

# **Komatsu Business development in Africa**

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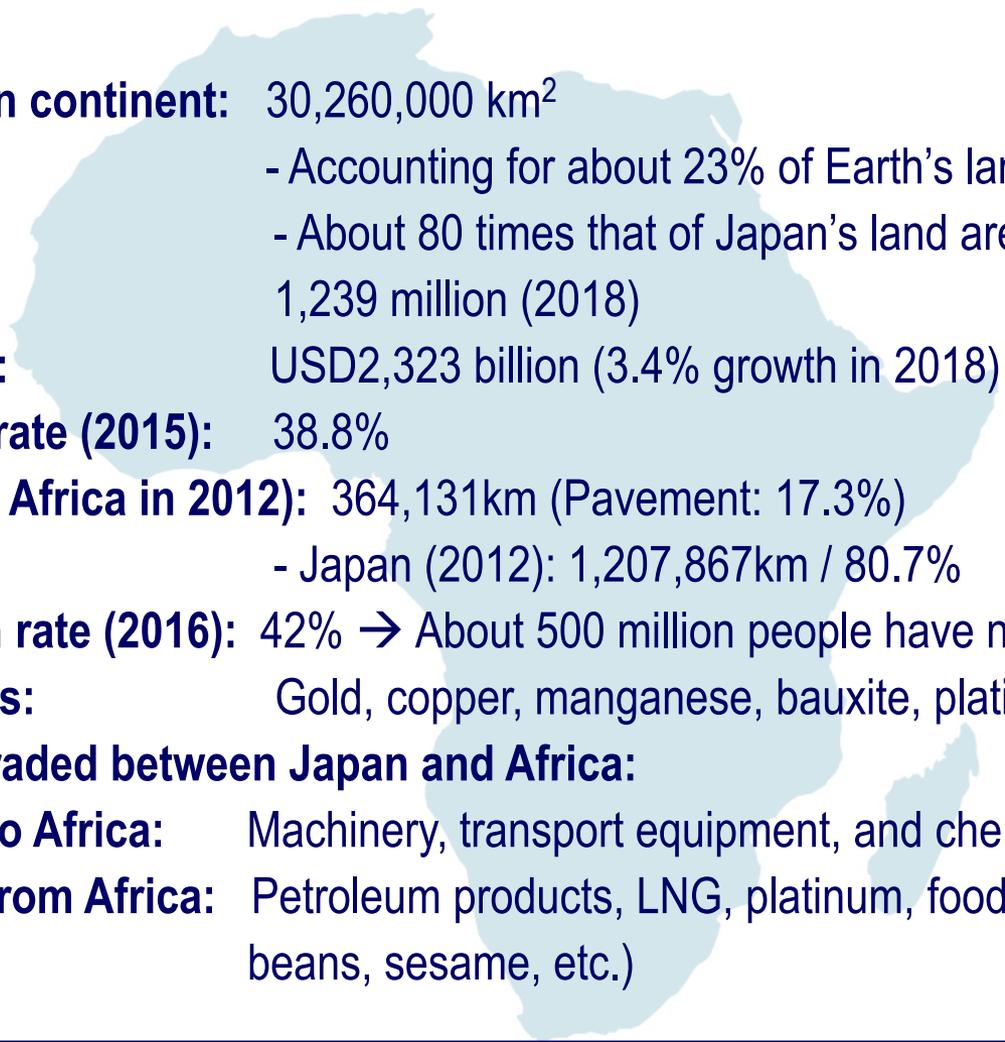
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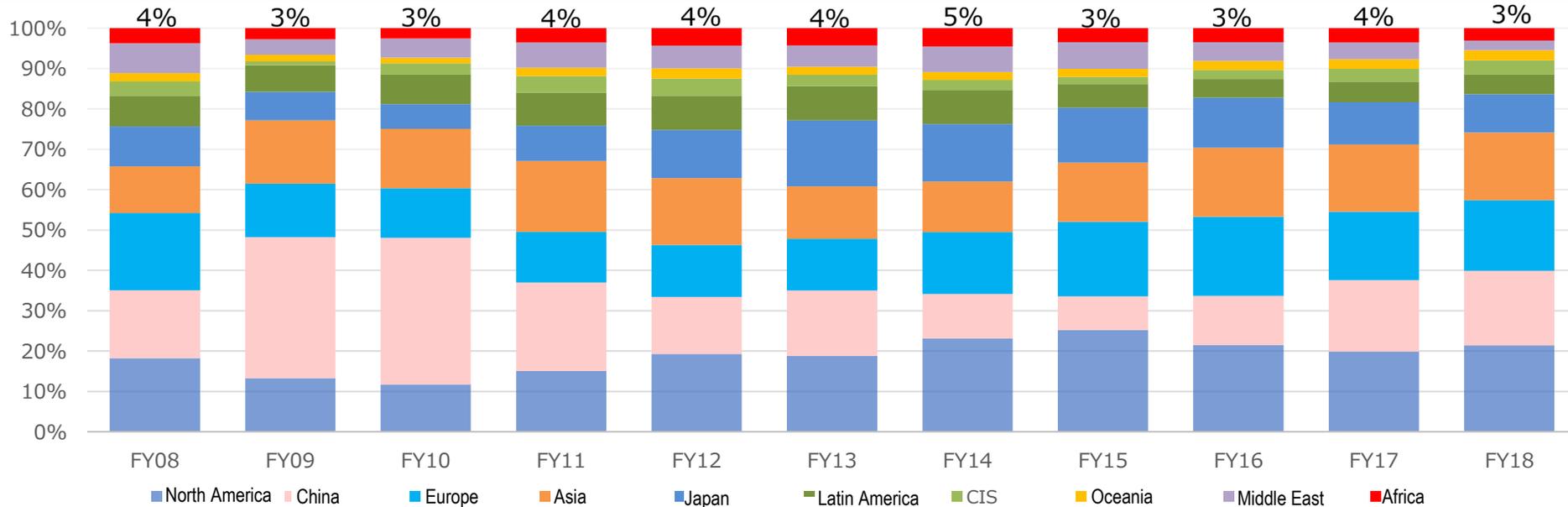
# 1. Profile of Africa

Africa has ample natural resources, houses over 1 billion people, and is a promising market with its market size, comparable to India.

