforts with a long game plan.

- Attaining great results in one leap is unreasonable. It takes perseverance and tenacity to continue doing business in the region for over 10 years for a company to get its business stable.

- There are many issues that cannot be foreseen without actually advancing into Africa. The policy is to start small and break it up in stages and grow as you watch how things develop.

Messages from the Front Runners (2)

3 Japan's strengths are adequately to pass, and conviction.

- By faithfully responding to customer demands (product sales → maintenance → service and others), it will lead to the next business development.

- Historically, Africa has wanted the philosophy and approach taken by the Japanese people from the aspect of national character of the Japanese in their not talking down to people.

4 Search for broad partnerships.

- Cultural backgrounds vary depending on the region and there are large ethnic differences; strategies that correspond to each are necessary. Having the determination of a third country that has influence in the area is essential.

- It is necessary to tie-up with corporations that are familiar with Africa and their ways of doing things, based on the fact that successful experiences in Asia have no currency.

■ Messages from the Front Runners (3)

5 You cannot continue without the thinking of top management and support.

- The company president himself has clearly positioned Africa to be a phase for planting seeds for the future. He has clarified his commitment externally as well.

- The entire company recognizes that in the end it will be a large market, and is making efforts while being prepared for the long-term.

6 Local management is important.

- Respect local management policies and don't switch the management team. The balance between "leaving it to them" and "control" is not that difficult.

- Finding an appropriate partner, management using local people and building links to the Japanese system are the keys to success.

3. Our Company's Experience
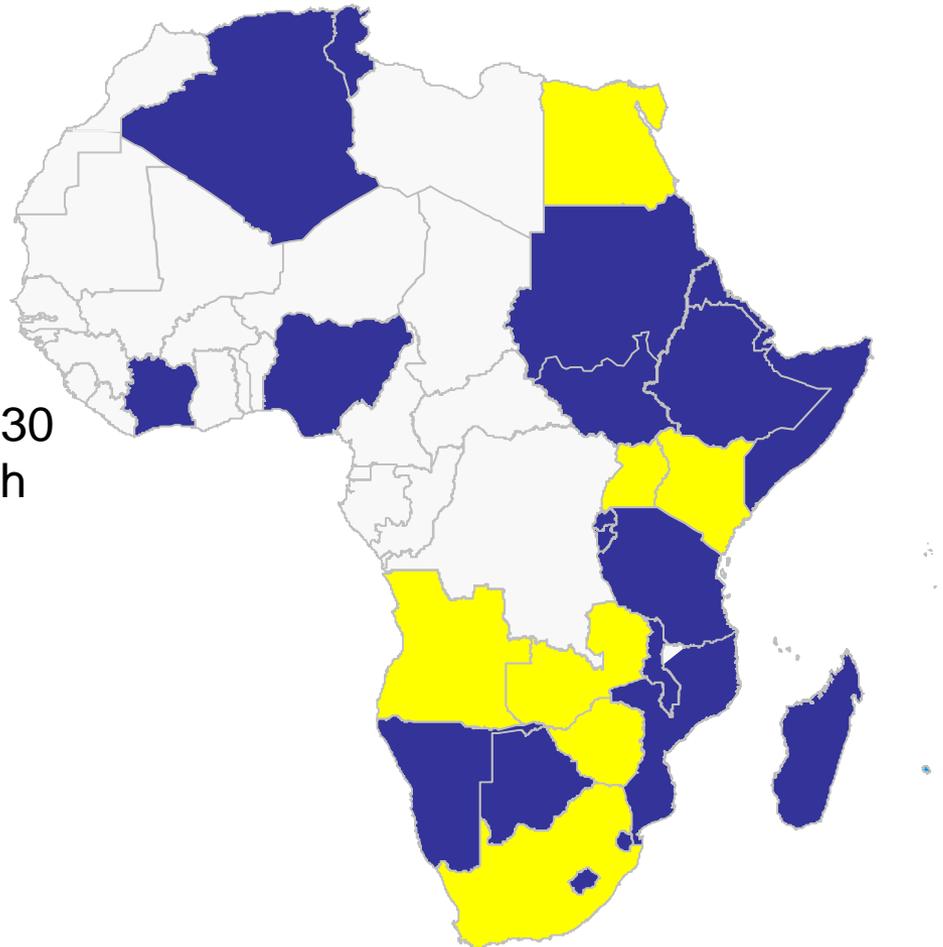
WITH AFRICA **FOR** AFRICA

Our Company in 2011 (Before buying CFAO Corporation)

