

ITO EN, LTD.

December 2, 1999
 Ito En, Ltd. (Securities Number : 2593)
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For Immediate Release

CONSOLIDATED FINANCIAL RESULTS

for the six-month period ended October 31, 1999

Date of the Board of Directors' Meeting for the semi-annual results held : December 2, 1999

(Figures are rounded down to the nearest million yen.)

(1) Results of operations (May 1, 1999 - October 31, 1999)

	Net Sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
	Millions of yen		Millions of yen		Millions of yen	
10/31/1999	93,407	12.0%	7,668	15.8%	7,437	18.1%
10/31/1998	83,366	14.4%	6,620	19.3%	6,297	20.7%
4/30/1999	156,557		12,568		11,668	

	Net income	Percentage change	Net income per share	Equity in earning(losses) from subsidiary equity method applied
	Millions of yen		Yen	Millions of yen
10/31/1999	4,140	53.3%	90.80	7
10/31/1998	2,701	12.9%	59.92	(3)
4/30/1999	5,325		117.44	-

(2) Financial Position

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity per share
	Millions of yen	Millions of yen		Yen
10/31/1999	103,779	42,205	40.7%	925.43
10/31/1998	79,772	37,857	47.5%	830.12
4/30/1999	83,806	39,801	47.5%	872.71

(3) Scope of consolidation and equity method applied

Consolidated subsidiaries: 5 companies (ITO EN SANGYO, LTD., OKINAWA ITO EN, LTD.,

ITO EN KANSAI-CHAGYO, LTD., ITOEN(USA) INC., ITO EN AUSTRALIA PTY LIMITED)

Unconsolidated subsidiaries: One company (applied for the equity method: Ningbo Shunyi Tea Products Co., Ltd)

Affiliates: One company (applied for the equity method: Fujian New Oolong Drink Co., Ltd.)

(4) Change in accounting policies

Change in the scope of consolidation and equity method applied(Look at 2 on page 11 of Notes to consolidated financial statements.);

Increase in Consolidation: One Company (ITO EN KANSAI-CHAGYO, LTD.)

Decrease in Equity method: One Company (KANSAI-CHAGYO, LTD.)

Change in accounting method: Presentation of the accounts in sections of intangible assets and non-current liabilities in the consolidated balance sheets, and Non-operating income in in the consolidated statements of income

(5) Projected consolidated business results for the year ending April 30, 2000 (May 1, 1999 April 30, 2000)

	Net Sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
(Year ending) 4/30/2000	175,000	14,300	13,700	7,300

(Reference) : 1. Net income per share(Consolidated) for the year ending 4/30/2000: 160.07 yen.

: 2. Net income per share(Non-consolidated) for the year ending 4/30/2000: 153.49 yen.

Reference: Results of operations for non-consolidated financial statements for the semi-annual of fiscal 1999/2000 (May 1, 1999 October 31, 1999)

Net Sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
Millions of yen		Millions of yen		Millions of yen	
92,080	12.5%	7,347	22.9%	7,127	24.4%

Net income	Percentage change	Net income per share	Total assets	Stockholders' equity
Millions of yen		Yen	Millions of yen	Millions of yen
3,989	55.8%	87.48	103,608	42,960

ATTACHMENT

Management Policies

1. Basic Management Policies

Since incorporation in 1966, Ito En, Ltd. (Ito En) has maintained the philosophy of "always putting the customer first". Under this philosophy, Ito En has always striven to develop original products and technologies that meet customer needs while expanding the sales and service network with remaining a close link to the communities in which are Ito En products are sold.

The term "customers" defined by Ito En encompasses not only the consumers buying the products, but also stockholders and investors, business partners who purchase and supply the products, and financial institutions. Ito En believes that each of these customers at the forefront of the activities sustains the best corporate management.

In research and development, Ito En works out according to the five basic product development concepts of "natural, healthy, safe, well-designed and delicious". All of the R&D personnel also work from a marketing point of view under the concept of "Still Now", which calls for a constant search of what customers are still not satisfied with. Ito En actively develops new products based on these concepts and its total marketing plan.

In recent years, the management environment surrounding private-sector companies in Japan has changed radically. In this situation, Ito En is aware that the information disclosed in a timely manner is becoming more important for the purpose of the company's accountability. Based on a philosophy of "always putting customers first", Ito En intends to disclose appropriate and enough management-related information as quickly as possible in order to inform its customers of its business activities.