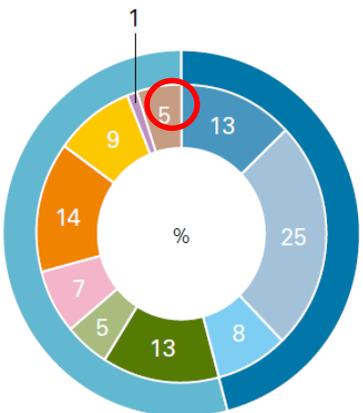
- 
- **Area of African continent:** 30,260,000 km<sup>2</sup>
    - Accounting for about 23% of Earth's land area
    - About 80 times that of Japan's land area
  - **Population:** 1,239 million (2018)
  - **Nominal GDP:** USD2,323 billion (3.4% growth in 2018)
  - **Urbanization rate (2015):** 38.8%
  - **Roads (South Africa in 2012):** 364,131km (Pavement: 17.3%)
    - Japan (2012): 1,207,867km / 80.7%
  - **Electrification rate (2016):** 42% → About 500 million people have no access to electricity.
  - **Major minerals:** Gold, copper, manganese, bauxite, platinum and cobalt
  - **Main goods traded between Japan and Africa:**
    - Exports to Africa:** Machinery, transport equipment, and chemicals
    - Imports from Africa:** Petroleum products, LNG, platinum, foods (octopus, cacao beans, sesame, etc.)

## 2. Position of African Business at Komatsu

- Demand in Africa was about 12,000 units (3% of global demand) in FY2018. Our sales in Africa totaled JPY124.1 billion (5% of global sales) for FY2018.
- We are expanding business based on stable earnings of the aftermarket business against the backdrop of increasing machine population.

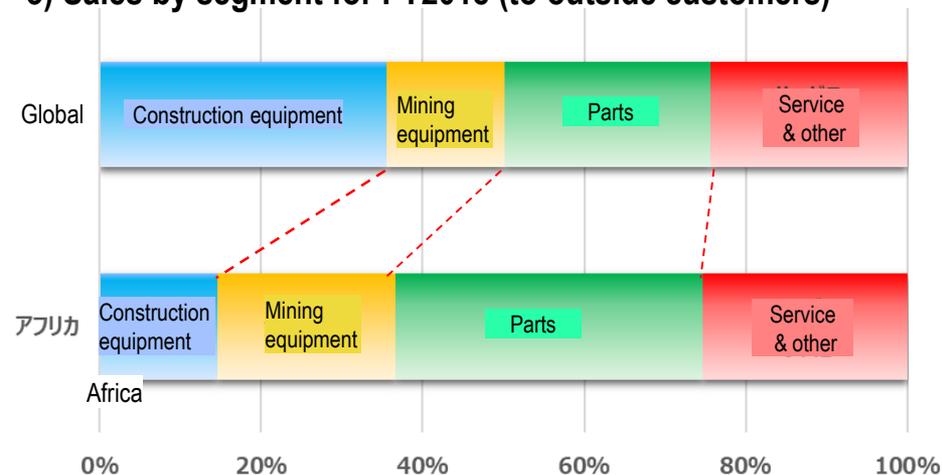


2) FY2018 sales by region for FY2018 (to outside customers)



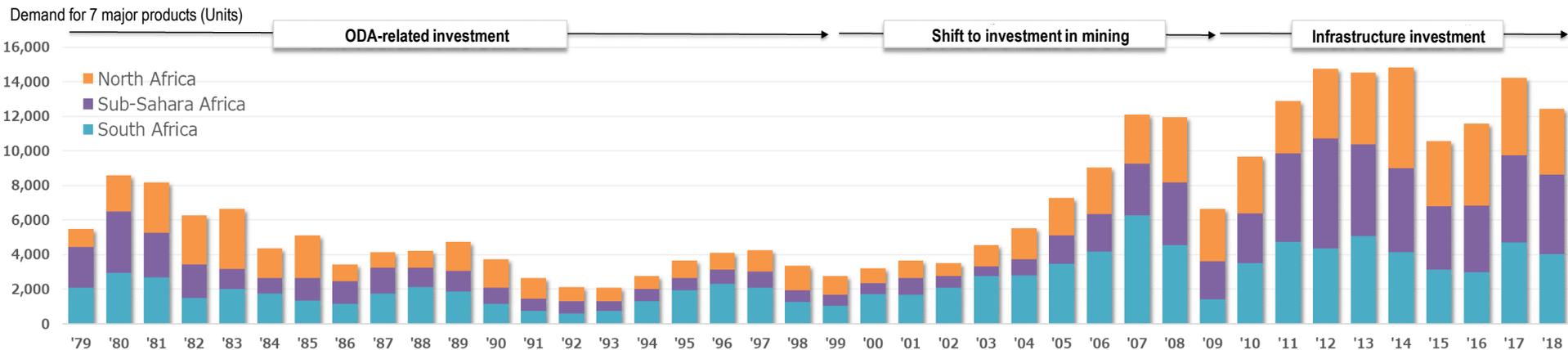
		YoY
Traditional Markets	● Japan	JPY312.7 bn -0.9%
	● North America	JPY612.2 bn +13.7%
	● Europe	JPY207.5 bn +15.0%
Strategic Markets	● Latin America	JPY325.6 bn +3.4%
	● CIS	JPY134.6 bn +24.0%
	● China	JPY164.8 bn +0.0%
	● Asia	JPY339.0 bn +13.5%
	● Oceania	JPY215.6bn +18.5%
	● Middle East	JPY30.2 bn   -23.4%
	● Africa	JPY124.1 bn -0.4%
		JPY124.1 bn

3) Sales by segment for FY2018 (to outside customers)



## 3. Komatsu's Footprints in Africa

- Established the Johannesburg Office, our first office in Africa, in 1969.
- Before 2000, the demand was mainly for ODA-related investment. The next decade was the age of mining. Currently the biggest demand is for infrastructure.



Komatsu bulldozer and service vehicle in South Africa (early 1960)



GD600 motor grader in Algeria (1984)

• African economies are projected to continue growth, as demographic dividend is approaching. Infrastructure development is urgently needed to support growing population.

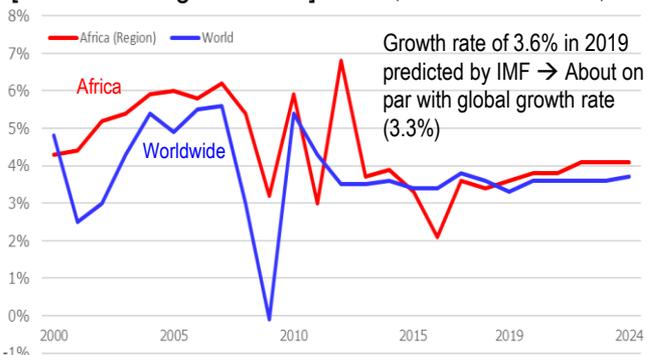
• Mining for minerals, such as platinum and cobalt, will continue against the background of ample reserves of rare metals and other minerals.

