



Driving your rewards

The Komatsu North America and Komatsu Mining Technologies Long Term Incentive (LTI) compensation program

As a senior leader, your energy, vision and leadership enable us to achieve our goal of creating value together. To retain and attract motivated and dedicated leaders like you, we provide incentives that deliver real value to you through the Long Term Incentive (LTI) compensation program. This program applies to you, and aligns with the Komatsu leadership team, including the KLTD Board of Directors — recognizing that we are one team driving to support the success of the company.

The LTI program provides you with annual incentive awards that substitute for equity ownership and pay out in cash over a three-year cycle when certain performance objectives are met. The plan is based on uniform global targets that tie to the KLTD strategic plan to drive financial results. The program is consistent with Komatsu's overall pay for performance philosophy and is designed to reward performance over the long term. Importantly, the LTI program encourages leaders to focus on long-term continuous improvement activities that will generate higher value for the company and greater rewards for the participants.

The basics of the program


Because the LTI program is an integral part of your total compensation, it's important that you understand how the value of each grant is determined, the program's components and the performance measures used to determine your actual cash payouts under the program.

The LTI program offers annual grants to participants for the period of April 1 through March 31 with a three-fiscal-year performance cycle. You are vested (eligible for a payout) if you are an active employee on the last day of the fiscal year.

- At the *start* of each three-fiscal-year performance cycle an **LTI target rate** is determined, which is a percentage of your base salary after the fiscal year merit is applied. This is used to calculate your **target grant amount**.
- At the *end* of the first fiscal year in each three-fiscal-year performance cycle, your **LTI amount** is calculated. The calculation is based on the performance of the company and your LTI target rate.
 - Two-thirds of your LTI amount pays out each year in July over three years.
 - One-third of your LTI amount pays out at the end of year three in July.
- At the *end* of the three-fiscal-year performance cycle, the one-third portion of your LTI amount is adjusted for stock price volatility to determine your final payout.

Here's how your annual grants and grant payouts overlap over time:

	FY 0 April	FY 1 April	FY 2 April	FY 3 April	FY 4 April	FY 5 April	FY 6 April
Performance Cycle 1	○	●	●	●			
Performance Cycle 2		○	●	●	●		
Performance Cycle 3			○	●	●	●	
Performance Cycle 4				○	●	●	●
Performance Cycle 5					○	●	●

 Three-year performance cycle based on fiscal year April 1 – March 31

○ Initial grant; LTI target rate determined as % of base salary.

● LTI payout calculation

LTI program components

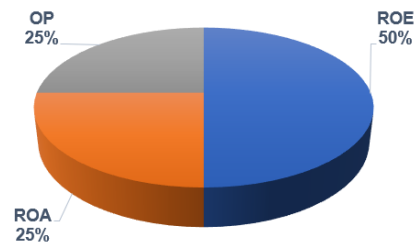
Core metrics include:

Consolidated Return on Equity (ROE), worth 50% of the calculation.

Consolidated Return on Assets (ROA), worth 25% of the calculation.

Consolidated Operating Profit Sales Ratio (OP), worth 25% of the calculation.

Consolidated Sales Growth Rate, a multiplier that can add or subtract up to 10% of the final calculation (+/- 10%).



Based on the information above a Bonus Unit is determined by KLTD.

A bonus unit (BU) is a basic unit, or equation factor, used in the LTI calculation.

