

FINANCIAL STATEMENTS

Consolidated Balance Sheets

March 31, 1999 and 1998

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
Current assets:			
Cash and time deposits	¥ 57,410	¥ 35,403	\$ 474,463
Marketable securities (Notes 3 and 10).....	32,367	39,396	267,496
Trade receivables:			
Notes receivable (Note 3).....	102,307	119,117	845,512
Accounts receivable	143,331	146,000	1,184,554
Allowance for doubtful accounts.....	(1,916)	(2,405)	(15,835)
Inventories (Note 2).....	169,035	200,256	1,396,983
Deferred income taxes.....	8,303	—	68,620
Prepaid expenses and other current assets.....	31,852	28,792	263,240
Total current assets.....	542,689	566,559	4,485,033
Property, plant and equipment (Note 3):			
Land.....	27,572	27,115	227,868
Buildings and yards	125,294	124,527	1,035,488
Machinery and equipment.....	167,923	173,869	1,387,793
Construction in progress.....	4,696	2,802	38,810
	325,485	328,313	2,689,959
Less accumulated depreciation	200,728	199,556	1,658,909
	124,757	128,757	1,031,050
Investments, long-term loans and other assets:			
Unconsolidated subsidiaries and affiliated companies (Note 10).....	25,748	25,379	212,793
Other long-term loans receivable and investments.....	7,528	7,573	62,215
Other assets	22,161	18,945	183,149
Allowance for doubtful accounts	(4,065)	(2,447)	(33,595)
	51,372	49,450	424,562
Foreign currency translation adjustment	4,855	3,251	40,124
	¥ 723,673	¥ 748,017	\$ 5,980,769

FINANCIAL STATEMENTS

LIABILITIES AND STOCKHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
Current liabilities:			
Bank loans (Note 3).....	¥ 148,037	¥ 147,357	\$ 1,223,446
Long-term debt due within one year (Note 3)	29,075	54,666	240,289
Commercial paper.....	46,930	20,000	387,851
Trade payables:			
Notes payable.....	56,467	63,115	466,669
Accounts payable.....	76,197	81,808	629,727
Advance payments received on contracts.....	67,539	95,325	558,174
Accrued expenses and other current liabilities.....	53,519	52,632	442,307
Total current liabilities.....	477,764	514,903	3,948,463
Long-term debt due after one year (Note 3)	163,157	143,900	1,348,405
Employees' severance and retirement benefits (Note 4)	3,455	3,172	28,554
Other long-term liabilities	1,425	1,347	11,777
Minority interests	4,897	5,786	40,471
Contingent liabilities (Note 7)			
Stockholders' equity (Note 6):			
Common stock, par value ¥50 per share:			
Authorized — 1,200,000 thousand shares			
Issued — 588,697 thousand shares.....	30,872	30,872	255,140
Additional paid-in capital.....	26,752	26,752	221,091
Retained earnings.....	15,352	21,286	126,876
	72,976	78,910	603,107
Less treasury stock at cost, 2,395 shares (2,726 shares in 1998)	1	1	8
Total stockholders' equity.....	72,975	78,909	603,099
	¥ 723,673	¥ 748,017	\$ 5,980,769

See accompanying notes.

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Consolidated Statements of Stockholders' Equity

Years ended March 31, 1999 and 1998

	Number of shares of common stock (thousand)	Millions of yen		
		Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1997	588,697	¥ 30,872	¥ 26,752	¥ 18,500
Decrease due to change in numbers of consolidated subsidiaries and companies accounted for by the equity method	—	—	—	(12)
Net income	—	—	—	4,613
Cash dividends paid (¥3 per share)	—	—	—	(1,766)
Bonuses to directors and statutory auditors	—	—	—	(49)
Balance at March 31, 1998	588,697	30,872	26,752	21,286
Cumulative effect of adopting deferred income tax accounting	—	—	—	8,111
Increase due to change in numbers of consolidated subsidiaries and companies accounted for by the equity method	—	—	—	54
Net loss	—	—	—	(12,298)
Cash dividends paid (¥3 per share)	—	—	—	(1,766)
Bonuses to directors and statutory auditors	—	—	—	(35)
Balance at March 31, 1999	588,697	¥ 30,872	¥ 26,752	¥ 15,352