2. Profit Allocation Policies

One of the most important management concerns of Ito En is to ensure a stable dividend trend to the stockholders. Ito En's basic stance is to pay dividends in accordance with its business results, even in difficult times in our operating environment.

Another policy is to maintain funds in-house for the purpose of strengthening our financial position and further reinforcing our sales and service operations. To this end, Ito En places high priority on funds for new sales facilities and product development. Ito En believes that through future business development this policy will allow Ito En to continue progressively returning profits to a stockholders.

3. Midterm and Long-term Management Strategies and Objectives

Ito En's midterm management plan sets the objectives of attaining annual sales of ¥200 billion, a return on equity of 15% and a total of 200 sales branches throughout Japan by the close of fiscal 2002 (April 30, 2002). In the past five years, Ito En has achieved an average annual growth rate of 13.0% through increased sales, an indication of steady progress toward the goals.

Under the new long-term management plan introduced in the first half of fiscal 2000, Ito En has established the new objectives of ¥260 billion in annual sales, a return on assets of 8.7% and a total of 230 sales branches by the end of fiscal 2005. The long-term plan also encompasses new business development, including the development of a market for green tea beverages in the United States.

With increasing health consciousness, consumers in every age group around the world are steadily developing a preference for green tea. Ito En is confident that this trend will become a major driving force in order to achieve business objectives.

Ito En has five management strategies for its business development.

The first is to promote highly innovative product development. The second is to maintain "route sales", an original sales structure that directly links production and sales offices. Specifically, Ito En is concentrating on a nationwide network of sales offices and vending machines, and active area marketing closely linked to individual communities. Route sales also make it possible for us to speedily and accurately grasp consumer needs and market trends. The third strategy is to pursue fabrication-less production, or the entrusting of 100% of the production to third-party sources. This strategy significantly reduces the capital investment risk while enabling us to respond quickly and precisely to changes in our market environment. The fourth strategy is to take full advantage of our R&D capabilities around the core Central Research Institute, which is undertaking a variety of research programs to sustain the product development. Part of this strategy incorporates support for clinical studies on the potential of green tea to prevent cancer, which are being performed out at the University of Texas M.D. Anderson Cancer Center in the United States. The fifth strategy is to promote Ito En brand. In addition to the all-encompassing the brand, Ito En is actively reinforcing

individual beverage brands such as Oi Ocha green tea beverages, Jujitsu Yasai vegetable beverages, Kaori Kirei Jasmine Cha (Aromatically Pleasant Jasmine Tea) and Kaori Kaoru Mugi Cha (Aromatic Barley Tea).

Based on these strategies, Ito En struggles in order to achieve the objectives of its midterm and long-term management plans.

4. Corporate Governance Reinforcement Plans

Meetings of the Ito En Board of Directors are held monthly to decide matters of highest management priority. In addition, to ensure the comprehensive execution of policies set at board meetings, Ito En has established a Management Steering Committee that deliberates on and decides important operational matters to support the Board and President of Ito En.

Furthermore, Ito En has established various organizations under the auspices of the Management Steering Committee, including the Management Planning Committee and twelve other committees—such as the Long-Term Planning, Environment, Distribution System Improvement, Information Enhancement and Employee Pension Fund Improvement committees—which surpass the bounds of individual business divisions and departments. For the radical changes in economic and business environments, Ito En is making efforts to build and reinforce a management organization that allows Ito En to rapidly and comprehensively resolve current management issues.

Ito En also has established a check system for management, including an Auditors Committee, an internal auditing department that works directly under the direction of President and a system of auditing by accredited third parties.

In addition to these activities, Ito En is stepping up efforts to disclose information on management issues such as Ito En's financial condition. Ito En began presenting cash flow statements in reports of operation results starting from April 1998 and actively stage meetings with investors around the world to explain the management policies and operation results. Ito En's efforts to disclose useful business information and provide reference materials to the stockholders were appreciated and in January 1999, the Tokyo Stock Exchange awarded Ito En for one of the top companies in Japan disclosing financial information to their investors.

Along with the standpoint of timely disclosure and transparent operations, Ito En will further build up a structure under which the opinions of stockholders and investors can be readily reflected in the corporate management.

5. Issues Underlying Ahead

The food and beverages industry in Japan continues to face the problems of the sluggish consumer spending, the need to deal with environmental concerns, the expansion of investments in the latest advances of digital information and communications technologies, and the growing demand among consumers for the higher quality and service. As a result, more competition is expected to increase in an already highly competitive market.

