

Acquisition of Joy Global



"P&H" is one of Joy Global's brands

July 21, 2016

President and CEO of Komatsu Tetsuji Ohashi

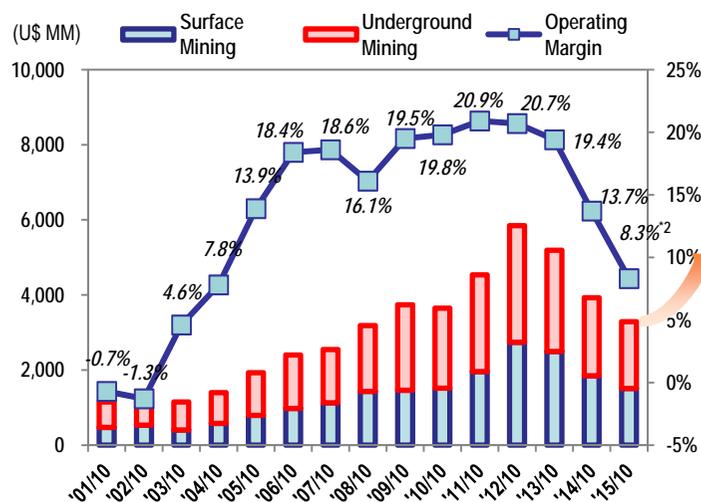
- Komatsu has entered into a definitive agreement to acquire 100% of Joy Global's shares.
- The purchase price is US\$ 28.3 per share; US\$ 2,891MM (JPY 303.6B*1) in total equity value.
- The transaction is expected to close in mid-2017, subject to Joy Global's shareholder approval, regulatory approvals and other customary closing conditions.

Transaction Overview

Company Name	Joy Global Inc.
Acquisition Price	<ul style="list-style-type: none"> • US\$ 28.3 per share - Represents 20.5% premium to 1 week average share price • Total equity value of US\$ 2,891MM (JPY 303.6Bn*1)
Transaction Structure	<ul style="list-style-type: none"> • Cash merger between Joy Global and a wholly owned subsidiary of Komatsu America Corp. (Komatsu's wholly owned US subsidiary)
Financing	<ul style="list-style-type: none"> • Cash on hand and loans (No plan for equity finance)
Schedule	<ul style="list-style-type: none"> • Joy Global's shareholders Meeting to be held in October - December 2016 • Expected to close in mid-2017, subject to Joy Global's shareholder approval and clearance of necessary regulatory filings and approvals under competition laws in relevant countries

Joy Global's Historical Sales and Operating Margin

Average Operating Margin over the Last 10 Years ('06 -'15): **17.5%**



Key Financials FY 2015/10 (US\$ MM)	
Sales	US\$ 3,172 MM (JPY 333 Bn*1)
Adjusted Operating Income ²	US\$ 262 MM (JPY 28 Bn*1)
Net Income	US\$ -1,178 MM (JPY -124 Bn*1)

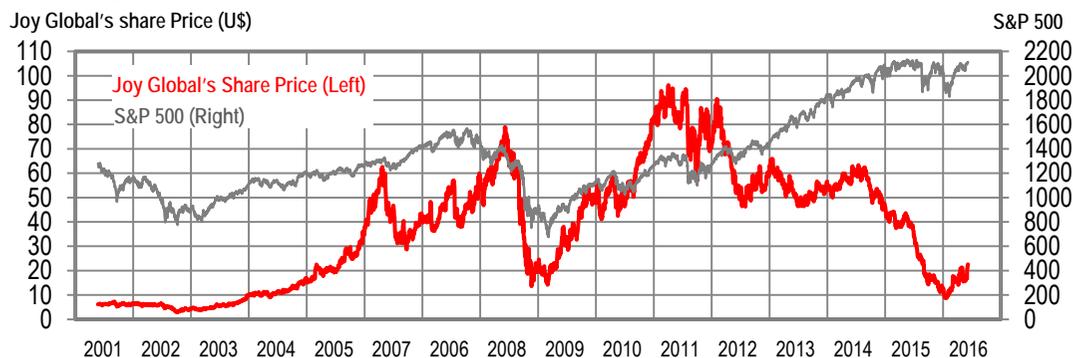
*2: Excluding impairment charges (US\$ 1,338MM) and restructuring charge (US\$ 33.4MM)

Overview of Joy Global

Year of Foundation	1884
Headquarters	Milwaukee, Wisconsin, USA
Business Description	Manufacture, sale and services of mining equipment for surface and underground mining
Listing Exchange	NYSE
# of Employees	13,400 (as of 2015/10)

