

Results of Operations

In the fiscal year ended March 31, 1997, Tsubakimoto Chain recorded a 15.2% increase in net sales, to ¥127.2 billion (US\$1,026.1 million). By business sector, sales of power transmission products rose 7.6%, to ¥87.4 billion (US\$704.5 million), and sales of materials handling systems increased 37.2%, to ¥39.3 billion (US\$316.9 million). The cost of sales and selling, general and administrative expenses were up 15.5% and 8.5%, respectively, because of the increase in net sales. As a result of the larger increase in net sales, operating income advanced 47.2%, to ¥6.4 billion (US\$51.4 million), and the operating profit margin improved to 5.0%, from 3.9% in the previous year.

Net interest expense increased 3.0%, to ¥799 million (US\$6.4 million). Income before income taxes and minority interests was up 62.5%, to ¥5.9 billion (US\$47.8 million). Income taxes increased 47.0%, to ¥2.5 billion (US\$20.4 million), and net income rose 82.6%, to ¥3.3 billion (US\$26.5 million). Net income per share was ¥17.04 (US\$0.137), an increase of 82.6%. Return on equity rose to 5.3%, compared with 2.9% in the previous year. Cash dividends per share were unchanged at ¥6.00 (US\$0.048).

Liquidity and Capital Resources

Net cash provided by operating activities declined 26.2%, to ¥4.0 billion (US\$32.5 million). Depreciation and amortization was about level with the previous year, at ¥4.8 billion (US\$38.6 million). The large fluctuations in trade notes and accounts receivable and trade notes and accounts payable were attributable to the fact that the last day of the previous fiscal year was a Sunday and not a business day for financial institutions in Japan, so the figures for that year included unsettled amounts.

Net cash used in investing activities increased 9.8%, to ¥4.7 billion (US\$37.6 million). The acquisition of property, plant and equipment totaled ¥5.7 billion (US\$45.8 million), an increase of 19.4%. Property, plant and equipment, net of accumulated depreciation, was up 3.9% from the previous year-end, to ¥38.3 billion (US\$309.1 million).

Net cash provided by financing activities was ¥955 million (US\$7.7 million), a decline of 23.4%. Proceeds from long-term debt totaled ¥6.3 billion (US\$51.1 million), while the reduction of long-term debt was ¥3.7 billion (US\$29.8 million).

At the end of the fiscal year, cash and cash equivalents totaled ¥22.0 billion (US\$177.4 million), compared with ¥21.7 billion at the end of the previous year.

Shareholders' equity increased 3.5%, to ¥63.5 billion (US\$512.2 million), and the ratio of shareholders' equity to total assets at fiscal year-end was about level with the previous year-end at 43.7%. Tsubakimoto Chain's debt-to-equity ratio at fiscal year-end was 0.62, compared with 0.60 at the previous year-end, due to the increase in long-term debt. Total assets increased 2.4%, to ¥145.3 billion (US\$1,171.5 million).