Ito En is constantly concerned to the environmental problems and recognizes that its future activity must also maintain the ability to effectively meet demands brought forth by various environmental issues. As such, Ito En has promoted the production of goods by recycling PET bottles, enforced a strict economy-drive policy, and particularly tackled the dioxin problem. Ito En has altered the type of bottle used for its beverages from a vinyl base to a PET base. These actions were a direct result from Ito En's strong desire to enhance environmental preservation and set an example as a promoter of a recycle-oriented society. With "nature" as an underlying theme, Ito En is actively involved in combating the deterioration of the global environment.

With commitment to the management philosophy of "always putting customers first", Ito En aims at maintaining a corporate structure that can rapidly meet customer needs. In addition to developing products that satisfy consumer preferences and improving services, Ito En will reinforce its network of community-linked sales offices in Japan and seek to expand Ito En as a whole through further improvements of the business results.

Results of Operations

1. Fiscal 1999 Midterm Results Report

(1) Outline of results

In the first half of fiscal 2000, ended October 31, 1999, continuous economic stimulus measures by the Japanese government and an easing of financial policy sustained a slight trend toward recovery in Japan. However, capital investment and consumer spending remained low levels, the employment environment worsened, and the value of the yen rose rapidly. These and other factors served to maintain the overall harshness of the economic environment.

In the food and beverages industry, products such as green tea and other sugar-free beverages, as well as beverages in compact PET bottles led the market. On the other hand, the influence of weak consumer spending and unfavorable weather conditions at the peak of the summer season in western Japan led once again to a harsh operating environment.

In this situation, based on its management philosophy of "always putting customers first", Ito En strove to actively develop new products. In the area of strengthening marketing capabilities, Ito En expanded its domestic sales network, placed the highest priority on quality control, and made efforts to reduce costs to increase the efficiency of its businesses and reinforce our business foundations.

As a result of these efforts, Ito En achieved a 12.0% increase in consolidated net sales for the first half of fiscal 2000, to ¥93.4 billion. Net income advanced 53.3%, to ¥4.1 billion.

As to cash flows, at October 31, 1999, cash flows from operating activities stood at ¥4.1 billion, an increase of ¥11.4 billion from the previous corresponding period. Cash used in investing activities was ¥ 1.5 billion, an increase of ¥0.5 billion from the previous mid-year, and cash used in financing activities was ¥2.0 billion, down of ¥5.1 billion from the previous mid-year. Total cash and cash equivalents increased ¥ 10.1 billion over last year's midterm results.

(2) Major results by division

Tea Leaves Division

Green tea leaf production in Japan is expected to slightly increase in fiscal 2000 from the sharp drop occurred in the previous year advancing to 83,000 tons, from 82,600 tons. The primary causes of a previous year's decline were low temperatures at sprouting time and a high rainfall, which greatly reduced the harvest of top-grade Ichiban Cha. As a result, the price of crude green tea leaves rose dramatically.

On the other hand, consumer awareness of the healthful and pharmacological benefits of the ingredients of green tea continued to heighten in line with advancing research and the rising preference for natural and healthful foods and beverages. Nevertheless, sluggish overall consumer spending and increasing competition in the green tea market prevented a large-scale increase in demand for green tea leaves.

Under these circumstances, Ito En paid particular attention to its operations from production to distribution while pursuing the highest possible quality and providing products matched to the different preferences of customers in individual regions. Furthermore, Ito En completely renewed our lineup of barley tea products and strengthened sales by marketing these products under an individual brand name.

However, sales of tea leaves amounted to ¥12.8 billion in the first half, an increase of 3.0%.

Beverages Division

The beverages industry attached continuous high demand for products in compact PET bottles in the first half, and shipments of products in large PET bottles also advanced on a unit basis. However, unfavorable weather conditions at the peak of the summer season in western Japan and a significant drop in sales of canned beverages created a severe market environment.

In this situation, Ito En applied itself to active product development under the concepts of "natural, healthy, safe, well-designed and delicious" and in accordance with its Total Marketing Plan. Particularly in operations for green tea beverages, the best-known sugar-free beverages in Japan, the consumption trend toward healthful beverages expanded acknowledgement of the pharmacological benefits of the ingredients of green tea and increased sales of our green tea beverages in both compact and large PET bottles resulting from the strengthening of *Oi Ocha* brand. Ito En reinforced marketing of *Kaori Kaoru Mugi Cha* as a new brand. As a result, with an increase in sales of *kaori Kirei Jasmine Cha* and *Jujitsu Yasai*, overall sales in the beverages division recorded ¥78.7 billion, a 12.5% up from the previous mid-year.