■ Expanding business using southeast Africa as an axis
Considering business entry in west Africa without a foothold

Countries of expansion: 30
(Of these, countries with
direct investment: 8)

By buying CFAO…
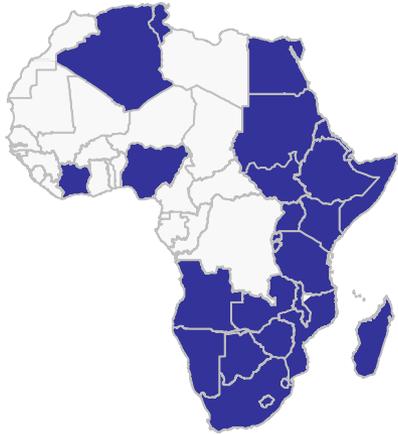
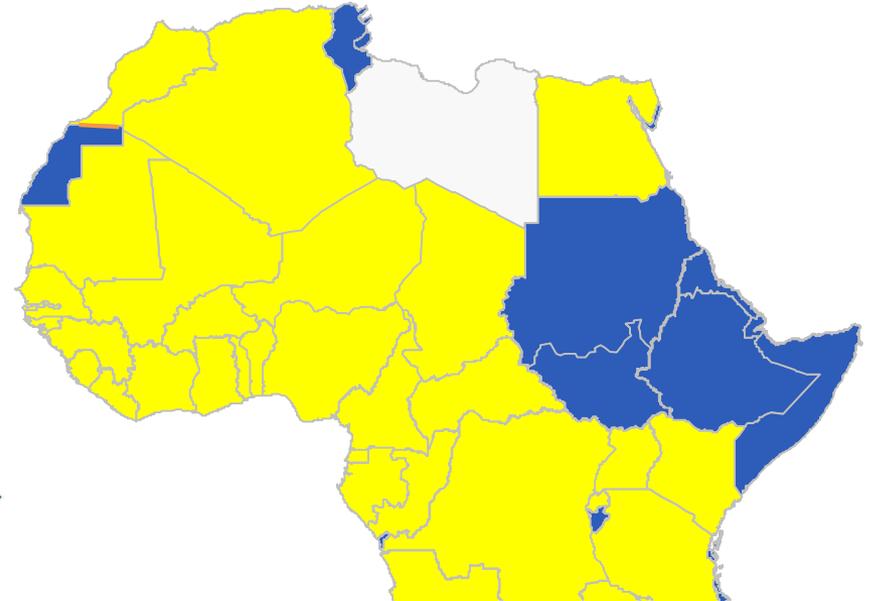■ Obtain a business network that covers all of Africa, and abundant human resources.

TOYOTA TSUSHO
30 countries

+

CFAO
35 countries

Countries of expansion: 53

(Of these, countries with direct investment: 37)