The minimum BU possible is 0 and the maximum is 24. The charts below are used to determine the BUs for each metric:

Bonus Units according to consolidated ROE x 50%	
ROE	BU
0% or less	0.0
1%	0.7
2%	1.4
3%	2.0
4%	2.6
5%	3.2
6%	3.9
7%	4.5
8%	5.5
9%	6.5
10%	7.5
11%	9.0
12%	10.5
13%	12.0
14%	13.5
15%	15.0
16%	16.0
17%	17.0
18%	18.0
19%	19.0
20%	20.0
21%	20.8
22%	21.6
23%	22.4
24%	23.2
25%	24.0
Over ROE 25%	Max 24.0 BU

Bonus Units according to Operating Profit Sales Ratio x 25%	
OP RATE	BU
0% or less	0.0
1%	1.0
2%	2.0
3%	3.0
4%	4.0
5%	5.0
6%	6.0
7%	7.0
8%	8.0
9%	9.0
10%	10.0
11%	11.0
12%	12.0
13%	13.0
14%	14.0
15%	15.0
16%	16.0
17%	17.0
18%	18.0
19%	19.0
20%	20.0
21%	21.0
22%	22.0
23%	23.0
24%	24.0
OP Rate over 25%	Max 24.0 BU

Bonus Units according to consolidated ROA x 25%	
ROA	BU
0% or less	0.0
1%	1.5
2%	3.0
3%	4.5
4%	6.0
5%	7.5
6%	9.0
7%	10.5
8%	12.0
9%	13.5
10%	15.0
11%	16.5
12%	18.0
13%	19.5
14%	21.0
15%	22.5
16%	24.0
ROA over 16%	Max 24.0 BU

Consolidated Sales	
Growth Rate	Adjustment Rate
-10% or less	-10%
-9.99% – 9.99%	Equals Growth Rate
10% or more	+10%

Calculating the bonus units and ratio

At the end of the first fiscal year in each three-year performance cycle:

- The **bonus unit** is calculated based on the business result of each KLTD metric (ROE, ROA and OP). The **final bonus unit** for a performance cycle is calculated as follows:

$$((\text{ROE BU} \times 50\%) + (\text{ROA BU} \times 25\%) + (\text{OP BU} \times 25\%)) \times \text{Consolidated Sales Growth Rate} = \text{Final Bonus Unit}$$

- The **bonus unit ratio** is the final bonus unit divided by the baseline bonus unit of 15. 15 BUs is the baseline bonus unit target for the LTI program.

Bonus unit and ratio example

Assumptions:

- Annual Base Salary: \$160K
- LTI Target Rate: 25%
- The Bonus Unit Ratio is 15 Final BU/15 Baseline BU = 1.00
- Grant Year: FY2021
- Stock Price: FY2020: JPY2,500, FY2023: JPY2,685, Volatility 107.4%

Bonus Units Calculation for ROE, ROA and OP

	Business Result	Bonus Unit (BU) for each Metric		Weighting	=	BU Value
Consolidated ROE in FY2021	15%	15	X	50%	=	7.5
Consolidated ROA in FY2021	10%	15	X	25%	=	3.75
Consolidated OP Ratio in FY2021	13%	13	X	25%	=	3.25
				100%		14.50

Sales Growth Adjustment

	Business Result		BU Value	Final BU
	103.5%	X	14.50	15.00

The Bonus Unit Ratio is 15 Final BU/15 Baseline BU = 1.00

Calculating LTI payout amount

The LTI payout amount is your base salary multiplied by the LTI target rate and bonus unit ratio level.

LTI target rate X bonus unit ratio x Salary at time of grant = Payout in dollars

For the example above, the LTI amount for payout applicable to the three-year performance cycle is 25% X 1.00 X \$160,000 = \$40,000.

See pages 6-7 for examples of the LTI calculations.

How you receive your payouts

At the end of the first fiscal year in the performance cycle, your payout is calculated as described above and is then divided into two parts:

- Two-thirds of the amount will be paid equally over a three-year time frame, expressed as 2/3 of the total in the example below.
- One-third of the amount will be paid at the end of the three-year performance cycle, multiplied by the calculated Stock Price Volatility during that period, expressed as 1/3 of the total LTI in the example below.