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1997	\$ 255,140	\$ 221,091	\$ 152,893
Decrease due to change in numbers of consolidated subsidiaries and companies accounted for by the equity method	—	—	(99)
Net income	—	—	38,124
Cash dividends paid (\$0.02 per share)	—	—	(14,595)
Bonuses to directors and statutory auditors	—	—	(405)
Balance at March 31, 1998	255,140	221,091	175,918
Cumulative effect of adopting deferred income tax accounting	—	—	67,033
Increase due to change in numbers of consolidated subsidiaries and companies accounted for by the equity method	—	—	446
Net loss	—	—	(101,636)
Cash dividends paid (\$0.02 per share)	—	—	(14,595)
Bonuses to directors and statutory auditors	—	—	(290)
Balance at March 31, 1999	\$ 255,140	\$ 221,091	\$ 126,876

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
Cash flows from operating activities:			
Net income (loss)	¥ (12,298)	¥ 4,613	\$ (101,636)
Adjustments to reconcile net loss (income) to net cash provided by operating activities:			
Depreciation	14,076	15,767	116,331
Provision for employees' severance and retirement benefits	283	254	2,339
Equity in earnings of unconsolidated subsidiaries and affiliated companies	1,109	(1,595)	9,165
Decrease in minority interests	(889)	(5,972)	(7,347)
Bonuses to directors and statutory auditors	(35)	(49)	(289)
Changes in operating assets and liabilities:			
Decrease in notes and accounts receivable	19,479	15,144	160,983
Decrease (increase) in inventories	31,221	(35,874)	258,025
Increase (decrease) in notes accounts payable	(11,548)	3,493	(95,438)
Decrease (increase) in other current assets	(11,363)	3,158	(93,909)
Increase (decrease) in other current liabilities	(18,735)	4,984	(154,835)
Other-net	48	(3,407)	397
Net cash provided by operating activities	11,348	516	93,786
Cash flows from investing activities:			
Payments for purchases of property, plants and equipment	(17,461)	(15,966)	(144,306)
Proceeds from sale of property, plants and equipment	3,807	3,464	31,463
Payments for investment securities	(3,356)	(593)	(27,736)
Proceeds from sale of investment securities	3,293	3,279	27,215
Decrease in marketable securities	7,029	5,270	58,091
Decrease (increase) in long-term loans receivable and investments	(2,362)	348	(19,521)
Net cash used in investing activities	(9,050)	(4,198)	(74,794)
Cash flows from financing activities:			
Increase in long-term debt	55,604	56,935	459,537
Decrease in long-term debt	(61,739)	(54,482)	(510,240)
Increase (decrease) in bank-loans	27,610	(2,620)	228,182
Cash dividends paid	(1,766)	(1,766)	(14,595)
Net cash provided by (used in) financing activities	19,709	(1,933)	162,884
Net increase (decrease) in cash and time deposits	22,007	(5,615)	181,876
Cash and time deposits at beginning of year	35,403	41,018	292,587
Cash and time deposits at end of year	¥ 57,410	¥ 35,403	\$ 474,463
Supplemental disclosures of cash flows information:			
Cash paid during the year for:			
Interest	¥ 8,610	¥ 8,315	\$ 71,157
Income taxes	21,144	8,256	174,744

Notes to Consolidated Financial Statements

March 31, 1999 and 1998

1. Significant accounting policies

Basis of Presenting Consolidated Financial Statements

Sumitomo Heavy Industries, Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance ("MOF") as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of cash flows have been prepared for the purpose of inclusion in the consolidated financial statements, although such statements are not customarily prepared in Japan and are not required to be filed with MOF.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 1999, which was ¥121 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (the "Companies"). All significant intercompany transactions and accounts have been eliminated.

Investments in 20% - 50% owned significant affiliated companies are accounted for by the equity method.

