July 12, 2018

Company name	Komatsu Ltd.
Name of Representative	Tetsuji Ohashi, President and CEO
	(Code: First Section of TSE 6301)
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Announcement Regarding Issuance of New Shares as Restricted Stock Compensation

Komatsu Ltd. ("Komatsu") hereby announces that the Board of Directors, at its meeting held on July 11, 2018 U.S. time (July 12, 2018 Japan time), resolved to issue new shares (the "Issuance of New Shares"), as follows:

1. Outline of the Issuance

(1)	Payment date	September 3, 2018
(2)	Class and number of shares to be issued	284,800 shares of common stock of Komatsu
(3)	Issue price	JPY 3,098 per share
(4)	Total issue price of shares to be issued	JPY 882,310,400
(5)	Allottees	5 Directors of Komatsu (other than the Outside Directors): 64,410 shares in total 67 employees of Komatsu: 183,680 shares in total 12 Directors of subsidiaries of Komatsu: 32,300 shares in total 3 employees of subsidiaries of Komatsu: 4,410 shares in total
(6)	Other	The Issuance of New Shares is implemented on condition that a securities registration statement takes effect in accordance with the Financial Instruments and Exchange Act.

2. Purpose of and Reasons for the Issuance

Komatsu has resolved at the meeting of the Board of Directors held on April 26, 2018 to introduce, for the purpose of providing its directors (other than the Outside Directors) (the "Eligible Directors") with medium- to long-term incentives and advancing the sharing of value between the Eligible Directors and shareholders of Komatsu, a new compensation plan, i.e., the restricted stock compensation system.

In addition, at the 149th Ordinary General Meeting of Shareholders of Komatsu held on June 19, 2018, an approval was granted to the effect that (i) Komatsu may grant to the Eligible Directors, as compensation to be used as contributed assets to acquire restricted stocks pursuant to the restricted stock compensation system (the "Restricted Stock Compensation"), monetary receivables in an amount (a) no more than JPY 360 million per year with respect to the Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) as stated in <Outline of the System> below (provided, however, that the employee salaries for the Directors concurrently serving as employees are not included in this amount) and (b) no more than JPY 180 million per year with respect to the Stock-Based Remuneration B

(Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan) as stated in <Outline of the System> below (provided, however, that the employee salaries for the Directors concurrently serving as employees are not included in this amount), and (ii) the transfer restriction period for both the Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) and the Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan) shall be a period of three (3) years. Since the approval of shareholders with respect to the restricted stock compensation system for the Eligible Directors was granted, Komatsu introduced the system for employees of Komatsu and Directors and employees of Komatsu's major subsidiaries (together with the Eligible Directors, the "Eligible Directors, etc."), which is similar to the restricted stock compensation system for the Eligible Directors (together with the restricted stock compensation system for the Eligible Directors, the "System").

The outline of the System is as described below.

<Outline of the System>

The System is comprised of the following two (2) compensation systems:

(i) Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)

As an alternative to Stock Acquisition Rights which have been granted as stock-based remuneration, Komatsu shall determine the amount of remuneration based on Komatsu's single-year performance, etc. and pay a part of the amount of remuneration so determined in the form of restricted stock to the Eligible Directors, etc. each fiscal year. The transfer restrictions will, in principle, be lifted three (3) years after the grant of the shares.

(ii) Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan)

With respect to the period of Komatsu's mid-range management plan, Komatsu shall grant restricted stock to the Eligible Directors, etc. each fiscal year based on the base amount of remuneration for each position. After the expiry of the period of the mid-range management plan, Komatsu shall determine the number of shares with respect to which the transfer restriction will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc. In principle, Komatsu shall lift the transfer restrictions three (3) years after the grant of the shares.

The Eligible Directors, etc. shall pay all monetary receivables granted by Komatsu and its subsidiary under the System as contribution in kind to Komatsu, and Komatsu shall issue or dispose of Komatsu's shares of common stock. The total number of common stock of Komatsu to be issued or disposed of by Komatsu under the System shall be no more than 239,000 shares per year with respect to the Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) and no more than 120,000 shares per year with respect to the Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan), and the amount to be paid per share of common stock of Komatsu to be issued or disposed of by Komatsu under the System shall be the closing price of shares of common stock of Komatsu on the Tokyo Stock Exchange, Inc. on the business day immediately preceding the date of the resolution of the Board of Directors for the issuance or disposal of shares of common stock of Komatsu (or, if there is no closing price on such business day, the closing price on the trading day immediately prior thereto).

In addition, the issuance or disposal of the shares of common stock of Komatsu under the System shall be subject to the execution of a restricted stock grant agreement that includes the provisions set forth in items (i) to (iii) below between Komatsu and the Eligible Directors, etc. who will be granted the Restricted Stock Compensation.