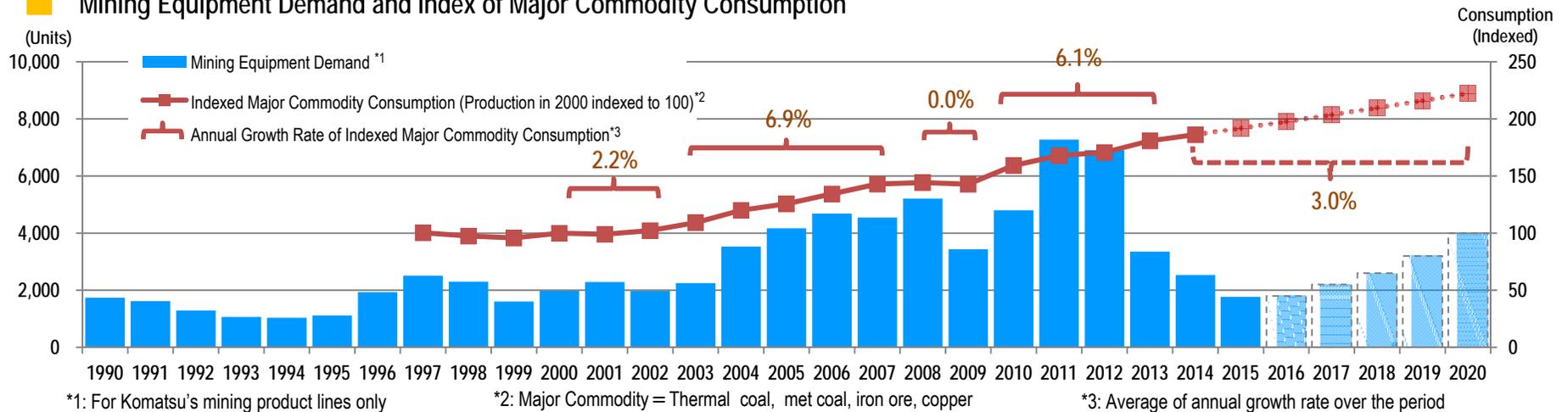
*1: US\$ = JPY 105

Joy Global's Share Price Performance

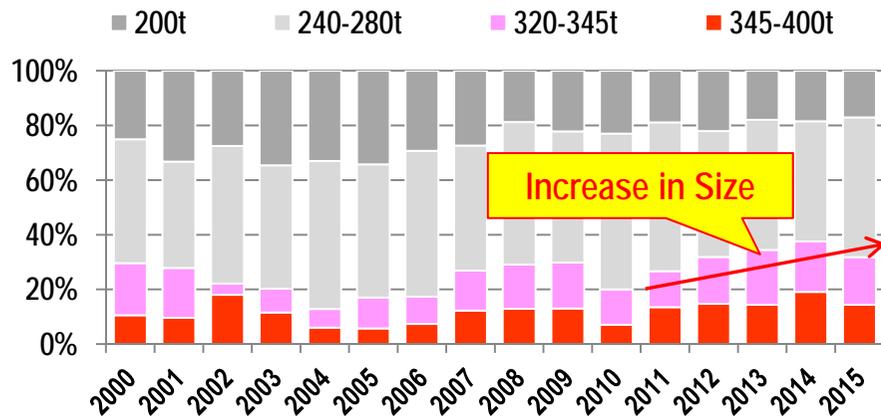


- While the industry is currently facing challenges, mining equipment demand is expected to recover in the mid to long term as production and consumption of major commodities increase.
- In surface mining, demand for larger dump trucks is increasing to improve productivity, and Joy Global, which manufactures larger loading machines that match larger dump trucks, is attractive to Komatsu.
- In hard rock mining (e.g., gold, copper), we expect a shift from surface to underground mining, and we can enter into underground mining business through acquisition of Joy Global.

Mining Equipment Demand and Index of Major Commodity Consumption

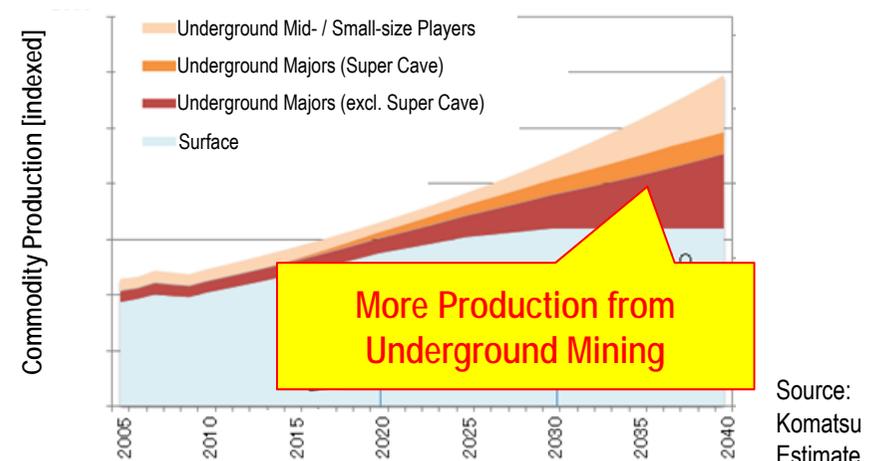


Demand of Dump Truck by Size



Source: Komatsu estimate (dump truck demand)

Commodity Production by Mining Type



Source: Komatsu Estimate

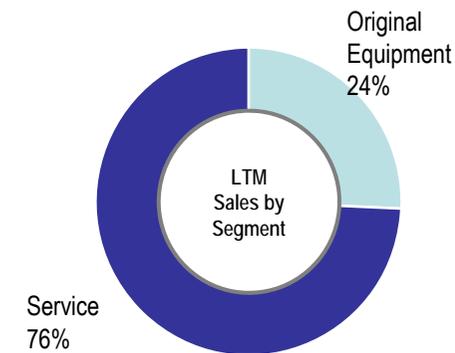
3. Overview of Joy Global (1)

- Headquartered in Milwaukee, Joy Global is among the leading suppliers of both surface and underground mining equipment.
- Strong customer base including Mining Majors.
- High-margin service business (c. 76% of LTM sales), under direct sales and service model, has led to steady cash flow generation even in a challenging environment.