The difference between costs and net assets acquired in subsidiaries and affiliated companies, consolidated or accounted for by the equity method, are deferred and amortized over 5 years so long as the amounts are significant. In case of amounts being insignificant, such amounts are charged or credited to income as incurred.

In accordance with the new disclosure requirements effective from the year ended March 31, 1999, equity in earnings (losses) of affiliated companies is included in other income (expenses).

Prior year amounts, which were presented between income taxes and net income, have been reclassified to conform to the 1999 presentation.

In accordance with the new disclosure requirements effective from the year ended March 31, 1999, amortization of difference between costs and net assets acquired is included in selling, general and administrative expenses. Prior year amounts, which were presented between income tax expense and net income, have been reclassified to conform to the 1999 presentation.

The effect of the change on segment information is explained in Note 8 (D).

Marketable and Investment Securities

Listed securities, other than securities of subsidiaries and affiliated companies, are valued at the lower of cost or market. Other securities are valued at cost. Cost is calculated based on the moving average method.

Commencing with the year ended March 31, 1999, the Company and its domestic subsidiaries record recoveries of write-downs of securities in accordance with a revision in the Corporation Tax Law. There was no effect on net income resulting from adopting this accounting policy.

Inventories

Work in process is stated principally at cost based on specific cost basis. Finished products, semi-finished products, raw materials and supplies are stated principally at cost based on average method.

Property, plant and equipment and depreciation

Property, plant and equipment are carried at cost. Depreciation is computed primarily using the declining-balance method. In accordance with revisions of the Corporation Tax Law, buildings acquired after March 31, 1998 are depreciated using the straight-line method. The effect of this change was immaterial.

Also effective April 1, 1998, in accordance with revisions referred to above, the Company and its domestic subsidiaries shortened the estimated useful lives of buildings, excluding building fixtures. The effect of this change was immaterial.

Allowance for doubtful accounts

The Company and domestic consolidated subsidiaries provide for doubtful accounts principally at an estimated amount of probable bad debt plus the maximum amount permitted to be charged to income under Japanese tax regulations. Foreign consolidated subsidiaries provide for doubtful accounts at an estimated amount of probable bad debt.

Employees' severance and retirement benefits

The Company has a non-contributory funded pension plan covering all employees. In general, the plan provides for pension payments for a period of 15 years to employees leaving the Company after 20 or more years of service.

Under certain conditions, participants may elect to receive the current value of their vested benefits in a lump-sum distribution. If employees with one or more years, but less than 20 years, of service leave the Company, they receive a lump-sum distribution.

Prior service costs under the non-contributory funded pension plan are amortized over 15 years.

Employees of certain domestic and overseas consolidated subsidiaries are covered primarily by funded pension plans. Employees of other domestic consolidated subsidiaries are covered primarily by unfunded retirement benefit plans.

Foreign currency translation

Cash and current receivables and payables denominated in foreign currencies are translated at the exchange rate prevailing on balance sheet date. Other assets and liabilities denominated in foreign currencies are translated at the historical exchange rate.

Long-term debt with long-term forward exchange contracts is translated at the contracted forward rate. Unrealized exchange gains on forward exchange contracts are deferred and amortized over the periods of contracts.

Financial statements of overseas subsidiaries and affiliated companies are translated into Japanese yen at the exchange rate prevailing on the balance sheet date for all items except that intercompany transactions and balances are translated at the historical exchange rate. Translation differences resulting from translation of the financial statements of consolidated subsidiaries are deferred in the balance sheet and those of the companies accounted for by the equity method are included in retained earnings.

Sales

Sales are principally recognized on a delivery basis.

Through the years ended March 31, 1998, long-term contracts were recognized based on the completed-contract method.

Effective April 1, 1998, the Company and some of its subsidiaries changed the method of revenue recognition for long-term contracts with contract amounts not less than a certain amount from the completed-contract method to the percentage-of-completion method.

The effect of this change was to increase net sales for the year ended March 31, 1999 by ¥2,675 million (\$22,107 thousand), operating income by ¥194 million (\$1,603 thousand) and to decrease loss before income taxes by ¥194 million (\$1,603 thousand).

The effect of the change on segment information is explained in Note 8 (D).