Example:

(1) 2/3 of the total LTI (\$40K x 2/3 = \$26.7K)

FY2022: \$26.7K x 1/3 = \$8.9K

FY2023: \$26.7K x 1/3 = \$8.9K

FY2024: \$26.7K x 1/3 = \$8.9K

(2) 1/3 of the total LTI (\$40K x 1/3 = \$13.3K)

FY2024: \$13.3K x Stock Price Volatility 107.4% = \$14.3K

Stock Price Volatility is the change in the average Komatsu stock price from the start to the end of the three-year performance cycle.

$$\frac{\text{Average stock price of the third (last) fiscal year of cycle}}{\text{Average stock price of the fiscal year prior to the grant fiscal year}} = \text{Stock Price Volatility}$$

In this example, an individual with a base salary of \$160,000 and an LTI Level of 25% will receive \$8,900 after the conclusion of each fiscal year of the three-year performance cycle. They will receive an additional \$14,300 after the conclusion of the third fiscal year of the performance cycle, based on an illustrative Stock Price Volatility of 107.4%.

If an employee permanently transfers to another country, the vested payments are made through the current active payroll.

LTI — Treatment at termination

The following is an overview of how your grants are treated if you leave the Company.

Unvested fiscal year grants = Two-thirds portion

Unvested three-year grants = One-third portion

- Voluntary resignation — You forfeit all unvested fiscal year and unvested three-year performance cycle grants.
- Dismissal with cause — You forfeit all unvested fiscal year and unvested three-year performance cycle grants.
- Dismissal without cause — You forfeit all unvested fiscal year grants and will receive a prorated three-year performance payment, paid at normal time frames and based on actual performance of the full three-year performance cycle.
- Retirement — You forfeit all unvested fiscal year grants and will receive a prorated three-year performance payment, paid at normal time frames and based on actual performance of the full three-year performance cycle.
 - Retirement means retirement from active employment with the Company at or after age 55 having completed at least 5 years of continuous service.
- Death (paid to beneficiary) — Early payment of all unvested fiscal year grants, based on original grant amounts; accelerated payment of unvested three-year performance cycle grants prorated based on time worked.

Comparison of LTI examples:

Case 1: Meeting business targets

Assumptions:

Annual Base Salary: \$160K

LTI Target Rate: 25%

Bonus Unit Ratio: 1.00

Grant Year: FY2021

Stock Price: FY2020: JPY2,500, FY2023: JPY2,685, Volatility 107.4%

Step 1. Bonus Unit and Bonus Unit Ratio

Bonus Units Calculation for ROE, ROA and OP

	Business Result	Bonus Unit (BU) for each Metric		Weighting		BU Value
Consolidated ROE in FY2021	15%	15	x	50%	=	7.50
Consolidated ROA in FY2021	10%	15	x	25%	=	3.75
Consolidated OP Ratio in FY2021	13%	13	x	25%	=	3.25
				100%		14.50

Sales Growth Adjustment

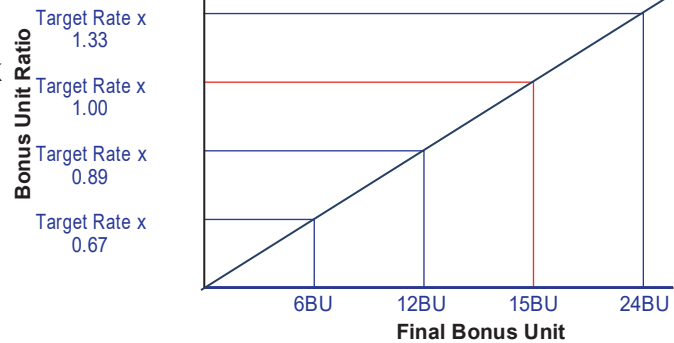
	Business Result		BU Value	Final BU
Consolidated Sales Growth Rate in FY21	103.5%	x	14.50	= 15.00

Step 2. LTI Amount

- 15 BU \longrightarrow 15 BU/15 BU = 1.00 (bonus unit ratio)
- LTI Amount = 25% x 1.00 x Base Salary (\$160K) = \$40K