Others

Sales of other products totaled ¥ 1.7 billion (up 104.7%)

(3) Capital investment and fund procurement

Capital investment by Ito En amounted to ¥1.6 billion in the first half of fiscal 2000, the major portion of which was devoted to building construction for sales offices. All of the funds used in this investment were provided by in-house sources.

2. Outlook for the Remainder of the Fiscal Year

Although further beneficial effects are anticipated from economic measures by the Japanese government and a loosening of monetary policy by the Bank of Japan, continuing sluggish consumer spending and weak capital investment in the private sector are likely to combine with the severe employment environment to prolong the current harsh economic situation.

The food and beverages industry still faces many challenges, including the extended recession, countermeasures for environmental issues, and the expanding trend among consumers to choose products of superior quality. Ito En foresees intensifying competition under these circumstances.

Continuing to devote itself to the corporate philosophy of "always putting customers first" and aiming to maintain organization that can respond rapidly to consumer needs, Ito En will strive to develop the products consumers want and improve its services. In addition, Ito En group will reinforce its sales activities linked to individual communities in the effort to further advance our business results.

Under the circumstances, Ito En forecasts that its sales for fiscal 2000 will reach ¥175.0 billion, a 11.8% rise. Ordinary income is seen advancing 17.4%, to ¥13.7 billion, while net income for the year is anticipated to increase 37.1%, to ¥7.3 billion.

Y2K countermeasures

1. Current situation

(1) Policies

Ito En has ranked the Y2K issue as a top priority among other business problems in management, and does not deem the issue as a mere computer problem. Company-wide efforts have been made to ensure that business activities related to offering products and services to consumers will not be hampered by the problem.

(2) Systems

Ito En thoroughly restructured its information-processing system in 1991 and had completed Y2K countermeasures for its core systems. In July 1998, the System Development Division and other related department's conducted research on each department's status regarding equipment with IC chips, suppliers, distributors and security systems. Progress has been monitored and reported to top management.

(3) Progress

Y2K countermeasures for the core sections of our information-processing system were implemented in 1991. By April 1999, Ito En finished applying countermeasures for the majority of our packaged software. Ito En also finished confirming the safety status of manufacturers of equipment using IC chips in December 1998.

For suppliers of ingredients and other primary vendors, Ito En has conducted a survey of countermeasures and, according to the survey results, Ito En has taken appropriate action to improve the situation when necessary. Tests to ensure secure data transfer with distributors have been conducted as necessary, and we completed them in September 1999.

2. Budget

The cost associated with the Y2K issue has already been expensed on an accrual basis in the past years as a portion of the cost of the entire information-processing system restructuring, and is not separately recognized. However, the cost to replace packaged software and to modify application software totaled ¥60 million.

These costs have only slightly effected the financial statements.

3. Crisis Management Plan

As mentioned above, Ito En has made an all-out effort to cope with the Y2K issue. However, because the nature of the Y2K problem leaves a possibility of unexpected occurrences, we have compiled and in October 1999 distributed a comprehensive guideline for Y2K crisis management to prepare all departments and areas.

Consolidated Balance Sheets (Unaudited)

(As of October 31, 1999 and 1998)

(Figures are rounded down to the nearest million yen.)

