

# ITO EN, LTD.

December 2, 1999  
 Ito En, Ltd. ( Securities Number : 2593 )  
 47-10 Honmachi 3-chome Shibuya-ku, Tokyo  
 Contact: Junichi Oda  
 Senior Managing Director  
 Phone : +81-3-5371-7202

**For Immediate Release**

## NON-CONSOLIDATED FINANCIAL RESULTS

for the six-month period ended October 31, 1999

1. Date of the Board of Directors' Meeting for the semi-annual results held : December 2, 1999  
 2. Date of semi-annual dividends payable : January 14, 2000

( 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	92,080	12.5%	7,347	22.9%	7,127	24.4%
10/31/1998	81,883	14.5%	5,978	11.2%	5,730	12.2%
4/30/1999	153,957		12,507		11,677	

  

	Net income	Percentage change	Net income per share	Accounting standards
	Millions of yen		Yen	Accounting standards for the preparation of semi-annual statements
10/31/1999	3,989	55.8%	87.48	
10/31/1998	2,560	27.4%	56.80	
4/30/1999	5,444		120.07	

(Notes): Average number of shares issued 10/31/99: 45,606,190; 10/31/98: 45,087,486; 4/30/99: 45,344,706

### (2) Cash dividends

	Semi-annual dividend per share	Annual dividend per share
10/31/1999	¥ 17.5	-
10/31/1998	¥ 15.0	-
4/30/1999	-	¥35.00

### (3) Financial Position

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity per share
	Millions of yen	Millions of yen		Yen
10/31/1999	103,608	42,960	41.5%	941.99
10/31/1998	79,022	37,441	47.4%	820.98
4/30/1999	83,599	39,945	47.8%	875.87

(Notes): 1. Number of common stock issued is as below

	10/31/1999	10/31/1998	4/30/1999
	45,606,190	45,606,190	45,606,190

(Common stock with par value is traded in the unit of 100 shares.)

2. Difference between the market value and the book value of marketable securities, and derivative transactions as of 10/31/99:  
 ( Marketable securities 2,056 million yen of unrealized gain. )  
 ( Derivative transaction - million yen. )

### 3. Projected non-consolidated business results for the year ending April 30, 2000 (May 1, 1999 - April 30, 2000)

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

	Net Sales	Operating income	Ordinary income	Net income	Annual dividends per share
(Year ending)	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
4/30/2000	172,500	13,700	13,100	7,000	35.00

(Reference): Projected net income per share for the year ending 4/30/2000 is 153.49 yen.

# 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 Operation Results

### (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 12.5% increase in non-consolidated net sales for the first half of fiscal 2000, to ¥92.0 billion. Net income advanced 55.8%, to ¥3.9 billion.

As to cash flows, at October 31, 1999, cash flows from operating activities stood at ¥3.5 billion, an increase of ¥10.5 billion from the previous corresponding period. Cash used in investing activities was ¥1.3 billion, an increase of ¥70.0 million from the previous mid-year, and cash used in financing activities was ¥1.9 billion, down of ¥5.0 billion from the previous mid-year. Total cash and cash equivalents increased ¥9.7 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 ¥12.7 billion in the first half, an increase of 3.8%.

#### *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 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. Sales in the green tea beverages category increased to ¥37.3 billion, a 20.6% up from the previous mid-year.

In oolong tea operations, although sales of *Kaori Kirei Jasmine Cha* expanded, demand for Ito En's canned oolong tea beverages was sluggish. For this reason, sales in this category slipped 6.6%, to ¥8.4 billion.

Sales of vegetable juices benefited from the popularity of newly reinforced *Jujitsu Yasai* (Vegetable Galore) and *Midori no Yasai* (Green Vegetables) brands, which led to a 12.6% advance in sales, to ¥13.5 billion.

Sales of fruit juices also steadily increased, owed mainly to the popularity of our *Mi no Aru Kajitsu* (Tasty Fruits) series, and introduction of a variety of fresh flavors matched to individual seasons. Fruit juice sales expanded a steady 10.0%, to ¥6.6 billion.

