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Komatsu to acquire U.S. mining equipment manufacturer Joy Global

Komatsu Ltd. (Head office: Minato-ku Tokyo, President and CEO: Tetsuji Ohashi, hereafter "Komatsu" or "Company") announced today that it has signed a definitive agreement with Joy Global Inc. (Head office: Wisconsin, USA, CEO: Edward L. Doheny II, hereafter "Joy Global", NYSE), a leading manufacturer of surface and underground mining equipment, under which Komatsu America Corp. (Head office: Illinois, USA, Chairman and CEO: Rodney Schrader, hereafter "KAC"), a wholly-owned subsidiary of Komatsu in the USA, will acquire 100% ownership of Joy Global (hereafter "Acquisition"). The Acquisition is expected to close in mid- 2017, subject to the approval of shareholders of Joy Global and the receipt of necessary regulatory approvals under laws in relevant countries.

1. Purpose of the Acquisition

Komatsu embarked in April on a mid-range management plan for the next three years (2016-2018) under the slogan "Together We Innovate GEMBA Worldwide – Growth Toward Our 100th Anniversary (2021) and Beyond". The Acquisition is in line with the growth strategy of the plan which calls for the Company to strengthen the core mining equipment business in an effort to achieve sustainable growth.

Joy Global is a worldwide mining machinery and services company founded in 1884. Through its leading brands -- P&H, Joy and Montabert – Joy Global manufactures and services advanced original equipment and parts for underground and surface mining applications, as well as material handling systems and components for a variety of applications, products that complement existing Komatsu products. The company's integrated technology, services and solutions are a critical component of operations in a variety of commodity markets including energy, hard rock and industrial minerals. The company operates globally and generates an annual revenue of 3,172 million US dollars (approximately 333 billion yen at @105yen/U$).

Komatsu has engaged in the mining equipment business since its foundation in 1921. In the 1990s the Company expanded by acquiring selected mining equipment manufacturing and distribution businesses operating in major mining regions. Today, Komatsu's annual revenue of 450 billion yen from mining equipment business is generated by surface mining equipment only, as the Company's portfolio does not include equipment for underground mining. Further, the Company's product lineup does not include super large-sized loading equipment for surface mining.

Demand for mining equipment has declined dramatically from the peak, reflecting economic slowdown in emerging countries and low commodity prices. Over the long term, however, the mining equipment business is projected to grow, driven by population growth and rapid urbanization around the world. In terms of mining techniques, economic rationale will call for use of larger equipment in surface mining as well as further development of underground mining.

Joy Global and Komatsu's product lines will integrate well, expanding options for customers worldwide, as Komatsu can now offer the underground mining equipment and super large-sized loading equipment of which Joy Global is a leading provider. Both companies value a direct sales and service approach and will continue to engage with customers globally. Merging manufacturing technologies and linking products through Komatsu's fleet management system will further capabilities on both sides to directly engage with customers to optimize machine performance and enhance automation for safety and productivity gains. Komatsu will continue to offer Dantotsu products, Dantotsu services, and Dantotsu solutions to our customers to jointly create innovation in mining operations. (Dantotsu: Unique and unrivalled)

2. Benefits of the Acquisition

The corporate culture at Joy Global values pursuit of safety, improvement of customer productivity ($/ton reduction), and the drive for innovation. This is very similar to the corporate culture at Komatsu. Komatsu and Joy Global also share the approach of offering "direct sales/services" to customers, engaging with them directly to address issues at their jobsites. The Acquisition of Joy Global, which shares similar cultures, values and strategies with Komatsu, is expected to bring Komatsu the following two benefits.

(1) Complementary product lineup

Joy Global's lineup of surface mining equipment includes rope shovels, super large wheel loaders, draglines and drills which Komatsu does not offer. Joy Global's lineup of rope shovels and super large wheel loaders pair well with the super large electric dump truck Komatsu manufactures and will generate synergies in sales and services. In addition, Joy Global manufactures underground mining equipment, another area Komatsu has not engaged in. With the Acquisition, Komatsu will become a meaningful participant in underground mining as well. The Acquisition will allow Komatsu to offer Dantotsu products to customers in both surface mining and underground mining businesses.

