Komatsu Ltd.
Corporate Communications Dept.
Tel: +81-(0)3-5561-2616
Date: July 13th, 2017
URL: http://www.komatsu.com/

Issuance of Stock Acquisition Rights as Stock-Based Remuneration to Employees of the Company and Representative Directors of Major Subsidiaries of the Company

Komatsu Ltd. (hereinafter "Company") hereby announces that at the meeting of the Board of Directors held on July 13, 2017, the Company resolved the details of the terms and conditions of the issuance of rights to subscribe for or purchase shares of the Company (Stock Acquisition Right) for the purpose of granting "Stock-Based Remuneration" to employees and representative directors of major subsidiaries of the Company, pursuant to a resolution at the 148th Ordinary General Meeting of the Shareholders of the Company.

[Description]

1. Reason to issue the Stock Acquisition Rights:
   To raise their morale and their motivation to contribute to the improvement of the consolidated performance of the Company, but also for the purpose of clarifying their incentive to enhance the long-term corporate value of the Company by fostering the same perspective on corporate value with the shareholders.

2. The name of Stock Acquisition Rights:
   Twenty-eighth (28th) Stock Acquisition Rights of Komatsu Ltd.

3. Type and number of shares to be issued upon the exercise of Stock Acquisition Rights:
   The shares to be issued for the Stock Acquisition Rights shall be common stock, and the number of shares subject to one (1) Stock Acquisition Right (hereinafter "Number of Shares Granted") shall be 100 shares.
   However, after June 20, 2017, if the Company effects a stock split of its common stock (including allotment of common stock to shareholders without consideration; the same applies hereinafter) or effects a stock consolidation, the Number of Shares Granted subject to one (1) Stock Acquisition Right shall be adjusted proportionately, in accordance with the ratio of the stock split or the stock consolidation in question. Also, if it is necessary to adjust the Number of Shares Granted after June 20, 2017 for reasons other than the aforementioned reasons, the Company shall adjust the Number of Shares Granted in connection with the aforementioned Stock Acquisition Rights to the extent reasonable.
   Fractions of less than one (1) share resulting from the foregoing adjustment shall be rounded down.

4. Total number of the Share Acquisition Rights:
   1,716 rights
   The above number is the total number of the Stock Acquisition Rights that are expected to be allotted and, accordingly, in the event that the total number of application for subscription of the Stock Acquisition Rights does not reach the above-mentioned number or there occurs a reduction in the total number of the Stock Acquisition Rights to be allotted, the total number of the Stock Acquisition Rights shall be equal to the total number of the Stock Acquisition Rights that are actually allotted.

5. Persons to whom Stock Acquisition Rights shall be granted ("Grantee"):
   78 employees of the Company and 10 representative directors of major subsidiaries.

6. Subscription amount to be paid for each Stock Acquisition Right (The subscription amount):
No consideration shall be paid.
Since this issuance constitutes an issuance of Stock Acquisition Rights to individuals other than shareholders with particularly favorable terms and conditions as set forth in '5.' and '6.', the Ordinary General Meeting of Shareholders held on June 20, 2017 has resolved under Article 309 of the Companies Act of Japan to delegate the determination of the Subscription Requirements to the board of directors, pursuant to the provisions of Article 238 and Article 239 of the Companies Act of Japan.

7. Allotment Date of the Stock Acquisition Rights:
August 1, 2017.

8. Amount of assets to be paid upon exercise of the Stock Acquisition Rights:
The amount of assets to be paid upon exercise of the Stock Acquisition Rights shall be JPY one (1) per each one (1) share to be transferred upon exercise of the Stock Acquisition Rights, multiplied by the Number of Shares Granted.

9. Exercise period for the Stock Acquisition Rights:
From August 1, 2020 to July 31, 2025

10. Conditions for the exercising the Stock Acquisition Rights:
If a holder of Stock Acquisition Rights Who is a Director, Audit & Supervisory Board Member or employee of the Company, or a Director, Audit & Supervisory Board Member or employee of an affiliate of the Company, loses his or her all respective status set above, that person is able to exercise the Stock Acquisition Rights only within three (3) year period from the date they lost such position; provided, however, that the period shall not exceed the original exercise period for the Stock Acquisition Rights described at '9.' above, and the other terms and conditions concerning the exercise of Stock Acquisition Rights shall be decided at the contracts to be executed by and between the Company and the Grantees of the Stock Acquisition Rights (hereinafter "Stock Acquisition Rights Contracts").

11. Restriction on Acquisition of the Stock Acquisition Rights by Transfer:
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the resolution of the Board of Directors of the Company.

