Acquisition of Joy Global

July 21, 2016

President and CEO of Komatsu    Tetsuji Ohashi

“P&H” is one of Joy Global’s brands
1. Transaction Overview

- 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") 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

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Joy Global Inc.</th>
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</thead>
</table>
| Acquisition Price | • US$ 28.3 per share  
  - Represents 20.5% premium to 1 week average share price  
  - Total equity value of US$ 2,891MM (JPY 303.6B") |
| Transaction Structure | • Cash merger between Joy Global and a wholly owned subsidiary of Komatsu America Corp. (Komatsu’s wholly owned US subsidiary) |
| Financing | • Cash on hand and loans  
  (No plan for equity finance) |
| Schedule | • 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 |

## Overview of Joy Global

<table>
<thead>
<tr>
<th>Year of Foundation</th>
<th>1884</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>Milwaukee, Wisconsin, USA</td>
</tr>
<tr>
<td>Business Description</td>
<td>Manufacture, sale and services of mining equipment for surface and underground mining</td>
</tr>
<tr>
<td>Listing Exchange</td>
<td>NYSE</td>
</tr>
<tr>
<td># of Employees</td>
<td>13,400 (as of 2015/10)</td>
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*1: US$ = JPY 105
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.

2. Transaction Rationales

- **Demand of Dump Truck by Size**

- **Commodity Production by Mining Type**

Source: Komatsu estimate (dump truck demand)
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

- 1884 Establishment
- 1994 Acquired Joy Mining Machinery (US), underground mining equipment manufacturer
- 2011 Acquired LeTourneau (US), strengthening surface mining equipment business
- 2012 Acquired IMM (China), strengthening underground mining equipment business
- 2014 Acquired Hard Rock Business of Mining Technologies International (Canada)
- 2015 Acquired Montabert (France), strengthening hard rock business

### Sales by Region (LTM*)

- North America: 38%
- Latin America: 19%
- China: 8%
- Africa: 8%
- Eurasia: 9%
- Australasia: 1%

### Sales by Commodity (LTM*)

- Coal: 56%
- Copper: 20%
- Iron Ore: 4%
- Gold/Zinc/Nickel: 6%
- Other: 9%
- Industrial Minerals: 4%

### Historical Free Cash Flow

*3: Calculated as (Operating Cash Flow) – (Investing Cash Flow). Adjusted for one-time items in FY2011 and 2012
3. Overview of Joy Global (2)

- 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**

- **Continuous Miner**
  - Continuously mine soft rocks

- **Sheerer**
  - Used with Roof Support; Continuously mine soft rocks

- **Roof Support**
  - Prevent mine collapse

- **Underground Mining (Soft Rock)**

- **LHD**
  - (Load, Haul, Dump Machine)

- **Jumbo Drills**
  - Open a hole for entry

- **Conveyor**

- **Hydraulic Breaker**
  - (Also available for Surface Mining)
Size of Joy Global’s Products

PC8000

PC200

67.7m
(As high as a 23-story building)

Source: Joy Global’s Website

3. Overview of Joy Global (3)
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.

**Shared Values**
- Safety, Productivity ($/Ton reduction)
- Customer Focus

**Common Strategies**
- Direct sales and service model
- Innovation
  - (ICT, Hybrid products, in-house production of key components)

**FY2015 Sales**
- Komatsu: JPY 450 Bn
- Joy Global: JPY 330 Bn

*1: Fiscal year ended 2015/10; USD = 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).

<table>
<thead>
<tr>
<th>Komatsu Mining Equipment</th>
<th>Surface Mining Equipment</th>
<th>Underground Mining Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hydraulic Excavator</td>
<td>Continuous Miner</td>
</tr>
<tr>
<td></td>
<td>Bulldozer</td>
<td>Haulage</td>
</tr>
<tr>
<td></td>
<td>dump truck</td>
<td>Roof Support</td>
</tr>
<tr>
<td></td>
<td>Wheel Loader (Mechanical drive)</td>
<td>Road Header</td>
</tr>
<tr>
<td></td>
<td>Wheel Loader (Electric drive)</td>
<td>Shearer</td>
</tr>
<tr>
<td></td>
<td>Rope Shovel</td>
<td>LHDs</td>
</tr>
<tr>
<td></td>
<td>Blasthole Drill</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dragline</td>
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</tbody>
</table>

Source: Joy Global’s Website
5. Synergy Example (2): Strong Combination of Surface Mining Products

- 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.
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.

**Key Points:**

1. Maintain Joy Global’s Brands
2. Promote Collaborative Product Development
3. Maintain and Strengthen Direct Sales and Service Model
4. Pursue Growth Driven by Innovation
5. Commit to Safety, Environment, Compliance, and Customer Productivity
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.
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.

### Targets of Mid-Range Management Plan

<table>
<thead>
<tr>
<th>Growth</th>
<th>Aim at a growth rate above the industry’s average</th>
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</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>Aim at an industry’s top-level operating income ratio</td>
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<tr>
<td>Efficiency</td>
<td>Aim at 10%-level ROE</td>
</tr>
<tr>
<td>Shareholder return</td>
<td>Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment</td>
</tr>
<tr>
<td>Financial position</td>
<td>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%</td>
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<tr>
<td>Retail finance business</td>
<td>ROA: 2.0% or above</td>
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<td></td>
<td>5.0 or under for net debt-to-equity ratio</td>
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8. Summary

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.

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.