Selling, general and administrative expenses

The Company allocates a certain portion of selling, general and administrative expenses (expenses other than those relating to management control division which are corporate wide expenses) to work in process.

Research and development

Research and development expenses are charged to income when incurred.

Income taxes

The Company and the Companies provided income taxes at the amounts currently payable through the year ended March 31, 1998.

Effective April 1, 1998, the Company and the Companies adopted a new accounting standard, which recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. Under the new accounting standard, the provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The amount of deferred income taxes attributable to the net tax effects of the temporary differences at April 1, 1998 is reflected as an adjustment of ¥8,111 million (\$67,033 thousand) to the retained earnings brought forward from the previous year. Prior years' financial statements have not been restated.

The effect for the year ended March 31, 1999 was to decrease net loss by ¥3,035 million (\$25,083 thousand) and to increase total assets and retained earnings by ¥11,851 million (\$97,942 thousand) and ¥11,146 million (\$92,116 thousand), respectively.

Bond issuance expense

Bond issuance expense is charged to income in the year incurred.

Amounts per share

The computation of net income per share of common stock is based on the weighted average number of shares of common stock outstanding during each fiscal year.

The diluted net income per share is calculated assuming the conversion of all dilutive convertible bonds at the time of their issuance.

Cash dividends applicable to the year represent the actual amount declared as applicable to the respective years.

Segment information

The Company and the Companies changed the business segments by dividing "mass-produced machinery" segment into "construction machinery" segment. The Company's domestic subsidiary, which conducted construction machinery business, carried out restructuring and integration of its own subsidiaries in the year ended March 31, 1999, and upon this occasion, the Company and the Companies decided to separate the construction machinery businesses from the mass-produced machinery segment to show the operating performance of the business more clearly. The effect of the change on segment information is explained in Note 8 (D).

Reclassifications

Certain prior year amounts have been reclassified to conform to 1999 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

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2. Inventories

Inventories at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Finished products and semi-finished products	¥ 39,497	¥ 48,045	\$ 326,421
Work in process	120,745	142,395	997,893
Raw materials and supplies	8,793	9,816	72,669
	¥ 169,035	¥ 200,256	\$ 1,396,983

3. Bank loans, commercial paper and long-term debt

Bank loans at March 31, 1999 and 1998 consisted of short-term notes, bearing interest principally at 0.6% and 1.2% per annum, respectively. The Company and its consolidated subsidiaries have a yen domestic commercial paper program with a current maximum facility amount of ¥55,000 million (\$454,545 thousand). The amount outstanding under this program is subject to variation from time to time. At March 31, 1999 and 1998, commercial paper principally bore an average annual interest rate of 0.79% and 1.03%, respectively.

Long-term debt at March 31, 1999 and 1998 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Euro-yen 3.4% notes due in June 1998	—	6,000	—
3.9% domestic bonds due in February 2004	8,000	8,000	66,116
3.0% domestic bonds due in January 2005	3,000	3,000	24,793
U.S. dollar variable rate demand industrial development revenue bonds due in January 2008	904	991	7,471
U.S. dollar variable rate demand industrial development revenue bonds due in May 2008	603	—	4,984
U.S. dollar variable rate demand industrial development revenue bonds due in January 2009	723	792	5,975
U.S. dollar variable rate demand industrial development revenue bonds due in September 2010	241	264	1,992
1.8% domestic mortgage bonds due in January 2000	1,000	1,000	8,264
1.9% domestic mortgage bonds due in February 2000	500	500	4,132
1.7% domestic mortgage bonds due in November 2005	1,000	—	8,264
Euro-yen floating rate notes due in September 2000	7,500	7,500	61,983
Euro-yen floating rate notes due in September 2001	7,500	7,500	61,983
Euro-yen convertible bonds due in July 2001	10,000	10,000	82,645
2.8% domestic bonds due in August 2001	2,000	2,000	16,529
U.S. dollar loans from banks due serially through November 2000 with interest ranging from 5.4% to 6.2% in 1999 and 6.1% to 13.5% in 1998	5,341	5,623	44,141
Loans principally from banks and insurance companies due serially through September 2014 with interest ranging from 1.6% to 7.9% in 1999 and 1.2% to 7.0% in 1998:			
Secured	8,911	8,928	73,645
Unsecured	135,009	136,468	1,115,777
	192,232	198,566	1,588,694
Less amount due within one year	29,075	54,666	240,289
Amount due after one year	¥ 163,157	¥ 143,900	\$ 1,348,405