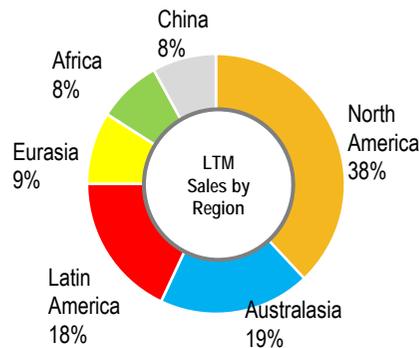
History of Joy Global



Sales by Segment (LTM *1)

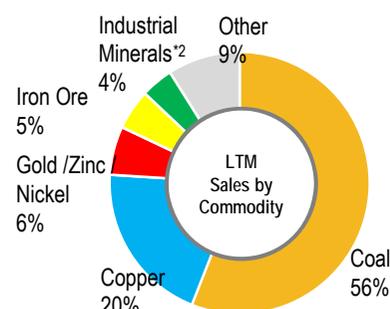


Sales by Region (LTM *1)



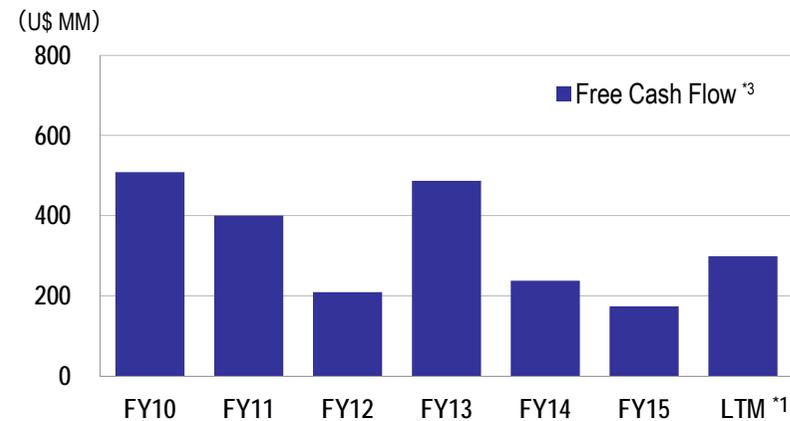
*1: 2015/5 – 2016/4

Sales by Commodity (LTM *1)



*2: Salt, Potash, Trona, Gypsum

Historical Free Cash Flow



*3: Calculated as (Operating Cash Flow) – (Investing Cash Flow). Adjusted for one-time items in FY2011 and 2012

- Provide a broad range of mining equipment for both surface and underground mining.

Surface Mining



Dragline
Super-size Loading Machine

Blasthole Drills
Open a hole for entry



Rope Shovel
Super-size Loading Machine (Max. Bucket: 70m³)



Wheel Loader
(Max. Bucket: 40m³)



Underground Mining (Soft Rock)



Continuous Miner
Continuously mine soft rocks



Roof Support
Prevent mine collapse



Shearer
Used with Roof Support; Continuously mine soft rocks

Underground Mining (Hard Rock)



Conveyer



LHD
(Load, Haul, Dump Machine)