### Economic indexes

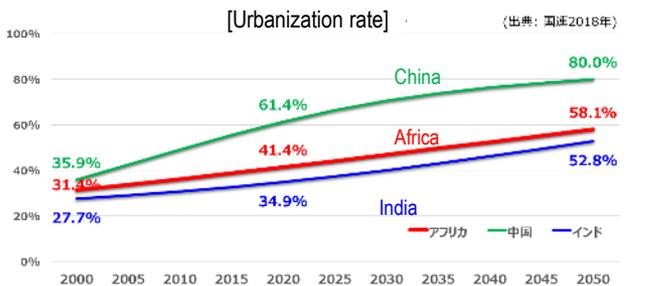
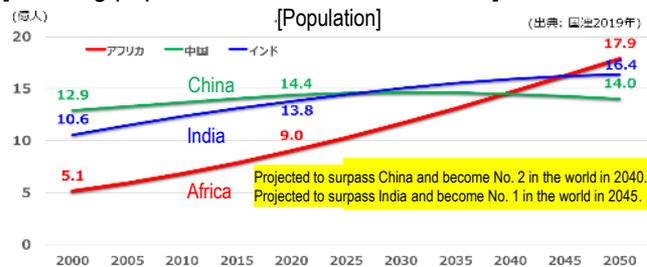
Projected to continue growth thanks to approaching demographic dividend

[Africa's GDP growth rate]

(Source: IMF Outlook2019)



[Growing population and urbanization rate]

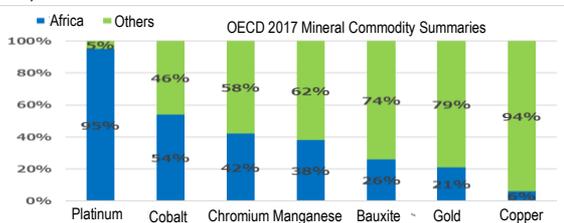


### Markets

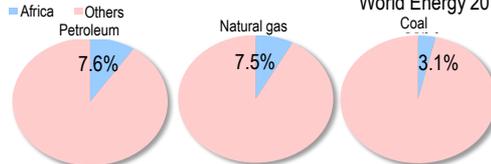
Continuing mining of minerals and infrastructure investment

[Ample reserves of rare metals and other minerals]

1) Ratios of African mineral reserves in total worldwide



2) Reserves of energy resources BP Statistical Review of World Energy 2017



[Fragile infrastructure] (Source: World Bank's 2018 Report)

1) Infrastructure to support growing population needed urgently

Items	Africa	World average
Electric power supply	38.6%	79.1%
Paved roads	25.3%	71.7%
Water supply	61.8%	86.8%
Telephone circuits (Per 100 persons)	2.2回線	17.3回線

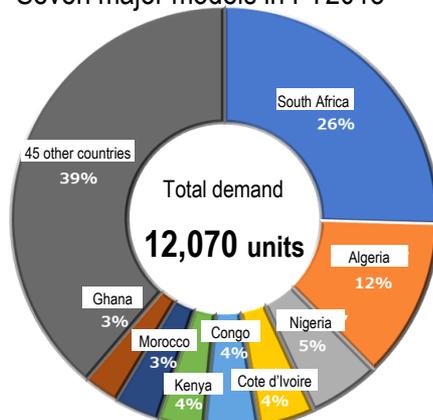
2) Projected infrastructure investment in 2016 to 2020



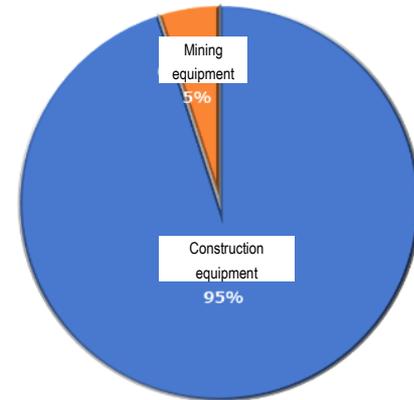
### Demand for construction equipment

Top five countries generate 50% of total demand in 54 countries.

[Demand by country] Seven major models in FY2018

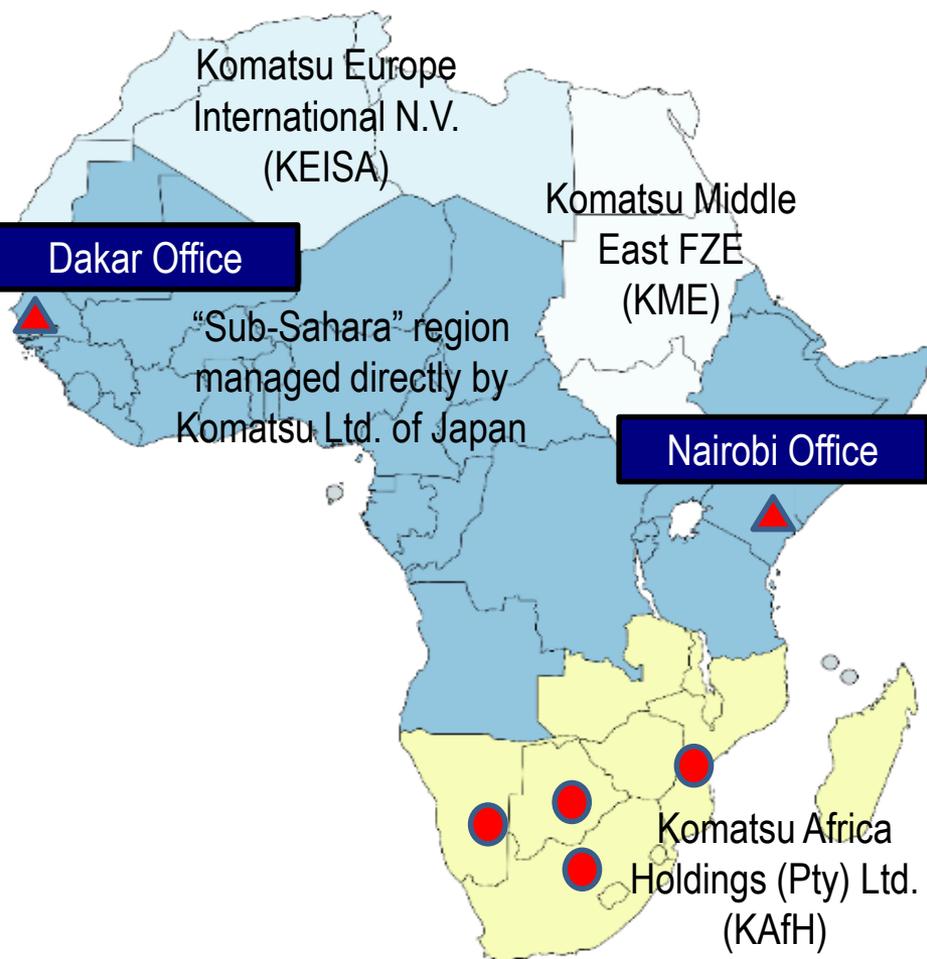


[Demand for construction and mining equipment]