(i) The Eligible Directors, etc. shall not be allowed to transfer, create a security interest on or otherwise dispose of the shares to a third party during a given period.

(ii) Although the transfer restriction will in principle be lifted three (3) years after the grant of the shares, Komatsu shall acquire the shares free of charge if prescribed events occur.

(iii) With respect to "the Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan)," the transfer restriction will be lifted when, in addition to the conditions above, the

restricted period expires in regards to the number of the shares corresponding to the achievement status of the targets that the Board of Directors set in advance based on the targets raised in the mid-range management plan of Komatsu, such as the consolidated ROE target, operating income ratio target, ESG (Environment, Social and Corporate Governance) target, etc.

At this time, based on the deliberations and reports of the Compensation Advisory Committee, after considering the objectives and roles of the System, the business performance of Komatsu, the scope of the duties of each of the Eligible Directors, etc. and other various factors, it is decided that the following compensation will be granted for the purpose of procuring talent and further improving the motivation of each of the Eligible Directors, etc. to achieve the performance.

(i) The Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year): JPY 119,737,700 of monetary receivables for the Eligible Directors of Komatsu (38,650 shares of common stock), JPY 69,426,180 of monetary receivables for the directors of Komatsu's subsidiaries (22,410 shares of common stock) and JPY 405,373,300 of monetary receivables for the employees of Komatsu and Komatsu's subsidiaries (130,850 shares of common stock)

(ii) The Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan): JPY 79,804,480 of monetary receivables for the Eligible Directors of Komatsu (25,760 shares of common stock), JPY 30,639,220 of monetary receivables for the directors of Komatsu's subsidiaries (9,890 shares of common stock) and JPY 177,329,520 of monetary receivables for the employees of Komatsu and Komatsu's subsidiaries (57,240 shares of common stock)

(The shares of common stock in (i) and (ii) above are hereinafter collectively the "Granted Shares.")

In addition, the restricted period for both the Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) and the Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan) shall be three (3) years, which the shareholders approved at the 149th General Meeting of Shareholders.

With respect to the Issuance of New Shares, 87 members of the Eligible Directors, etc. who will be the allottees shall pay all of the monetary receivables as a contribution in kind to Komatsu, and Komatsu shall issue the Granted Shares, subject to the execution of restricted stock grant agreements between Komatsu and the Eligible Directors, etc. for each of the Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) and the Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan) (collectively the "Grant Agreement") under the System. The outline of the Grant Agreement is as described in 3. below.

3. Outline of Grant Agreement

(1) Transfer Restriction Period

(i) Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) From September 3, 2018 to September 2, 2021

(ii) Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan) From September 3, 2018 to September 2, 2021

(2) Lifting of Transfer Restriction

(i) Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)

In principle, the transfer restriction on all of the Granted Shares will be lifted at the expiry of the transfer restriction Period.

(ii) Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan)

At the expiry of the transfer restriction period, Komatsu will lift the transfer restrictions on the number of the Granted Shares (provided, however, that, if such calculation results in shares less than 10 shares, such shares shall be rounded down) obtained by multiplying (i) the number of the Granted Shares held by the Eligible Director, etc., at the

expiry of the transfer restriction period by (ii) the rate of which the restriction is lifted, which is determined (from 0 to 100%) depending on the rate of achievement of the performance targets during the period of the Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan ("Valuation Period").

Performance targets consist of the five indicators below, which are based on the important targets raised in the mid-range management plan and determined beforehand by the Board of Directors. Additionally, the rate of which the transfer restriction is lifted, shall be decided by the Board of Directors after comprehensively assessing the rate of achievement of each of the indicators and based on the recommendation of the Compensation Advisory Committee.

1. Consolidated sales growth rate (Relative comparison with domestic and foreign major competitors in the same industry)
2. Consolidated operating income ratio (Relative comparison with domestic and foreign major competitors in the same industry)
3. Consolidated return on equity
4. Net debt-to-equity ratio (Relative comparison with domestic and foreign major competitors in the same industry)
5. ESG (Environment, Social, Governance) Targets in respect of mid-range ESG activities

(3) Treatment in the event an Eligible Director, etc., retires during the Restricted Period due to a legitimate reason, such as the expiration of the term of office or having reached the retirement age

• Timing of the Lifting of the Restrictions

(i) If the Eligible Director, etc. has retired or resigned for a legitimate reason, excluding death

Komatsu shall lift the restrictions on the Granted Shares for both the Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) and the Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan) at the expiry of the restriction period

(ii) If the Eligible Director, etc. has retired due to death

Komatsu shall lift the restrictions on the Granted Shares for both the Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) and the Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan) at such time determined appropriate by the Board of Directors after the death of the relevant Eligible Director, etc.