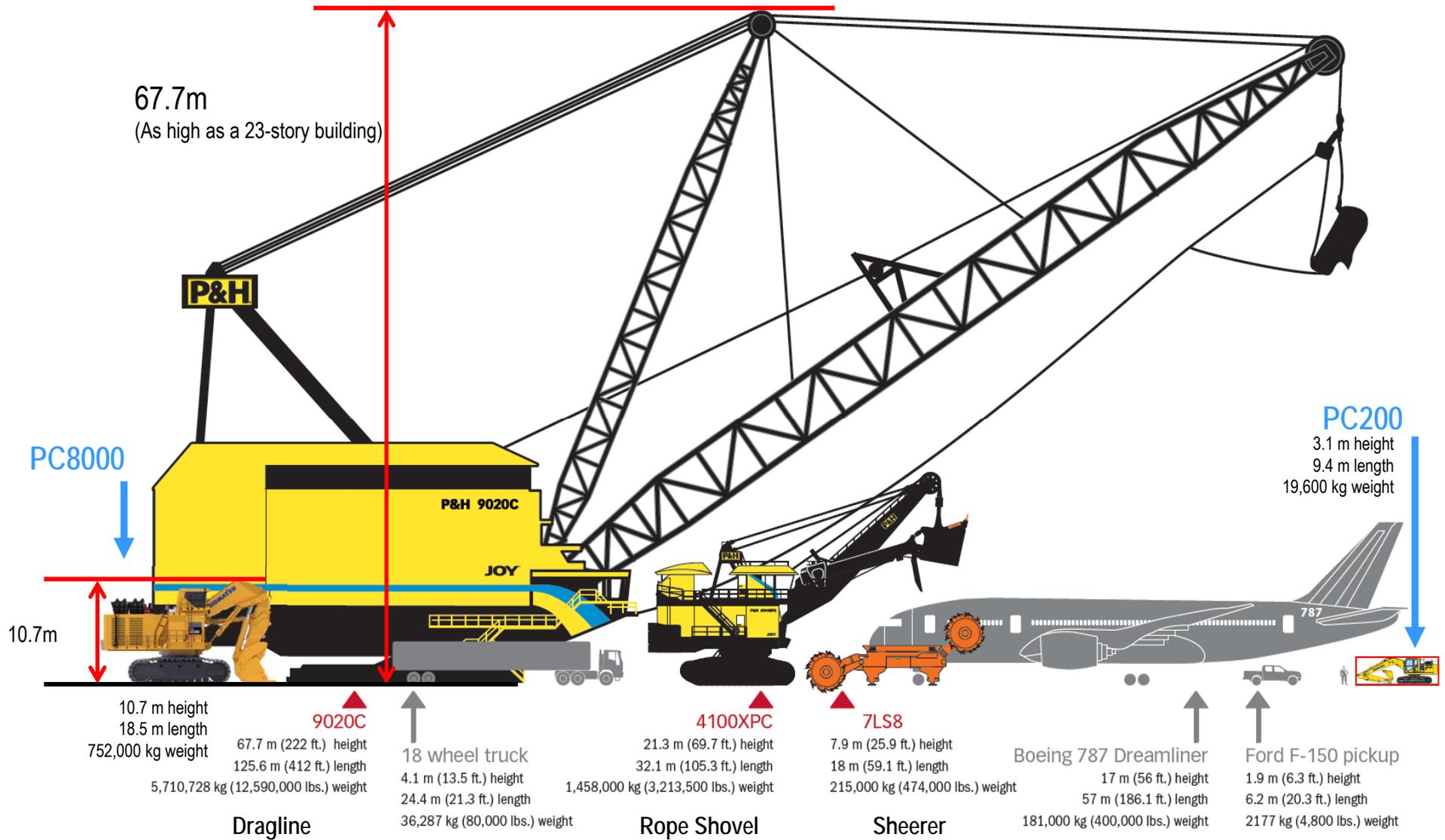


Jumbo Drills
Open a hole for entry



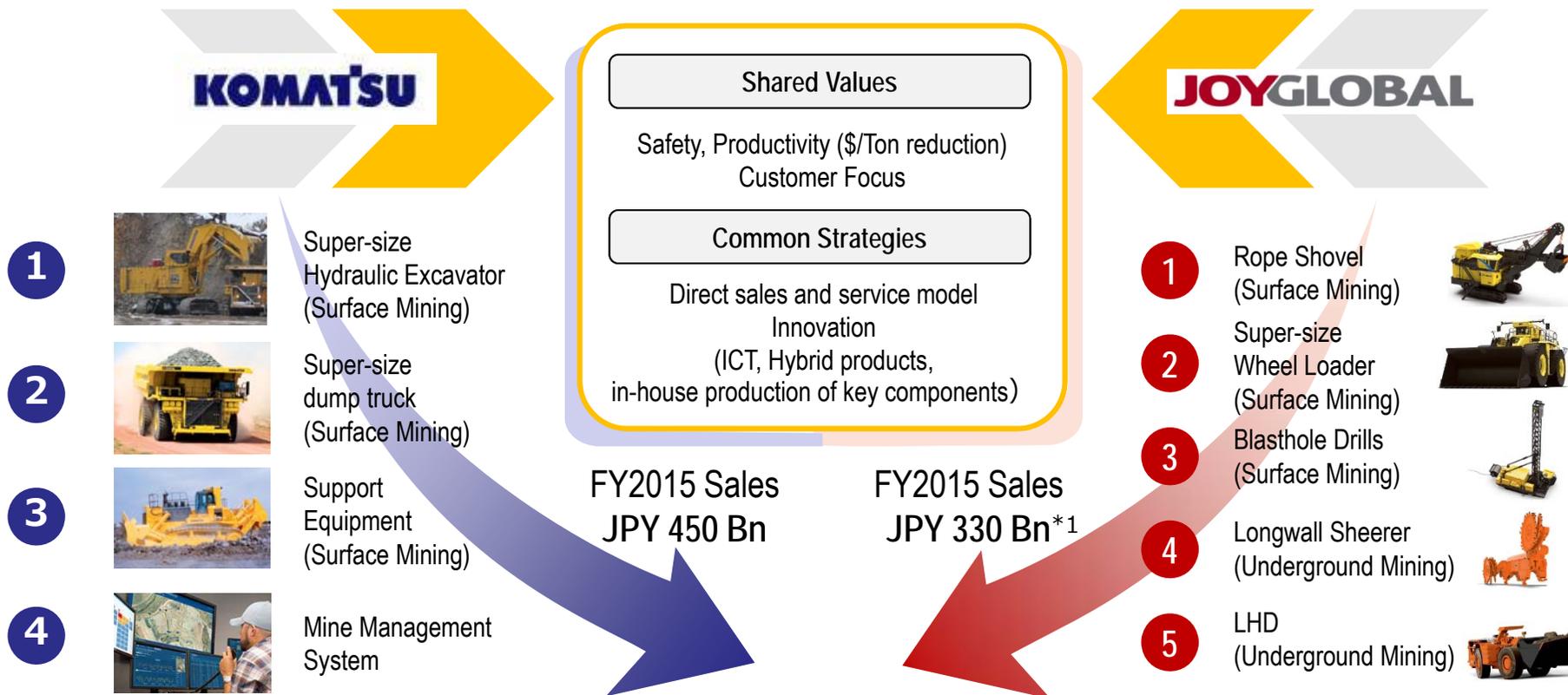
Hydraulic Breaker
(Also available for Surface Mining)

Size of Joy Global's Products



4. Post-transaction Vision

- Komatsu considers the mining equipment business as an area with high growth potential in the mid to long term.
- Among mining equipment manufacturers, Komatsu and Joy Global share common values and strategies.
- Together with Joy Global, Komatsu will strengthen our commitment to customer safety and productivity.