The annual maturities of long-term debt at March 31, 1999 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2000	¥29,075	\$ 240,289
2001	51,610	426,529
2002	40,398	333,868
2003	23,163	191,430
2004	33,897	280,141
Thereafter.....	14,088	116,430

At March 31, 1999, assets pledged as collateral for bank loans, secured long-term loans from banks and insurance companies and domestic mortgage bonds were as follows:

	Millions of yen	Thousands of U.S. dollars
Notes receivable.....	¥ 4,187	\$ 34,603
Marketable equity securities at carrying value.....	6,983	57,711
Property, plant and equipment, at cost less accumulated depreciation	5,356	44,264
	<u>¥16,526</u>	<u>\$136,578</u>

4. Employees' severance and retirement benefits

Unamortized prior service costs under the non-contributory funded pension plan, less related balance sheet accruals, amounted to ¥47,550 million (\$392,975 thousand) at September 30, 1998, the most recent valuation date.

Total charges with respect to employees' severance and retirement benefits were ¥6,302 million (\$52,083 thousand) in 1999 and ¥6,056 million (\$50,050 thousand) in 1998.

5. Income taxes

The Company is subject to a number of income taxes, which, in the aggregate, indicate a statutory rate in Japan of approximately 47% and 52% for the years ended March 31, 1999 and 1998, respectively.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 1999:

Statutory tax rate	47.68%
Increase (decrease) in tax rates resulting from:	
Temporary differences from one of subsidiary's unrealized profit which exceeds its taxable income	(137.15)
Operating losses of subsidiaries not applying deferred income tax accounting	(17.35)
Effect of changing in normal statutory tax rate in Japan	(6.49)
Expenses not deductible for tax purposes	(4.36)
Per capita inhabitant tax	(2.50)
Others	15.69
Effective tax rate	<u>(104.48)</u>

Significant components of the Company and the Companies' deferred tax assets and liabilities as of March 31, 1999 were as follows:

	Millions of yen	Thousands of U.S. dollars
Deferred Tax assets:		
Unrealized profit on tangible fixed assets	¥ 2,925	\$ 24,174
Unrealized profit on inventories.....	2,331	19,265
Inventories	2,077	17,165
Operating loss carryforwards.....	1,623	13,413
Allowance for warranty.....	1,040	8,595
Marketable securities and investments	646	5,339
Others	4,350	35,950
Total deferred tax assets	14,992	123,901
Less-valuation allowance.....	(2,029)	(16,769)
Deferred tax assets-net.....	<u>12,963</u>	<u>107,132</u>
Deferred tax liabilities:		
Excess tax depreciation reserve	(633)	(5,231)
Special depreciation reserve	(582)	(4,810)
Others	(534)	(4,413)
Deferred tax liabilities.....	<u>(1,749)</u>	<u>(14,454)</u>
Net deferred tax assets	<u>¥ 11,214</u>	<u>\$ 92,678</u>

6. Stockholders' equity

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

In accordance with the new disclosure requirements effective from the year ended March 31, 1999, legal reserve is included in retained earnings for 1999. Previously it was presented as a separate component of the stockholders' equity. The accompanying consolidated financial statements for the year ended March 31, 1998 have been reclassified to conform to the 1999 presentation.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code.

At June 26, 1998 annual meeting, the Company's stockholders approved the change in the articles of incorporation of the Company, that the Company may acquire its own shares after June 26, 1998, upon resolution of the Board of Directors, within the maximum limit of (1) 58,000 thousand shares to retire such shares and to offset related purchase costs against retained earnings and (2) 82,000 thousand shares at less than ¥24,900 million (\$205,785 thousand) to retire shares and to offset costs against additional paid-in capital.