Employees: Approx. 15,500

No. of group corporations: 165

Abundant African human resources

■ Top management in each country taking root in Africa

- Top management of CFAO Senegal
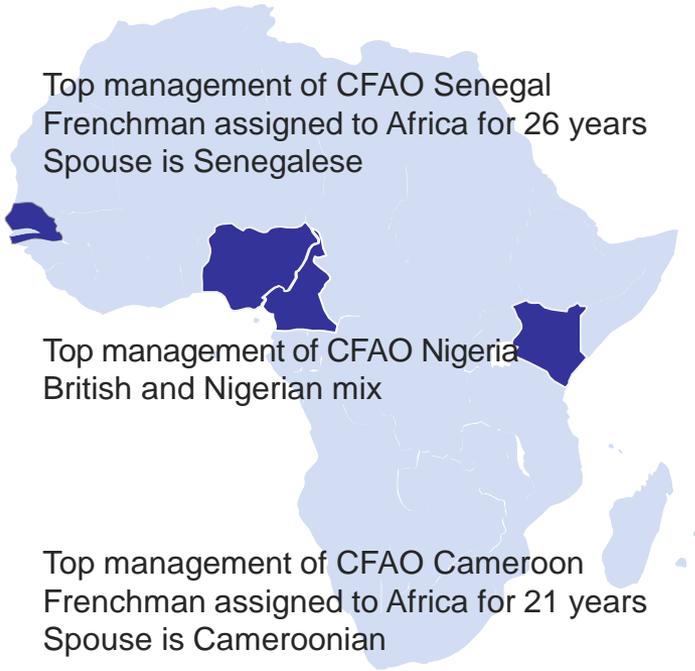- Frenchman assigned to Africa for 26 years
- Spouse is Senegalese

- Top management of CFAO Nigeria
- British and Nigerian mix

- Top management of CFAO Cameroon
- Frenchman assigned to Africa for 21 years
- Spouse is Cameroonian

- Kenyan Regional Headquarters Chairman of Toyota Tsusho (From 2009)
- Previously acted as Kenyan Ambassador to Japan (2004 to 2009)

■ Appointed as an executive of the French headquarters of CFAO

- Cameroon/France citizenship
- COO of IT department since 2007

- From Senegal
- Outside Director from 2015

11

4. ~~Making~~ Resolving Africa's Issues (≈ Risks)
Business Opportunities

■ Making Resolving Africa's Issues (≈ Risks) Business Opportunities

- Africa's Issues can be classified into 3 areas. They are:

1 Issues that will take a long time to resolve including poverty, nutrition and hygiene, and problems that require facing the natural environment such as epidemics and the like

2 Improvements to the business environment are required, such as organizing laws and systems, and incomplete operations and the like

3 Handicaps in not being familiar with Africa, ensuring the human resources required to run a business

1 Issues that will take a long time to resolve including poverty, nutrition and hygiene, and problems that require facing the natural environment such as epidemics and the like

Solving Africa's issues = achieving SDG's goals

1 NO POVERTY

Poverty rate (when the international poverty line is $1.90 per day)
Sub-Sahara Africa:
40%
World: 10%

4 QUALITY EDUCATION

Rate of children out of school in elementary education
Sub-Sahara Africa:
Male: 17%   Female: 21%
World: Male: 8%   Female: 9%

2 ZERO HUNGER

Ratio of starving population
Sub-Sahara Africa:
20%
World: 11%

6 CLEAN WATER AND SANITATION

Ratio of population who can use uncontaminated, and safely controlled drinking water
Sub-Sahara Africa: 24%
World: 71%

3 GOOD HEALTH AND WELL-BEING

Death rate of children under 5 years of age
Sub-Sahara Africa:
7.8%
World: 4.1%

7 AFFORDABLE AND CLEAN ENERGY

Population who cannot utilize electricity
Africa:
645 million people
World: 1.2 billion

2 Improvements to the business environment are required, such as organizing laws and systems, and incomplete operations and the like

■ Please strengthen efforts of each country in Africa.
The public and private sectors in Japan also will more actively raise their voices even more than before.

Africa has declared reforms itself

The African union announced its long-term vision called "Agenda 2063" as the image of the kind of Africa it wants to become

Public and private sectors in Japan are also supporting improvements to the business environment in Africa

Prime Minister Abe Hand Delivered in April, 2019 the Declaration from the Private Sector at the TICAD 7 Public and Private Round-table Talks