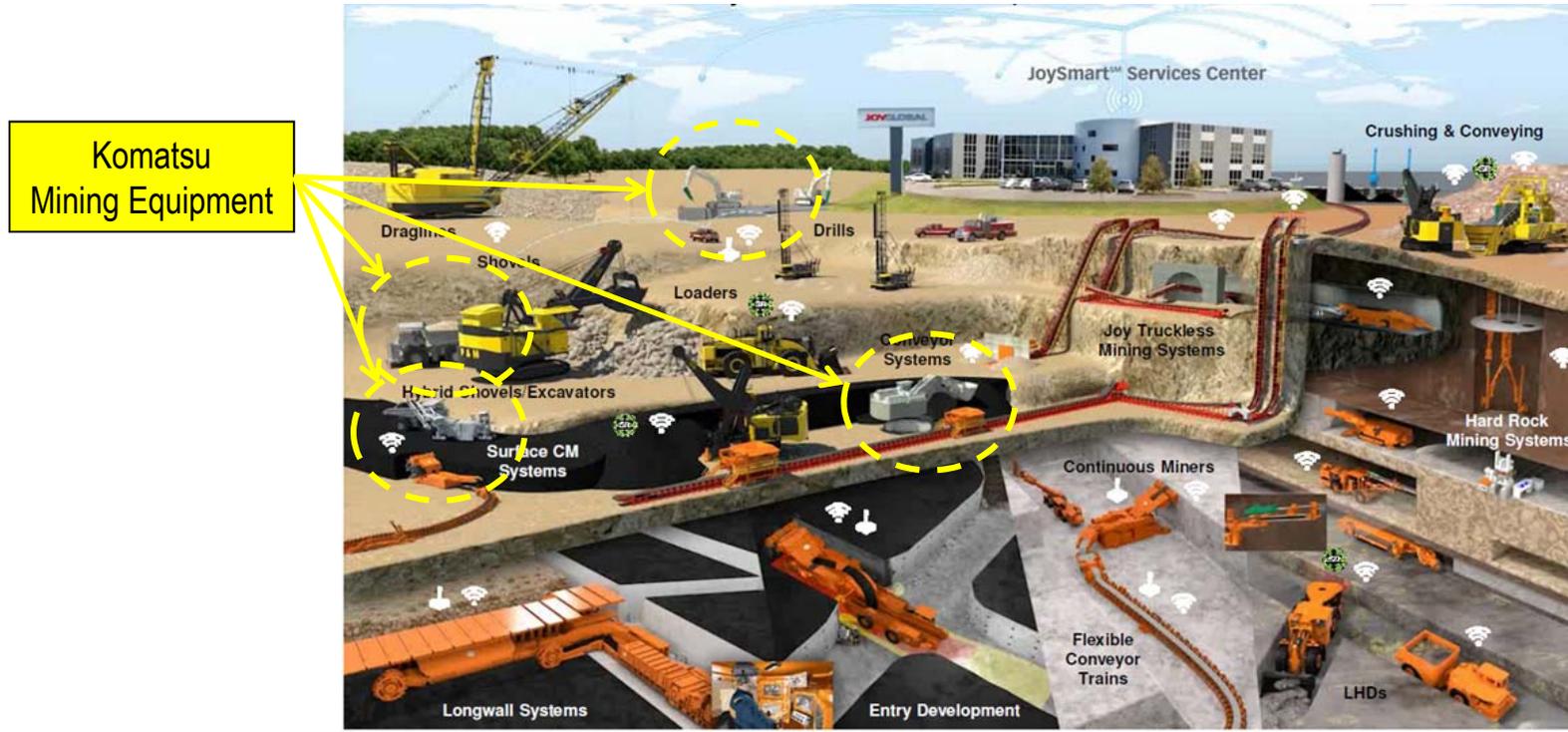
KOMATSU + JOYGLOBAL

Komatsu will further promote innovation at mining jobsites (GEMBA) under a strengthened direct sales and service model, thereby further contributing to our customers' safety and productivity.

*1: Fiscal year ended 2015/10; US\$ = JPY 105

5. Synergy Example (1): Full Line Offering of Mining Equipment

- Through acquisition of Joy Global, Komatsu enters the underground mining equipment business.
- We will have a full product line-up for surface and underground mining customers, acquiring new products such as super-size loading machines and drills.
- Integration of both companies' technologies will further promote "Dantotsu" Solution (e.g., ICT, Automation).