(2) Stronger Dantotsu solution offerings

Joy Global places priority on providing solutions that enhance safety and productivity of customer operations. For example, JoySmart Solutions leverages the Internet of Things to connect customer products with experts using data and analytics to improve mine performance. Komatsu also engages in the improvement of safety and productivity with its Autonomous Haulage System, mine fleet management systems and KOMTRAX Plus,

which all serve to visualize jobsite operations. Data obtained from IoT-based mining equipment and systems will be connected and used through the open platform of Komatsu and this will bring synergies in providing Dantotsu solutions to customers.

3. Structure of the Acquisition

This Acquisition is structured as a reverse triangular merger between Joy Global and a wholly owned subsidiary KAC has established for the purpose of the Acquisition ("Acquiring Subsidiary"). Joy Global will be the surviving company and the shareholders of Joy Global will receive the cash payment as described below. At the same time, shares of the Acquiring Subsidiary owned by KAC will be converted into outstanding shares of the surviving company, making the surviving company the wholly-owned subsidiary of KAC. The Acquisition is subject to approval by the meeting of shareholders of Joy Global, receipt of necessary regulatory approvals under the applicable laws in relevant countries, and the satisfaction of other customary closing conditions stipulated in the Acquisition agreement. Under the Acquisition agreement, Komatsu guarantees the performance of obligations of KAC and the Acquiring Subsidiary.

Komatsu will acquire Joy Global for U$ 28.3 per share (total of approximately 2,891 million US dollars * (approximately 303.6 billion yen at 105yen/U$)). Komatsu plans to finance the Acquisition through funds on hand and bank loans and does not plan to increase capital at this stage.

4. Management policy after the Acquisition

Joy Global will operate as a separate subsidiary of Komatsu. The companies will work together to align the organization and operation to better support our customers while retaining the strengths of Joy Global, its brand and the "direct sales/services" scheme. The corporate culture that values pursuit of safety, improvement of customer productivity ($/ton reduction) and focus on customer-perspective are in harmony with the corporate culture of Komatsu. Komatsu highly respects that the Joy Global operation is finely attuned to the mining industry and will seek to maximize the synergies from the Acquisition.

5. Outline of Joy Global

(1) Trade name	Joy Global Inc.
(2) Headquarters	Milwaukee, Wisconsin, USA
(3) Name and title of representative	President and CEO: Edward L. Doheny II
(4) Line of business	Manufacture, sales and services of mining equipment for surface and underground mining
(5) Share capital	131 million US dollars (as of October 30, 2015)
(6) Founded	1884
(7) Manufacturing facilities	USA, Canada, China, Australia, France, Brazil etc.

(8) Number of employees (consolidated)	13,400 (as of October 30, 2015)
(9) Principal shareholders and Their shareholding ratio (as of March 31, 2016)	Artisan Partners Limited Partnership 12.0% Kiltearn Partners LLP 7.7% Invesco Advisers, Inc. 7.0% The Vanguard Group, Inc. 6.8% BlackRock Institutional Trust Company, N.A. 6.0%
(10) Relationship with Komatsu	No capital, personnel, or business relationship

(11) Consolidated financial position and consolidated operating results in the past 3 years

Fiscal term	Ending October 2013	Ending October 2014	Ending October 2015
Net assets (million U$)	2,855	2,836	1,420
Total assets (million U$)	5,786	5,592	3,712
Shareholders' equity per share (U$)	26.69	28.10	14.57
Operating income (million U$)	5,012	3,778	3,172
Operating profit (million U$)	835	527	(1,109)
Income (/loss) from continuing operations before income taxes (million U$)	777	472	(1,177)
Net income (million U$)	536	338	(1,178)
Net income per share (U$)	5.02	3.35	(12.08)