7. Contingent liabilities

The Companies were contingently liable as endorsers of trade notes receivable discounted with banks in the amount of ¥535 million (\$4,421 thousand) at March 31, 1999. In addition, at the same date the Companies were contingently liable as guarantors of bank loans to unconsolidated subsidiaries and affiliated companies in the amount of ¥20,499 million (\$169,413 thousand) (net of guarantees by co-guarantors).

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8. Segment information

(A) The Companies' primary business activities include (1) industrial machinery, (2) ship, steel structure & other specialized equipment, (3) mass-produced machinery, (4) construction machinery and (5) environmental protection facilities, plants & others.

A summary of net sales, costs and expenses, and operating income by segment of business activities for the years ended March 31, 1999 and 1998, and a summary of identifiable assets, depreciation expense and capital expenditures by segment of business activities for the years ended March 31, 1999 and 1998 were as follows:

	Millions of yen						
	Industrial machinery	Ship, steel structure & other specialized equipment	Mass-produced machinery	Construction machinery	Environmental protection facilities, plants & others	Elimination and/or corporate	Consolidated
1999							
I Sales and operating income							
Sales:							
Unaffiliated customers	¥ 83,422	¥ 140,667	¥ 115,009	¥ 130,309	¥ 85,081	¥ —	¥ 554,488
Intersegment	276	569	602	62	1,314	(2,823)	—
Total	83,698	141,236	115,611	130,371	86,395	(2,823)	554,488
Costs and expenses	85,255	137,585	109,434	131,949	83,458	(2,823)	544,858
Operating income	¥ (1,557)	¥ 3,651	¥ 6,177	¥ (1,578)	¥ 2,937	¥ —	¥ 9,630
II Identifiable assets							
Depreciation expense	1,756	3,493	4,470	3,629	823	—	14,171
Capital expenditures	1,590	3,243	4,782	6,120	1,269	—	17,004
1998							
I Sales and operating income							
Sales:							
Unaffiliated customers	¥ 95,055	¥ 101,857	¥ 132,162	¥ 152,732	¥ 74,980	¥ —	¥ 556,786
Intersegment	210	791	1,433	15	2,706	(5,155)	—
Total	95,265	102,648	133,595	152,747	77,686	(5,155)	556,786
Costs and expenses	95,082	99,670	119,391	150,673	76,336	(5,155)	535,997
Operating income	¥ 183	¥ 2,978	¥ 14,204	¥ 2,074	¥ 1,350	¥ —	¥ 20,789
II Identifiable assets							
Depreciation expense	1,694	3,007	4,106	5,424	1,575	—	15,806
Capital expenditures	1,247	2,597	5,315	4,694	2,356	—	16,209
Thousands of U.S. dollars							
	Industrial machinery	Ship, steel structure & other specialized equipment	Mass-produced machinery	Construction machinery	Environmental protection facilities, plants & others	Elimination and/or corporate	Consolidated
1999							
I Sales and operating income							
Sales:							
Unaffiliated customers	\$ 689,438	\$ 1,162,537	\$ 950,488	\$ 1,076,934	\$ 703,149	\$ —	\$ 4,582,546
Intersegment	2,281	4,703	4,975	512	10,860	(23,331)	—
Total	691,719	1,167,240	955,463	1,077,446	714,009	(23,331)	4,582,546
Costs and expenses	704,587	1,137,066	904,413	1,090,488	689,736	(23,331)	4,502,959
Operating income	\$ (12,868)	\$ 30,174	\$ 51,050	\$ (13,042)	\$ 24,273	\$ —	\$ 79,587
II Identifiable assets							
Depreciation expense	14,512	28,868	36,942	29,992	6,802	—	117,116
Capital expenditures	13,140	26,802	39,521	50,578	10,488	—	140,529

Identifiable assets under the elimination and/or corporate column primarily consisted of cash and time deposits and marketable securities.