Coffee beverages performed well, primarily because Ito En significantly increased the number of vending machines throughout Japan and demand for canned demitasse coffee increased. These and other efforts to improve product quality and expand our lineup contributed to a 2.1% rise in sales, to ¥5.2 billion.

In other categories, sales of black tea beverages amounted to ¥2.1 billion, a 4.4% increase, while carbonated beverage sales advanced 23.3%, to ¥1.6 billion, and other beverage sales rose 15.3%, to ¥2.6 billion.

As a result of these sales activities mentioned above, overall sales of a Beverages Division increased to ¥77.7 billion, a 12.8% up from the previous mid-year.

### **(3) Capital investment and fund procurement**

Capital investment by Ito En amounted to ¥1.5 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.

### **(4) Dividends**

The Board of Directors of Ito En has approved a midterm dividend of ¥ 17.5 including special dividend of ¥ 2.5 per share of common stock.

## **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 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 ¥172.5 billion, a 12.0% rise. Ordinary income is seen advancing 12.2%, to ¥13.1 billion, while net income for the year is anticipated to increase 28.6%, to ¥7.0 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 ¥50 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.

# Non-Consolidated Balance Sheets (Unaudited)

( As of October 31, 1999 and 1998 )

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

ASSETS	Millions of yen		
	1999	1998	April 30, 1999
<b>Current assets:</b>	<b>68,203</b>	<b>46,512</b>	<b>49,918</b>
Cash and deposits	15,437	6,445	15,676
Notes receivable-trade	3,181	3,621	1,953
Accounts receivable-trade	18,727	15,203	11,343
Treasury stock	-	3	-
Inventories	14,751	12,990	12,234
Accounts receivable-other	13,895	6,370	6,665
Advances or loans to subsidiaries	868	1,425	1,075
Deferred income taxes	672	-	472
Others	721	592	606
Allowance for doubtful accounts	(51)	(138)	(109)
<b>Fixed Assets:</b>	<b>35,404</b>	<b>32,509</b>	<b>33,681</b>
Property, plant and equipment	22,643	21,157	21,410
Buildings and structures	8,234	7,341	7,479
Land	12,904	12,718	12,718
Construction in progress	646	276	411
Others	858	820	800
Intangible assets	587	159	159
Software	425	-	-
Others	162	159	159
Investments and other assets	12,173	11,193	12,111
Investments in securities	2,727	2,410	2,739
Investments in subsidiaries	3,376	3,292	3,338
Deposits and guarantee money paid	2,595	2,320	2,515
Deferred income taxes	359	-	320
Others	3,134	3,180	3,201
Allowance for doubtful accounts	(20)	(11)	(4)
<b>TOTAL ASSETS</b>	<b>103,608</b>	<b>79,022</b>	<b>83,599</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>	<b>49,779</b>	<b>27,524</b>	<b>30,717</b>
Accounts payable	33,530	15,634	16,269
Short-term borrowings	3,740	1,240	2,670
Income taxes payable	3,491	2,452	3,809
Enterprise taxes payable	-	692	-
Consumption taxes payable	503	585	700
Accrued expenses	5,436	4,664	5,068
Accrued bonuses	2,197	1,975	1,723
Others	880	279	475
<b>Non-current liabilities:</b>	<b>10,868</b>	<b>14,056</b>	<b>12,936</b>
Long-term debt	9,345	12,935	11,435
Long-term accounts payables	149	-	252
Retirement and severance benefits	380	335	354
Retirement benefits for directors and statutory corporate auditors	968	759	868
Others	25	26	25
<b>TOTAL LIABILITIES</b>	<b>60,647</b>	<b>41,580</b>	<b>43,654</b>
<b>Common stock</b>	<b>12,655</b>	<b>12,655</b>	<b>12,655</b>
<b>Additional paid-in capital</b>	<b>13,002</b>	<b>13,002</b>	<b>13,002</b>
Legal reserve	950	782	850
<b>Retained earnings:</b>	<b>16,352</b>	<b>11,001</b>	<b>13,436</b>
Reserve for deferred gain on sale of property	506	881	513
General reserve	10,036	6,736	6,736
Unappropriated retained earnings	5,809	3,384	6,187
(including net income for the year)	(3,989)	(2,560)	(5,444)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>42,960</b>	<b>37,441</b>	<b>39,945</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>103,608</b>	<b>79,022</b>	<b>83,599</b>