12. Matters concerning the increase in paid-in capital and capital surplus in the event of issuance of shares upon the exercise of the Stock Acquisition Rights:
1) The amount of paid-in capital increase in the event of the issuance of shares upon the exercise of the Stock Acquisition Rights shall be one half of the maximum amount of capital increase, calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations of Japan. Fractions less than one (1) yen resulting from the calculation shall be rounded up.
2) An increase in the capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights shall be the amount obtainable by subtracting the amount of the paid-in capital increase from the maximum amount of the capital increase, as set forth in '12.1)' above.

13. Provisions pertaining to acquisition of the Stock Acquisition Rights by the Company:
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition by the Company.

14. In the event where the Company engages in any merger (limited to a case where the Company ceases to exist as the result of the merger), a corporate split in which a division of the Company is merged into an existing company, a corporate split in which a division of the Company is spun off to establish a new company (for both, limited to cases where the Company is split up), or an exchange or transfer of shares (for both, limited to cases where the Company becomes a fully-owned subsidiary) (hereinafter collectively "Restructuring

Actions"), each person holding the remaining Stock Acquisition Rights at the time the Restructuring Actions take effect (hereinafter "Remaining Stock Acquisition Rights") shall be granted the Stock Acquisition Rights of the relevant stock companies prescribed in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act of Japan (hereinafter "Reorganized Company"), in accordance with the conditions set forth below. In this event, the Remaining Stock Acquisition Rights shall become null and void and new Stock Acquisition Rights in the Reorganized Company shall be issued. However, the new Stock Acquisition Rights shall be granted only if provisions for granting them in accordance with the following conditions (i-viii) are included as conditions in a merger agreement (in which the Company is merged into a Reorganized Company or a Reorganized Company is established as the result of the merger), a corporate split agreement (in which a division of the Company is merged into a Reorganized Company), a plan for a corporate split (in which a division of the Company is spun off to establish a Reorganized Company), and a share exchange agreement or a plan for transfer of shares (in both of which the Company becomes a fully-owned subsidiary of a Reorganized Company).

i. Number of the Stock Acquisition Rights of a Reorganized Company to be granted
Each holder of the Remaining Stock Acquisition Rights shall be granted the Stock Acquisition Rights of a Reorganized Company of which the number is equivalent to the number of such Rights held by such holder at the time the Restructuring Actions take effect.

ii. Type of shares of the Reorganized Company to be issued for the Stock Acquisition Rights
Type of shares subject to the Stock Acquisition Rights shall be common stock of the Reorganized Company.

iii. Number of shares of the Reorganized Company to be issued upon exercise of the Stock Acquisition Rights
The number of shares shall be determined in accordance with '3.' above, after taking into consideration the conditions or other factors concerning the Restructuring Actions.

iv. Amount of assets to be paid upon the exercise of the Stock Acquisition Rights
The amount of assets to be paid upon the exercise of newly granted Stock Acquisition Rights shall be the amount obtainable by multiplying JPY one (1) per each one (1) share, by the number of shares to be issued for each acquisition right as determined in '14. iii' above.

v. Exercise period for the Stock Acquisition Rights
The exercise period shall begin on either the first date of the exercise period for the Stock Acquisition Rights stipulated in '9.' above, or on the date that the Restructuring Actions take effect, whichever comes later, and shall continue to the final date of the exercise period for the Stock Acquisition Rights stipulated in '9.' above.

vi. Increase in paid-in capital and capital surplus in the event of the issuance of shares upon exercise of the Stock Acquisition Rights
Such increases shall be determined based on '12.' above.

vii. Restriction on Acquisition of the Stock Acquisition Rights by Transfer
Acquisition of the Stock Acquisition Rights by transfer shall be required to be approved by the Reorganized Company.

viii. Provisions pertaining to acquisition of the Stock Acquisition Rights
The Stock Acquisition Rights do not contain the provisions pertaining to the acquisition of the Stock Acquisition Rights.

15. In case where the number of shares to be issued or transferred to the holders of the Stock Acquisition Rights includes any fraction less than one (1) share, such fraction shall be rounded down.

[Reference]

(1) Date of the resolution of the Board of Directors pursuant to which it was decided to submit the proposal regarding Stock Acquisition Rights for shareholder approval at the 148th Ordinary General Meeting of Shareholders: April 27, 2017

(2) Date of the resolution of shareholders at the 148th Ordinary General Meeting of shareholders approving the issuance of the Stock Acquisition Rights: June 20, 2017

(end)