(B) Information by geographic area for the year ended March 31, 1999 and 1998 was as follows:

Millions of yen					
	Japan	North America	Other areas	Elimination and / or corporate	Consolidated
1999					
I Sales and operating income					
Sales:					
Unaffiliated customers	¥ 484,090	¥ 61,588	¥ 8,810	¥ —	¥ 554,488
Intersegment	21,848	512	862	(23,222)	—
Total	505,938	62,100	9,672	(23,222)	554,488
Costs and expenses	500,332	56,571	11,177	(23,222)	544,858
Operating income	¥ 5,606	¥ 5,529	¥ (1,505)	¥ —	¥ 9,630
II Identifiable assets	¥ 614,841	¥ 47,413	11,921	¥ 49,498	¥ 723,673
1998					
I Sales and operating income					
Sales:					
Unaffiliated customers	¥ 482,641	¥ 65,253	¥ 8,892	¥ —	¥ 556,786
Intersegment	28,239	714	1,173	(30,126)	—
Total	510,880	65,967	10,065	(30,126)	556,786
Costs and expenses	494,977	61,026	10,120	(30,126)	535,997
Operating income	¥ 15,903	¥ 4,941	¥ (55)	¥ —	¥ 20,789
II Identifiable assets	¥ 641,273	¥ 56,177	¥ 11,391	¥ 39,176	¥ 748,017
Thousands of U.S. dollars					
	Japan	North America	Other areas	Elimination and / or corporate	Consolidated
1999					
I Sales and operating income					
Sales:					
Unaffiliated customers	\$ 4,000,744	\$ 508,992	\$ 72,810	\$ —	\$ 4,582,546
Intersegment	180,562	4,231	7,124	(191,917)	—
Total	4,181,306	513,223	79,934	(191,917)	4,582,546
Costs and expenses	4,134,975	467,529	92,372	(191,917)	4,502,959
Operating income	\$ 46,331	\$ 45,694	\$ (12,438)	\$ —	\$ 79,587
II Identifiable assets	\$ 5,081,331	\$ 391,843	\$ 98,521	\$ 409,074	\$ 5,980,769

Identifiable assets under the elimination and/or corporate column primarily consisted of cash and time deposits and marketable securities. Other areas include the United Kingdom, Germany, Singapore and so on.

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(C) Overseas sales of the Companies for the years ended March 31, 1999 and 1998 were as follows:

1999	Millions of yen			
	To North America	To Asia	To other areas	Total
Overseas Sales	¥ 78,234 14.1 (%)	¥ 50,225 9.0 (%)	¥ 49,307 8.9 (%)	¥ 177,766 32.0 (%)
	Thousands of U.S. dollars			
Overseas Sales	\$ 646,562	\$ 415,082	\$ 407,496	\$ 1,469,140

Other areas include the United Kingdom, Germany, Singapore and so on.

Overseas sales of the Companies for the year ended March 31, 1998 were ¥159,592 million (\$1,318,942 thousand) and accounted for 28.7% of consolidated net sales. Overseas sales consist of export sales by the Company and its domestic consolidated subsidiaries as well as sales by overseas consolidated subsidiaries.

(D) The effects of the change on segment information

As explained in Note 1, the Company and some of its subsidiaries changed the method of recognizing revenue on certain long-term contracts. The effects of the change on the industrial machinery segment are to increase net sales by ¥1,267 million (\$10,471 thousand) and operating income by ¥57 million (\$471 thousand), and those on the environmental protection facilities, plants & others segment are to increase net sales by ¥1,409 million (\$11,645 thousand) and operating income by ¥137 million (\$1,132 thousand), respectively.

As explained in Note 1, the Company and some of its subsidiaries changed the method of recognizing revenue on certain long-term contracts. The effects of the change on Japan segment are to increase net sales by ¥2,675 million (\$22,107 thousand) and operating income by ¥194 million (\$1,603 thousand).

As explained in Note 1, the Company changed the location of disclosing amortization of differences between costs and net assets acquired on the consolidated statement of operations. The effect of the change on the construction machinery segment is to decrease operating income by ¥225 million (\$1,860 thousand).

As explained in Note 1, the Company changed the location of disclosing amortization of differences between costs and net assets acquired on the consolidated statement of operations. The effect of the change on Japan segment is to decrease operating income by ¥225 million (\$1,860 thousand).