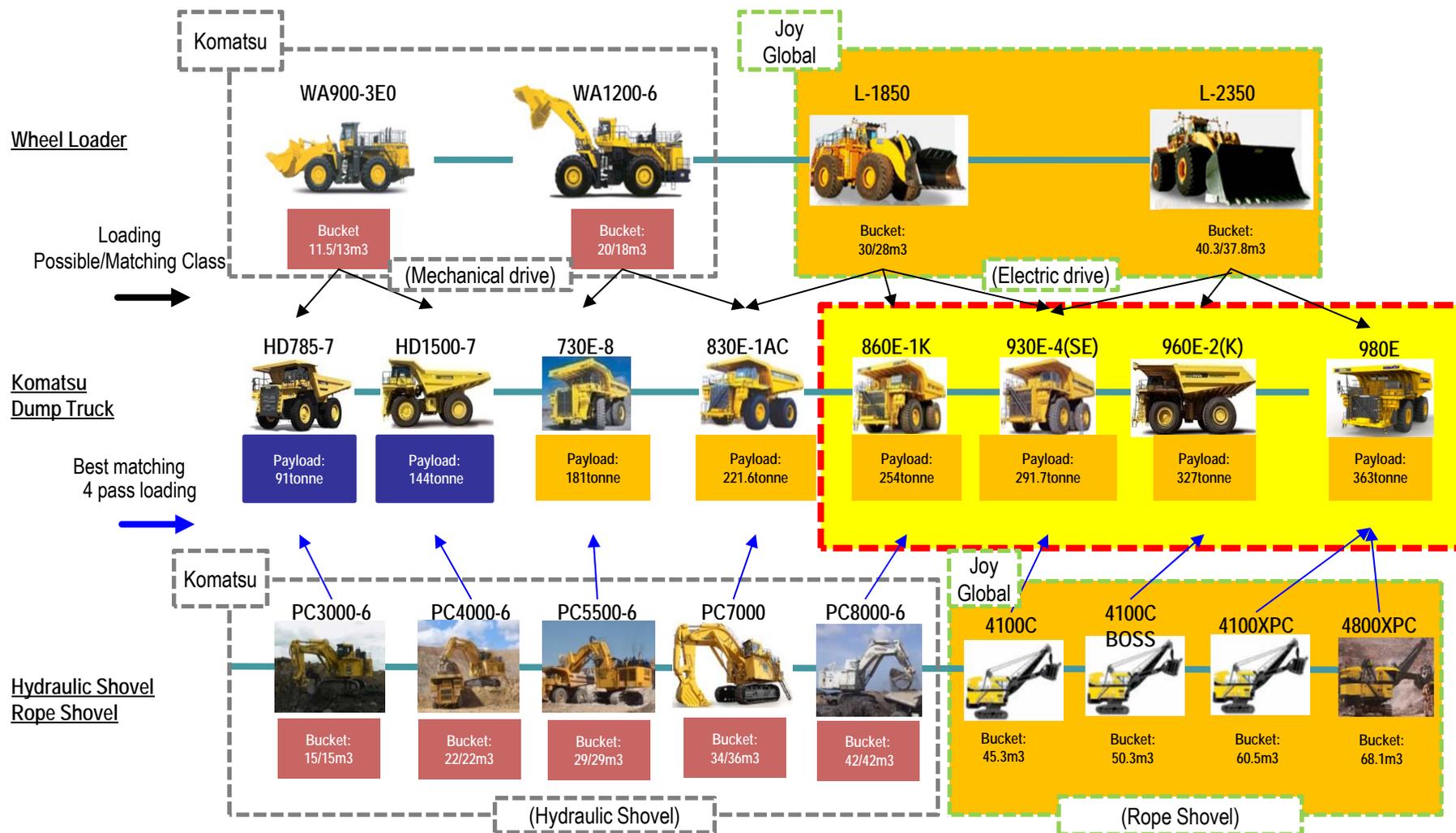


	Surface Mining Equipment								Underground Mining Equipment						
KOMATSU	✓	✓	✓	✓											
JOYGLOBAL					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Source: Joy Global's Website

- In surface mining, Joy Global manufactures rope shovels and wheel loaders that best match Komatsu's super-size dump trucks complementing Komatsu's existing product line-up.

1. Dump truck / Shovel Process: Excellent Complementarity (based on material density of 1.8, 90% fill factor)



- Collaboration with A will accelerate our innovation at mining jobsites: Enhanced capabilities to improve safety and productivity of customer operations and to advance teleoperation and semi / full automation processes

Integration and Sharing of Information / Data between Trucks and Shovels



Autonomous Haulage System (AHS)



Combination of Komatsu trucks and Joy Global shovels would enable teleoperation and automation in mining operations

Promotion of Customer Benefit

1st Step : Improved Safety

- Collision Avoidance



2nd Step : Improved Productivity

- Operator assistance such as optimal loading position control, etc.