# 5. Komatsu's Operations in Africa

- We engage in African business through four regional headquarters which operate 12 independent and four Komatsu-affiliated distributors in 54 countries.
- We have our own offices in Dakar and Nairobi and powerful distribution networks, centering on southern Africa.



Managed by	Distributors	Territories
KEISA (Northern Africa)	MAFAZA MATEC GHK STOKVIS	Libya Tunisia Algeria Morocco
KME	EIM	Egypt
Africa Group Tokyo Head Office (Sub-Saharan Africa)	BIA Panafican Victoria Sodim T.P. Cimertex MOENCO	15 West Africa countries (French spoken) 5 East and West Africa countries (English spoken) Uganda Gabon Angola Ethiopia
KAfH (Southern Africa)	Komatsu South Africa Komatsu Namibia Komatsu Botswana Komatsu Mozambique BIA Zambia Other sub-dealers	South Africa and two countries Namibia Botswana Mozambique Zambia Zimbabwe Malawi Mauritius Madagascar

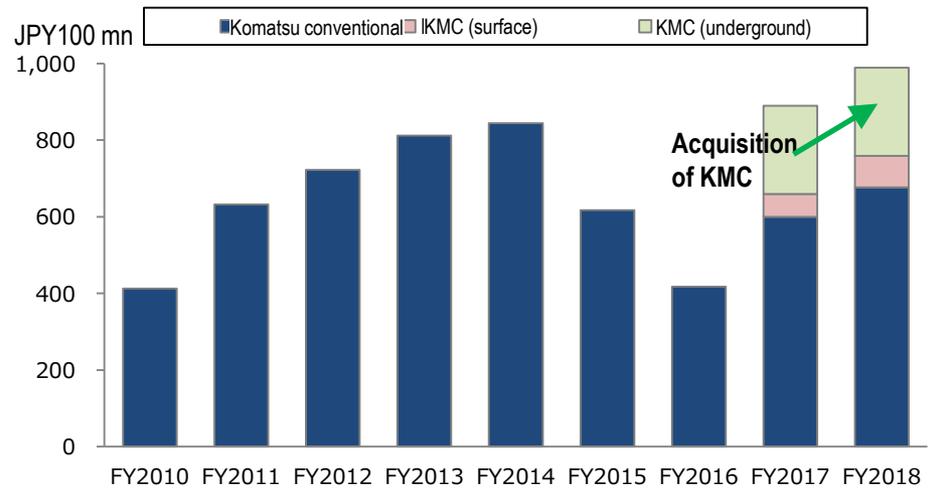
- : KAfH's territory
- : Komatsu-affiliated distributors (4 companies)
- : Offices (2 locations)

Komatsu employees: Over 1,500 persons

## 6. Mining Equipment Business

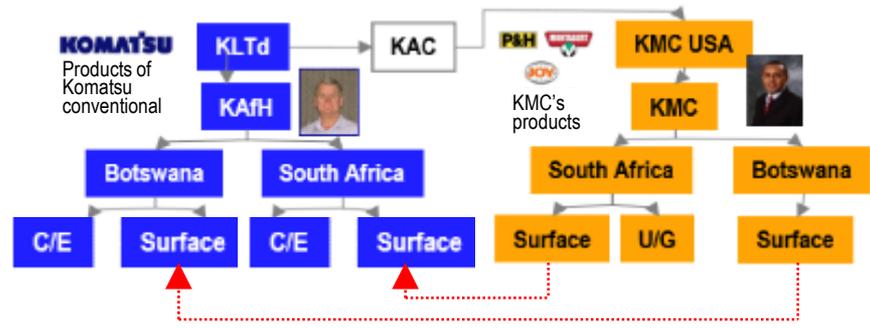
- Operational integration between KSA and KMC since June 2018. Corporate consolidation will be planned for FY2020.
- Africa has variety of minerals. We have distributed our mining equipment for all mineral fields with good balance.

### 1) Consolidated sales of mining equipment (based on African business)

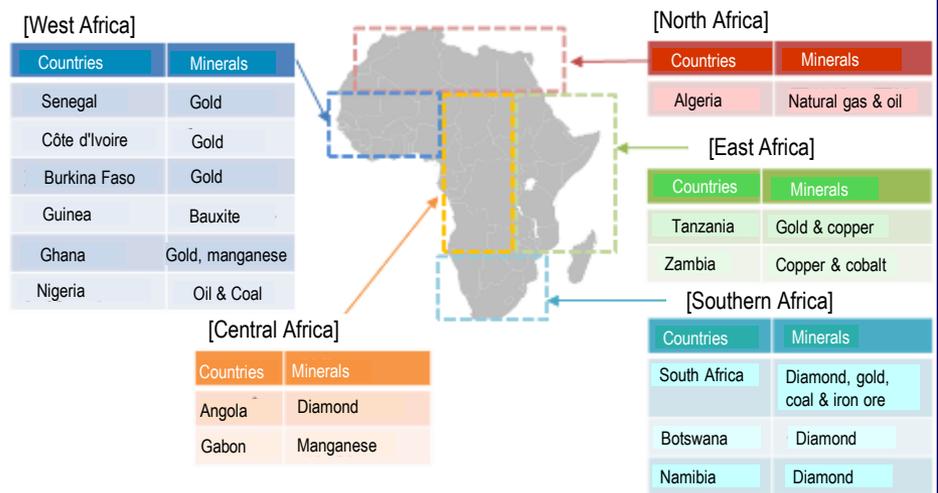


### 2) Integration of KMC at Komatsu South Africa

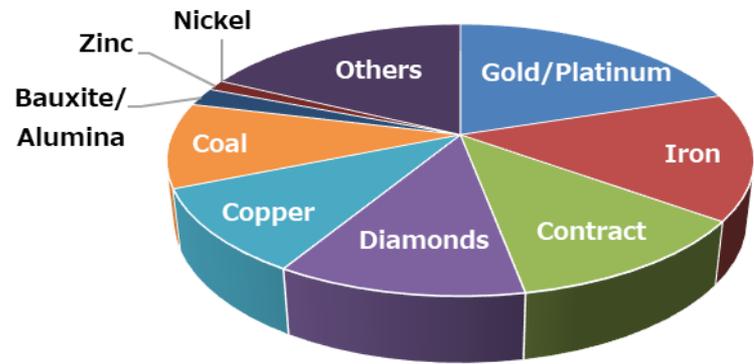
- Integration of surface and the hard rock business of underground mining equipment
- From June 2018: Began integration of operations.
- From FY2020: Corporate consolidation (planned)