6. Number of Shares to be Acquired; Acquisition Price and State of Share Ownership Before and After Acquisition

(1) Number of shares held before transfer	0 shares (number of voting rights: 0) (voting rights holding ratio: :0%)
(2) Number of shares to be acquired	102,180,452 shares (*) (number of voting rights: 102,180,452) (voting rights holding ratio: 100%)
(3) Acquisition price	Common stock of Joy Global : approximately U$ 2,891 million Advisory expenses and other expenses: Undetermined

(*) Numbers are based on the fully-diluted shares as of July 18, 2016 (taking into account dilutions resulting from treatment of equity based awards related to the Acquisition; provided that stock options with exercise prices above the acquisition price offered by the Company are excluded).

7. Schedule

(1) Resolution at Board of Directors' meeting	July 21, 2016
(2) Execution of agreement	July 21, 2016
(3) Closing of the Acquisition	Within calendar year 2017 (plan)

8. Future outlook

After the Acquisition is complete, Joy Global will become a consolidated subsidiary of Komatsu. The Company will make a disclosure of the impact of the Acquisition on its performance in a timely fashion as needed after the close of the transaction.

As the Acquisition is expected to close in or after April 2017, the Acquisition will have no impact on the results and performance of Komatsu for the fiscal term ending March 2017.

Caution concerning forward-looking statements

This press release and other statements by Komatsu may include “forward-looking statements” within the meaning of applicable securities laws and regulations. Forward-looking statements in this release include without limitation statements regarding the expected timing of the completion of the transaction described in the press release, operation of Joy Global’s business following completion of the Acquisition, and statements regarding the future operation, direction and success of the business. Such statements are qualified by known and unknown risks and uncertainties surrounding future business performance, development and financial standing of the Company and Joy Global, and actual results could differ materially from those currently anticipated. Forward-looking statements may be identified by the use of words such as “believe”, “anticipate”, “expect”, “plan”, “intent”, “may” “will”, “estimate” and “future” and other similar expressions, or in particular in the form of discussions of strategies, plans or intentions. Factors that could cause our actual results to differ materially from those described in forward-looking statements include, but are not limited to: (i) uncertainties as to whether or when the transaction will be consummated, (ii) uncertainties as to the approval of Joy Global’s shareholders required in connection with the Acquisition, (iii) the possibility that competing offers will be made, (iv) the possibility that various closing conditions for the transaction may not be satisfied, (v) the effects of disruption caused by the announcement of this transaction making it difficult to maintain relationships with employees, customers, suppliers and other business partners and the potential inability to retain existing Joy Global management upon whom Komatsu will rely, (vi) the risk that stockholder litigation in connection with the transaction may affect the timing of the transaction or result in significant costs of defense, indemnification and liability, (vii) other business effects, including the effects of legal systems, accounting principles or other changes in business environment outside of the control of Komatsu or Joy Global, (viii) the risk that anticipated synergies and other benefits of the acquisition will not materialize, (ix) financial instability and other changes in economy in general or industry, (x) transaction costs, (xi) costs and availability of financing on favorable terms and future capital needs, (xii) changes in costs of supplies and raw materials, customer preferences, exchange rates and other national, regional or global economic and financial conditions, (xiii) marketing, regulatory, product liability, supply, competitive, political and other risks, (xiv) actual or contingent liabilities, (xv) changes in and ability to comply with environmental, tax, labor and employment, and other laws and regulations, and (xvi) other risks including but not limited to those set forth under the “risk factor” section in Joy Global’s Annual Report on Form 10–K which was filed with the U.S. Securities and Exchange Commission (the “SEC”) and other material

submitted to SEC (as available from the SEC website free of charge at http://www.sec.gov)

Unless legally required, Komatsu disclaims any obligation to update any forward-looking statements after the date of this release, whether as a result of new information, future events or otherwise. All forward-looking statements in this announcement are qualified in their entirety by this cautionary statement.