	Million of yen		
ASSETS	1999	1998	April 30, 1999
Current assets:	69,278	47,408	50,409
Cash and deposits	16,386	7,001	16,403
Notes and accounts receivable-trade	22,335	19,255	13,522
Marketable securities	-	58	-
Inventories	15,428	13,843	12,830
Accounts receivable-other	13,691	6,221	6,647
Deferred income taxes	727	565	503
Others	766	628	638
Allowance for doubtful accounts	(56)	(167)	(137)
Fixed Assets:	34,501	31,844	32,919
Property, plant and equipment	24,479	23,099	23,311
Buildings and structures	9,291	8,436	8,587
Land	13,262	13,071	13,056
Others	1,926	1,591	1,667
Intangible assets	771	350	356
Goodwill	51	59	59
Software	442	-	-
Adjustments required for consolidation	-	-	4
Others	277	290	292
Investments and other assets	9,249	8,394	9,251
Investments in securities	2,755	2,438	2,765
Long-term prepaid expenses	96	353	398
Deposits and guarantee money paid	2,610	2,328	2,533
Deferred income taxes	511	175	470
Others	3,297	3,110	3,087
Allowance for doubtful accounts	(21)	(11)	(5)
Foreign statements translation adjustments	-	520	477
TOTAL ASSETS	103,779	79,772	83,806
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:	50,584	27,721	30,975
Accounts payable	34,461	15,608	16,216
Short-term borrowings	3,740	1,240	2,670
Income taxes payable	3,695	3,188	3,857
Consumption tax payable	531	592	724
Accrued expenses	4,979	4,762	5,193
Accrued bonuses	2,282	2,038	1,777
Others	892	291	536
Non-current liabilities:	10,923	14,089	12,962
Long-term debt	9,345	12,935	11,435
Retirement and severance benefits	407	368	381
Retirement benefits for directors and statutory corporate auditors	982	759	868
Adjustments required for consolidation	10	-	-
Others	177	26	278
TOTAL LIABILITIES	61,507	41,811	43,938
Minority interests	66	103	66
Common stock	12,655	12,655	12,655
Additional paid-in capital	13,002	13,002	13,002
Retained earnings	17,301	12,203	14,144
Treasury stock	-	(3)	-
Foreign statements translation adjustments	(752)	-	-
TOTAL STOCKHOLDERS' EQUITY	42,205	37,857	39,801
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTERESTS	103,779	79,772	83,806

(Notes): 1. Accumulated depreciation on property, plant

and equipment (millions of yen)

8,720 7,982

8,355

2. Treasury stock (shares)

78

745

95

Consolidated Statements of Income (Unaudited)
 (Six-month period ended October 31, 1999 and 1998)
 (Figures are rounded down to the nearest million yen.)

	Millions of yen		
	1999	1998	Year ended April 30, 1999
Operating income and expenses:			
Net sales	93,407	83,366	156,557
Cost of sales	50,062	45,576	83,225
Selling, general and administrative expenses	35,676	31,170	60,763
OPERATING INCOME	7,668	6,620	12,568
Non-operating income and expenses:			
Non-operating income;	91	151	305
Interest and dividend income	39	48	88
Equity income from a subsidiary	7	-	-
Amortization of adjustments required for consolidation	1	-	-
Others	43	102	217
Non-operating expenses;	322	474	1,205
Interest expenses	114	162	279
Loss on disposal of obsolete inventories	126	164	673
Equity loss from a subsidiary	-	3	-
Others	81	144	252
ORDINARY INCOME	7,437	6,297	11,668
Extraordinary income and expenses:			
Extraordinary income;	86	3	354
Gain on sales of fixed assets	-	-	13
Gain on sales of investments in securities	-	-	317
Reversal of allowance for doubtful accounts	86	3	22
Other extraordinary income	-	-	1
Extraordinary expenses;	61	804	1,021
Loss on sales and disposal of fixed assets	11	54	62
Loss on revaluation of investments in securities	31	478	72
Loss on sales of investments in securities	-	-	13
Retirement and severance benefits	-	211	211
Prior service cost of retirement benefits for directors and statutory corporate auditors	12	59	118
Retirement benefits for directors and statutory corporate auditors	-	-	47
Amortization of past service pension funds	6	-	495
INCOME BEFORE INCOME TAXES, DEFERRED INCOME TAXES, MINORITY INTERESTS AND FOREIGN STATEMENTS TRANSLATION ADJUSTMENTS	7,462	5,495	11,001
Income taxes and enterprise taxes	3,605	3,080	6,190
Deferred income taxes	(283)	(281)	(513)
Minority interests in net income of consolidated subsidiaries	-	4	1
NET INCOME	4,140	2,701	5,325

Consolidated Statements of Retained Earnings (Unaudited)
 (As of October 31, 1999 and 1998)
 (Figures are rounded down to the nearest million yen.)

	Millions of yen		
	1999	1998	Year ended April 30, 1999
1. Retained earnings at beginning of year	14,144	10,917	10,917
Retained earnings carried forward from previous period	-	10,266	10,266
Legal Reserve carried forward from previous period	-	650	650
2. Increase in retained earnings	-	-	1
Application of equity method	-	-	1
3. Decrease in retained earnings	984	1,415	2,099
(1) Cash dividends paid	912	1,346	2,030
(2) Bonus to directors and statutory corporate auditors	71	69	69
4. Net income	4,140	2,701	5,325
5. Retained earnings at end of period	17,301	12,203	14,144

Consolidated Statements of Cash Flows

(Six-month Period ended October 31, 1999 and 1998)

(Figures are rounded down to the nearest million yen)