## Non-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
<b>Operating income and expenses:</b>			
Net sales	92,080	81,883	153,957
Cost of sales	49,557	44,723	81,883
Selling, general and administrative expenses	35,175	31,181	59,566
<b>OPERATING INCOME</b>	<b>7,347</b>	<b>5,978</b>	<b>12,507</b>
<b>Non-operating income and expenses:</b>			
<b>Non-operating income;</b>	<b>89</b>	<b>206</b>	<b>328</b>
Interest and dividend income	50	109	146
Others	38	97	181
<b>Non-operating expenses;</b>	<b>309</b>	<b>454</b>	<b>1,157</b>
Interest expenses	115	162	279
Loss on disposal of obsolete inventories	124	159	664
Others	69	133	214
<b>ORDINARY INCOME</b>	<b>7,127</b>	<b>5,730</b>	<b>11,677</b>
<b>Extraordinary income and expenses:</b>			
<b>Extraordinary income;</b>	<b>58</b>	-	<b>336</b>
Gain on sales of investments in securities	-	-	317
Reversal of allowance for doubtful accounts	58	-	19
<b>Extraordinary expenses;</b>	<b>36</b>	<b>780</b>	<b>946</b>
Loss on sales and disposal of fixed assets	6	54	57
Loss on revaluation of investments in securities	30	477	72
Loss on sales of investments in securities	-	-	13
Retirement and severance benefits	-	188	188
Prior service cost of retirement benefits for directors and statutory corporate auditors	-	59	118
Amortization of past service pension funds	-	-	495
<b>INCOME BEFORE INCOME TAXES</b>	<b>7,149</b>	<b>4,950</b>	<b>11,068</b>
Income taxes-current	-	2,389	-
Income taxes-current and enterprise taxes	3,398	-	6,112
Income taxes-deferred	(238)	-	(489)
<b>NET INCOME</b>	<b>3,989</b>	<b>2,560</b>	<b>5,444</b>
Retained earnings brought forward	1,819	823	823
Recognition of past deferred taxes	-	-	303
Reversal of reserves for future deferred income taxes related to fixed assets	-	-	368
Mid-term dividends	-	-	684
Transfer of retained earnings to legal reserve related to midterm dividends	-	-	68
<b>UNAPPROPRIATED RETAINED EARNINGS</b>	<b>5,809</b>	<b>3,384</b>	<b>6,187</b>

## Notes to semi-annual financial statements

### 1. Significant accounting policies for semi-annual financial statements

- 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  
Provision for retirement and severance benefits is recorded a half of the estimated annual provision.
  - 3) Retirement benefits for directors and statutory corporate auditors  
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 at 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: Inventories are stated at cost determined by the average method.
- C: Listed securities other than securities of subsidiaries and affiliated companies are valued at the lower of either the moving average cost method or market value at the semi-annual end. Other(unlisted) securities are valued at cost based on the moving average method.
- D: Property, plant and equipment, intangible assets and long-term prepaid expenses are depreciated and amortized in accordance with the Corporation Tax Law as below:
- Property, plant and equipment: declining balance method  
For buildings(excluding accompanying equipment), acquired after April 1, 1998, the straight line method is applied.
  - Intangible assets: straight line method  
The conventional accounting method is continuously applied for Company-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 is valued at cost minus accumulated amortization.
  - Long-term prepaid expenses: straight line method
- E: Finance lease transactions, unless the ownership is transferred to the lessee, are accounted for in the same manner as operating leases.
- F: Allowance for doubtful accounts  
Allowance for doubtful accounts is a sum of the calculated maximum amount deductible for tax purposes in accordance with the Corporation Tax Law and the amounts estimated according to the collectibility of individual accounts.
- G: Accrued bonus is recorded as an estimate for the future payment to employees.
- H: Consumption tax(including local consumption tax) received and paid are netted in the consumption tax payable.
- I: Retirement and severance pension plan  
Effective the last fiscal year, the Company changed its accounting method for past service costs from a cash basis to an accrued basis. 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: Enterprise taxes were formerly included in the section of "Selling, general and administrative expenses". Effective the current period, enterprise tax is counted in the section of "Income taxes and enterprise taxes". This accounting change results in an increase of ¥712 million for operating income, ordinary income and income before income taxes.  
At the same time, enterprise tax payable and business tax payable which were both included in the account of "enterprise taxes payable" on the financial statement as of each six-month period ended October 31, are now recorded separately in the accounts "Income taxes payable" and "Accrued expenses", respectively, from the current period. As a result, these accounts increased by ¥712 million and ¥29 million, respectively.
- K: Deferred income tax accounting is applied for the current semi-annual period to make tax expenses related to operation results for financial accounting purposes. The effect of this accounting change results in an increase of total assets, net income and unappropriated retained earnings by ¥1,032 million, ¥238 million and ¥238 million, respectively.