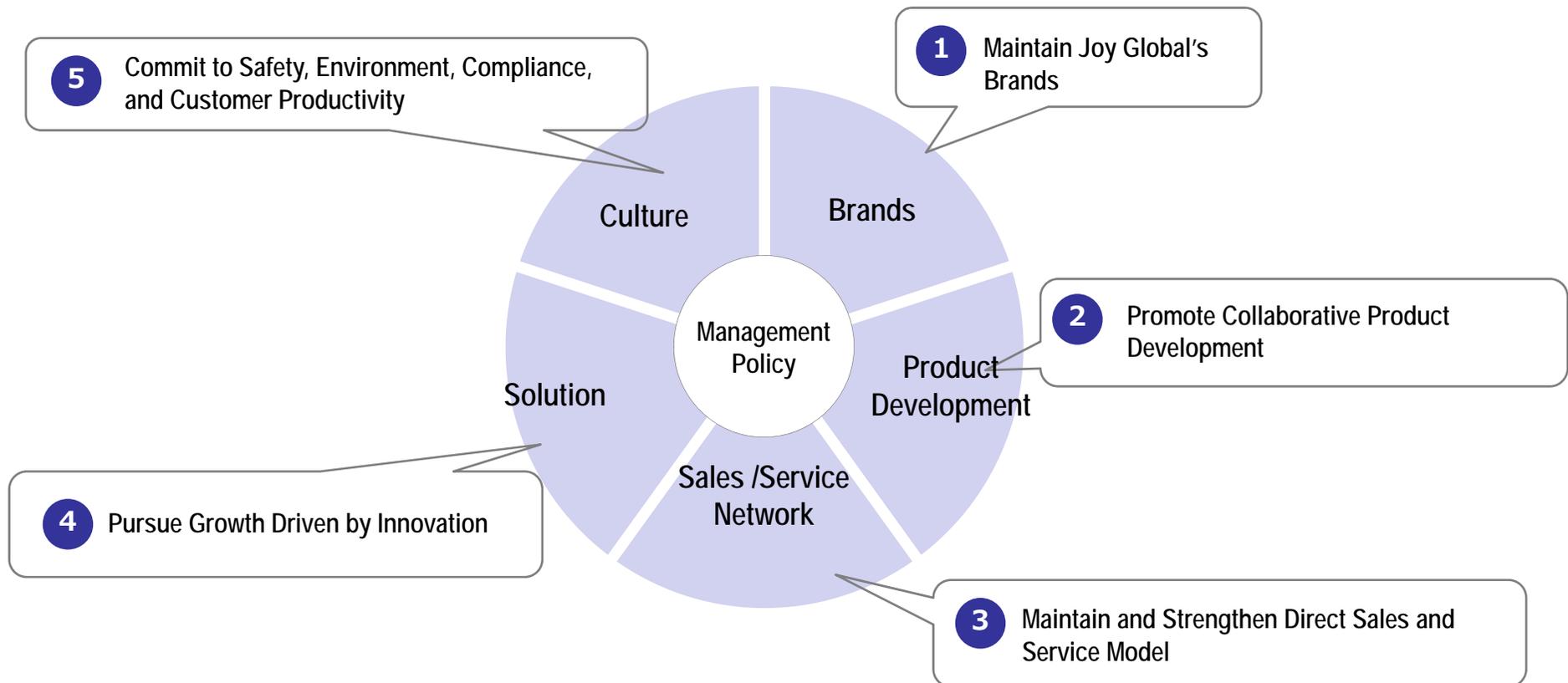


3rd Step : Remote Control / Automation

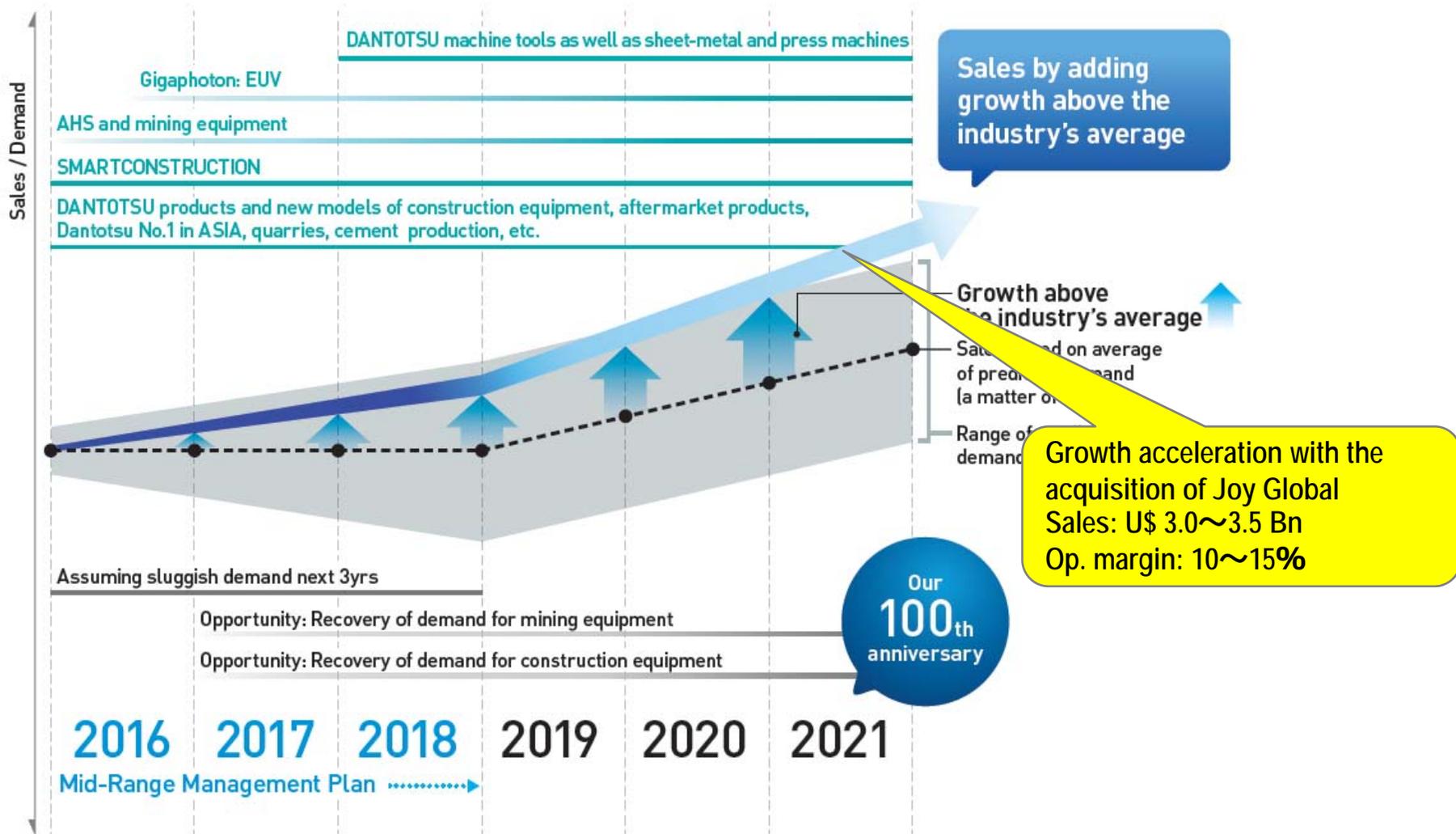
- Teleoperation
- Automated Operation

6. Post-Acquisition Policy

- Optimize management structure to better support our customers.
- Joy Global's highly recognized brands will be maintained.
- Cultural similarities such as commitment to safety and customer productivity will facilitate collaboration between Komatsu and Joy Global to accelerate growth through innovation.