	Millions of yen		
	1999	1998	Year ended April 30, 1999
Cash flows from Operating Activities:			
Income before income taxes, deferred income taxes, minority interests and foreign statements translation adjustments	7,462	5,495	11,001
Depreciation and amortization	489	545	1,128
Gain on sales of investments in securities	-	-	(318)
Loss on revaluation of investments in securities	31	478	72
Loss on sales of investments in securities	-	-	13
Amortization of past service pension fund	6	-	495
Allowance for doubtful accounts	(64)	40	3
Accrued bonuses	505	444	183
Provision for retirement and severance benefits	26	227	239
Retirement benefits for directors and statutory corporate auditors	114	108	216
Interests and dividends receivable	(39)	(48)	(88)
Interest expenses	114	162	279
Bonuses paid to directors and statutory corporate auditors	(71)	(69)	(69)
Accounts receivable	(8,784)	(5,244)	491
Inventories	(2,595)	(2,033)	(1,001)
Other current assets	(7,158)	(370)	(818)
Other non-current assets	(9)	26	(141)
Notes and accounts payable	18,200	(2,745)	(2,142)
Income tax payable	(196)	(290)	(159)
Other current liabilities	136	(623)	(188)
Other non-current liabilities	(181)	43	(13)
Sub total	7,986	(3,853)	9,184
Interests and dividends income received in cash	40	52	91
Interest expenses paid in cash	(123)	(181)	(286)
Income paid in cash	(3,771)	(3,347)	(5,788)
Net Cash provided by(used in) Operating Activities	4,131	(7,330)	3,200
Cash Flows from investing activities:			
Reversal for time deposits	-	(1,296)	(1,408)
Reversal from time deposits	500	1,534	1,909
Acquisition of assets and long-term prepaid expenses	(1,854)	(843)	(1,698)
Acquisition of investments in securities	(20)	(112)	(1,344)
Sales of investments in securities	-	204	1,871
Acquisition of golf memberships	(201)	(465)	(465)
Others	47	20	46
Net Cash used in Investing Activities	(1,528)	(958)	(1,088)
Cash Flows from Financing Activities			
Net decrease in short-term borrowings	(120)	(1,550)	(1,450)
Proceeds from long-term debt	-	12,050	12,050
Repayment of long term debt	(1,020)	(6,075)	(6,245)
Dividends paid	(912)	(1,346)	(2,030)
Increase in other financial activities	-	(3)	2
Net Cash (used in) provided by Financing Activities	(2,052)	3,074	2,327
Translation losses to cash and cash equivalents	(28)	(15)	(17)
Net increase in cash and cash equivalents	522	(5,230)	4,421
Cash equivalents at beginning of year	15,581	11,159	11,159
Cash equivalents at end of year	16,103	5,929	15,581
Supplemental Information			
1 Non-cash transaction			
Conversion of Convertible Bonds into Common Stock	-	1,730	1,730
2 Breakdown of Cash and Cash Equivalents			
Cash and cash equivalents include cash on hand and time deposits with maturities of three months or less in banks.			
Cash and deposits	16,386	7,001	16,403
Time deposits with maturities more than three months	(283)	(1,072)	(822)
Cash and cash equivalents at end of year	16,103	5,929	15,581

Note: The statement above is based on the Japanese standard for preparation of consolidated statements of cash flow.

1. Notes to Balance Sheet

Period-end balance of notes and accounts receivable and account payable from the balance sheet due to the holiday of the period-end and financial institutions' business close. (Millions of yen)

	<u>10/31/1999</u>	<u>10/31/1998</u>	<u>4/30/1999</u>
Notes receivable	1,032	947	-
Accounts receivable-trade	5,657	3,980	-
Accounts receivable-other	5,439	-	-
TOTAL	<u>12,128</u>	<u>4,928</u>	<u>-</u>
Accounts payable	<u>14,298</u>	<u>-</u>	<u>-</u>
TOTAL	<u>14,298</u>	<u>-</u>	<u>-</u>

2. Financial lease transactions without ownership transfer to lessee

(Figures are rounded down to the nearest million yen.)

A: Purchase price equivalents, accumulated depreciation equivalents, and book value equivalents of leased properties as of October 31, 1999 are as below.