• Number of Granted Shares with Respect to which Restrictions are to be Lifted

(i) If the Eligible Director, etc. has retired or resigned for a legitimate reason, excluding death

(a) Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year): All of the shares that are granted

(b) Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan): Number of shares set forth in (2) (ii) above

(ii) If the Eligible Director, etc. has retired due to death

(a) Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) : All of the granted shares

(b) Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan): The number of shares (provided, however, that, if such calculation results in shares less than 10 shares, such shares shall be rounded down) obtained by multiplying the rate of which the restriction is lifted (this rate is calculated based on the rate of achievement of the performance targets or the prospect thereof at the time of the relevant retirement/resignation) by the number of shares held as allotted as of the relevant retirement/resignation; and multiplying the resulting figure by the number of months obtained by

dividing the number of months of tenure during the transfer restriction period by 12 (provided, however, that, when the resulting number is more than 1, the number shall be set at 1); provided, however, that the number of shares shall be as set forth in (2) (ii) above, with respect to the period following the determination of the number of shares with respect to which the transfer restriction will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc.

(4) Company's Acquisition Free of charge

Komatsu shall automatically acquire, free of charge, the Granted Shares with respect to which the Company decides not to lift the transfer restriction.

(5) Management of Shares

In order to prevent the Granted Shares from being transferred, having any security interest created thereon, or otherwise being disposed of during the transfer restriction period; the Granted Shares will be managed using a dedicated account that has been opened at Nomura Securities Co., Ltd. by the Eligible Directors, etc., during the transfer restriction period. In order to ensure the effectiveness of the transfer restriction, etc., concerning the Granted Shares, Komatsu executed an agreement regarding management of the accounts of the Granted Shares held by each of the Eligible Directors, etc., with Nomura Securities Co., Ltd. The Eligible Directors, etc., consent to the details regarding the management of the relevant accounts.

(6) Treatment in Case of Organizational Restructuring

During the transfer restriction period, if a matter relating to a merger agreement under which Komatsu will become the dissolving company, a share exchange agreement, or a share transfer plan under which Komatsu will become a wholly-owned subsidiary, or any other organizational restructuring is approved at a General Meeting of Shareholders of Komatsu (or, if an approval at a General Meeting of Shareholders of Komatsu is not required regarding the above-mentioned organizational restructuring, then the approval of the Board of Directors of Komatsu), by way of a resolution of the Board of Directors, the transfer restriction shall, at the time immediately prior to the business day immediately preceding the effective date of such organizational restructuring, be removed in respect of the number of the shares below. In addition, all of the Granted Shares for which the transfer restriction has not been removed, as of the time immediately after the removal of the transfer restriction will automatically be acquired by Komatsu without consideration.

(i) Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year):
All of the Granted Shares

(ii) Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan):
The number of shares (provided, however, that, when a fraction of less than 10 shares arise as a result of calculation, fractions shall be rounded down) obtained by multiplying the rate of which the restriction is lifted (this rate is calculated based on the rate of achievement of the performance targets or the prospect thereof at the time of the relevant termination) by the number of shares held as allotted as of the relevant termination; and multiplying the resulting figure by the number of months obtained by dividing the number of months of tenure during the transfer restriction period by 12 (provided, however, that, when the resulting number is more than 1, the number shall be set at 1); provided, however, that the number of shares shall be as set forth in (2) (ii) above, with respect to the period following the determination of the number of shares with respect to which the restrictions will be lifted according to the achievement status of the targets raised in the mid-range management plan, etc.

4. Basis of Calculation of the Payment Amount and Specific Details thereof

The Issuance of New Shares to scheduled allottees shall be carried out under the System through contribution in kind of the monetary receivables paid as the Restricted Stock Compensation for the fiscal year 2017 (April 1, 2017 – March 31,

2018) of Komatsu and its subsidiaries with respect to Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year) and as the Restricted Stock Compensation for the fiscal year 2018 (April 1, 2018 – March 31, 2019) of Komatsu and its subsidiaries with respect to Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Range Management Plan). In order to eliminate any arbitrariness in the determination of the issue price, the issue price shall be 3,098 yen, which is the closing price of the shares of common stock of Komatsu on the Tokyo Stock Exchange, Inc. on July 11, 2018 (JST), which was the business day immediately preceding the date of the resolution of the Board of Directors (JST: July 12, 2018). We believe that this amount is the market stock price immediately prior to the date of resolution of the Board of Directors, and is reasonable, and does not represent a price that is particularly favorable to the Eligible Directors, etc.

End