Business environment greatly improved
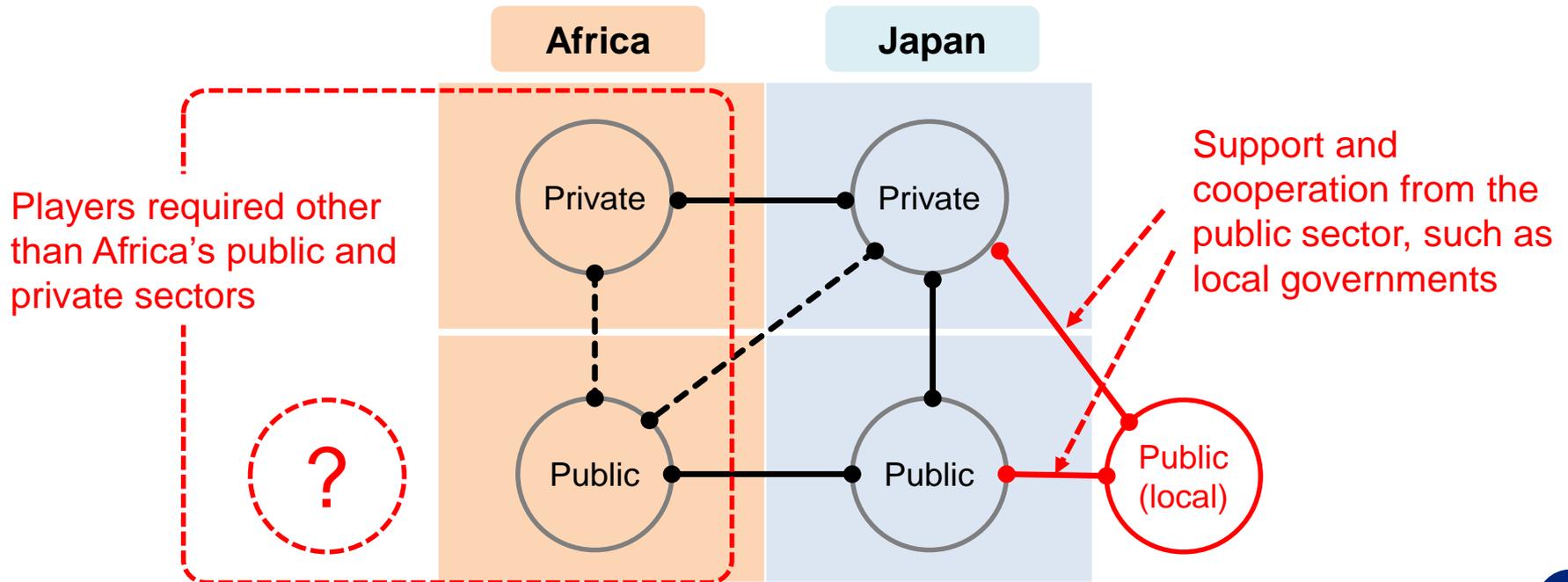
Ease of Doing Business Ranking (world bank)

| Priority in Africa	Country	2018	2015
1	Mauritius	20	32
-	Thailand	27	49
2	Rwanda	29	62
3	Morocco	60	75
4	Kenya	61	108
-	Viet Nam	69	90
-	Indonesia	73	109
-	India	77	130
5	Tunisia	80	74
6	South Africa	82	73
7	Botswana	86	72
⋮		⋮	⋮
-	The Philippines	124	103
-	Myanmar	171	167

* Japan was 39th in 2018 and 27th in 2015

3 Handicaps in not being familiar with Africa, ensuring the human resources required to run a business

■ Aiming for a state in which Japan's public and private sectors and Africa's public and private sectors are organically connected. Want effectively to utilize the ACCP.
  → Particularly, help from local governments in Japan is effective in the field of waste control.

Players required other than Africa's public and private sectors

?

Africa

Private — Private

Public — Public

Japan

Support and cooperation from the public sector, such as local governments

Public (local)

Expectations of efforts and specific actions to push the back of the following to attain a clean city platform (ACCP) for Africa