	<u>Machines & Equipment</u>	<u>Tools & Furniture</u>	<u>Total</u>
Purchase price equivalents	7,663	25,846	33,509
Accumulated depreciation equivalents	3,822	11,447	15,270
Book value equivalents	3,840	14,398	18,238

B: Lease obligations (Millions of yen)

	<u>10/31/1999</u>	<u>10/31/1998</u>	<u>4/30/1999</u>
Due within one year	6,284	5,613	5,874
Due after one year	<u>12,659</u>	<u>11,767</u>	<u>11,829</u>
TOTAL	18,943	17,381	17,703

C: Lease payments, depreciation equivalents and interest expense equivalents (Millions of yen)

	<u>Six-month period ended</u>		<u>Year ended</u>
	<u>10/31/1999</u>	<u>10/31/1998</u>	<u>4/30/1999</u>
Lease payments	3,707	3,217	6,728
Depreciation equivalents	3,218	2,737	5,801
Interest expense equivalents	459	486	891

D: Calculation method of depreciation equivalents and interest expense equivalents

Depreciation equivalents are calculated by the straight line method over the lease period with no residual value. Difference between the total lease payment and the purchase price equivalents is accounted for as interest expense equivalents and allocated to the appropriate period based on interest method.

Notes to consolidated financial statements

1. Consolidation scope

- (1) Consolidated subsidiaries 5 companies: ITO EN SANGYO, LTD., OKINAWA ITO EN, LTD., ITO EN KANSAI-CHAGYO, LTD., ITOEN(USA) INC., and ITO EN AUSTRALIA PTY. LTD.
- (2) Unconsolidated subsidiary 1 company: Ningbo Shunyi Tea Products Co., Ltd.
- (3) Affiliates 1 company: Fujian New Oolong Drink Co., Ltd.

The equity method is applied for accountings of all unconsolidated subsidiaries and affiliates. Semi-annual period-end for the unconsolidated subsidiary, Ningbo Shunyi Tea Products Co., Ltd., and for an affiliate, Fujian New Oolong Tea Drink Co., Ltd. is June 30. Since equity income/loss from them are determined based on the statements as of their period-end date, significant transactions occurred between their balance sheet date and consolidated period-end are adjusted into the consolidated statements when necessary.

2. Change in the scope of consolidation and application of equity method

Consolidation (novelty): ITO EN KANSAI-CHAGYO, LTD.
(exemption): None

Equity method (novelty): None
(exemption): KANSAI-CHAGYO, LTD.

Due to acquiring 100% of its consolidated Company stocks, KANSAI-CHAGYO, LTD. has become the consolidated subsidiary from current period. According to this change, the Company's name has been changed to ITO EN KANSAI-CHAGYO, LTD.

Consolidated subsidiaries, ROYAL SPENCER, LTD., and GENMAIYA, LTD. have been merged, and have become New Company, ITO EN SANGYO LTD. from current period.

3. Fiscal year-end for the consolidated subsidiaries

The fiscal year-end and semi-annual period-end of all consolidated subsidiaries are April 30 and October 31, respectively. According to the consolidation of ITO EN KANSAI-CHAGYO, LTD. from current period, its fiscal year-end has been changed from March 31 to April 30.

4. Significant Accounting Policies

A: Semi-annual accounting standards of which differ from fiscal year-end accounting standards

- (1) Depreciation
Depreciation is recorded a half of the estimated annual depreciation.
- (2) Retirement and severance benefits(Domestic Companies only)
Provision for retirement and severance benefits is recorded a half of the estimated annual provision.
- (3) Retirement benefits for directors and statutory corporate auditors(Domestic Company only)
Provision for retirement benefits for directors and statutory corporate auditors is recorded a half of the estimated annual provision.
- (4) Retirement and severance pension plan
Past service costs, net of government sponsored contributory pension funds, are recognized as liabilities on an accrual basis. These costs are recorded a half of the estimated annual provision.
- (5) Income taxes
Income taxes are recorded as the actual income taxes attributable to the semi-annual earnings.

B: Marketable and investments in securities

Domestic companies Listed securities other than securities of subsidiaries and affiliated companies are valued at the lower of moving average cost or market value, and the other securities(unlisted) are stated at cost determined by the moving average method.

Oversea companies Securities are stated in accordance with Statement of Financial Accounting Standards No. 115.

C: Inventories

Domestic companies Inventories are stated at cost determined by the average method.

Oversea companies Inventories are stated at the lower cost, determined on the first-in first-out method, or market.

D: Property, plant and equipment

Domestic companies Property, plant and equipment are depreciated on the declining balance method in accordance with the Corporation Tax Law. For buildings acquired after April 1, 1998, the straight line method is applied due to change of Corporation Tax Law.

Oversea companies Property, plant and equipment are depreciated over estimated useful life on the straight line method.