## 2. Notes to balance sheets ( Figures are rounded down to the nearest million yen )

A: Receivables from and payables to subsidiaries	(Millions of yen)		
	10/31/1999	10/31/1998	4/30/1999
Short-term receivable	1,307	1,729	1,307
Short-term payable	982	380	378
<b>B: Details of accounts receivable-other</b>	<b>(Millions of yen)</b>		
	10/31/1999	10/31/1998	4/30/1999
Inventories provided to out-side suppliers	13,826	6,223	6,513
Others	69	147	152
<b>Total</b>	<b>13,895</b>	<b>6,370</b>	<b>6,665</b>
<b>C: Accumulated depreciation</b>	<b>(Millions of yen)</b>		
	10/31/1999	10/31/1998	4/30/1999
Accumulated depreciation	7,218	6,570	6,905
<b>D: Significant assets and liabilities denominated in foreign currencies</b>	<b>(Millions of yen)</b>		
	<u>10/31/1999</u>	<u>10/31/1998</u>	<u>4/30/1999</u>
Investments in subsidiaries	3,013	3,013	3,013
	(US\$21,540 thousand)	(US\$21,540 thousand)	(US\$21,540 thousand)
Investments in subsidiaries	184	184	184
	(AU\$2,200 thousand)	(AU\$2,200 thousand)	(AU\$2,200 thousand)
<b>E: Significant leased assets</b>	The company leased certain assets such as automobiles, shop equipment and vending machines.		
<b>F: Treasury stocks</b>			
	<u>10/31/1999</u>	<u>10/31/1998</u>	<u>4/30/1999</u>
Number of treasury stocks (shares)	78	745	95
Balance sheet amount (millions of yen)	-	3	-
<b>G: Issuance of common stock resulting from conversion of convertible bonds</b>	<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>
Number of stock issued (thousand of shares)	-	723	723
Increase in common stock (millions of yen)	-	865	865
<b>H: Period-end balance of notes and accounts receivable and accounts payable included in the balance sheet due to the holiday of the period-end and financial institutions' business close. (Millions of yen)</b>			
	<u>10/31/1999</u>	<u>10/31/1998</u>	<u>4/30/1999</u>
Notes receivable	1,032	943	-
Accounts receivable-trade	5,492	3,816	-
Accounts receivable-other	5,439	-	-
<b>TOTAL</b>	<b>11,963</b>	<b>4,760</b>	<b>-</b>
Accounts payable	13,704	-	-
<b>TOTAL</b>	<b>13,704</b>	<b>-</b>	<b>-</b>

## 3. Notes to statements of income ( Figures are rounded down to the nearest million yen.)

A: Transactions with subsidiaries	(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>
Sales	1,062	1,115	1,933
Purchase	6,072	2,190	4,632
Non-operating transactions	30	75	87
Supply of inventories	1,065	610	1,047
<b>B: Depreciation and amortization</b>	<b>(Millions of yen)</b>		
	<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>
Property, plant and equipment	341	340	709
Intangible assets	42	-	-
Investments	21	116	244
<b>TOTAL</b>	<b>406</b>	<b>456</b>	<b>954</b>

#### 4, Finance 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.

	(Millions of yen)			
	Machines & Equipment	Vehicle	Tools & Furniture	Total
Purchase price equivalents	995	6,029	25,601	32,626
Accumulated depreciation equivalents	761	2,858	11,331	14,951
Book value equivalents	234	3,171	14,270	17,675