### 3) Resources by country



### 4) Komatsu machine population for last 15 years by mineral (2004 - 18: unit basis)



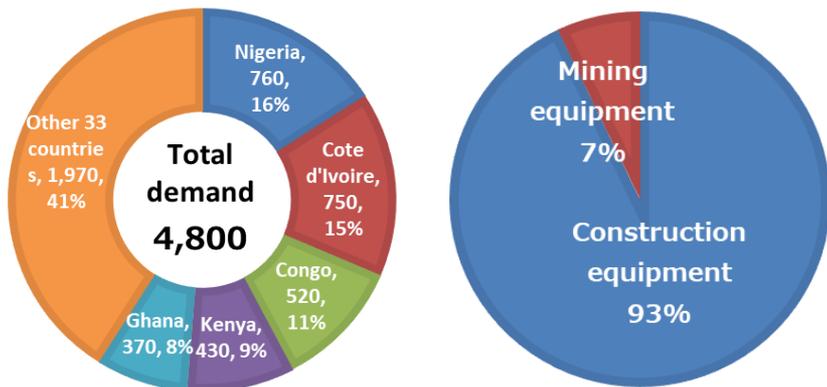
Source: Parker Bay : Rope Shovel, Dump truck(HD785up), Excavator (PC2000up), Wheel Loader (WA800up). Bulldozer (D375up), Motor Grader (GD825 up)

## 7. "Sub-Sahara" Operations

- We have won a large-lot deal as Komatsu distributors have teamed up for sales, service, parts and finance.
- We have a task of marketing construction equipment on a greater scale, such as by country or region.

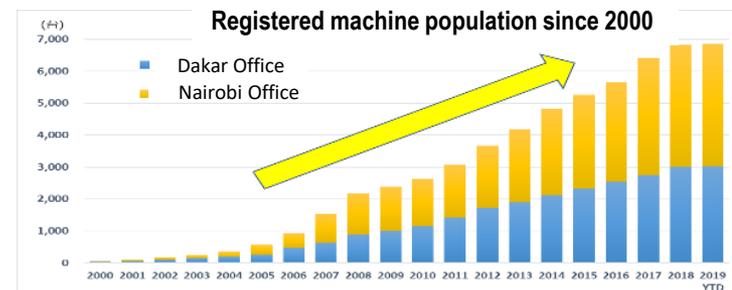
### 1) Demand by country and composition of demand: 7 major construction equipment in FY2018

- Excluding South Africa, top five countries of 38 Sub-Sahara countries generate 60% of total demand.
- Construction equipment represents 93% of total demand.



### 2) Conditions of major markets and registered machine population

Countries	Conditions
Nigeria	Largest population size in Africa. Oil production. Recovering crude price.
Cote d'Ivoire	Steady demand in the construction of express highways, railways and dams.
Congo	World's No. 1 producer of cobalt. Second largest population size in Africa.
Kenya	Infrastructure development projects promoted by the government. China-led construction of roads.
Ghana	Second largest producer of gold. Business localization promoted.



### 3) Capturing construction projects

- Delivered 401 units to Uganda's Ministry of Works & Transport.
- Joint "creation" project by the government of Uganda and Komatsu (JBIC and NEXI applied)
- Central management of all machines (to be delivered throughout Uganda) by KOMTRAX.

[Continuing implementation of after-sales services + training]



Checking machines and jobsites

Evaluating operators

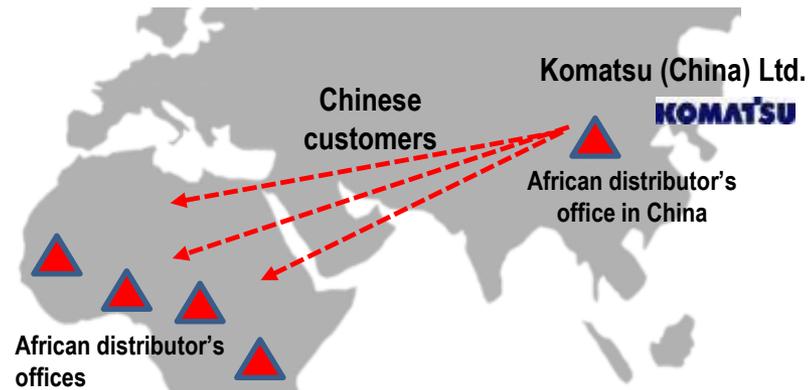
[Key: Correct machine use] Operators' performance Opportunity for skill training

[Since delivery in June 2017] Provided training programs to over 1,000 operators and over 40 local trainers.

[Permanent human resource development] UNIDO-operated training center planned to open in 2020.

### 4) Sales operation designed to meet Chinese customer needs, such as the "One Belt One Road" initiative

- African distributor opened its office in China.
  - African distributor employed and allocated Chinese citizens.
  - Joint customer support in collaboration with Komatsu (China) Ltd.
- Taking the approach to strengthen relations with Chinese customers.