E: Intangible assets

Domestic companies Intangible assets are amortized over estimated useful life on the straight line method. The conventional accounting method is continuously applied for Companies-owned software which is exclusively employed in-house in accordance with "Guidance for accounting method on research and development cost and software - Japan Certified Public Accountant Association Code No.12." Such costs are previously included in the section of "Investments". From the current period, account "Software" is included in the section of "Intangible assets", and is amortized over an estimated useful life (5 years) and are valued at cost.

Oversea companies Intangible assets are amortized over estimated useful life on the straight line method

F: Long-term prepaid expenses

Domestic & Oversea companies Long-term prepaid expenses are amortized over estimated useful life on the straight line method.

G: Leases

Domestic companies Finance lease transactions, unless the ownership is transferred to the lessee, are accounted for in the same manner as operating leases.

Oversea companies Leases which meet certain criteria are capitalized in accordance with lease accounting in the countries where the company is located.

H: Consumption tax

Domestic companies only Consumption tax(including local consumption) received and paid are netted in the consumption tax payable.

I: Retirement and severance benefits

Domestic companies only The Companies changed its accounting method for past service costs from a cash basis to an accrual basis from the last fiscal year, except Itoen-sangyo, Ltd which launched at the beginning of the current period. Taking into account large-scale hiring projections based on employment plans for the future, along with negative influence of lower interests rates on pension funds over the long-term, this change points to an inclination to treat past service costs in a manner more suitable for the financial statements in there entirety.

J: Deferred income taxes

Effective May 1, 1996, deferred income taxes relating to book and tax temporary differences were recorded.

K: Foreign currency transaction

Effective May 1, 1996, the Company adopted new standard of accounting for translation of foreign statements. This new standard requires that the financial statements of foreign consolidated subsidiaries are translated into Japanese yen on the bases of the fiscal year-end rates. The average rates for the years are used for translation of income and expenses for the year.

5. Segment information (Figures are rounded down to the nearest million yen.)

A: Business segment information

	Millions of yen					
	Six-month ended 10/31/1998					
	Tea leaves	Beverages	Others	Total	Elimination or Corporate	Consolidated
Net sales:						
(1) Outside	12,491	70,009	866	83,366	-	83,366
(2) Intersegment	-	-	-	-	-	-
Total net sales	12,491	70,009	866	83,366	-	83,366
Operating expenses	10,516	59,432	893	70,842	5,904	76,746
Operating income(loss)	1,975	10,576	(27)	12,524	(5,904)	6,620
Identifiable assets	14,117	38,432	706	53,256	26,516	79,772
Depreciation and amortization	127	216	6	350	194	545
Capital expenditures	239	530	14	784	58	843

	Millions of yen					
	Six-month ended 10/31/1999					
	Tea leaves	Beverages	Others	Total	Elimination or Corporate	Consolidated
Net sales:						
(1) Outside	12,862	78,771	1,772	93,407	-	93,407
(2) Intersegment	-	-	-	-	-	-
Total net sales	12,862	78,771	1,772	93,407	-	93,407
Operating expenses	11,111	65,941	1,852	78,905	6,832	85,738
Operating income(loss)	1,750	12,830	(80)	14,501	(6,832)	7,668
Identifiable assets	16,979	58,211	986	76,178	27,601	103,779
Depreciation and amortization	99	202	7	308	180	489
Capital expenditures	707	1,088	23	1,819	34	1,854

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of these business segments: Tea leaves group, beverages group, and other. Tea leaves group deal with products which relate to green tea leaves, oolong tea leaves and other tea leaves. Beverages group operates in products which relate to green tea, oolong tea, other tea and coffee. Operations of other group involve merchandise and products other than those included in tea leaves and beverages groups.

¥6,832 million(10/31/1999), ¥5,904 million(10/31/1998) of unallocatable operating expenses such as advertisement and administrative operating expenses of the Company are included in "elimination or corporate".

¥27,601 million(10/31/1999), ¥26,516 million(10/31/1998) of corporate assets consisting primarily of represent cash, marketable securities, investments in securities and administrative properties are included in "elimination or corporate".

"Capital expenditures" include long-term prepaid expenses, and "depreciation and amortization" include amortization of long-term prepaid expenses.

B: Geographic segment information and overseas sales

Geographic segment information and overseas sales are not disclosed due to immateriality of those information to the consolidated financial statements.

6. Subsequent events

There are no significant subsequent events that have an effect on the consolidated financial statements.