	(Millions of yen)		
	10/31/1999	10/31/1998	4/30/1999
Due within one year	6,149	5,514	5,767
Due after one year	12,210	11,463	11,526
<b>TOTAL</b>	<b>18,360</b>	<b>16,978</b>	<b>17,293</b>

	(Millions of yen)		
	Six-month period ended		Year ended
	10/31/1999	10/31/1998	4/30/1999
Lease payments	3,635	3,151	6,596
Depreciation equivalents	3,157	2,683	5,694
Interest expense equivalents	449	477	873

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.

#### 5, Breakdown of sales by segment ( Figures are rounded down to the nearest million yen.)

SEGMENT	Millions of yen		
	Six-month period ended		Year ended
	10/31/1999	10/31/1998	4/30/1999
<b>Tea leaves:</b>			
Green tea leaves	10,518	10,518	24,360
Oolong tea leaves	940	880	1,669
Others	1,251	844	1,525
<b>SUB TOTAL</b>	<b>12,710</b>	<b>12,243</b>	<b>27,555</b>
<b>Beverages:</b>			
Green tea beverages	37,395	30,996	57,198
Oolong tea beverages	8,405	8,997	15,045
Vegetable beverages	13,524	12,006	21,600
Fruit beverages	6,657	6,054	8,985
Coffee beverages	5,242	5,134	10,706
Black tea beverages	2,191	2,098	4,278
Carbonated beverages	1,670	1,354	1,990
Others	2,617	2,270	4,987
<b>SUB TOTAL</b>	<b>77,704</b>	<b>68,913</b>	<b>124,793</b>
Other products	1,139	184	425
<b>TOTAL PRODUCTS</b>	<b>91,555</b>	<b>81,341</b>	<b>152,774</b>
Merchandise	525	541	1,182
<b>TOTAL NET SALES</b>	<b>92,080</b>	<b>81,883</b>	<b>153,957</b>

## 6. Market value information of securities and derivative transactions

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

### A: Market value information of securities

	Millions of yen								
	10/31/1999			10/31/1998			4/30/1999		
	Book Value	Market Value	Unrealized gains/ losses	Book Value	Market Value	Unrealized gains/ losses	Book Value	Market Value	Unrealized gains/ losses
Current assets:									
Equity Stock	-	-	-	3	3	-	-	-	-
Bonds	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fixed assets:									
Equity Stock	2,563	4,619	2,055	2,216	2,391	174	2,545	3,186	640
Bonds	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>SUB TOTAL</b>	<b>2,563</b>	<b>4,619</b>	<b>2,055</b>	<b>2,216</b>	<b>2,391</b>	<b>174</b>	<b>2,545</b>	<b>3,186</b>	<b>640</b>
<b>TOTAL</b>	<b>2,563</b>	<b>4,619</b>	<b>2,056</b>	<b>2,220</b>	<b>2,394</b>	<b>174</b>	<b>2,545</b>	<b>3,186</b>	<b>641</b>

(1) Computation of market value

- a: Listed securities the closing price mainly at the Tokyo Stock Exchange  
b: Over-the-counter securities the latest transaction price announced by the Japan Securities Dealers Association  
c: Unlisted fund trust standard price

(2) Stock in the current assets section includes treasury stock.

Estimated profit and loss is as following:

	Millions of yen		
	10/31/1999	10/31/1998	4/30/1999
Current assets	-	-	-

(3) The following securities are excluded from the table above.

	Millions of yen		
	10/31/1999	10/31/1998	4/30/1999
Unlisted stock categorized into fixed assets ( including investments in subsidiaries )	3,486 (3,322)	3,432 (3,238)	3,478 (3,286)

### B: Derivative transactions

Direction of forward contracts/ foreign currency	Millions of yen								
	10/31/1999			10/31/1998			4/30/1998		
	Contracted price (Over one year)	Period-end valuation in yen	Unrealized gains/ losses	Contracted price (Over one year)	Period-end valuation in yen	Unrealized gains/ losses	Contracted price (Over one year)	Period-end valuation in yen	Unrealized gains/ losses
Contracts to buy U.S. Dollar	-	-	-	27	26	(1)	5	5	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>26</b>	<b>(1)</b>	<b>5</b>	<b>5</b>	<b>-</b>

(Notes):

- a. Forward contract rates are applied to the period-end valuation.  
b. Hedged foreign currency denominated transactions related to assets and liabilities, if all of their future foreign currency exposures are converted into yen by forward contracts and such yen amounts are presented on the balance sheets, are excluded from the table above.