Step 3. LTI Payout

- **2/3 of the total LTI** (\$40K x 2/3 = \$26.7K)
 - FY2022: \$26.7K x 1/3 = \$8.9K
 - FY2023: \$26.7K x 1/3 = \$8.9K
 - FY2024: \$26.7K x 1/3 = \$8.9K
- **1/3 of the total LTI** (\$40K x 1/3 = \$13.3K)
 - FY2024: \$13.3K x Stock Price Volatility 107.4% = \$14.3K



All amounts are for illustrative purposes only and have no bearing on actual award amounts for any individual.

Case 2: Below business targets

Assumptions:

Annual Base Salary: \$160K

LTI Target Rate: 25%

Bonus Unit Ratio: 0.533

Grant Year: FY2021

Stock Price: FY2020: JPY2,500, FY2023: JPY2,425, Volatility 97.0%

Step 1. Bonus Unit and Bonus Unit Ratio

Bonus Units Calculation for ROE, ROA and OP

	Business Result	Bonus Unit (BU) for each Metric		Weighting	=	BU Value
Consolidated ROE in FY2021	8.0%	5.50	x	50%	=	2.75
Consolidated ROA in FY2021	6.0%	9.00	x	25%	=	2.25
Consolidated OP Ratio in FY2021	9.0%	9.00	x	25%	=	2.25
				100%		7.25

Sales Growth Adjustment

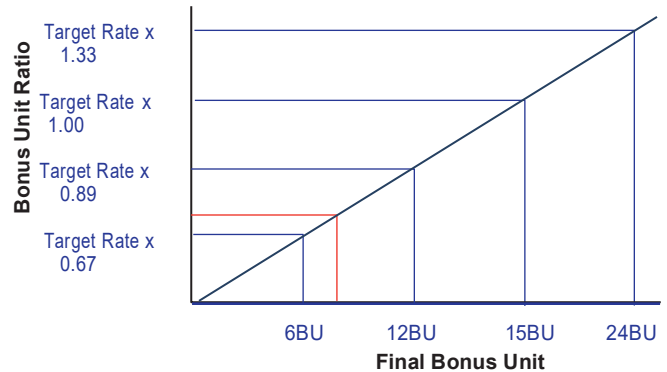
	Business Result	Adjusted Rate		BU Value	=	Final BU
Consolidated Sales Growth Rate in FY21	112.8%	110.0%	x	7.25	=	8.00

Step 2. LTI Amount

- 8.0 BU \rightarrow 8.0 BU/15 BU = 0.533
- LTI Amount = 25% x .533 x Base Salary (\$160K) = \$21.3K

Step 3. LTI Payout

- **2/3 of the total LTI** (\$21.3K x 2/3 = \$14.2K)
 - FY2022: \$14.2K x 1/3 = \$4.7K
 - FY2023: \$14.2K x 1/3 = \$4.7K
 - FY2024: \$14.2K x 1/3 = \$4.7K
- **1/3 of the total LTI** (\$21.3K x 1/3 = \$7.1K)
 - FY2024: \$7.1K x Stock Price Volatility 97.0% = \$6.9K



All amounts are for illustrative purposes only and have no bearing on actual award amounts for any individual.

This brochure is applicable to the Komatsu North America and Komatsu Mining Technologies Long Term Incentive (LTI) compensation program*. The summary of the major terms and conditions of the LTI program are highlighted in this brochure. The terms and provisions of the LTI program are also subject to the provisions of the formal plan document governing the LTI program (the "Plan"). To the extent the terms and conditions set forth in this brochure conflict with the terms set forth in the Plan, the terms of the Plan shall govern. A copy of the Plan is available upon request from Human Resources.

*This LTI program is applicable to certain legal entities within Komatsu North America and Komatsu Mining Technologies.