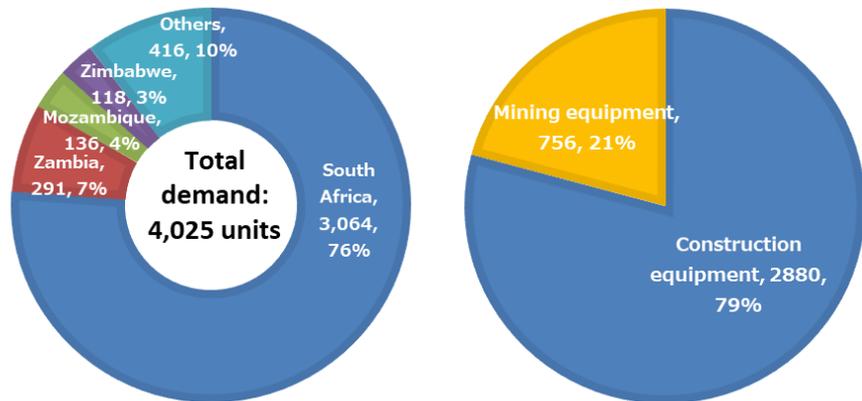


## 8. Operations in Southern Africa

• Working to unflinchingly capture demand for all customer needs ranging from new equipment to aftermarket, thereby further strengthening the aftermarket business.

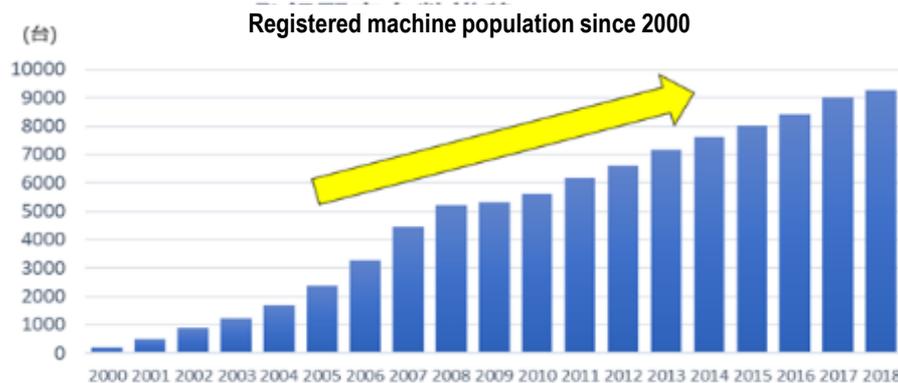
### 1) Demand by country and composition of demand: 7 major construction equipment in FY2018

- South Africa alone generates about 80% of total demand in 11 territory countries.
- 80% of total demand is found in construction.



### 2) Registered machine population in South Africa

In November 2018, KAfH established a new campus to strengthen its customer support operation against the backdrop of increasing machine population every year. (Will explain details in the following two pages concerning our customer support in Africa.)



### 3) Sales of new equipment (by launching the PC210-10M0)

- In FY2019, we began marketing the PC210-10M0, the flagship model for emerging markets.
- Conducted training on products at the training center on KSA's new campus.
- Machine demonstration underway at Komatsu facilities in South Africa.

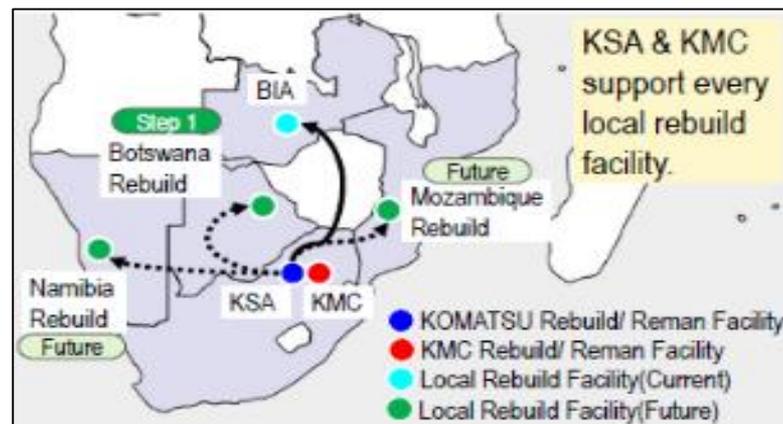
[Hands-on training on actual products at KSA's training center on KSA's new campus]



### 4) Aftermarket: To expand the Reman business

- Projected overhauling demand for 1,200 main components annually.
- KSA is building a new Reman facility to capture expanding Reman demand.

[Planned network of Reman/rebuild facilities in Southern Africa]



# 9. Improvement of Customer Support in Africa (1)

- Distributors and Komatsu have expanded customer support functions by making capital investment. Training of distributors has begun at Dubai Training & Demonstration Center (DTDC).
- KAFH opened a new campus in South Africa in November 2018, strengthening its support capabilities in Southern Africa.

We have already introduced our trucks made in India to Africa.

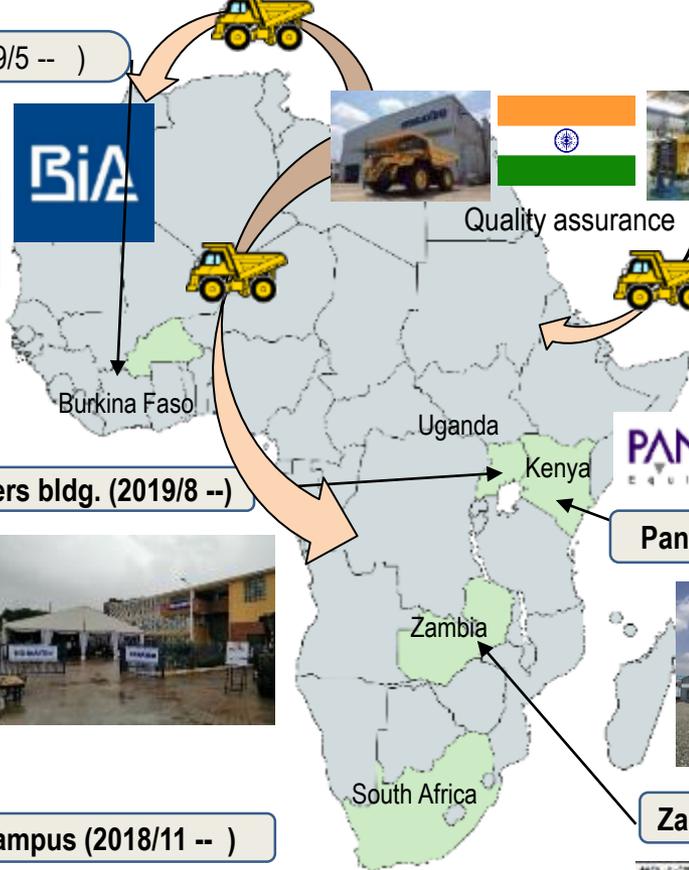
Burkina Faso: BIA opened a new facility (2019/5 -- )



Quality assurance

Active utilization of DTDC  
2019/3 --

Total area: 4.6ha  
Construction costs: 30MUSD



Uganda: Victoria opened its new headquarters bldg. (2019/8 --)



Panafrican opened a new headquarters bldg. (2019/7 --)



Zambia: BIA expanded its base (2019/3 --)



Komatsu Africa Holdings opened a new campus (2018/11 -- )



# 9. Improvement of Customer Support in Africa (2)

• In November 2018, Komatsu Africa Holdings opened a new campus, strengthening its support capabilities in Southern Africa.