## Non-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
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes for the period	7,149	4,950	11,068
Adjustments to reconcile net income to net cash provided by(used in) operating activities:			
Depreciation and amortization	406	456	954
Gain on sales of investments in securities	-	-	(318)
Loss on sales of fixed assets	6	54	57
Loss on revaluation of investments in securities	30	477	72
Loss on sales of investments in securities	-	-	13
Amortization of past service pension costs	-	-	495
Allowance for doubtful accounts	(42)	9	(26)
Allowance for accrued bonuses	474	436	185
Provision for retirement and severance benefits	25	209	228
Retirement benefits for directors and statutory corporate auditors	100	108	216
Interests and dividends receivable	(50)	(109)	(146)
Interest expenses	115	162	279
Bonuses paid to directors and statutory corporate auditors	(62)	(63)	(63)
Notes and accounts receivable	(8,612)	(5,032)	494
Inventories	(2,516)	(1,886)	(1,130)
Other current assets	(7,337)	(477)	(798)
Other non-current assets	(94)	27	(127)
Notes and accounts payable	17,260	(2,774)	(2,139)
Consumption tax payable	(197)	(266)	(151)
Other current liabilities	772	(684)	(263)
Other non-current liabilities	(103)	-	-
<b>Subtotal</b>	<b><u>7,324</u></b>	<b><u>(4,402)</u></b>	<b><u>8,900</u></b>
Interests and dividends income received in cash	51	112	150
Interests expenses paid in cash	(123)	(181)	(286)
Income tax paid in cash	(3,717)	(2,551)	(5,675)
<b>Net Cash provided by(used in) Operating Activities</b>	<b><u>3,535</u></b>	<b><u>(7,023)</u></b>	<b><u>3,088</u></b>
<b>Cash Flows from Investing Activities:</b>			
Reversal for time deposits	-	(690)	(810)
Reversal from time deposits	500	990	1,400
Acquisition of investments in securities	(20)	(44)	(1,344)
Sales of investments in securities	-	-	1,680
Acquisition of tangible and intangible assets, and long-term prepaid expenses	(1,795)	(671)	(1,477)
Acquisition of investments in subsidiaries	(36)	(61)	(120)
Collection of loans to subsidiaries	207	(340)	10
Acquisition of golf memberships	(201)	(465)	(465)
Sales of golf memberships	4	15	16
<b>Net Cash used in Investing Activities</b>	<b><u>(1,342)</u></b>	<b><u>(1,268)</u></b>	<b><u>(1,109)</u></b>
<b>Cash Flows from Financing Activities</b>			
Net decrease in short-term borrowings	-	(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	-	-	2
<b>Net Cash (used in) provided by Financing Activities</b>	<b><u>(1,932)</u></b>	<b><u>3,078</u></b>	<b><u>2,327</u></b>
<b>Net Increase (decrease) in Cash</b>	<b>260</b>	<b>(5,213)</b>	<b>4,307</b>
<b>Cash and cash equivalents at Beginning of Year</b>	<b><u>15,176</u></b>	<b><u>10,869</u></b>	<b><u>10,869</u></b>
<b>Cash and cash equivalents at End of Year</b>	<b><u>15,437</u></b>	<b><u>5,655</u></b>	<b><u>15,176</u></b>
<b>Supplemental Cash Flow Information</b>			
Non-cash transaction			
Conversion of convertible bonds into common stock	-	1,730	1,730
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	15,437	6,445	15,676
Time deposits with maturities more than three months	-	(790)	(500)
Cash and cash equivalents at end of periods	<u>15,437</u>	<u>5,655</u>	<u>15,176</u>

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