• Find business opportunities for Africa itself; and
• Corporations taking risks by advancing.
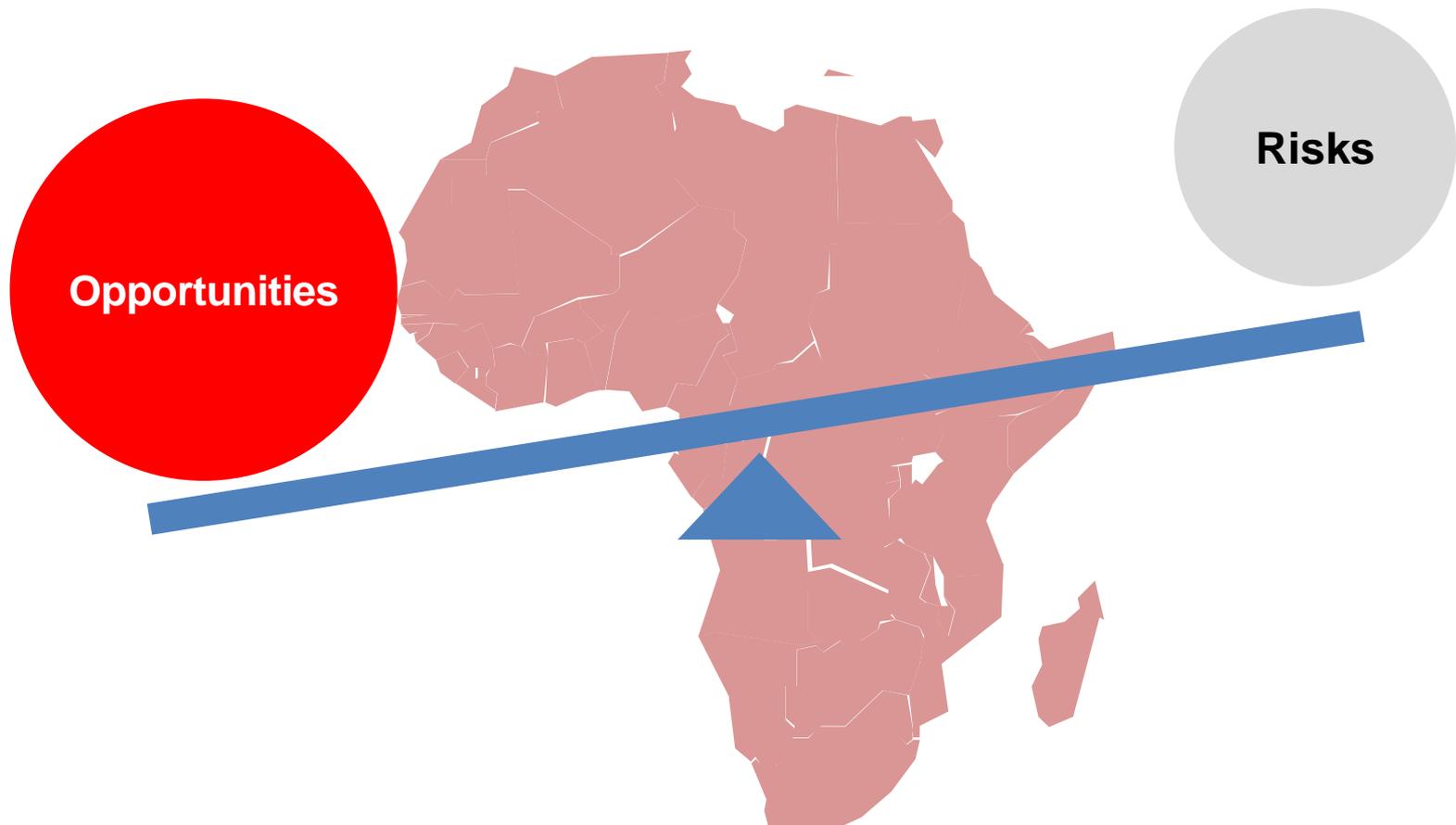
Thank you for listening!

WITH AFRICA **FOR** AFRICA

■ Corporation Rostrum Session: What is desired from Africa?

Messages from the Front Runners

① There were many hardships, but the value of early business entry is large.

② It takes time for businesses to get going in Africa. Make efforts with a long game plan.

③ Japan's strengths are adequately to pass, and conviction.

④ Search for broad partnerships.

⑤ You cannot continue without the thinking of top management and support.

⑥ Local management is important.