## New campus of Komatsu Africa Holdings

(Johannesburg, South Africa)

Headquarters bldg., parts depot, workshop, training center, Reman (to open in June 2020) and other facilities were consolidated at one location, strengthening Komatsu's customer support in Southern Africa.

- Invested: R985 mn (about JPY7.76 bn)
- Completed: November 2018 (construction begun in April 2016)
- Land area: 300,000m<sup>2</sup>



Opening ceremony

### KAfH head office

Central hub in Southern Africa



### Stock yard

Stocks mining and construction equipment for sales in Southern Africa.



### Workshop

Equipped with the work bay capable of accommodating HD1500 trucks



### Training center

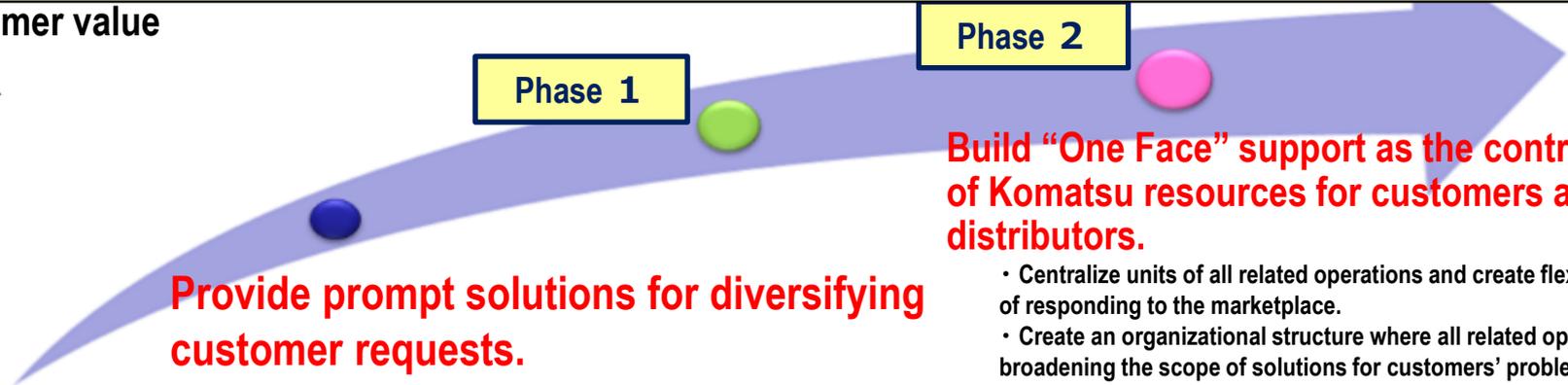
Offers 36 technical training courses, supporting customers' operations.



# 10. Future Vision of Operations

• Growth strategies based on business reforms: In growing African markets, which are directly served by Komatsu in Japan, Komatsu and all distributors team up to enhance customer value by achieving One Face support for customers.

Customer value



**Provide prompt solutions for diversifying customer requests.**

**Build "One Face" support as the control tower of Komatsu resources for customers and distributors.**

- Centralize units of all related operations and create flexibility and speed of responding to the marketplace.
- Create an organizational structure where all related operations gather, broadening the scope of solutions for customers' problems, and making the organization easy to enhance customer value.

Responses to global accounts

• **Create global customer support .**

To strengthen relations with important customers from Europe, China, Turkey and so forth, operating in Africa.

Support for local business

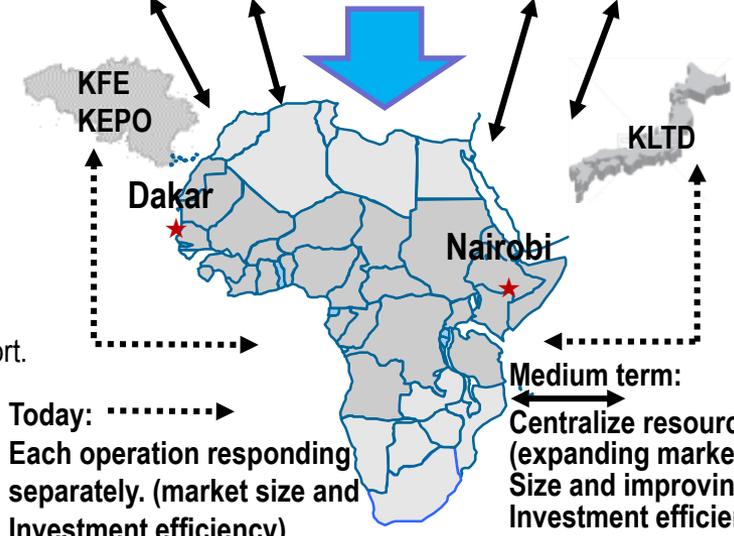
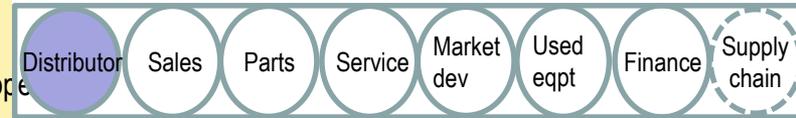
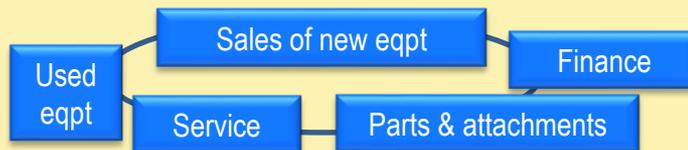
• **Strengthen local human resource development**

Strengthen training together with distributors with support of public institutions, such as the Japanese government.

Reinforcement of the value chain

• **Build the value chain business.**

Promote comprehensive contracts, including after-sales support.



# 11. CSR Efforts (1)

- KSA offers educational programs as its social contribution activity for local communities by region.
- In 2018 KSA improved its B-BBEE level, a measure of economic empowerment initiated by the South African government, from 8 to 3.