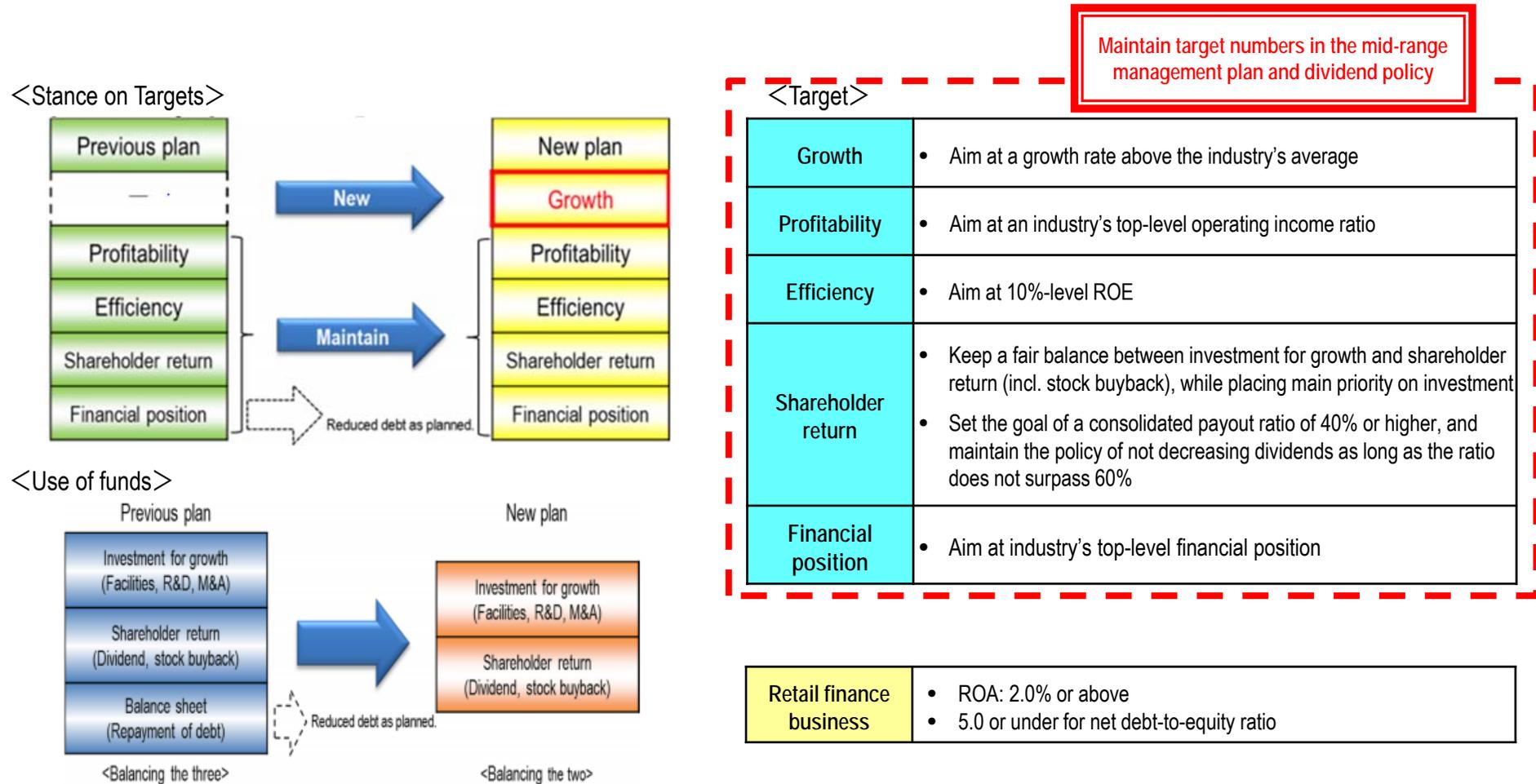


- Although we assume that demand will remain low in the near term, we will achieve growth above the industry's average by promoting growth via innovation and by growing existing businesses.



7. Acquisition Consistent with Mid-Range Management Plan (2): Targets of Mid-Range Management Plan

- In addition to our existing industry-leading profitability and financial position, we will work for growth above the industry's average, even while demand remains low.
- We will place more importance on redistribution of profits to shareholders, and set the goal of a consolidated payout ratio of 40% or higher, and maintain the policy of not decreasing dividends as long as the ratio does not surpass 60%.
- By segmenting the retail finance business, we will enhance transparency of profitability and financial position of consolidated and retail finance business performance. The retail finance business will set up its own target figures.



The acquisition of Joy Global is a key milestone to accelerate our growth toward the 100th anniversary of Komatsu.

1. Komatsu and Joy Global share common values and strategies, and we see great fit as to management, business, technologies, and employees.
2. The combination supported by mutual respect for culture, technology, and expertise will enable Komatsu to further promote innovation at mining jobsites (GEMBA) under a strengthened direct sales and service model, thereby making further contribution to our customers' safety and productivity.
3. The acquisition of Joy Global demonstrates our strong commitment to growth toward the 100th anniversary to provide better products and service for our customers.



【Cautionary Statement】

The announcement set forth herein contains forward-looking statements which reflect management's current views with respect to certain future events, including expected financial position, operating results, and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated cost or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new Information Technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; and, the impact of regulatory changes and accounting principles and practices.