As explained in Note 1, the Company created a new segment, the construction machinery segment, which was previously included in the mass-produced machinery segment. The effects of the change on the mass-produced machinery segment are to decrease net sales by ¥130,309 million (\$1,076,934 thousand), to increase operating income by ¥1,578 million (\$13,042 thousand), and those on the construction machinery segment are to increase net sales by ¥130,309 million (\$1,076,934 thousand), to decrease operating income by ¥1,578 million (\$13,042 thousand), respectively.

9. Information for certain leases

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value at March 31, 1999 was as follows:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	¥ 9,172	¥ 5,079	¥ 4,093
Others	7,351	4,637	2,714
Total	16,523	9,716	6,807

	Thousands of U.S. dollars		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery and equipment	\$ 75,802	\$ 41,975	\$ 33,826
Others	60,752	38,322	22,430
Total	136,554	80,297	56,256

Total expenses for finance leases which do not transfer ownership to lessees amounted to ¥3,387 million (\$27,992 thousand) and ¥4,470 million (\$36,942 thousand) for the years ended March 31, 1999 and 1998, respectively.

Future lease payments as of March 31, 1999 and 1998, inclusive of interest under such leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Due within one year	¥ 2,630	¥ 4,354	\$ 21,735
Due after one year	4,177	8,306	34,521
Total	¥ 6,807	¥ 12,660	\$ 56,256

10. Market value information for securities of the Company

Book value, market value and net unrealized gains of quoted securities of the Company at March 31, 1999 and 1998, were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Book value:			
Current	¥ 28,854	¥ 37,396	\$ 238,463
Non-current	2,811	2,811	23,231
	31,665	40,207	261,694
Market value:			
Current	45,789	57,496	378,421
Non-current	3,622	4,017	29,934
	49,411	61,513	408,355
Net unrealized gains	¥ 17,746	¥ 21,306	\$ 146,661

The Company does not have any outstanding options or futures transactions.

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11. Derivatives information of the Company

The Company enters into forward currency exchange contracts and interest rate swap contracts as derivative financial instruments. The Company deals with forward currency exchange transactions to hedge exchange rate risk of monetary receivables and payables denominated in foreign currencies in order to obtain stabilized profit. Interest rate swap transactions are made in order to minimize the risk of interest rate on borrowings changing upward.

The Company deals with international financial institutions with higher credit ratings as counterparty of transactions to avoid credit risk exposure. Details of transactions are reviewed and approved by responsible officials of the Company in accordance with the Company's internal regulations.

(A) Forward foreign exchange contracts

The aggregate amounts contracted to be paid/received and the fair values of forward foreign exchange contracts in Japanese yen of the Company at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Contracted amount to be paid/received:			
To buy foreign currencies	¥ 153	¥ 1,741	\$ 1,264
To sell foreign currencies	3,770	6,223	31,157
Fair value:			
To buy foreign currencies	139	1,777	1,149
To sell foreign currencies	3,769	6,526	31,149
Net unrealized exchange loss	¥ 13	¥ 267	\$ 107

(B) Interest rate swap and swaption agreements

Year ended March 31, 1999	Millions of yen		
	Contract amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Receive fix/Pay float	¥ 1,000	¥ 41	¥ 41
Receive float/Pay float	1,000	(30)	(30)
Interest rate swaption:			
Receive float/Pay fix	1,000	14	14
	¥ 3,000	¥ 25	¥ 25

Year ended March 31, 1998	Millions of yen		
	Contract amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Receive fix/Pay float	¥ 7,000	¥ 244	¥ 244
Receive float/Pay fix	17,000	(993)	(993)
	¥ 24,000	¥ (749)	¥ (749)

Year ended March 31, 1999	Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gain (loss)
Interest rate swaps:			
Receive fix/Pay float	\$ 8,264	\$ 339	\$ 339
Receive float/Pay float	8,264	(248)	(248)
Interest rate swaption:			
Receive float/Pay fix	8,264	116	116
	\$ 24,792	\$ 207	\$ 207