## 1. CSR and contributions to local communities and promises: KSA

### EDUCATION

University Bursary Fund	South African Agency for Science & Technology Advancement)
METF (Minerals Education Trust Fund)	Technical Education for Communities (Komatsu/ Cummins)

### TEC PROJECT

- **TECHNICAL EDUCATION FOR COMMUNITIES (TEC)** is an educational institution established jointly by Komatsu and Cummins Inc.
- It offers a multiple number of educational programs designed for students to practical technical skills when they are employed in their communities.



### COMMUNITY DEVELOPMENT

Scholarships	Foskor Marathon, CANSA, Africa Day
Mandela Day Botshabelo	Employee Volunteerism

### YES PROGRAM

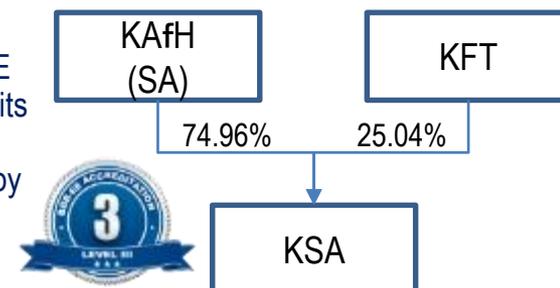
- **YOUTH EMPLOYMENT SERVICE (YES)** is a government-led program to offer opportunities of work experience to unemployed persons aged from 18 to 35 years. The internship lasts 12 months.
- KSA has accepted 39 interns for 12 months from poor neighborhoods. It's working to accept 48 interns.



## 2. B-BBEE restructured: KSA

- **B-BBEE\*** is a preferential measure for colored people (blacks, Indians, etc.) to promote their economic participation in the South Africa economy, who were discriminated during the apartheid period.
- Mining companies need to procure facilities and equipment from suppliers with 4 or higher B-BBEE level score. As a supplier of mining equipment, KSA is requested by mining customers to improve its B-BBEE level score.
- In 2018, KSA enhanced its B-BBEE level from 8 to 3, reflecting the change of equity participation by broad based companies.

Komatsu Foundation Trust, a broad based company, has a 25.04% equity of KSA.



\*B-BBEE: It stands for Broad-Based Black Economic Empowerment Act.

## 11. CSR Efforts (2)

- Established an occupational training school jointly with UNIDO (United Nations Industrial Development Organization) in Liberia.
- Assisting the educational program for machine operators and trainers in the road construction project in Uganda.



### 3. Liberia: Assistance in the plan to create employment opportunities for young people in the mining, construction and agricultural industries.

#### Japan Heavy Equipment Operator School (JHEOS)

- **Japan Heavy Equipment Operator School (JHEOS)** was established as part of the technical skill and occupational training program managed jointly by Komatsu and UNIDO.
- Trainees are expected to contribute to reconstruction of infrastructure which was damaged during the civil war.
- The operator training course began in August 2013.
- Electro-hydraulic training course began in April 2016. 開設  
→ In both courses, students receive on-site trainings after completing 360 hours of the course.  
→ 349 graduates (as of December 31, 2018)



### 4. Uganda: Assistance in permanent human resource development

#### Advancement and growth of customer relations

- In Uganda, an agricultural country with farmers accounting for 80% of total population, we participated in the road construction project designed to vitalize domestic distribution and expand exports.
- In this project, which began in 2017, we ultimately delivered a total of 401 units of motor graders, wheel loaders and other equipment. We also engaged in operator and trainer training in order to ensure proper use of delivered machines.
- For the government of Uganda to continuously promote this project, the establishment of a training facility (UNIDO-collaborated) for construction equipment operators was decided as a case of grant-based international institutional collaboration in June 2019.



- Our panels introduced a variety of our efforts for sustainable growth of Africa by creating employment and developing human resources.
- Outside we exhibited a model of the PC210-10M0, a flagship model in emerging countries, and installed a simulation booth inside.

17 PARTNERSHIPS FOR THE GOALS



We exhibited our machine and services at the TICAD7: Tokyo International Conference on Africa Development, Japan-Africa business expo. From August 28 to 30, 2019, this 3-day fair attracted about 20,000 visitors (cumulative)/

[Panels introduced our business in South Africa, Liberia, Uganda, etc.]

**Komatsu Promotes Youth Employment cooperating with UNIDO by Supporting Technical and Vocational Education in Liberia**

Since 2014 we have been supporting the project "Promoting youth employment in the mining, construction and agriculture sectors" funded by the Government of Japan, which began in 2013 aiming to help young Liberians access the labor market, by developing their skills in the operation and maintenance of heavy-duty machinery.

We have provided used construction equipment free of charge, trained instructors in Japan, continued to support them after their return to Liberia, and offered training materials and the fee. We believe human resource development of the youth is a mid to long-range task of the Liberian government.

UNIDO, The United Nations Industrial Development Organization

We have been supporting the second term of the project through instructor trainings in Japan, dispatching of instructors from Japan, provision of training materials and so forth in order to provide our know-how and advice concerning construction equipment continuously.

With the support of UNIDO and Komatsu, the project has been able to upgrade the skills of the Liberian workforce: a total of 350 youth have graduated.

The project has been able to upgrade the skills of the Liberian workforce: a total of 350 youth have graduated, match the needs of job, has also been effective in generating employment. Liberian youth, 60% of entered the labor market, time or part-time employer.

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**Komatsu has been developing & promoting Communities, Industrial Infrastructure and Human Resources in Africa.**

The Republic of Uganda is a rich agricultural country, with rice engaging in farming accounting for about 80% of the total population. Therefore, the most important task for the government of Uganda has been to construct and improve provincial roads for a long period of time, which enable safe and prompt distribution and sales of agricultural products to both domestic and international markets.

In February 2017, Komatsu Ltd. received an order for 401 units of construction equipment, such as motor graders and wheel loaders, from the Ministry of Works and Transport of the Republic of Uganda for road construction and improvement in 112 regions. All machines have been delivered and are in active across the country.

**Komatsu believes the proper maintenance & the proper operating skill are the key to ensure the safe & sustainable operators of machines.**

Komatsu then received 10 people from the government of Uganda to form of its training facility in Japan before delivery of 401 units of equipment, and has been providing training program for more than 1,000 operators and 40 local trainers in cooperation with the Ministry of Works and Transport and Komatsu Distributor.

**Komatsu keeps Africa running.**

Both Government of Uganda and Komatsu keeps emphasizing the importance of continuous training for not only machines, but also for development of Ugandans' working capabilities. Their operator training center will be established by UNIDO and Ugandan Ministry of Works and Transport with the support of Japanese Government.



**Thank you for your interest in Komatsu.**